Financial Review

Q3 2011

Primaris

Retail Real Estate
Investment Trust

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Primaris
Retail Real Estate
Investment Trust

We are focused on our long-term strategy of owning and managing Canadian regional enclosed shopping centres that are dominant in their primary trade areas.

John Morrison
President and Chief Executive Officer

Primaris' portfolio of 32 shopping centres generated positive growth in net operating income and funds from operations in Q3 2011. Net operating income for the third quarter ended September 30, 2011 was $55.3 million, an increase of $10 million from the third quarter of 2010 (all amounts for 2010 have been restated under IFRS). Funds from operations for the third quarter ended September 30, 2011 were $29.3 million, up $5.5 million from the third quarter of 2010. Although the growth rates have not met our expectations, the reason for this is apparent to us.

Across Canada, a higher than usual number of retailers have pursued some form of insolvency or restructuring protection and this has affected our growth in net operating income and funds from operations. We have experienced this before. In a cyclical economy, from time to time a re-balancing takes place in the retail sector when struggling retailers are unable to remain competitive. Shopping centres experience a disruption in occupancy levels while the insolvent retailers go through necessary proceedings before we can legally place new tenants into the vacant space. Our leasing professionals use these opportunities to bring in new brands and re-merchandise our centres to make them more attractive to shoppers. For example, as a result of tenant insolvencies, we were able to recently introduce an Old Navy store at Park Place in Lethbridge and a Gymboree at Oakville Place.

Additionally, we are continually re-developing and upgrading our shopping centres to accommodate the needs of new tenants. Delivering customized space for new retailers can result in an additional occupancy gap. At Grant Park Shopping Centre in Winnipeg, the Manitoba Liquor Control Commission store is undergoing a significant expansion that has inspired other key tenants to upsize as well. This fall, a new Best Buy store is being launched at Orchard Park Mall in Kelowna. The new H&M store that opened at Cataraqui Centre in October was an overwhelming success with opening sales well exceeding expectations.

I know how important it is to continually revitalize our shopping centres. Our ability to monitor the sales of most tenants is one of our competitive advantages. We know which tenants are experiencing declines or increases in sales. This contributes to the master planning process that we conduct for each property. We continue to have our operations, development and leasing teams work together to plan for replacement tenants and potential expansions with the knowledge that there will be short term impacts on net operating income and funds from operations as we work through these changes.

We continue to pay an attractive and stable monthly distribution to investors of $1.21 per unit (annualized). This is reassuring to those seeking some predictability in their returns when the global economy is experiencing such uncertainty.

John Morrison
President and Chief Executive Officer

Management's discussion and analysis of financial condition and results of operations

(in thousands of dollars, except per unit and square foot amounts)

For the three and nine month periods ended September 30, 2011

Primaris Retail Real Estate Investment Trust ("Primaris") has prepared the following discussion and analysis of financial condition and results of operations ("MD&A"), which should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes prepared for the three and nine month periods ended September 30, 2011 and 2010.

The MD&A is dated November 8, 2011. Disclosure contained in this document is current to that date, unless otherwise noted.

Primaris owns, manages, leases and develops retail properties in Canada. These properties are typically mid-market retail centres in major cities or major retail centres in secondary cities and dominant in their primary trade areas. The portfolio's focus to date has been predominantly enclosed shopping centres. Primaris also acquires complementary real estate in its target markets.

FORWARD-LOOKING INFORMATION

The MD&A contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements are related to, but not limited to, Primaris' operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

In particular, certain statements in this document discuss Primaris' anticipated outlook of future events. These statements include, but are not limited to:

(i) the accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;

(ii) reinvesting to make improvements and maintenance to existing properties, which could be impacted by the availability of labour and capital resource allocation decisions;

(iii) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Primaris' properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Primaris locations;

(iv) overall indebtedness levels, which could be impacted by the level of acquisition activity Primaris is able to achieve and future financing opportunities;

(v) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;

(vi) anticipated distributions and payout ratios, which could be impacted by seasonality of capital expenditures, results of operations and capital resource allocation decisions;

(vii) the effect that any contingencies would have on Primaris' financial statements;

(viii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and

(ix) the development of properties which could be impacted by real estate market cycles, the availability of labour and general economic conditions.

Although the forward-looking statements contained in this document are based on what management of Primaris believes are reasonable assumptions, forward-looking statements involve significant risks and uncertainties. They should not be read as guarantees of future performance or results and will not necessarily be an accurate indicator of whether or not such results will be achieved. Readers are

cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results to differ from targets, expectations or estimates expressed in the forward-looking statements. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include: a less robust retail environment; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program and to enable Primaris to refinance debts as they mature and the availability of purchase opportunities for growth.

Except as required by applicable law, Primaris undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

BASIS OF PRESENTATION

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") would replace Canadian generally accepted accounting principles ("GAAP"), for Canadian publically accountable profit-oriented enterprises, effective for fiscal periods beginning on or after January 1, 2011. Financial data provided in the MD&A, for three and nine month periods ended September 30, 2011 and June 30, 2010, have been prepared in accordance with IFRS. Where material, reconciliations between Canadian GAAP and IFRS values are reported in the notes to the financial statements.

NON-IFRS/GAAP FINANCIAL MEASURES

Funds from operations ("FFO"), net operating income ("NOI") and earnings before interest, taxes, depreciation and amortization ("EBITDA") are widely used supplemental measures of a Canadian real estate investment trust's performance and are not defined under IFRS. Management uses these measures when comparing itself to industry data or to others in the marketplace. The MD&A describes FFO, NOI and EBITDA and provides reconciliations to net income as defined under IFRS. FFO, NOI and EBITDA should not be considered alternatives to net income or other measures that have been calculated in accordance with IFRS and may not be comparable to measures presented by other issuers.

BUSINESS OBJECTIVES AND OVERVIEW

Primaris is an unincorporated, open-ended real estate investment trust created in 2003 pursuant to its Declaration of Trust, as amended and restated. Primaris is governed by the laws of Ontario. The units and four series of convertible debentures of Primaris trade on the Toronto Stock Exchange under the symbols PMZ.UN, PMZ.DB, PMZ.DB.A, PMZ.DB.B and PMZ.DB.C, respectively.

Primaris' vision is to be the leading enclosed shopping centre REIT in Canada. The objectives of Primaris are:

- to generate stable and growing cash distributions;
- to enhance the value of Primaris' assets and maximize long-term unit value; and
- to expand the asset base of Primaris and increase its funds from operations through an accretive acquisition program.

Primaris' results have been consistent with these objectives. Key performance indicators for Primaris include operational results both at the properties and for Primaris in the aggregate.

	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Unit price at period end	**$ 20.50**	$ 21.05	$ 21.30	$ 19.54
Distributions	**$ 25,203**	$ 22,557	$ 21,130	$ 20,821
Funds from operations [1]	**$ 29,287**	$ 21,806	$ 25,018	$ 28,956
Funds from operations per unit diluted [1]	**$ 0.349**	$ 0.304	$ 0.352	$ 0.405
Occupancy (including committed space)	**96.5%**	95.7%	96.3%	97.1%
Tenant sales per square foot – same- property sales [2]	**$ 453**	$ 454	$ 451	$ 443
Interest Coverage [3]	**2.2**	2.2	2.2	2.4
Mortgages – weighted average term to maturity	**6.0 Years**	6.3 Years	6.3 Years	6.0 Years
Mortgages – weighted average interest rate	**5.4%**	5.5%	5.6%	5.7%
Indebtedness – % at fixed interest rates	**99.6%**	99.4%	100.0%	99.3%

[1] *The reconciliation of FFO to net income is disclosed on page 18.*

[2] *Tenant sales are reported on a one-month time lag during interim quarters; Q3 is 12 months to August 2011, Q2 is 12 months to May 2011, Q1 2011 is 12 months to February 2011, and Q4 is the 12 months to December 31, 2010.*

[3] *Interest coverage is calculated under Liquidity and Captial Resources. This measure is not defined under IFRS.*

Primaris' business currently depends materially on two types of contracts:

1. lease agreements, which generate the revenues and put substantially all of the risk of variable operating expenses with the tenants; and
2. loan agreements, which determine both interest expense, using fixed or variable rates, and loan principal repayments.

The portfolio occupancy rate is relatively stable. It was 96.5% at September 30, 2011, compared to 95.7% at June 30, 2011, and 97.0% at September 30, 2010. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

For the 15 reporting properties owned throughout both the twelve month periods ended August 31, 2011 and 2010, sales per square foot, on a same-tenant basis, have decreased slightly to $453 from $455 per square foot. For the same 15 properties the total tenant sales volume has increased 0.1%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
	2011	2010	$	%	**2011**	2010	$	%
Dufferin Mall	**560**	557	3	0.3%	**89,567**	89,776	(209)	-0.2%
Eglinton Square	**359**	357	2	0.5%	**29,139**	27,024	2,115	7.8%
Heritage Place	**306**	313	(7)	-2.0%	**25,817**	25,269	548	2.2%
Lambton Mall	**338**	345	(7)	-2.0%	**46,793**	47,888	(1,095)	-2.3%
Place d'Orleans	**467**	473	(6)	-1.3%	**107,047**	108,556	(1,509)	-1.4%
Place Du Royaume	**411**	404	7	1.7%	**114,655**	110,951	3,704	3.3%
Place Fleur De Lys	**317**	316	1	0.3%	**70,586**	72,594	(2,008)	-2.8%
Stone Road Mall	**525**	517	8	1.7%	**114,437**	112,091	2,346	2.1%
Aberdeen Mall	**374**	377	(3)	-0.7%	**48,537**	47,761	776	1.6%
Cornwall Centre	**515**	516	(1)	0.1%	**82,446**	79,678	2,768	3.5%
Grant Park	**495**	504	(9)	-1.7%	**27,090**	27,876	(786)	-2.8%
Midtown Plaza	**563**	562	1	0.1%	**130,945**	133,033	(2,088)	-1.6%
Northland Village	**451**	457	(6)	-1.4%	**43,795**	44,761	(966)	-2.2%
Orchard Park	**477**	487	(10)	-2.4%	**130,032**	133,582	(3,550)	-2.7%
Park Place Mall	**478**	487	(9)	-1.9%	**76,551**	75,687	864	1.1%
	453	**455**	**(2)**	**-0.3%**	**1,137,437**	**1,136,527**	**910**	**0.1%**

The same tenants' sales decreased 0.3% per square foot, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the 12 month period ended August 31, 2011, increased 3.0%. Primaris' sales productivity of $453 is lower than the ICSC average of $579, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

IMPACT OF ADOPTION OF IFRS

IFRS is based on a conceptual framework similar to Canadian GAAP; however, significant differences exist in the recognition, measurement, presentation and disclosure for certain accounting items. The adoption of IFRS had a material impact on the consolidated statements of financial position (formerly called the balance sheet) and comprehensive income (formerly called the statement of income). The net result of these changes in accounting standards on the January 1, 2010 opening financial position as calculated under IFRS as compared to the previously reported December 31, 2009 results calculated under Canadian GAAP, changed equity to $920,401, an increase of $448,984. The net effect of these changes on the December 31, 2010 closing financial position changed equity to $1,355,039, an increase of $794,232.

Impact of Adoption on Financial Position

Consolidated Statements of Financial Position December 31, 2010	As reported under Canadian GAAP	As reported under IFRS Unaudited	Effect of transition to IFRS
Assets			
Investment properties	$ 1,882,421	$ 2,804,900	$ 922,479
Leasing costs	41,494	–	(41,494)
Rents receivable	6,096	6,096	–
Other assets and receivables	31,323	11,006	(20,317)
Cash and cash equivalents	6,500	6,500	–
	$ 1,967,834	**$ 2,828,502**	**$ 860,668**
Liabilities and Equity			
Mortgages payable	$1,167,226	$ 1,103,084	$ (64,142)
Convertible debentures	163,899	196,703	32,804
Exchangeable units	–	43,325	43,325
Current portion of mortgages payable	–	61,685	61,685
Bank indebtedness	10,000	10,000	–
Accounts payable and other liabilities	59,093	51,857	(7,236)
Distribution payable	6,809	6,809	–
	1,407,027	1,473,463	66,436
Equity	560,807	1,355,039	794,232
	$ 1,967,834	**$ 2,828,502**	**$ 860,668**

The following discussion details the areas of significant change, resulting from differences between IFRS and Canadian GAAP, on the consolidated statement of financial position.

Investment Properties

IFRS defines investment property as property held by the owner, or by the lessee under a finance lease, to earn rental income, capital appreciation or both, but not property held for use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business. Assets which Primaris classified as income producing properties under Canadian GAAP qualify for inclusion as investment properties under IFRS.

Primaris elected to use the fair value model for its investment properties as part of the first time adoption of IFRS and as part of its ongoing regular reporting when preparing its financial statements under IFRS. Primaris chose the fair value approach for investment properties as management believes this is the most relevant measure as well as to be most readily comparable with its peer group of public reporting real estate entities. In addition, the magnitude of the fair value adjustment, on the opening balance of investment properties, highlights the diminished meaning of the previously disclosed net book values prepared using the historical cost basis.

As part of the first time adoption, 100% of the investment properties were externally appraised as at January 1, 2010 by independent qualified professionals. The appraisals indicated a value of investment properties of $2,541,700 as at January 1, 2010, which represents a $731,237 increment over the reported December 31, 2009 Canadian GAAP values. Altus Group appraised approximately 96% of the portfolio while Cushman Wakefield appraised one asset representing the remaining 4% of the portfolio. The portfolio included two large assets acquired in December 2009. This first time adoption valuation included these recent acquisitions at purchase price, which was very similar to the then appraised value. The external appraisers used a range of capitalization rates on the overall portfolio from a low of 6.5% to a high of 8.8%. The portfolio weighted average capitalization rate (weighted by property value) was 7.1% as at January 1, 2010. Primaris' Yonge Street assets, which represent less than 2% of the portfolio value, were appraised at a capitalization rate lower than this range reflecting, in part, the redevelopment potential of these locations. The portfolio valuation does not include Cataraqui Centre, a property acquired in August 2010.

As part of the ongoing regular reporting, valuations are performed each quarter by a combination of external appraisals and internal management valuations using a discounted cash flow model. Valuations are most sensitive to changes in discount rates. Primaris receives capitalization rate and discount rate reports on a quarterly basis from independent external appraisers to support management's decisions on discount rates used in the cash flow model. Each property will be subject to an external appraisal at least once in every three years.

The appraisal process resulted in a value of investment properties of $2,804,900 as at December 31, 2010, which represents an $807,127 increment over the Canadian GAAP reported values. Of the total December 31, 2010 value, $189,500 was externally appraised, and the balance was valued by management's internal cash flow model using discounted future cash flows. The valuation of investment property used a range of capitalization rates on the overall portfolio from a low of 6.0% to a high of 8.3%. The portfolio weighted average capitalization rate (weighted by property value) was 6.7% as at December 31, 2010. Primaris' Yonge Street assets, which represent less than 2% of the portfolio value, were appraised at a capitalization rate lower than this range reflecting, in part, the redevelopment potential of these locations.

Under IFRS, two existing land leases met the definition of a capital lease and related prepaid ground rent was reclassified to investment properties on the statement of financial position. These land leases are included in the appraisals discussed above, at their fair value.

Certain intangible assets and liabilities that arose from Canadian GAAP accounting policies around the acquisition of properties no longer meet the definitions for assets and liabilities under IFRS. Intangibles that would otherwise have been included in the carrying value of an acquisition, such as the value of in-place leasing costs and above- and below-market rents, were derecognized. At January 1, 2010, this resulted in a decrease to intangible assets of $1,349 ($1,832 at December 31, 2010) and a decrease to intangible liabilities of $9,998 ($12,288 at December 31, 2010).

Applying the fair value model to investment properties is the most substantive changes to Primaris' financial statements due to adoption of IFRS.

		Year ended December 31, 2010
Investment properties balance reported under Canadian GAAP	$	1,882,421
IFRS adjustments:		
Fair value adjustment		807,127
Depreciation and amortization expensed during the year		67,896
Reclassify leasing costs		41,494
Reclassify straight-line rents		11,023
Reclassify prepaid rent on financial land lease		5,634
Derecognize above- and below-market rents		(10,456)
Eliminate asset retirement obligation		(239)
Investment properties balance restated under IFRS (unaudited)	**$**	**2,804,900**

Leasing Costs

Amounts previously disclosed as leasing costs ($41,209 at January 1, 2010 and $41,494 at December 31, 2010) are now included as components of the fair value of investment properties. Under IFRS tenant improvement allowances and tenant inducements continue to be capitalized and the amortization is recorded as a reduction to rental revenue on the statement of comprehensive income. Certain other leasing costs continue to be capitalized under IFRS but are no longer amortized to the statement of comprehensive income.

Other Assets and Receivables

		Year ended December 31, 2010
Other assets and receivables balance reported under Canadian GAAP	$	31,323
IFRS adjustments:		
Reclassify straight-line rents		(11,023)
Derecognize above-market rent leases		(1,832)
Reversal of above-market rent amortization for the year		560
Reclassify prepaid ground rent on financial lease		(5,634)
Reversal of ground rent expense during the year		69
Reclassify interest rate buy down to liabilities		(2,457)
Other assets and receivables balance restated under IFRS (unaudited)	**$**	**11,006**

Straight-line rent receivable was reclassified from other assets as presented under Canadian GAAP to become a component of the fair value of investment properties under IFRS. At January 1, 2010, the balance of other assets decreased by $9,073 ($11,023 at December 31, 2010) as a result of this reclassification under IFRS.

Prepaid ground rent included an amount associated with the capitalized land leases. At January 1, 2010, the balance of other assets decreased by $5,634 ($5,565 at December 31, 2010) as a result of the reclassification of the leases from operating to capital under IFRS.

Mortgages Payable

There were only presentation changes with respect to mortgages payable arising from the transition from Canadian GAAP to IFRS accounting.

	Year ended December 31, 2010	
Mortgages payable balance reported under Canadian GAAP	$	1,167,226
Reclassify interest rate buy down from assets		(2,457)
Less current portion of debt presented separately		(61,685)
Mortgages payable balance restated under IFRS (unaudited)	**$**	**1,103,084**

Convertible Debentures

Under Canadian GAAP, convertible debentures were considered compound financial instruments and recorded in two components; debt and equity. Under IFRS they are no longer a compound financial instrument and the entire instrument is recorded as debt. Since the convertible debentures contain an embedded derivative, Primaris has elected to record the debt at fair value. Transaction costs that were attributable to the issuance of the convertible debentures are no longer capitalized and amortized with the convertible debentures but expensed when incurred. Convertible debentures recorded at their fair market value of $189,847 at January 1, 2010 ($196,703 at December 31, 2010) resulted in an increase of $23,386 ($32,804 increase at December 31, 2010) over Canadian GAAP presentation.

	Year ended December 31, 2010	
Convertible debentures balance reported under Canadian GAAP	$	163,899
IFRS adjustments:		
Gross up liability for portion previously recorded in equity		10,823
Expense financing costs previously capitalized		7,072
Reverse accumulated amortization on financing costs		(2,542)
Fair value adjustment		17,451
Convertible debentures balance restated under IFRS (unaudited)	**$**	**196,703**

Exchangeable Units

Under Canadian GAAP, both Primaris' trust units and exchangeable units were classified and presented as equity. Primaris' units are redeemable at the option of the holder and therefore are considered to be puttable instruments. Under IFRS, puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met. Primaris took steps to meet these requirements and can therefore account for the trust units as equity on IFRS prepared financial statements.

The exchangeable units do not meet the requirements to be accounted for as equity. Exchangeable units are accounted for as financial liabilities which are measured at fair value each reporting period with any changes in fair value recoded in profit or loss. There were 2,307,261 exchangeable units recorded at a fair market value of $37,239 as at January 1, 2010 and 2,217,261 exchangeable units recorded at a fair market value of $43,325 as at December 31, 2010. The exchangeable units were reclassified to long term liabilities from equity on the comparative statement of financial position under IFRS.

	Year ended December 31, 2010	
Exchangeable units balance reported under Canadian GAAP	$	-
IFRS adjustments:		
Reclassify exchangeable units from equity		32,820
Fair value adjustment		10,505
Exchangeable units balance restated under IFRS (unaudited)	**$**	**43,325**

Accounts Payable and Other Liabilities

Accounts payable and other liabilities was reduced by two adjustments included in investment properties as discussed previously. There was also an increase to accounts payable and other liabilities for the fair value of unit-based compensation, $342 as at January 1, 2010 and an increase of $2,309 as at December 31, 2010. Under Canadian GAAP unit-based compensation was recorded in equity at the grant value. Under IFRS the compensation is recorded as a liability at fair value because the underlying trust units into which the unit-based compensation settles are liability instruments.

		Year ended December 31, 2010
Accounts payable and other liabilities balance reported under Canadian GAAP	$	59,093
IFRS adjustments:		
Derecognize below-market rent leases		(9,306)
Eliminate asset retirement obligation		(239)
Total liability associated with unit-based compensation		2,309
Less: non-current portion of unit-based compensation		(533)
Accounts payable and other liabilities balance restated under IFRS (unaudited)	**$**	**51,324**

Deferred Tax Liability

Under both IFRS and Canadian GAAP, deferred income taxes are recorded for the temporary differences arising in respect of assets and liabilities for the periods when Primaris did not meet the REIT conditions. The deferred tax liability as at January 1, 2010 increased $221,286 from $43,000 to $264,286 under IFRS primarily due to the increased carrying values of investment properties and the tax rates applied. There is no deferred tax liability recorded at December 31, 2010 when Primaris met the REIT conditions.

Impact of Adoption on Comprehensive Income

Consolidated Statements of Comprehensive Income Three months ended September 30, 2010		As reported under Canadian GAAP (Unaudited)		As reported under IFRS (Unaudited)		Effect of transition to IFRS
Revenue:						
Minimum rent	$	49,382	$	47,325	$	(2,057)
Recoveries from tenants		28,725		28,725		-
Percentage rent		885		885		-
Parking		1,404		1,404		-
Other income		225		225		-
		80,621		78,564		(2,057)
Expenses:						
Property operating		20,217		19,729		(488)
Property taxes		14,159		14,159		-
Ground rent		311		294		(17)
General and administrative		2,438		3,584		1,146
Depreciation		16,487		331		(16,156)
Amortization		1,775		-		(1,775)
		55,387		38,097		(17,290)
Income from operation activities		25,234		40,467		15,233
Finance income		19		19		-
Finance costs		(19,328)		(34,403)		(15,075)
Fair value adjustment on investment property		-		(10,410)		(10,410)
Gain on sale of land		-		-		-
Deferred income taxes		(2,600)		(6,646)		(4,046)
Net income		3,325		(10,973)		(14,298)
Amortization of deferred net loss on cash flow hedges		59		59		-
Tax effect of deferred loss on cash flow hedges		-		(29)		(29)
Comprehensive income	**$**	**3,384**	**$**	**(10,943)**	**$**	**(14,327)**

Consolidated Statements of Comprehensive Income Nine months ended September 30, 2010	As reported under Canadian GAAP (Unaudited)	As reported under IFRS (Unaudited)	Effect of transition to IFRS
Revenue:			
Minimum rent	$ 144,791	$ 138,689	$ (6,102)
Recoveries from tenants	83,630	83,630	-
Percentage rent	1,740	1,740	-
Parking	4,388	4,388	-
Other income	857	857	-
	235,406	229,304	(6,102)
Expenses:			
Property operating	58,486	57,600	(886)
Property taxes	41,771	41,771	-
Ground rent	935	883	(52)
General and administrative	6,908	8,605	1,697
Depreciation	50,628	1,150	(49,478)
Amortization	5,118	-	(5,118)
	163,846	110,009	(53,837)
Income from operation activities	71,560	119,295	47,735
Finance costs	55	55	-
Finance income	(57,646)	(80,113)	(22,467)
Fair value adjustment on investment property	-	45,237	45,237
Gain on sale of land	74	74	-
Deferred income taxes	(3,000)	(29,822)	(26,822)
Net income	11,043	54,726	43,683
Amortization of deferred net loss on cash flow hedges	178	178	-
Tax effect of deferred loss on cash flow hedges	-	(87)	(87)
Comprehensive income	**$ 11,221**	**$ 54,817**	**$ 43,596**

The following discussion details the areas of significant change, resulting from differences between IFRS and Canadian GAAP, to the consolidated statements of comprehensive income income for the three months and nine months ended September 30, 2010.

Revenue Recognition

Due to accounting policy changes under IFRS, some of the components of revenue changed. Above- and below-market rents were derecognized from the balance sheet so there is no longer an amortization offset against revenue. Amortization of tenant improvement allowances is now recorded as reduction of revenue whereas under Canadian GAAP it was part of amortization expense. The net effects of the changes in revenue components were decreases of $2,057 and $6,102 for the three and nine months ended September 30, 2010 respectively.

	Three months September 30, 2010	Nine months September 30, 2010
Minimum rent balance reported under Canadian GAAP	$ 49,382	$ 144,791
IFRS adjustments:		
Reclassify amortization of tenant improvements	(1,464)	(4,290)
Eliminate above- and below-market leases	(593)	(1,812)
Minimum rent balance restated under IFRS (unaudited)	**$ 47,325**	**$ 138,689**

Depreciation and Amortization

Under the fair value model, depreciation and amortization of investment properties and certain leasing costs are no longer recorded. The effect of no longer recording depreciation and amortization resulted in an increase to net income of $16,467 for the three months ended September 30, 2010 and an increase of $50,306 for the nine month period.

Finance Costs

Finance costs is the new term replacing the previously used term interest expense. Under IFRS, finance costs were reduced by both accretion expense and amortization of insuing costs related to convertible debentures, because of the new standards for recording convertible debenture liabilities at fair value. The fair value adjustments on convertible debentures and exchangeable units are now recorded as part of finance costs. Additionally, finance costs include distributions paid on the exchangeable units. The net change to finance costs for the three month period ended September 30, 2010 was an increase of $15,075. The year to date increase in finance costs at September 30, 2010 is $22,467.

	Three months September 30, 2010	Nine months September 30, 2010
Finance costs balance reported under Canadian GAAP	$ (19,328)	$ (57,646)
IFRS adjustments:		
Reverse accretion of equity portion of convertible debentures	302	1,388
Reverse amortization of convertible debenture finance fees	229	831
Fair value adjustment on convertible debentures	(10,322)	(14,979)
Fair value adjustent on exchangeable units	(4,608)	(7,647)
Distributions on exchangeable units	(676)	(2,060)
Finance costs balance restated under IFRS (unaudited)	**$ (34,403)**	**$ (80,113)**

Ground Rent

Under IFRS, two existing land leases meet the definition of a capital lease and were reclassified to investment properties on the statement of financial position. Under Canadian GAAP the periodic amortization charges for these leases were expensed. Net income, under IFRS, increased by $17 for the reversal of ground rent expense for the three month period and $52 for the nine month period.

Fair Value Adjustments on Investment Properties

As a result of electing to use the fair value model to account for investment properties, periodic changes in fair value will be recorded through earnings. This could lead to increased volatility in the reported net income but will have no effect on the FFO measure as discussed below. The impact of fair value adjustments during the third quarter resulted in a decrease to net income of $10,410. The cumulative year-to-date impact of the fair value adjustments on investment properties is an increase to net income of $45,237.

Deferred Taxes

The calculations of deferred income tax at September 30, 2010 were different under Canadian GAAP and IFRS. Net income decreased by $26,822 for the nine month period ended September 30, 2010 (and $4,046 for the three month period ended) due to the difference in the deferred tax expense.

IMPACT OF ADOPTION ON NON-IFRS/GAAP MEASURES

Primaris regularly reported various measures not defined under Canadian GAAP to provide better comparisons to industry data or others in the marketplace. These measures continue to be important for Primaris reporting under IFRS, but they are not defined under IFRS. The internal definitions of the measures are discussed below.

Funds from Operations ("FFO")

The Real Property Association of Canada ("REALpac") amended its White Paper on Funds from Operations in 2010 to reflect the impact of IFRS. The following is a list of some of the new adjustments to net income which eliminate some of the non-cash items and reduce volatility of reported amounts:

- fair value adjustment on investment properties;
- fair value adjustment on convertible debentures;
- fair value adjustment on exchangeable units;
- fair value adjustment on unit-based compensation;
- distributions on exchangeable units; and
- amortization of tenant improvement allowances.

EBITDA

Primaris previously defined EBITDA as net income increased by finance costs, depreciation, amortization and income tax expense. Accounting policy changes for IFRS introduce other non-cash measures that were not historically added back to net income when calculating EBITDA. The following is a list of the adjustments to net income which eliminate non-cash items:

- fair value adjustment on investment properties;
- fair value adjustment on unit-based compensation; and
- amortization of leasing costs and straight-line rent included in revenue.

Net Operating Income (NOI)

NOI is measured at the property level, calculated as revenue less operating expenses and ground rent. To increase the comparability of this measure, Primaris will eliminate amortization of leasing costs and straight-line rent included in revenue from the calculation.

COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 2011, TO THE THREE MONTHS ENDED SEPTEMBER 30, 2010

Primaris' financial results, for the three months ended September 30, 2011 compared to the three months ended September 30, 2010, are summarized below.

		Three Months Ended September 30, 2011 (unaudited)		Three Months Ended September 30, 2010 (restated to IFRS, unaudited)		Comparative Period Favourable/ (Unfavourable)
Revenue						
Minimum rent	**$**	**58,574**	$	47,325	$	11,249
Recoveries from tenants		**35,558**		28,725		6,833
Percent rent		**711**		885		(174)
Parking		**1,483**		1,404		79
Other income		**263**		225		38
		96,589		78,564		18,025
Expenses						
Property operating		**23,882**		19,729		(4,153)
Property tax		**18,291**		14,159		(4,132)
Ground rent		**325**		294		(31)
General & administrative		**2,080**		3,584		1,504
Depreciation		**286**		331		45
		44,864		38,097		(6,767)
Income from operations	**$**	**51,725**	$	40,467	$	11,258
Finance income		**13**		19		(6)
Finance costs		**(19,518)**		(34,403)		14,885
Fair value adjustment on investment properties		**(2,997)**		(10,410)		7,413
Deferred income taxes		**-**		(6,646)		6,646
Net income	**$**	**29,223**	$	(10,973)	$	40,196
Fair value adjustment on investment properties		**2,997**		10,410		(7,413)
Fair value adjustment on convertible debentures		**(3,721)**		10,322		(14,043)
Fair value adjustment on exchangeable units		**(1,203)**		4,608		(5,811)
Fair value adjustment on unit-based compensation		**(459)**		681		(1,140)
Distributions on exchangeable units		**667**		676		(9)
Amortization of tenant improvement allowances		**1,783**		1,464		319
Deferred income taxes		**-**		6,646		(6,646)
Funds from operations	**$**	**29,287**	$	23,834	$	5,453
Funds from operations per unit - basic	**$**	**0.355**	$	0.348	$	0.007
Funds from operations per unit - diluted	**$**	**0.349**	$	0.340	$	0.009
Funds from operations - payout ratio		**87.4%**		89.6%		-2.2%
Distributions per unit	**$**	**0.305**	$	0.305	$	-
Weighted average units outstanding - basic		**82,439,758**		68,506,099		13,933,659
Weighted average units outstanding - diluted		**91,295,759**		78,285,284		13,010,475
Units outstanding, end of period		**82,543,264**		68,565,353		13,977,911

Primaris acquired Oakville Place in Oakville, Ontario, Burlington Mall in Burlington, Ontario, Place Vertu in Saint-Laurent, Quebec, St. Albert Centre in St. Albert, Alberta and Tecumseh Mall in Windsor, Ontario on June 22, 2011 (collectively the "2011 Acquisitions"). Primaris acquired Cataraqui Centre in Kingston, Ontario in August 2010 (the "2010 Acquisition"). The total purchase price for the 2011 Acquisitions, including acquisition costs, was $582,383, and for the 2010 Acquisition was $169,322 (together the "Acquisitions").

During the quarter Primaris sold two smaller properties: Forest Glen in Kitchener, Ontario; and Tillsonburg Gateway Centre in Tillsonburg, Ontario (together the "Dispositions"). At the time of the sale the fair value of the properties was equivalent to the selling price.

Revenue

Revenue for Primaris is comprised primarily of minimum rent, operating expense and tax recoveries collected from tenants and percentage rent generated through tenant sales, as well as parking revenue, specialty leasing and lease-surrender revenue.

Current three month revenue of $96,589 is $18,025 greater than the comparative three month period. The Acquisitions contributed $18,587 to this positive variance and same properties were also up $28. The dispositions decreased revenues by $590. Same properties showed revenue increases for recoveries, offset by declines for minimum rent and percentage rent.

Certain non-cash amounts are included in revenue. Primaris records revenue on a straight-line basis over the full term of a lease which results in non-cash revenue. In addition, the amortization of tenant improvement allowances and tenant inducements is offset against revenue. In the three months ended September 30, 2011, the amortization of these items totaled $1,187 which is $238 higher than the comparative three month period.

Lease-surrender revenue varies from quarter to quarter. In the three months ended September 30, 2011, lease-surrender revenues totaled $19 which is $77 lower than the comparative three month period.

Operating Expenses

Operating expenses of $42,173, before ground rent, are $8,285 greater than in the comparative three month period. The Acquisitions account for $7,964 of the increase and the dispositions account for a $270 decrease. The remaining properties had an increase of $591.

Ground Rent

Ground rent expense amounted to $325, which is $31 higher the comparative period.

Net Operating Income – All Properties

	Unaudited Three Months Ended September 30, 2011	Unaudited Three Months Ended September 30, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	**$97,776**	$ 79,513	$ 18,263
Operating expenses	**(42,498)**	(34,182)	(8,316)
Net operating income	**$ 55,278**	$ 45,331	$ 9,947

Operating revenue from properties is adjusted for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. Net operating income of $55,278 is $9,947 greater than in the comparative three month period. The Acquisitions generated an increase of $10,224 and the dispositions account for a $328 decrease. The balance is an increase of $51, generated by the remainder of the properties in the portfolio.

Net Operating Income – Same Properties

	Unaudited Three Months Ended September 30, 2011	Unaudited Three Months Ended September 30, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	**$ 77,108**	$ 76,435	$ 673
Operating expenses	**(33,451)**	(32,829)	(622)
Net operating income	**$ 43,657**	$ 43,606	$ 51

The same-property comparison consists of the 26 properties that were owned throughout both the current and comparative three month periods. Net operating income, on a same-property basis, was $43,657 or 0.1% higher than the comparative period.

The $673 increase in same property revenues results from a $611 increase in recoveries, a $226 increase in minimum rent, and a $78 increase in parking revenues. Partially offsetting the increases were declines of $231 for percentage rent and $11 for other revenues.

On a same-property basis, operating expenses were $622 higher than in the comparative period as a result of a $733 increase in property taxes, a $168 increase in recoverable expenses, a $31 increase in ground rent and a $310 decrease in non-recoverable expenses. The increase in recoverable expenses is comprised of small increases in multiple accounts.

General and Administrative Expenses

General and administrative expenses decreased by $1,504 primarily due to recording unit-based compensation expense at fair value. The chart below compares the quarter-over-quarter charges to total overhead costs that are recorded to various accounts including general and administrative expenses.

	Unaudited Three Months Ended September 30, 2011	Unaudited Three Months Ended September 30, 2010
Salaries, wages and benefits	**$4,386**	$ 4,141
Fair value adjustment on unit-based compensation	**(459)**	681
Occupancy costs	**366**	406
Professional fees	**684**	536
Public company costs	**134**	(103)
Abandoned transaction costs	**37**	-
Third party leasing fees	**215**	135
Other general and administrative costs	**1,059**	783
Total Costs	**6.422**	6,579
Property management fees [1]	**(2,838)**	(2,432)
Other charges to properties [1]	**(1,289)**	(428)
Amounts capitalized	**(215)**	(135)
General and administrative expense [2]	**$ 2,080**	$ 3,584
Fair value adjustment on unit-based compensation	**459**	(681)
General and administrative, net of fair value adjustments	**$ 2,539**	$ 2,903
As a percentage of total revenue	**2.6%**	3.7%
As a percentage of total assets	**0.1%**	0.1%

(1) *Reported on the statement of comprehensive income as part of operating expenses*

(2) *Reported on the statement of comprehensive income (2010 values are increased from previously reported to include leasing charges that were previously charged to operating expenses)*

Depreciation

Depreciation is calculated only on the fixtures and equipment Primaris owns to operate the business, not on the investment properties. Depreciation decreased by $45 over the comparative reporting period.

Finance Costs

	Unaudited Three Months Ended September 30, 2011	Unaudited Three Months Ended September 30, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Interest expense on mortgage financing	**$ 19,221**	$ 15,407	$ (3,814)
Interest expense on convertible debentures	**3,567**	2,799	(768)
Interest expense on bank indebtedness and other charges	**480**	238	(242)
Interest expensed	**23,268**	18,444	(4,824)
Distributions paid on exchangeable units	**667**	676	9
Capitalized interest	**-**	-	-
Fair value increment on convertible debentures	**(3,721)**	10,322	14,043
Fair value adjustment on exchangeable units	**(1,203)**	4,608	5,811
Amortization of net loss on cash flow hedges	**58**	59	1
Amortization of debt placement costs	**449**	294	(155)
Other items	**(3,750)**	15,959	19,709
Total finance costs	**$ 19,518**	$ 34,403	$ 14,885

Finance costs of $19,518 are $14,885 lower than the comparative three month period. Finance costs include interest expensed as well as other items. The other items include fair value adjustments that increase the volatility in finance costs between comparable periods. Mortgage interest increased $3,072 due to the mortgages secured by the Acquisitions and $776 due to the refinancing of Dufferin Mall, partially offset by decreases in interest expensed at other properties and the Dispositions. Interest on convertible debentures increased $1,021 for the new series of debentures issued in June. This increase is offset by interest reductions on series with conversions.

Fair Value Adjustment on Investment Properties

The appraisal process resulted in a value of investment properties for September 30, 2011 of $3,401,800 ($2,769,200 as at September 30, 2010). During the third quarter, investment properties with an aggregate fair value of $297,600 at September 30, 2011 were valued by external appraisers and the balance was valued by management using a discounted future cash flow model. The appraisals used a range of capitalization rates on the overall portfolio from a low of 6.0% to a high of 9.5% (6.5% to 8.8% for September 30, 2010). The portfolio weighted average capitalization rate (weighted by property value) was 6.7% as at September 30, 2011 (7.0% as at September 30, 2010). Primaris' Yonge Street assets, which represent less that 2% of the portfolio value, were appraised at a capitalizaiton rate lower than this range reflecting, in part, the redevelopment potential of these locations.

The fair value adjustment on investment properties for the three months ended September 30, 2011 was a loss of $2,997, a change of $7,413 from the loss of $10,410 recorded for the comparable period.

Deferred Income Taxes

Primaris is not subject to deferred income taxes in the current reporting period due to its REIT status. In the three months ended September 30, 2010 deferred income tax expense was $6,646.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2011, TO THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Primaris' financial results, for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, are summarized below.

	Nine Months Ended September 30, 2011 (Unaudited)	Nine Months Ended September 30, 2010 (Restated to IFRS, unaudited)	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	**$ 157,280**	$ 138,689	$ 18,591
Recoveries from tenants	**96,844**	83,630	13,214
Percent rent	**1,759**	1,740	19
Parking	**4,558**	4,388	170
Other income	**849**	857	(8)
	261,290	229,304	31,986
Expenses			
Property operating	**65,363**	57,600	(7,763)
Property tax	**49,972**	41,771	(8,201)
Ground rent	**914**	883	(31)
General & administrative	**7,730**	8,605	875
Depreciation	**757**	1,150	393
	124,736	110,009	(14,727)
Income from operations	**$ 136,554**	$ 119,295	$ 17,259
Finance Income	**96**	55	41
Finance Costs	**(76,445)**	(80,113)	3,668
Fair value adjustment on investment properties	**15,157**	45,237	(30,080)
Gain on sale of land	-	74	(74)
Deferred income taxes	**-**	(29,822)	29,822
Net income	**$ 75,362**	$ 54,726	$ 20,636
Fair value adjustment on investment properties	**(15,157)**	(45,237)	30,080
Fair value adjustment on convertible debentures	**5,989**	14,979	(8,990)
Fair value adjustment on exchangeable units	**2,111**	7,647	(5,536)
Fair value adjustment on unit-based compensation	**557**	850	(293)
Distributions on exchangeable units	**2,006**	2,060	(54)
Amortization of tenant improvement allowances	**5,243**	4,290	953
Gain on sale of land	**-**	(74)	74
Deferred income taxes	**-**	29,822	(29,822)
Funds from operations	**$ 76,111**	$ 69,063	$ 7,048
Funds from operations per unit - basic	**$ 1.022**	$ 1.059	$ (0.037)
Funds from operations per unit - diluted	**$ 1.004**	$ 1.032	$ (0.028)
Funds from operations - payout ratio	**91.1%**	88.6%	2.5%
Distributions per unit	**$ 0.914**	$ 0.914	-
Weighted average units outstanding - basic	**74,476,869**	65,215,815	9,261,054
Weighted average units outstanding - diluted	**83,579,141**	75,037,109	8,542,032
Units outstanding, end of period	**82,543,264**	68,565,353	13,977,911

Primaris acquired Oakville Place in Oakville, Ontario, Burlington Mall in Burlington, Ontario, Place Vertu in Saint-Laurent, Quebec, St. Albert Centre in St. Albert, Alberta and Tecumseh Mall in Windsor, Ontario on June 22, 2011 (collectively the "2011 Acquisitions"). Primaris acquired Cataraqui Centre in Kingston, Ontario in August 2010 (the "2010 Acquisition"). The total purchase price for the 2011 Acquisitions, including acquisition costs, was $582,383, and for the 2010 Acquisition was $169,322 (together the "Acquisitions").

During the quarter Primaris sold two smaller properties: Forest Glen in Kitchener, Ontario; and Tillsonburg Gateway Centre in Tillsonburg, Ontario (together the "Dispositions"). At the time of the sale the fair value of the properties was equivalent to the selling price.

Revenue

Revenue for Primaris is comprised primarily of minimum rent, operating expense and tax recoveries collected from tenants and percentage rent generated through tenant sales, as well as parking revenue, specialty leasing and lease-surrender revenue.

Current nine month revenue of $261,290 is $31,986 greater than the comparative nine month period. The Acquisitions contributed $29,343 to this positive variance and same properties were also up $3,360. The Dispositions decreased revenues by $717. Same properties showed revenue increases for recoveries, offset by declines for minimum rent and percentage rent.

Certain non-cash amounts are included in revenue. Primaris records revenue on a straight-line basis over the full term of a lease which results in non-cash revenue. In addition, the amortization of tenant improvement allowances and tenant inducements is offset against revenue. In the nine months ended September 30, 2011, the amortization of these items totaled $3,980 which is $1,201 higher than the comparative nine month period.

Lease-surrender revenue varies from quarter to quarter. In the nine months ended September 30, 2011, lease-surrender revenues totaled $207 which is $27 higher than the comparative nine month period.

Operating Expenses

Operating expenses of $115,335, before ground rent, are $15,964 greater than in the comparative nine month period. The Acquisitions accounted for $12,128 of the increase and the Dispositions account for a $284 decrease. The remaining properties had an increase of $4,120.

Ground Rent

Ground rent expense amounted to $914, which is $31 higher than the comparative period.

Net Operating Income – All Properties

	Unaudited Nine Months Ended September 30, 2011	Unaudited Nine Months Ended September 30, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	**$ 265,270**	$ 232,083	$ 33,187
Operating expenses	**(116,249)**	(100,254)	(15,995)
Net operating income	**$ 149,021**	$ 131,829	$ 17,192

Operating revenue from properties is adjusted for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. Net operating income of $149,021 is $17,192 greater than in the comparative nine month period. The Acquisitions generated an increase of $16,670 and the Dispositions account for a decrease of $429. The balance is an increase of $951, generated by the remainder of the properties in the portfolio.

Net Operating Income – Same Properties

	Unaudited Nine Months Ended September 30, 2011	Unaudited Nine Months Ended September 30, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	**$ 232,450**	$ 227,347	$ 5,103
Operating expenses	**(102,262)**	(98,110)	(4,152)
Net operating income	**$ 130,188**	$ 129,237	$ 951

The same-property comparison consists of the 26 properties that were owned throughout both the current and comparative nine month periods. Net operating income, on a same-property basis, was $951 or 0.7% higher than the comparative period.

The $5,103 increase in same property revenues results from a $3,548 increase in recoveries, a $1,495 increase in minimum rent, a $169 increase in parking revenues. Percentage rents declined $66 and other revenues declined $43 from the comparative period, partially offsetting the increases mentioned.

On a same-property basis, operating expenses were $4,152 higher than in the comparative period as a result of a $2,169 increase in recoverable expenses, a $2,513 increase in property taxes, a $31 increase in ground rent and a $561 decrease in non-recoverable expenses. The increase in recoverable expenses is comprised of small increases in multiple accounts.

General and Administrative Expenses

General and administrative expenses decreased by $875 due to recording unit-based compensation expense at fair value. When the total expense is adjusted to remove the effect of the fair value adjustment on unit-based compensation (as shown below), the net amount of general

and administrative expense decreased $582. The chart below compares the year-to-date over prior year-to-date charges to total overhead costs that are recorded to various accounts including general and administrative expenses.

	Unaudited Nine Months Ended September 30, 2011	Unaudited Nine Months Ended September 30, 2010
Salaries, wages and benefits	**$ 12,752**	$ 11,581
Fair value adjustment on unit-based compensation	**557**	850
Occupancy costs	**1,201**	1,263
Professional fees	**1,843**	2,023
Public company costs	**474**	377
Abandoned transaction costs	**112**	-
Third party leasing fees	**365**	387
Other general and administrative costs	**1,739**	1,412
Total Costs	**19,042**	17,893
Property management fees [1]	**(7,577)**	(7,076)
Other charges to properties [1]	**(3,370)**	(1,825)
Amounts capitalized	**(365)**	(387)
General and administrative expense [2]	**7,730**	8,605
Fair value adjustment on unit-based compensation	**(557)**	(850)
General and administrative, net of fair value adjustments	**$ 7,173**	$ 7,755
As a percentage of total revenue	**2.7%**	3.4%
As a percentage of total assets	**0.2%**	0.3%

(1) *Reported on the statement of comprehensive income as part of operating expenses)*

(2) *Reported on the statement of comprehensive income (2010 values are increased from previously reported to include leasing charges that were previously charged to operating expenses)*

Depreciation

Depreciation is calculated only on the fixtures and equipment Primaris owns to operate the business, not on the investment properties. Depreciation decreased by $393 over the comparative reporting period.

Finance Costs

	Unaudited Nine Months Ended September 30, 2011	Unaudited Nine Months Ended September 30, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Interest expense on mortgage financing	**$ 52,003**	$ 45,279	$ (6,724)
Interest expense on convertible debentures	**8,972**	8,404	(568)
Interest expense on bank indebtedness and other charges	**1,144**	667	(477)
Interest expensed	**62,119**	54,350	(7,769)
Finance costs on issuance of convertible debentures	**2,006**	2,060	54
Distributions paid on exchangeable units	**3,029**	-	(3,029)
Capitalized interest	**-**	-	-
Fair value increment on convertible debentures	**5,989**	14,979	8,990
Fair value adjustment on exchangeable units	**2,111**	7,647	5,536
Amortization of net loss on cash flow hedges	**173**	178	5
Amortization of debt placement costs	**1,018**	899	(119)
Other items	**14,326**	25,763	11,437
Total finance costs	**$ 76,445**	$ 80,113	$ 3,668

Finance costs of $76,445 are $3,668 lower than the comparative nine month period. Finance costs include interest expensed as well as other items. The other items include fair value adjustments that increase the volatility in finance costs between comparable periods. Mortgage interest increased $5,951 due to the mortgages secured by the Acquisitions and $1,673 due to the refinancing of Dufferin Mall,

partially offset by decreases in interest expensed at other properties. Interest on convertible debentures increased $1,209 for the new series of debentures issued in June. This increase is offset by interest reductions on series with conversions.

Fair Value Adjustment on Investment Properties

The fair value adjustsments on investment properties for the nine months ended September 30, 2011 was a gain of $15,157, $30,080 lower than the gain of $45,237 recorded for the comparable period. The $15,157 year-to-date gain from fair value adjustments is net of $9,541 acquisitions costs.

Deferred Income Taxes

Primaris is not subject to deferred income taxes in the current reporting period due to its REIT status. In the nine months ended September 30, 2010 deferred income tax expense was $29,822.

NON-IFRS/GAAP FINANCIAL MEASURES

Funds from Operations

Primaris calculates its FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations issued in 2004 and revised in 2010 for the impact of IFRS. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure from reporting issuers.

	Three Months Ended September 30, 2011 (Unaudited)	Three Months Ended September 30, 2010 (Restated, unaudited)	**Nine Months Ended September 30, 2011 (Unaudited)**	Nine Months Ended September 30, 2010 (Restated, unaudited)
Net Income	**$ 29,223**	($10,973)	**$ 75,362**	$ 54,726
Fair value adjustment on investment properties	**2,997**	10,410	**(15,157)**	(45,237)
Fair value adjustment on convertible debentures	**(3,721)**	10,322	**5,989**	14,979
Fair value adjustment on exchangeable units	**(1,203)**	4,608	**2,111**	7,647
Fair value adjustment on unit-based compensation	**(459)**	681	**557**	850
Amortization of tenant improvements	**1,783**	1,464	**5,243**	4,290
Distributions on exchangeable units	**667**	676	**2,006**	2,060
Gain on sale of land	**-**	-	**-**	(74)
Deferred income taxes	**-**	6,646	**-**	29,822
Funds from operations	**$ 29, 287**	$ 23,834	**$76,111**	$ 69,063
Funds from operations per unit - basic	**$ 0.355**	$ 0.348	**$ 1.022**	$ 1.059
Funds from operations per unit - diluted	**$ 0.349**	$ 0.340	**$ 1.004**	$ 1.032
Funds from operations - payout ratio	**87.4%**	89.6%	**91.1%**	88.6%
Distributions per unit	**$ 0.305**	$ 0.305	**$ 0.914**	$ 0.914
Weighted average units outstanding - basic	**82,439,758**	68,506,099	**74,476,869**	65,215,815
Weighted average units outstanding - diluted	**91,295,759**	78,285,284	**83,579,141**	75,037,109
Units outstanding, end of period	**82,543,264**	68,565,353	**82,543,264**	68,565,353

An advantage of the FFO measure is improved comparability between Canadian and foreign Real Estate Investment Trusts ("REITs"). A disadvantage is that FFO is not a perfect measure of cash flow. FFO adds back to net income items that do not arise from operating activities, such as amortization of tenant improvement allowances, deferred income taxes, and fair value adjustments. However, it includes non-cash revenues related to accounting for straight-line rent and it makes no deduction for the recurring capital expenditures necessary to maintain the existing earnings stream. The research analyst community adjusts FFO for certain items in an attempt to develop another measure of economic profitability and to allow for the differences between REITs in relation to their capital expenditure programs. Primaris' disclosure of capital expenditures may assist readers in making such adjustments.

FFO for the three month period ended September 30, 2011, increased $5,453. FFO per unit for the third quarter of 2011 had a favourable variance of $0.009 per unit on a diluted basis compared to the prior period.

The diluted weighted average number of units outstanding increased from the comparative quarter because of three factors: the issuance of new trust units, the issuance of units pursuant to Primaris' Distribution Reinvestment Program, and the dilutive impact of the unit-based compensation plan.

QUARTERLY TRENDS

Selected Quarterly Information

	2011			2010			
Unaudited	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 96,589**	$ 82,752	$ 81,949	$ 84,247	$ 78,564	$ 74,362	$ 76,378
Seasonal revenue	**3,689**	3,297	3,008	5,316	3,313	3,158	2,983
Net operating income	**55,278**	47,449	46,294	49,700	45,331	43,539	42,959
Net income (Loss)	**29,223**	41,150	4,989	350,805	(10,973)	58,879	6,820
Total assets	**3,443,772**	3,457,947	2,880,704	2,828,502	2,800,005	2,691,259	2,563,732
Indebtedness	**1,689,107**	1,706,940	1,409,931	1,359,068	1,374,053	1,261,354	1,288,346
Diluted funds from operations	**$ 0.349**	$ 0.285	$ 0.352	$ 0.416	$ 0.340	$ 0.346	$ 0.346
Distributions per unit	**$ 0.305**	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.305
Units outstanding, end of period	**82,543,264**	82,342,138	69,257,469	68,794,679	68,565,353	68,430,386	62,651,506

Note: As at October 31, 2011, there were 82,621,276 units outstanding (including exchangeable units).

Primaris' quarterly results for the last seven quarters have been primarily affected by five factors: property acquisitions, issuances of new trust units and convertible debentures, seasonality of revenues, the timing of incurrence of operating expenses and the recovery of these operating expenses from tenants. In addition, redevelopment activities have had an impact on revenue, net operating income and net income.

Acquisitions have resulted in increased revenues and net operating income. However, on a per unit basis these increases are substantially offset by interest expense for the new mortgages payable, and by the issuance of equity and convertible debentures.

Primaris experiences seasonality in earnings, with stronger results in the fourth quarter of each year due to increased temporary seasonal leasing and stronger percentage rent revenues, as a significant number of tenants have calendar lease years. As a result of these factors, revenues, net income and funds from operations in the fourth quarter should be stronger than in other quarters.

LIQUIDITY AND CAPITAL RESOURCES

Primaris expects to be able to meet all of its current obligations. Management expects to finance future growth through the use of (i) cash, (ii) conventional mortgage debt secured by income-producing properties, (iii) secured short-term financing through its $130,000 revolving credit facility, (iv) cash flow from operations, and (v) subject to market conditions, the issuance of equity and convertible debentures.

Management continues to take steps to maintain a strong financial position. There is a cash balance of $1,138 at September 30, 2011.

There was one mortgage of $37,039 that matured in March of 2011. Primaris refinanced this property for $110,000. The proceeds of the new mortgage were used to repay the existing mortgage, repay bank indebtedness and for general trust purposes. The new loan matures April 1, 2021 and has a fixed interest rate of 5.01%.

In June Primaris completed an acquisition of five shopping centres for $582,383, including acquisition costs. The acquisition was funded by the issuance of 12,650,000 units, the issuance of $75,000 5.40% convertible debentures, cash and permanent debt. Primaris arranged third party mortgage funding of $108,600 and $115,000 secured separately by Burlington Mall and Oakville Place. The respective loans have terms of 5 years and 10 years and bear interest at fixed rates of 3.83% and 4.74%.

In September Primaris sold a property and discharged its obligation for the mortgage of $5,394 as it was assumed by the purchaser. There are no outstanding mortgages payable that mature until 2012.

At September 30, 2011, Primaris' cash position has decreased, when compared to June 30, 2011. As at September 30, 2011, there was $7,000 drawn on the revolving credit facility. There was $10,000 drawn as at June 30, 2011.

Interest Coverage, expressed as EBITDA divided by interest expense (defined as the sum of interest on mortgages, convertible debentures and bank indebtedness, plus amortization included in finance costs) was 2.2 times for the current quarter. Primaris defines EBITDA as net income increased by finance costs, depreciation, income tax expense and amortization of leasing costs and straight-line rent. EBITDA is not an IFRS defined measure and may not be comparable to similar measures used by other entities.

	Three Months Ended September 30, 2011 (Unaudited)	Three Months Ended September 30, 2010 (Restated, unaudited)	Nine Months Ended June 30, 2011 (Unaudited)	Nine Months Ended June 30, 2010 (Restated, unaudited)
Net income	**$ 29,223**	$ (10,973)	**$ 75,362**	$ 54,726
Depreciation	**286**	331	**757**	1,150
Finance costs	**19,518**	34,403	**76,445**	80,113
Gain on sale of land	**0**	0	**0**	(74)
Deferred income taxes	**0**	6,646	**0**	29,822
Fair value adjustment on investment properties	**2,997**	10,410	**(15,157)**	(45,237)
Fair value adjustment on unit-based compensation	**(459)**	681	**557**	850
Amortization of leasing costs and straight-line rent	**1,187**	949	**3,980**	2,779
EBITDA	**$ 52,752**	$ 42,447	**$ 141,944**	$ 124,129
EBITDA / Interest expense	**2.2**	2.3	**2.2**	2.2

During the nine month period ended September 30, 2011, $703 of face value of the 6.75% series of convertible debentures and $11,886 of face value of the 6.30% series of convertible debentures were converted into equity. During the same period, there were no conversions of the 5.85% series of convertible debentures or of the 5.40% series of convertible debentures. The remaining outstanding balance at face value, as at September 30, 2011, of the 6.75% series is $3,145, of the 5.85% series is $93,476, of the 6.30% series is $70,042 and of the 5.40% series is $75,000.

During the current quarter, Primaris made $7,645 of scheduled principal payments on its mortgages ($20,113 during the current year).

Primaris paid $25,203 in distributions to Unitholders during the third quarter of 2011, including distributions to holders of exchangeable units ($68,890 during the current year). Primaris has a Dividend Reinvestment Plan ("DRIP"). Currently, Unitholders representing approximately 8.2% of units outstanding have elected to participate in the DRIP. This represents approximately $8,051 per annum of additional capital to treasury, based on current distribution rates and units outstanding.

CAPITAL EXPENDITURES

In accordance with its objectives, Primaris distributes a high percentage of its FFO to Unitholders. As such it does not retain a material amount of operating cash flow. Primaris has a number of capital requirements including loan principal payments, acquisitions, developments, recoverable improvements and maintenance capital. Capital requirements for loan principal payments, acquisitions and development are generally sourced by financing for each project. Expenditures for acquisitions, developments, expansions and maintenance of productive capacity are classified in the statement of cash flows as "investing activities." Over the longer term, with a stabilized receivable pool from tenants, the capital required for recoverable improvements is derived primarily from the ongoing collection of the receivable balance from tenants. Capital expenditures relating to securing new tenants are classified as "operating activities" using such captions as "leasing costs" or as "tenant improvements".

Leasing costs are a component of investment properties and may include leasing commissions, tenant improvement allowances, tenant inducements and expenditures by Primaris to prepare space for occupancy by a tenant. Primaris incurred $11,867 of leasing costs in 2011, which is comprised of $11,502 in tenant improvement allowances, and $365 in leasing commissions. The timing of such expenditures is irregular and depends more on the satisfaction of contractual obligations in a lease rather than on the timing of the leasing process. Leasing costs, other than leasing commissions, are amortized on a straight-line basis over the term of the related lease.

Recoverable improvements, also a component of investment properties, include expenditures of a capital nature that are generally recoverable from tenants under the terms of their leases. They may include, but are not limited to, items such as parking lot resurfacing and common area roof replacement. These items are recorded as part of investment properties; the revenue from tenants is recorded as recoveries from tenants. Primaris had a recoverable improvements balance of $23,728 at the beginning of 2011, $8,147 recorded as additional expenditures during the period including amounts allocated from acquired properties and net of disposals, and $3,437 recovered from tenants. This resulted in a balance of $28,438 yet to be recovered as at September 30, 2011.

Maintenance of Productive Capacity

The primary focus in an analysis of capital expenditures should be a differentiation between those costs incurred to maintain the enterprise versus those costs incurred to achieve a long-term improvement in the enterprise's ability to generate incremental cash flow.

Acquisitions and the expansion of existing assets are two areas of capital expenditures that should normally be considered as increasing the productive capacity of the enterprise. Capital expenditures incurred on existing space would usually be costs of maintaining productive capacity.

However, there are many examples of capital projects that fundamentally change the nature of existing space so that the productive capacity of the space is permanently changed. In the case of Primaris, the conversion of anchor stores to smaller stores usually represents a permanent increase in the productive capacity of the asset. This is because anchor tenants generally pay lower rents per square foot than the smaller replacement stores. While this conversion of space occurs less frequently than the usual capital maintenance projects, conversions tend to be larger in scale than day-to-day activity.

The analysis of historical capital expenditures (which includes leasing capital) that follows starts by including all non-acquisition capital expenditures and then deducting those determined by management to be increases in productive capacity. The remaining net figure is a measure of maintenance capital.

Primaris endeavours to fund maintenance capital from cash flow from ongoing operations in order to manage Primaris on a sustainable basis. Leasing capital varies with tenant demand and merchandising mix strategies of a property. Primaris actively manages its merchandising mix and activities to achieve a balance of new and renewal leasing. This enables management to increase retail sales and grow rental income. Maintenance capital also captures other productive capacity capital that is not chargeable to tenants, such as that related to mall entrances or mechanical equipment. Primaris' experience with these is that they are incurred in irregular amounts over a longer time period, which means that Primaris needs to find financial resources for their incurrence. A review of a time series of historical data is required to develop a normalized view of these. The following table summarizes the historic maintenance capital of Primaris for the six properties owned throughout the last ten complete years:

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Leasing capital	$ 2,806	$ 2,223	$ 2,872	$ 4,664	$ 10,743	$ 3,695	$ 2,253	$ 1,157	$ 5,716	$ 7,920
Other capital	3,481	5,782	3,223	9,984	35,043	14,857	8,925	318	2,426	13,632
Less: additions to productive capacity	(1,167)	(4,109)	(1,077)	(12,612)	(35,775)	(16,335)	(8,023)	(212)	(3,012)	(17,064)
	$ 5,120	$ 3,896	$ 5,018	$ 2,036	$ 10,011	$ 2,217	$ 3,155	$ 1,263	$ 5,130	$ 4,488

These six properties have a rentable area of approximately 2.85 million square feet. The average maintenance capital cost per square foot over the ten-year period was $1.40. These historical costs may not be indicative of future costs for Primaris' 13.5 million square foot portfolio. However, an extrapolation of these costs generates an amount of $0.20 per diluted unit per annum as maintenance capital.

An amount for maintenance capital is typically deducted from FFO in order to estimate a sustainable and recurring amount that can be distributed to Unitholders. Primaris currently has adequate financial resources to fund its capital expenditure program without anticipating any disruption to its distributions.

Current Redevelopment Projects

During 2009 Primaris completed phase one of a three phase redevelopment at Lambton Mall in Sarnia, Ontario. Although this first phase created a vacant anchor store location, it provided an opportunity not only to add a food court where none existed previously, but also to backfill the anchor store with a new large tenant.

Construction commenced in June 2011 on a second phase that will introduce a food court to improve the centre's amenities. This improvement will significantly reinforce the Mall's market presence. The food court is on budget and forecasted to cost approximately $4.75 million and is on target to be completed by late November 2011. Negotiations have advanced with regard to replacements for the vacant anchor space.

A redevelopment project at Orchard Park Shopping Centre in Kelowna, British Columbia started in summer 2010. This project includes the construction of approximately 25,000 square feet of new retail space and the redevelopment of about 10,000 square feet of existing area. The project, scheduled to open mid-November 2011, will bring Best Buy, a dynamic first-to-market tenant, to the centre and will relocate the mall administration offices. The project is on budget, is forecast to cost $7.7 million, and is expected to increase the centre's market share.

A redevelopment project is underway at Grant Park Shopping Centre in Winnipeg, Manitoba to accommodate an expanded and repositioned Manitoba Liquor Control Commission ("MLCC") store, and relocated retail tenants. This project also includes the realignment and upgrade of almost 11,500 square feet of common area with new floor and ceiling finishes which will revitalize the west end of the shopping centre. A portion of the exterior of the building and the west mall entrance will also be renovated to provide a marquee entry to the new redevelopment inside. Construction activities commenced in June 2011, with relocated retail tenants opened for October 2011, and a targeted April 2012 opening for the MLCC expansion. The project is on budget and is expected to cost $6.5 million. This phased redevelopment has already created an additional consumer draw to the centre and increased the cross shopping opportunities.

With the 2010 acquisition of Cataraqui Centre, Primaris identified an opportunity to refresh the centre's interior, exterior and brand identity to better reflect the strategic direction of new leasing initiatives. Improvements to the centre's internal circulation, soft seating, lighting, entrances and logos have recently been completed at a cost of $2.5 million.

Redevelopment projects will be funded through a combination of cash, draws on the operating line and mortgage refinancing.

DISTRIBUTIONS

In determining the amount of distributions to be made to Unitholders, Primaris considers many factors, including provisions in its Declaration of Trust, overall health of the business, its expected need for capital, covenants in debt agreements and taxable income.

There are financial covenants in loan agreements requiring that various conditions be met before funds can be distributed to Unitholders.

The Distributions Committee of the Board regularly reviews Primaris' rate of distributions. In its deliberations, the Committee has considered the following items:

- the expectation of a continuing uncertain economic environment;
- Primaris' Operating Plan;
- availability of cash resources, including a $130,000 line of credit;
- the outlook for loan maturities;
- conservative leverage measured on both a balance sheet and operating basis; and
- leasing and development capital requirements.

At its most recent meeting on August 4, 2011, the Distributions Committee reviewed the current rate of distributions of $1.22 per unit per annum and resolved to maintain this rate at this time.

Corporate Structure and Debt Covenants

Primaris is an unincorporated, open-ended Real Estate Investment Trust ("REIT"). It owns a subsidiary trust, PRR Trust, which in turn owns a number of subsidiary trusts, partnerships and corporations. All of Primaris' operating assets, including real property, are owned by either PRR Trust or its subsidiary entities.

Primaris is a borrower pursuant to many third-party loan agreements. Subsidiary entities are typically the borrower where secured debt is used. PRR Trust is the borrower under Primaris' operating credit agreement. In some instances, including the operating credit agreement, lenders have guarantees and/or loan covenants from an entity other than the borrower under the loan agreement.

No loan agreement directly limits or restricts Primaris' ability to declare and pay distributions to Unitholders, so long as payments are current under the loan. Certain secured loan agreements restrict Primaris' ability to move cash from a borrowing entity to another Primaris entity if the borrower is in default of the loan agreement. However, as a practical point, if Primaris were ever in material default of a loan agreement, it might otherwise become difficult to continue paying distributions at the then-current rate.

Primaris' operating credit agreement contains four financial covenants Primaris must maintain, as defined in the agreement, which are based on IFRS:

1. a Debt to Total Assets Ratio of not more than 60%;
2. an Interest Coverage Ratio of greater than 1.75;
3. a Debt Service Coverage Ratio of greater than 1.50; and
4. a minimum Unitholders' Equity of $800,000.

Primaris is in compliance with these covenants (refer to note 18 of the financial statements) and has no defaults under any of its loan agreements.

Tax

There are income tax implications on our distribution policy. The table below indicates the level of historic taxable income on the "Income" line. It is possible that a gain on a sale of a REIT asset could be individually significant such that selling one asset could generate a sufficient taxable gain to erase the entire tax-deferred component of Primaris' annual distributions.

Primaris' historic trend in the split of distributions between return of capital and other income has been as follows:

	2010	2009	2008	2007	2006	2005	2004	2003
Return of capital	59.0%	76.6%	63.6%	80.0%	77.6%	56.4%	65.6%	74.4%
Income	40.9%	21.6%	36.0%	20.0%	22.4%	43.6%	34.4%	25.6%
Capital gain	0.1%	1.8%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

This historical trend is not necessarily indicative of future tax treatment.

Primaris qualified for the REIT Exemption commencing January 1, 2011. Accordingly, Primaris will not be subject to the SIFT rules, that lead to taxation of distributions at a rate substantially equivalent to the general tax rate applicable to a Canadian corporation, provided that Primaris continues to qualify for the REIT Exemption at all times (see the "Tax-Related Risks" in the Risks and Uncertainties section for further discussion).

FINANCIAL CONDITION

Cash

Cash and cash equivalents of $1,138 are primarily invested in deposit notes issued by Canadian Schedule I banks.

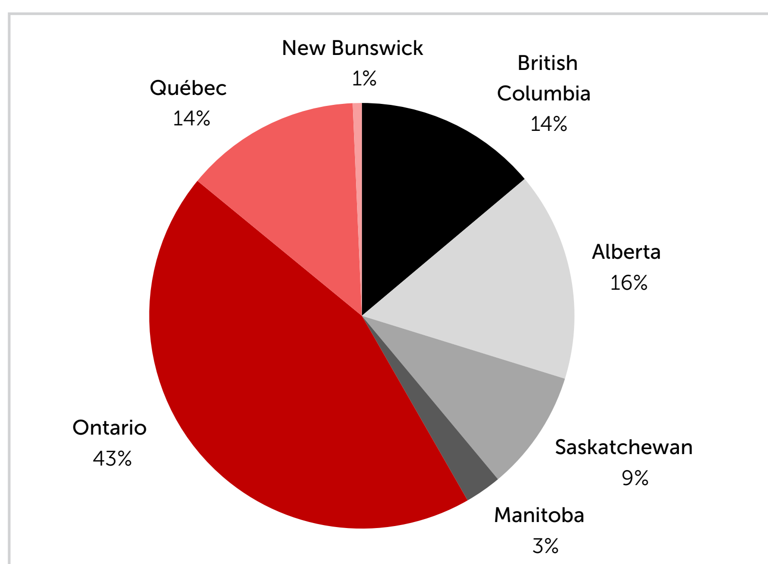
Investment Properties

Investment properties represent 98.8% of total assets as at September 30, 2011. The property portfolio comprises 32 retail properties of various sizes and, as such, represents a good degree of market diversification. However, as revenues are earned from individual tenants and not properties as a whole, one should consider that these assets include over 1,100 different tenants, which represents a significant diversification of revenues. In addition, the 32 properties have good geographic diversification.

The future financial performance of income-producing properties is a function of a number of factors. The principal factors include occupancy rates, trends in rental rates achieved on leasing or renewing space currently leased, retail sales performance and the contractual increases in rent that are programmed to occur mid-lease.

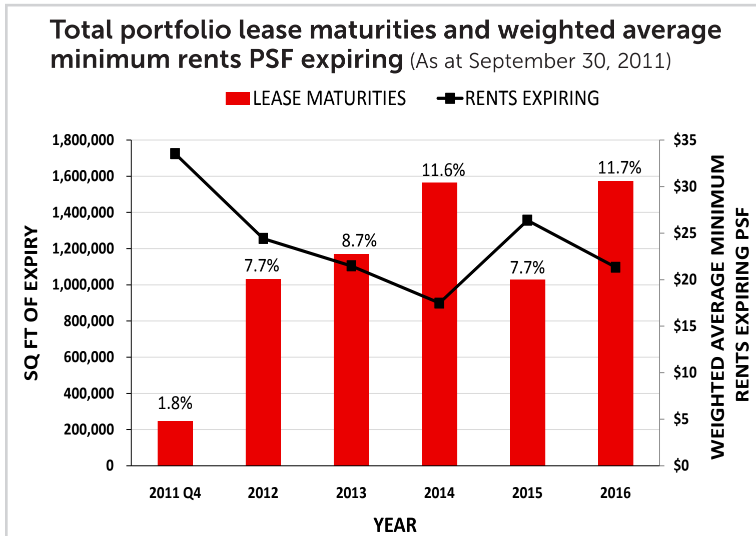
Primaris leased 397,229 square feet of space during the third quarter of 2011. This represented 103 leases of generally smaller stores and 6 major tenants. Approximately 56.4% of the space leased during the current quarter of 2011 resulted from the renewal of existing tenants (55.2% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in the current quarter, on a cash basis, represented a 4.8% increase over the previous rent (5.5% if the major tenants are excluded).

Primaris leased 954,656 square feet of space during the first nine months of 2011. This represented 319 leases of generally smaller stores and 14 major tenants. Approximately 63.1% of the space leased during 2011 resulted from the renewal of existing tenants (56.4% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in 2011, on a cash basis, represented a 6.1% increase over the previous rent (6.6% if the major tenants are excluded).



Geographic Diversification

The income-producing properties are located in seven provinces. As at September 30, 2011, the portfolio distribution based on annualized minimum rent is as shown at left.



Lease and Rent Expiries

Lease maturities are no greater than 11.7% of the portfolio in any year between 2011 and 2016.

Largest Tenants

The following table illustrates the 10 largest tenants by related group in Primaris' portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent, as at September 30, 2011.

	Tenant Groups	Percentage of Total Annual Minimum Rent	Area (Sq. ft.)	Weighted Average Lease Term to Maturity (Years)
1	HBC	4.7%	1,993,118	6.96
2	Canadian Tire	4.2%	892,623	6.19
3	YM	2.8%	250,096	3.51
4	Sears	2.6%	1,208,334	7.08
5	Target	2.5%	953,523	7.80
6	Shoppers Drug Mart	2.3%	194,108	6.04
7	Reitmans	2.3%	186,535	3.57
8	Bell Canada	1.8%	94,272	4.80
9	Best Buy	1.5%	186,347	2.54
10	Loblaws	1.4%	299,926	5.17
		26.1%		

Note: The tenant groups shown above represent different corporate covenants that fall within a given tenant group.

Indebtedness and Other Obligations

Year	Mortgages	Convertible Unsecured Debebtures	Ground Leases	Operating Leases	Total
2011 remainder	$ 8,029		$ 330	$ 359	$ 8,718
2012	54,197		1,397	1,436	57,030
2013	245,350		1,422	1,469	248,241
2014	127,101	101,461	1,422	1,440	231,424
2015	124,985	85,717	1,422	1,319	213,443
Thereafter	879,979	74,625	35,763	5,313	995,680
	$ 1,439,641	$ 261,803	$ 41,756	$ 11,336	$ 1,754,536

Note: Of the total mortgages balance, $111,789 is recourse only to the underlying property.

As at September 30, 2011, Primaris had $1,439,641 of mortgages payable, bearing a weighted average interest rate of 5.4%. This rate reflects the marking-to-market of interest rates for all debts assumed in conjunction with property acquisitions. This debt amount excludes net debt premiums of $803 and debt placement costs of $6,772. The mortgages payable have a weighted average term to maturity of 6.0 years.

The Indebtedness and Other Obligations table above includes ground rent, on a cash basis, pursuant to operating leases at Park Place Shopping Centre, Orchard Park Shopping Centre and Burlington Mall. The amounts in the table reflect the assumption that Primaris exercises its renewal options in the respective ground leases. It is expected that principal payments, ground rent and operating leases will be funded from operations and from draws on the revolving credit facility.

ACCOUNTING ESTIMATES

The financial statements include accounting estimates and assumptions with respect to the fair value of investment property, recovery revenue accruals, fair value of mortgages, fair value of convertible debentures, fair value of exchangeable units. fair value of unit-based compensation and useful lives used to calculate depreciation. These estimates and assumptions could affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses and cash flows during the period. These estimates are made by management and discussed with the Audit Committee and Board of Trustees.

ACCOUNTING POLICY CHANGES

Primaris adopted IFRS as its basis of financial reporting effective for the first quarter of 2011 with restatement of comparative periods using an initial transition date of January 1, 2010. The impact of adoption of IFRS on Primaris' financial position and earnings is discussed on page 4. The significant accounting policies followed on adoption of IFRS are included in note 2 to the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2011. In addition, note 3 reconciles equity and comprehensive income as reported under Canadian GAAP to as reported under IFRS.

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS 7 – Financial Instruments-Disclosure relates to disclosures with respect to the transfers of financial assets. IFRS 7 is effective for annual periods beginning on or after July 1, 2011. IFRS 9 - Financial Instruments was issued to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 will classify financial assets and liabilities as either measured at amortized cost or measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. IFRS 11 – Joint Arrangements changes the criteria for determining whether joint arrangements are equity accounted or proportionately consolidated. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. IFRS 13 regarding Fair Value Measurements is also effective for annual periods bginning on or after January 1, 2013. IFRS 13 regarding Fair Value Measurements is also effective for annual periods beginning on or after January 1, 2013. Primaris is currently evaluating the impact of these standards on its financial statements.

RISKS AND UNCERTAINTIES

Real Property Ownership

Primaris owns 32 properties and is expected in the future to directly or indirectly acquire interests in other real property. All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises, and various other factors.

Tenant Risks

The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. Primaris' FFO may be adversely affected if tenants become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which Primaris has an interest becomes vacant and is not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Primaris than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Primaris' investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which Primaris has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to Primaris. The ability to rent unleased space in the properties in which Primaris has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to the property required by a new tenant.

Certain of the major tenants are permitted to cease operating from their leased premises at any time at their option. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some Commercial Retail Units ("CRU") tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

Fixed Costs

Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Primaris is unable to meet mortgage payments or ground rent payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies.

Asset Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may tend to limit Primaris' ability to vary its portfolio promptly in response to changing economic or investment conditions. If Primaris were to be required to liquidate its real property investments, the proceeds to Primaris might be significantly less than the aggregate carrying value of its properties.

Capital Expenditures and Distributions

Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. Primaris may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for recoverable improvements may exceed recovery of amounts from tenants. Primaris is subject to provisions in its Declaration of Trust as well as to debt agreements that may impact the quantum of distributions. The sale of income-producing properties with inherent taxable gains could materially change Primaris' level of distributions.

Retail Concentration

Primaris' portfolio is limited to Canadian retail properties. Consequently, the market value of the properties and the income generated from them could be negatively affected by changes in the domestic retail environment.

Reliance on Anchor Tenants

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. A property could be negatively affected by such a loss.

Land Leases

To the extent that the properties in which Primaris has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets that may fluctuate. This may result in significant rental rate adjustments and therefore have a potential negative effect on the cash flow of Primaris.

Environmental Matters

As an owner of interests in real property in Canada, Primaris is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that Primaris could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Primaris' ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the owner by private plaintiffs.

Primaris will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, Primaris does not believe that costs relating to environmental matters will have a material adverse effect on Primaris' business, financial condition or results of operations. However, environmental laws and regulations can change and Primaris or its subsidiaries may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Primaris' business, financial condition or results of operations and distributions.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with Primaris in seeking tenants. Some of the properties of Primaris' competitors are newer or better located or less levered that the properties in which Primaris has an interest. Some of Primaris' competitors are stronger financially and hence better able to withstand an economic downturn. The existence of competing developers, managers and owners and competition for Primaris' tenants could have an adverse effect on Primaris' ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Primaris' revenues and its ability to meet its debt obligations.

Competition for acquisitions of real properties is intense, and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that Primaris is prepared to accept. An increase in the availability of investment funds and an increase in interest in real property investments may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Financing Risks

Primaris has indebtedness outstanding of approximately $1,689,107 as at September 30, 2011. A portion of the cash flow generated by the existing properties and any future acquired properties will be devoted to servicing such debt, and there can be no assurance that Primaris will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If Primaris is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. Primaris is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by Primaris' properties will not be able to be re-financed or that the terms of such re-financing will not be as favourable as the terms of existing indebtedness.

Primaris has stated that one of its objectives is to grow through acquisitions. While Primaris has financial resources on hand to complete some acquisitions, the longer-term ability of Primaris to fund acquisitions is dependent on both equity and debt capital markets. There are risks that, from time to time, such capital may not be available or may not be available on favourable terms.

Valuations

Valuations reflect an assessment of value based on the facts and circumstances as of the date the valuations were made. Such valuations may not have incorporated all relevant facts or may have relied on incorrect assumptions which may have been too optimistic or not sufficiently optimistic. Furthermore, valuations conducted at one point in time may not be reflective of value at another point in time, nor may the valuation be reflective of the value that could be obtained on a sale or other transaction.

Interest Rate Fluctuations

From time to time, Primaris' financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in Primaris' cost of borrowing. Changes in interest rates may also affect Primaris in many other ways, due to factors including the impact on the economy, the value of real estate, the value of Primaris' units, the economics of acquisition activity and the availability of capital.

Reliance on Key Personnel

The management of Primaris depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Primaris.

Tax-Related Risks

Legislation (the "SIFT Rules") relating to the federal income taxation of publicly listed or traded trusts (such as income trusts and Real Estate Investment Trusts) and partnerships changes the manner in which certain flow-through entities and the distributions from such entities are taxed. Under the SIFT Rules, certain publicly listed or traded flow-through trusts and partnerships referred to as "specified investment flow-through" or "SIFT" trusts and partnerships will be taxed in a manner similar to the taxation of corporations, and investors in SIFTs will be taxed in a manner similar to shareholders of a corporation. Amendments to the SIFT Rules were enacted on March 12, 2009.

The new taxation regime introduced by the SIFT Rules is not applicable to funds that qualify for the exemption under the SIFT Rules applicable to certain Real Estate Investment Trusts (the "REIT Exemption"). The stated intention of the Minister of Finance (Canada) in introducing the REIT Exemption is to exempt certain Real Estate Investment Trusts from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". If Primaris fails to qualify for the REIT Exemption, Primaris will be subject to certain tax consequences including taxation of Primaris in a manner similar to corporations and taxation of certain distributions in a manner similar to taxable dividends from a taxable Canadian corporation.

To qualify for the REIT Exemption in a particular taxation year (i) the Real Estate Investment Trust must, at no time in the taxation year, hold "non-portfolio property" other than "qualified REIT properties"; (ii) not less than 95% of the Real Estate Investment Trust's revenues for the taxation year must be derived from one or more of the following: (a) rent from "real or immovable properties," (b) interest, (c) capital gains from dispositions of real or immovable properties, (d) dividends, and (e) royalties; (iii) not less than 75% of the Real Estate Investment Trust's revenues for the taxation year must be derived from one or more of the following: (a) rent from "real or immovable properties," (b) interest from mortgages, or hypothecs, on real or immovable property, and (c) capital gains from dispositions of real or immovable properties; and (iv) at no time in the taxation year may the total fair market value of all properties held by the Real Estate Investment Trust, each of which is a real or immovable property, indebtedness of a Canadian corporation represented by bankers' acceptance, money, a deposit with a credit union, or, generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the Real Estate Investment Trust at that time.

During the fourth quarter of 2010 Primaris completed the necessary restructuring to qualify for the REIT Exemption commencing January 1, 2011. Accordingly management believes Primaris will not be subject to the SIFT rules provided Primaris qualifies for the REIT Exemption at all times.

Management of the REIT intends to conduct the affairs of the REIT so that it continues to qualify for the REIT Exemption at all times: however, as the requirements of the REIT Exemption include complex revenue and asset tests, no assurances can be provided that the REIT will in fact so qualify at any time.

CONTROLS AND PROCEDURES

Primaris' management, with participation of the President and Chief Executive Officer, and the Executive Vice President and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in the Canadian Securities Administrators' National Instrument 52-109.

There were no changes in internal control over financial reporting during the third quarter of 2011 that have materially affected or are reasonably likely to materially affect Primaris' internal control over financial reporting.

Primaris' management, including the President and Chief Executive Officer, and the Executive Vice President and Chief Financial Officer, does not expect its disclosure controls and procedures or internal control over financial reporting to prevent or detect all misstatements due to error or fraud. Due to the inherent limitations in all control systems, an evaluation of controls and their design provides only reasonable and not absolute assurance that all control issues and instances of fraud or error have been detected. Primaris is continually evolving and enhancing its systems of controls and procedures.

OUTLOOK

Our business is operating in a stable fashion and has a number of strategic redevelopment opportunities on the horizon. The Canadian retail environment will experience one of its most dynamic periods of change with the opening of Target stores, starting in 2013. Our portfolio is well positioned for this change.

At the same time the global economy is very uncertain. There is a steady stream of extreme, negative news. The only constant seems to be volatility in financial markets. The Bank of Canada recently announced lower growth expectations for the Canadian economy. It stated that it expected growth to improve starting in mid 2012 as the global economy improves, uncertainty dissipates and confidence increases.

Interest rates are at historically low levels and the prospect of a long period of slow economic growth is likely to keep rates low for a while. Equity markets have been volatile and difficult for initial public offerings. However Canadian REITs have demonstrated continued access to additional equity when required for positive developments. Investors' preference for income returns and the relative stability of the Canadian REIT sector may be reasons for this access to additional equity.

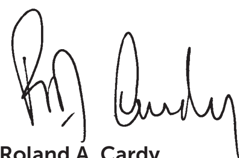
Condensed Consolidated Interim Statements of Financial Position

(In thousands of dollars)

(Unaudited)

	September 30, 2011	December 31, 2010
Assets		
Non-current assets:		
Investment properties (note 5)	**$ 3,401,800**	$ 2,804,900
Current assets:		
Rents receivable (note 6)	**5,093**	6,096
Other assets and receivables (note 7)	**35,741**	11,006
Cash and cash equivalents	**1,138**	6,500
	41,972	23,602
	$ 3,443,772	$ 2,828,502
Liabilities and Equity		
Non-current liabilities:		
Mortgages payable (note 8)	**$ 1,380,669**	$ 1,103,084
Convertible debentures (note 9)	**261,803**	196,703
Exchangeable units (note 12)	**44,839**	43,325
Accounts payable and other liabilities (note 11)	**1,121**	533
	1,688,432	1,343,645
Current liabilities:		
Current portion of mortgages payable (note 8)	**53,003**	61,685
Bank indebtedness (note 10)	**7,000**	10,000
Accounts payable and other liabilities (note 11)	**50,473**	51,324
Distribution payable	**8,211**	6,809
	118,687	129,818
	1,807,119	1,473,463
Equity (note 12)	**1,636,653**	1,355,039
	$ 3,443,772	$ 2,828,502

See accompanying notes to unaudited condensed consolidated interim financial statements.



Roland A. Cardy
Trustee

William J. Biggar
Trustee

Condensed Consolidated Interim Statements of Income and Comprehensive Income

(In thousands of dollars, except per unit amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Revenue:				
Minimum rent	**$ 58,574**	$ 47,325	**$ 157,280**	$ 138,689
Recoveries from tenants	**35,558**	28,725	**96,844**	83,630
Percentage rent	**711**	885	**1,759**	1,740
Parking	**1,483**	1,404	**4,558**	4,388
Other income	**263**	225	**849**	857
	96,589	78,564	**261,290**	229,304
Expenses:				
Property operating	**23,882**	19,729	**65,363**	57,600
Property taxes	**18,291**	14,159	**49,972**	41,771
Ground rent	**325**	294	**914**	883
General and administrative	**2,080**	3,584	**7,730**	8,605
Depreciation	**286**	331	**757**	1,150
	44,864	38,097	**124,736**	110,009
Income from operations	**51,725**	40,467	**136,554**	119,295
Finance income	**13**	19	**96**	55
Finance costs (note 14)	**(19,518)**	(34,403)	**(76,445)**	(80,113)
Fair value adjustment on investment properties	**(2,997)**	(10,410)	**15,157**	45,237
Gain on sale of land	**-**	-	**-**	74
Income (loss) before income taxes	**29,223**	(4,327)	**75,362**	84,548
Deferred income taxes (note 17)	**-**	(6,646)	**-**	(29,822)
Net income (loss)	**29,223**	(10,973)	**75,362**	54,726
Amortization of deferred net loss on cash flow hedges	**58**	59	**173**	178
Tax effect of deferred net loss on cash flow hedges	**-**	(29)	**-**	(87)
Comprehensive income (loss)	**$ 29,281**	$ (10,943)	**$ 75,535**	$ 54,817

See accompanying notes to unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Equity

(In thousands of dollars)

Nine months ended September 30, 2011 and 2010

(Unaudited)

2011	Amount of units issued	Contributed surplus	Cumulative net income	Distributions	Accumulated other comprehensive income (loss)	Total
Equity, beginning of period	**$ 847,827**	**$ 543**	**$ 939,993**	**$ (432,280)**	**$ (1,044)**	**$ 1,355,039**
Net income	**-**	**-**	**75,362**	**-**	**-**	**75,362**
Distributions	**-**	**-**	**-**	**(66,884)**	**-**	**(66,884)**
Amortization of deferred net loss on cash flow hedges	**-**	**-**	**-**	**-**	**173**	**173**
Unit-based compensation plan (note 12(e))	**935**	**-**	**-**	**-**	**-**	**935**
Issuance of units under distribution reinvestment plan	**6,635**	**-**	**-**	**-**	**-**	**6,635**
Issuance of units, net of costs	**249,496**	**-**	**-**	**-**	**-**	**249,496**
Conversion of convertible debentures to units	**15,889**	**-**	**-**	**-**	**-**	**15,889**
Conversion of exchangeable units	**597**	**-**	**-**	**-**	**-**	**597**
Purchase of units under normal course issuer bid	**(589)**	**-**	**-**	**-**	**-**	**(589)**
Equity, end of period	**$ 1,120,790**	**$ 543**	**$ 1,015,355**	**$ (499,164)**	**$ (871)**	**$ 1,636,653**

2010	Amount of units issued	Contributed surplus	Cumulative net income	Distributions	Accumulated other comprehensive income (loss)	Total
Equity, beginning of period	$ 741,743	$ 543	$ 534,462	$ (354,473)	$ (1,874)	$ 920,401
Net income	-	-	54,726	-	-	54,726
Distributions	-	-	-	(57,662)	-	(57,662)
Amortization of deferred net loss on cash flow hedges	-	-	-	-	178	178
Tax effect on deferred net loss on cash flow hedges	-	-	-	-	(87)	(87)
Unit-based compensation plan (note 12(e))	727	-	-	-	-	727
Issuance of units under distribution reinvestment plan	2,044	-	-	-	-	2,044
Issuance of units, net of costs	93,523	-	-	-	-	93,523
Conversion of convertible debentures to units	3,654	-	-	-	-	3,654
Conversion of exchangeable units	1,605	-	-	-	-	1,605
Equity, end of period	$ 843,296	$ 543	$ 589,188	$ (412,135)	$ (1,783)	$ 1,019,109

See accompanying notes to unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of dollars, unaudited)

	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Cash flows from operating activities:				
Net income (loss)	**$ 29,223**	$ (10,973)	**$ 75,362**	$ 54,726
Adjustments for:				
Amortization of tenant improvements	**1,783**	1,464	**5,243**	4,290
Amortization of tenant inducements	**38**	37	**98**	111
Amortization of straight-line rent	**(634)**	(552)	**(1,361)**	(1,622)
Depreciation of fixtures and equipment	**286**	331	**757**	1,150
Net finance costs	**19,505**	34,384	**76,349**	80,058
Fair value adjustment on investment properties	**2,997**	10,410	**(15,157)**	(45,237)
Gain on sale of land	**-**	-	**-**	(74)
Deferred income taxes	**-**	6,646	**-**	29,822
	53,198	41,747	**141,291**	123,224
Change in other non-cash operating working capital (note 15)	**6,143**	5,909	**(11,039)**	(15,485)
Leasing commissions	**(215)**	(135)	**(365)**	(387)
Tenant improvements	**(7,456)**	(2,444)	**(11,502)**	(4,829)
Tenant inducements	**-**	(1,000)	**-**	(1,000)
Net cash generated from operating activities	**51,670**	44,077	**118,385**	101,523
Interest received	**13**	19	**96**	55
Cash flows from operating activities	**51,683**	44,096	**118,481**	101,578
Cash flows from financing activities:				
Mortgage principal repayments	**(7,645)**	(5,643)	**(20,113)**	(16,510)
Proceeds of new mortgage financing	**-**	105,000	**333,600**	105,000
Repayment of financing	**-**	-	**(37,039)**	(3,685)
Bank indebtedness	**(3,000)**	15,000	**(3,000)**	-
Interest expensed	**(23,268)**	(18,444)	**(62,119)**	(54,350)
Additions to capitalized debt placement costs	**9**	(630)	**(2,743)**	(988)
Amortization of deferred net loss on cash flow hedges	**(58)**	(59)	**(173)**	(178)
Issuance of units	**2,675**	723	**268,160**	100,255
Unit issue costs	**(18)**	42	**(11,094)**	(4,461)
Issuance of convertible debentures	**-**	-	**75,000**	-
Convertible debenture issue costs	**-**	-	**(3,029)**	-
Distributions to Unitholders	**(25,195)**	(20,896)	**(67,488)**	(59,107)
Purchase of units under normal course issuer bid	**(589)**	-	**(589)**	-
Cash flows from (used in) financing activities	**(57,089)**	75,093	**469,373**	65,976
Cash flows from investing activities:				
Acquisitions of investment properties	**-**	(169,322)	**(582,383)**	(169,322)
Additions to buildings and building improvements	**(3,196)**	(2,968)	**(8,030)**	(4,779)
Additions to recoverable improvements	**(2,998)**	(1,548)	**(4,266)**	(3,197)
Additions to fixtures and equipment	**(62)**	-	**(104)**	(128)
Proceeds of disposition of land	**1,567**	-	**1,567**	88
Cash flows used in investing activities	**(4,689)**	(173,838)	**(593,216)**	(177,338)
Decrease in cash and cash equivalents	**(10,095)**	(54,649)	**(5,362)**	(9,784)
Cash and cash equivalents, beginning of period	**11,233**	60,317	**6,500**	15,452
Cash and cash equivalents, end of period	**$ 1,138**	$ 5,668	**$ 1,138**	$ 5,668
Supplemental disclosure of non-cash operating, financing and investing activities:				
Value of units issued from conversion of convertible debentures	**$ 2,138**	$ 1,790	**$ 15,889**	$ 3,654
Value of units and options granted under unit-based compensation plan	**(124)**	833	**1,598**	1,992
Value of units issued upon exchange	**-**	564	**597**	1,605

See accompanying notes to unaudited condensed consolidated interim financial statements.

Notes to condensed consolidated interim financial statements

(in thousands of dollars, except per unit amounts)

Three months and nine months ended September 30, 2011 and 2010

(Unaudited)

Primaris Retail Real Estate Investment Trust ("Primaris") is an unincorporated open-ended real estate investment trust ("REIT") created pursuant to the Declaration of Trust dated March 28, 2003 as amended and restated, and is governed by the laws of the Province of Ontario. Primaris' units and debentures are listed on the Toronto Stock Exchange and are traded under the symbol "PMZ". The registered office of Primaris is: 1 Adelaide Street East, Suite 900, Toronto, Ontario, M5C 2V9.

1. STATEMENT OF COMPLIANCE:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared In accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and using accounting policies described herein. These International Financial Reporting Standards ("IFRS") condensed consolidated interim financial statements are part of the period covered by the first IFRS annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of Primaris is provided in note 3. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition, being January 1, 2010, reported under Canadian generally accepted accounting principles ("Canadian GAAP") to those reported for those periods and at the date of transition under IFRS.

These condensed consolidated interim financial statements were approved by the Board of Trustees on November 8, 2011.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the following material items in the condensed consolidated interim statements of financial position:

- Convertible debentures measured at fair value;
- Investment properties measured at fair value;
- Exchangeable units measured at fair value; and
- Liabilities for cash-settled unit-based payment arrangement measured at fair value.

These condensed consolidated interim financial statements are presented in Canadian dollars, which is Primaris' functional currency.

(c) Use of estimates and judgements:

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying Primaris' accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Significant judgements and key estimates

The following are significant judgements and key estimates that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the period:

(i) Property valuations:

Investment properties, which are carried on the condensed consolidated interim statements of financial position at fair value, are valued by qualified external valuation professionals or management. Each property is subject to an external appraisal at least once in every three years. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of these condensed consolidated interim financial statements.

(ii) Income taxes:

Primaris is a mutual fund trust and a REIT pursuant to the Income Tax Act (Canada). Under current tax legislation, Primaris is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year. Primaris is a REIT if it meets prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue (the "REIT Conditions"). Primaris has reviewed the REIT Conditions and has assessed their interpretation and application to Primaris' assets and revenue, and it has determined that it qualifies as a REIT for the period.

2. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS.

(a) Principles of consolidation:

These condensed consolidated interim financial statements include the accounts of all entities in which Primaris has a controlling interest. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Investment properties:

Investment properties include land and buildings held primarily to earn rental income or for capital appreciation or for both, rather than for use in the production for supply of goods or services or for sale in the ordinary course of business.

On acquisition, investment properties are initially recorded at cost. Subsequent to initial recognition, Primaris uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence, at the condensed consolidated interim statement of financial position date. Related fair value gains and losses are recorded in net income in the period in which they arise.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount and are recognized in the condensed consolidated interim statements of income and comprehensive income in the period of disposal.

(c) Leasing costs:

Leasing costs include commissions paid to external leasing agents and payments to tenants. Leasing costs are included as components of the fair value of investment properties.

Payments to tenants under lease obligations are characterized either as tenant improvements or as tenant inducements. The obligation is determined to be a tenant improvement when the payment to the tenant was spent on leasehold improvements. Otherwise, the obligations under the lease are treated as tenant inducements. Both tenant improvements and tenant inducements are amortized on a straight-line basis over the term of the lease as a reduction of revenue.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term investments, such as bankers' acceptances and treasury bills, with initial maturity dates of less than 90 days.

(e) Fixtures and equipment:

Fixtures and equipment, including leasehold improvements and computer hardware are recorded at cost less accumulated depreciation and net accumulated impairment losses. Depreciation expense is recorded on a straight-line basis over the estimated useful life of each asset. The depreciation method and useful lives are reviewed at each annual reporting date and adjusted if appropriate. Gains or losses arising from the derecognition of fixtures and equipment are determined as the difference between the net disposal proceeds and the carrying amount.

(f) Convertible debentures:

The convertible debentures are convertible into trust units of Primaris. As Primaris' trust units are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"), the convertible debentures are considered a liability containing liability-classified embedded derivatives. Primaris has elected to record the full outstanding amount of each convertible debenture at its fair value with the changes being recorded in Primaris' condensed consolidated interim statements of income and comprehensive income.

(g) Exchangeable units:

The exchangeable units of subsidiaries of Primaris are exchangeable into trust units at the option of the holder. The exchangeable units are considered puttable instruments and are required to be classified as financial liabilities. Further, the exchangeable units are classified as fair value through profit or loss financial liabilities and are, therefore, measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The distributions paid on the exchangeable units are accounted for as finance costs (note 14).

(h) Trust units:

Primaris' trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. Primaris' trust units meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

(i) Finance income and finance costs:

Finance income comprises interest income on funds invested and the amortization of gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expensed on borrowings, distributions on exchangeable units classified as liabilities, fair value changes recognized on financial assets and liabilities (other than trade receivables), the amortization of losses on hedging instruments that are recognized in profit or loss and debt placement costs.

Debt placement costs associated with financial liabilities presented at amortized cost are presented with the related debt instrument and amortized using the effective interest rate over the anticipated life of the related debt.

Debt placement costs associated with the issuance of convertible debentures, which are recorded at market value, are expensed as incurred.

(j) Revenue recognition:

Revenue from investment properties includes minimum rent earned from tenants under lease agreements, percentage rent, property tax and operating cost recoveries and other incidental income, and is recognized as revenue over the term of the underlying leases. All predetermined minimum rent adjustments in lease agreements are accounted for on a straight-line basis over the term of the respective leases. Percentage rent is not recognized until a tenant's actual sales reach the sales threshold as set out in the tenant's lease.

(k) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(l) Employee benefits:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount estimated to be paid under short-term cash bonus or profit-sharing plans.

(m) Unit-based compensation:

Primaris uses the fair value-based method of accounting for its unit-based awards, under which compensation expense is measured at the grant date and recognized over the vesting period. Since all the units are considered liabilities, the awards are fair-valued at each reporting period and the change in the fair value recognized as compensation expense. The unit-based compensation is presented as a liability.

(n) Financial instruments:

Financial instruments are classified as one of the following: (i) held-to-maturity, (ii) loans and receivables, (iii) financial liabilities, (iv) financial assets or financial liabilities at fair value through profit or loss, or (v) available-for-sale. Financial instruments are recognized initially at fair value. Financial instruments classified as held-to-maturity, loans and receivables, or financial liabilities are subsequently measured at amortized cost. Financial assets and liabilities classified as at fair value through profit and loss are measured at fair value with unrealized gains and losses recognized in the condensed consolidated interim statements of income and comprehensive income. Available-for-sale financial instruments are subsequently measured at fair value, with unrealized gains and losses recognized in the condensed consolidated interim statements of income and comprehensive income.

Primaris designated its cash and cash equivalents, rents receivable, and other receivables as loans and receivables; mortgages payable, bank indebtedness, accounts payable and other liabilities, and distribution payable as other liabilities; and exchangeable units and convertible debentures as financial liabilities at fair value through profit or loss. Primaris has neither available-for-sale nor held-to-maturity instruments.

Where financial instruments are reported at their amortized cost, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the carrying amount of the respective asset or liability at inception.

All derivative instruments, including embedded derivatives, are recorded in the condensed consolidated interim statements of income and comprehensive income at fair value.

(o) Adjusted earnings per unit:

Basic and diluted earnings per unit are presented for the total of Primaris' trust units and exchangeable units (note 12(d)).

(p) Income taxes:

Primaris is a mutual fund trust and a REIT pursuant to the Income Tax Act (Canada). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders. Primaris intends to continue to qualify as a REIT and to make distributions not less than the amount necessary to ensure that Primaris will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the condensed consolidated interim financial statements.

(q) Future accounting changes:

(i) The following new or amended IFRS have been issued by the IASB: IFRS 7, Financial Instruments: Disclosures; IFRS 9, Financial Instruments; IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 13, Fair Value Measurements. Primaris is assessing the impact of these new standards, but does not expect them to have a significant effect on the condensed consolidated interim financial statements.

(ii) The IASB has published some limited scope amendments to IAS 12. Income Taxes ("IAS 12"), which are relevant only when an entity uses the fair value model for measurement in IAS 40, Investment Property. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. To provide a practical approach in such cases, the amendment introduces a presumption that an investment property is recovered entirely through sale. This policy is effective for fiscal years after January 1, 2012; however, earlier adoption is permitted, including on transition to IFRS. Primaris has applied this policy effective January 1, 2010.

3. TRANSITION TO IFRS:

Primaris adopted IFRS effective January 1, 2010 (the "transition date") and prepared its opening IFRS financial position as at that date. Prior to the adoption of IFRS, Primaris prepared its condensed consolidated interim financial statements in accordance with Canadian GAAP. Primaris' financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS.

The accounting policies set out in note 2 have been applied in preparing the condensed consolidated interim financial statements for the three months and nine months ended September 30, 2011, the comparative information presented in these condensed consolidated interim financial statements for the three months and nine months ended September 30, 2010 and the year ended December 31, 2010, and in the preparation of an opening IFRS condensed consolidated interim statement of financial position at January 1, 2010.

An explanation of how the transition from previous Canadian GAAP to IFRS has affected Primaris' financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables:

(a) Exemptions from full retrospective application:

First-time adopters of IFRS must apply the provisions of IFRS 1. IFRS 1 requires adopters to retrospectively apply all IFRS standards as of the reporting date with certain optional exemptions and certain mandatory exemptions.

In preparing these condensed consolidated interim financial statements in accordance with IFRS 1, Primaris has applied the mandatory exemption from full retrospective application of IFRS for estimates. The mandatory exemption requires that estimates previously determined under Canadian GAAP cannot be revised due to the application of IFRS, except when necessary to reflect differences in accounting policies.

(b) Reconciliation of equity as reported under Canadian GAAP and IFRS:

The following is a reconciliation of Primaris' equity reported in Canadian GAAP to its equity in accordance with IFRS at the transition date:

	Note 3(d)	As reported under Canadian GAAP, January 1, 2010	Unaudited IFRS restated values, January 1, 2010	Effect of transition to IFRS
Assets				
Investment properties	(i)	$ 1,763,426	$ 2,541,700	$ 778,274
Leasing costs		41,209	–	(41,209)
Rents receivable		4,907	4,907	–
Other assets and receivables		31,023	12,083	(18,940)
Cash and cash equivalents		15,452	15,452	–
		$ 1,856,017	$ 2,574,142	$ 718,125
Liabilities and Equity				
Mortgages payable		$ 1,089,966	$ 1,061,153	$ (28,813)
Convertible debentures	(ii)	166,461	189,847	23,386
Exchangeable units	(iii)	–	37,239	37,239
Accounts payable and other liabilities		–	410	410
Deferred tax liability	(v)	43,000	264,286	221,286
Current portion of mortgages payable		–	25,929	25,929
Bank indebtedness		15,000	15,000	–
Accounts payable and other liabilities - current		63,815	53,519	(10,296)
Distribution payable		6,358	6,358	–
		1,384,600	1,653,741	269,141
Equity		471,417	920,401	448,984
		$ 1,856,017	$ 2,574,142	$ 718,125

	Amount of units issued	Contributed surplus	Cumulative net income	Distributions	Equity component of convertible debentures	Accumulated other comprehensive loss	Total
January 1, 2010, as reported under Canadian GAAP	$ 775,827	$ 618	$ 49,849	$ (367,938)	$ 15,241	$ (2,180)	$ 471,417
Differences increasing (decreasing) reported amount:							
Investment properties	–	–	731,237	–	–	–	731,237
Convertible debentures	–	–	(8,145)	–	(15,241)	–	(23,386)
Exchangeable units	(34,084)	–	(16,620)	13,465	–	–	(37,239)
Unit-based compensation	–	(75)	(267)	–	–	–	(342)
Deferred tax	–	–	(221,592)	–	–	306	(221,286)
January 1, 2010, as reported under IFRS	$ 741,743	$ 543	$ 534,462	$ (354,473)	$ –	$ (1,874)	$ 920,401

The following is a reconciliation of Primaris' equity reported in Canadian GAAP to its equity in accordance with IFRS at September 30, 2010:

	Note 3(d)	As reported under Canadian GAAP, September 30, 2010	Unaudited IFRS restated values, September 30, 2010	Effect of transition to IFRS
Assets				
Investment properties	(i)	$ 1,894,587	$ 2,769,200	$ 874,613
Leasing costs		42,196	–	(42,196)
Rents receivable		4,243	4,243	–
Other assets and receivables		41,205	20,894	(20,311)
Cash and cash equivalents		5,668	5,668	–
		$ 1,987,899	$ 2,800,005	$ 812,106
Liabilities and Equity:				
Mortgages payable		$ 1,173,599	$ 1,109,500	$ (64,099)
Convertible debentures	(ii)	166,140	201,172	35,032
Exchangeable units	(iii)	–	43,281	43,281
Accounts payable and other liabilities		–	486	486
Deferred tax liability	(v)	45,000	294,195	249,195
Current portion of mortgages payable		–	61,537	61,537
Bank indebtedness		15,000	15,000	–
Accounts payable and other liabilities		57,525	48,752	(8,773)
Distribution payable		6,973	6,973	–
		1,464,237	1,780,896	316,659
Equity		523,662	1,019,109	495,447
		$ 1,987,899	$ 2,800,005	$ 812,106

	Amount of units issued	Contributed surplus	Cumulative net income	Distributions	Equity component of convertible debentures	Accumulated other comprehensive loss	Total
September 30, 2010, as reported under Canadian GAAP	$ 875,801	$ 1,521	$ 60,892	$ (427,660)	$ 15,110	$ (2,002)	$ 523,662
Differences increasing (decreasing) reported amount:							
Investment properties	–	–	825,020	–	–	–	825,020
Convertible debentures	983	–	(20,905)	–	(15,110)	–	(35,032)
Exchangeable units	(32,479)	–	(26,327)	15,525	–	–	(43,281)
Unit-based compensation	(9)	(978)	(1,078)	–	–	–	(2,065)
Deferred tax	(1,000)	–	(248,414)	–	–	219	(249,195)
September 30, 2010, as reported under IFRS	$ 843,296	$ 543	$ 589,188	$ (412,135)	$ –	$ (1,783)	$ 1,019,109

The following is a reconciliation of Primaris' equity reported in Canadian GAAP to its equity in accordance with IFRS at December 31, 2010:

	Note 3(d)	As reported under Canadian GAAP, December 31, 2010	Unaudited IFRS restated values, December 31, 2010	Effect of transition to IFRS
Assets				
Investment properties	(i)	$ 1,882,421	$ 2,804,900	$ 922,479
Leasing costs		41,494	–	(41,494)
Rents receivable		6,096	6,096	–
Other assets and receivables		31,323	11,006	(20,317)
Cash and cash equivalents		6,500	6,500	–
		$ 1,967,834	$ 2,828,502	$ 860,668
Liabilities and Equity				
Mortgages payable		$ 1,167,226	$ 1,103,084	$ (64,142)
Convertible debentures	(ii)	163,899	196,703	32,804
Exchangeable units	(iii)	–	43,325	43,325
Accounts payable and other liabilities		–	533	533
Current portion of mortgages payable		–	61,685	61,685
Bank indebtedness		10,000	10,000	–
Accounts payable and other liabilities - current		59,093	51,324	(7,769)
Distribution payable		6,809	6,809	–
		1,407,027	1,473,463	66,436
Equity		560,807	1,355,039	794,232
		$ 1,967,834	$ 2,828,502	$ 860,668

	Amount of units issued	Contributed surplus	Cumulative net income	Distributions	Equity component of convertible debentures	Accumulated other comprehensive loss	Total
December 31, 2010, as reported under Canadian GAAP	$ 878,536	$ 1,674	$ 115,309	$ (448,481)	$ 14,813	$ (1,044)	$ 560,807
Differences increasing (decreasing) reported amount:							
Investment properties	–	–	872,670	–	–	–	872,670
Convertible debentures	1,757	–	(19,748)	–	(14,813)	–	(32,804)
Exchangeable units	(32,479)	–	(27,047)	16,201	–	–	(43,325)
Unit-based compensation	13	(1,131)	(1,191)	–	–	–	(2,309)
December 31, 2010, as reported under IFRS	$ 847,827	$ 543	$ 939,993	$ (432,280)	$ –	$ (1,044)	$ 1,355,039

(c) Reconciliation of income and comprehensive income, as reported under Canadian GAAP and IFRS:

The following are reconciliations of Primaris' comprehensive income reported in Canadian GAAP to its comprehensive income in accordance with IFRS:

Three months ended September 30, 2010	As reported under Canadian GAAP	As reported under IFRS	Effect of transition to IFRS
Revenue:			
Minimum rent	$ 49,382	$ 47,325	$ (2,057)
Recoveries from tenants	28,725	28,725	–
Percentage rent	885	885	–
Parking	1,404	1,404	–
Other income	225	225	–
	80,621	78,564	(2,057)
Expenses:			
Property operating	20,217	19,729	(488)
Property taxes	14,159	14,159	–
Ground rent	311	294	(17)
General and administrative	2,438	3,584	1,146
Depreciation	16,487	331	(16,156)
Amortization	1,775	–	(1,775)
	55,387	38,097	(17,290)
Income from operations	25,234	40,467	15,233
Finance income	19	19	–
Finance costs	(19,328)	(34,403)	(15,075)
Fair value adjustment on investment properties	–	(10,410)	(10,410)
Deferred income taxes	(2,600)	(6,646)	(4,046)
Net income (loss)	3,325	(10,973)	(14,298)
Amortization of deferred net loss on cash flow hedges	59	59	–
Tax effect of deferred loss on cash flow hedges	–	(29)	(29)
Comprehensive income (loss)	$ 3,384	$ (10,943)	$ (14,327)

Nine months ended September 30, 2010	As reported under Canadian GAAP	As reported under IFRS unaudited	Effect of transition to IFRS
Revenue:			
Minimum rent	$ 144,791	$ 138,689	$ (6,102)
Recoveries from tenants	83,630	83,630	–
Percentage rent	1,740	1,740	–
Parking	4,388	4,388	–
Other income	857	857	–
	235,406	229,304	(6,102)
Expenses:			
Property operating	58,486	57,600	(886)
Property taxes	41,771	41,771	–
Ground rent	935	883	(52)
General and administrative	6,908	8,605	1,697
Depreciation	50,628	1,150	(49,478)
Amortization	5,118	–	(5,118)
	163,846	110,009	(53,837)
Income from operations	71,560	119,295	47,735
Finance income	55	55	–
Finance costs	(57,646)	(80,113)	(22,467)
Fair value adjustment on investment properties	–	45,237	45,237
Gain on sale of land	74	74	–
Deferred income taxes	(3,000)	(29,822)	(26,822)
Net income	11,043	54,726	43,683
Amortization of deferred net loss on cash flow hedges	178	178	–
Tax effect of deferred loss on cash flow hedges	–	(87)	(87)
Comprehensive income	$ 11,221	$ 54,817	$ 43,596

Year ended December 31, 2010	As reported under Canadian GAAP	As reported under IFRS unaudited	Effect of transition to IFRS
Revenue:			
Minimum rent	$ 198,057	$ 188,704	$ (9,353)
Recoveries from tenants	114,607	114,607	–
Percentage rent	2,658	2,658	–
Parking	6,308	6,308	–
Other income	1,274	1,274	–
	322,904	313,551	(9,353)
Expenses:			
Property operating	80,727	79,601	(1,126)
Property taxes	56,469	56,469	–
Ground rent	1,247	1,178	(69)
General and administrative	7,100	9,150	2,050
Depreciation	68,253	1,433	(66,820)
Amortization	8,007	–	(8,007)
	221,803	147,831	(73,972)
Income from operations	101,101	165,720	64,619
Finance income	83	83	–
Finance costs	(77,898)	(99,928)	(22,030)
Fair value adjustment on investment properties	–	75,890	75,890
Gain on sale of land	74	74	–
Deferred income tax recovery	42,100	263,692	221,592
Net income	65,460	405,531	340,071
Amortization of deferred net loss on cash flow hedges	236	236	–
Reversing tax effect of deferred loss on cash flow hedges	900	594	(306)
Comprehensive income	$ 66,596	$ 406,361	$ 339,765

(d) Details of the material adjustments to the statements of financial position, income and comprehensive income:

(i) Fair value model applied to investment properties:

	September 30, 2010	December 31, 2010	January 1, 2010
Investment properties balance reported under Canadian GAAP	$ 1,894,587	$ 1,882,421	$ 1,763,426
IFRS adjustments:			
(a) Fair value adjustment	776,474	807,127	731,237
(b) Eliminate depreciation and amortization expensed	50,306	67,896	–
(c) Leasing costs	42,196	41,494	41,209
(d) Eliminate prepaid ground rent	5,634	5,634	5,634
(e) Reclassify straight-line rent	10,695	11,023	9,073
(f) Derecognize above-market leases	1,832	1,832	1,349
(g) Derecognize below-market leases	(12,288)	(12,288)	(9,998)
(h) Eliminate asset retirement obligation	(236)	(239)	(230)
Investment properties balance restated under IFRS (unaudited)	$ 2,769,200	$ 2,804,900	$ 2,541,700

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Adjustment to revenue under IFRS:			
Reclassify amortization of tenant improvements to revenue	$ (1,464)	$ (4,290)	$ (6,931)
Derecognize above-market leases from revenue	120	360	560
Derecognize below-market leases from revenue	(713)	(2,172)	(2,982)
	$ (2,057)	$ (6,102)	$ (9,353)
Adjustment to ground rent under IFRS	$ 17	$ 52	$ 69
Adjustment to depreciation and amortization under IFRS:			
Eliminate depreciation on investment properties from expenses	$ 16,156	$ 49,478	$ 66,820
Reclassify amortization of tenant improvements to revenue	1,464	4,290	(6,931)
Eliminate amortization of other capitalized leasing costs	311	828	1,076
	$ 17,931	$ 54,596	$ 74,827
Fair value adjustment on investment properties	$ (10,410)	$ 45,237	$ 75,890

(a) Fair value adjustment:

Under IFRS, Primaris may elect, subsequent to initial recognition, to account for investment properties using either the fair value model or the cost model. Primaris has elected the fair value model to account for its investment properties subsequent to initial recognition. Under the fair value model, investment properties are carried on the condensed consolidated interim statement of financial position at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. Under Canadian GAAP, Primaris' investment properties and certain intangibles were carried on the condensed consolidated interim statement of financial position at cost less accumulated depreciation and amortization.

(b) Depreciation and amortization expense:

Under the fair value model, depreciation and amortization on investment properties and certain leasing costs are no longer recorded, which results in an increase to net income during the 2010 reporting periods. Depreciation expense continues to be calculated on fixtures and equipment, as disclosed in note 7.

The amortization of the amounts reclassified as tenant improvements has been reclassified to become a reduction of revenue.

(c) Leasing costs:

Amounts previously disclosed as leasing costs are now included as a component of investment properties.

(d) Prepaid ground rent:

Prepaid ground rent included an amount associated with land leases classified as finance leases under IFRS. As such, the amount was reclassified to investment properties.

Any ground rent expensed during 2010 under Canadian GAAP that was associated with the reclassified properties was also reversed.

(e) Straight-line rent:

Straight-line rent previously disclosed as other assets and receivables is now included as a component of investment properties.

(f) Above-market leases:

Under Canadian GAAP, the purchase price of an acquired property was recorded in several components, including an intangible asset for above-market leases. These assets were amortized against revenue over the life of the underlying leases. Under IFRS, no intangible assets are recorded during the purchase transaction. Above-market leases were reclassified to investment properties.

Any amounts amortized against revenue during 2010 for above-market leases were reversed.

(g) Below-market leases:

Similar to above-market leases previously discussed, an intangible liability for below-market leases was recorded as part of the purchase transaction under Canadian GAAP and amortized to revenue. Below-market leases were reclassified to investment properties under IFRS.

Any amounts amortized to revenue during 2010 for below-market leases were reversed.

(h) Asset retirement obligation:

Under Canadian GAAP, Primaris recorded a liability and offsetting asset for a retirement obligation at one of the properties. Under IFRS, the probability of this future event is too low to meet the recognition criteria and is, therefore, no longer recorded. The amounts previously recorded under Canadian GAAP were reversed under IFRS.

(ii) Convertible debentures recorded as financial liabilities at fair value through profit and loss:

	September 30, 2010	December 31, 2010	January 1, 2010
Convertible debenture balance reported under Canadian GAAP	$ 166,140	$ 163,899	$ 166,461
IFRS adjustments:			
(a) Eliminate equity component	11,634	10,823	13,153
(b) Fair value adjustment	18,425	17,451	4,370
(c) Expense issuance costs when incurred	4,973	4,530	5,863
Convertible debenture balance restated under IFRS (unaudited)	$ 201,172	$ 196,703	$ 189,847

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Effects of convertible debenture IFRS changes on finance costs:			
Reverse accretion expense	$ (302)	$ (1,388)	$ (1,902)
Fair value adjustment	10,322	14,979	14,702
Reverse amortization of issuance costs	(229)	(831)	(1,197)
	$ 9,791	$ 12,760	$ 11,603

(a) Primaris REIT units are puttable units, as outlined in note 12. Under IFRS, instruments which convert into puttable instruments

are considered to be liabilities. Under Canadian GAAP, a portion of the face value of the convertible debentures was recorded in equity. This portion was reclassified into liabilities under IFRS.

Accretion expense associated with the liability portion of convertible debentures was reversed from finance costs on the condensed consolidated interim statements of income and comprehensive income.

(b) The convertible debentures contain embedded derivatives and, therefore, are recorded at fair value under IFRS on the condensed consolidated interim statements of financial position. Fair value is calculated using quoted market prices at the end of each reporting period.

The fair value adjustment is recorded as part of finance costs on the condensed consolidated interim statements of income and comprehensive income.

(c) Since the convertible debentures are recorded as financial liabilities at fair value through profit and loss, the issuance costs are no longer capitalized and amortized. Issuance costs of $5,863 on the condensed consolidated interim statement of financial position as at the transition date, January 1, 2010, were recorded as a reduction to equity.

The amortization expense booked during 2010 was reversed from the condensed consolidated interim statements of income and comprehensive income.

(iii) Exchangeable units recorded as liabilities at fair value:

	September 30, 2010	December 31, 2010	January 1, 2010
Exchangeable units balance reported under Canadian GAAP	$ –	$ –	$ –
IFRS adjustments:			
(a) Reclassification from equity	32,820	32,820	34,084
(b) Fair value adjustment	10,802	10,846	3,155
(c) Fair value adjustment on units exchanged	(341)	(341)	–
Exchangeable units balance restated under IFRS (unaudited)	$ 43,281	$ 43,325	$ 37,239

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Effects of convertible debenture IFRS changes on finance costs:			
Distributions on exchangeable units	$ 676	$ 2,060	$ 2,736
Fair value adjustment	4,608	7,647	7,691
	$ 5,284	$ 9,707	$ 10,427

(a) Under IFRS, the exchangeable units are not eligible for equity presentation and have been reclassified from equity to liabilities on the condensed consolidated interim statements of financial position.

Since the exchangeable units are presented as liabilities, the distributions made thereon are recorded as finance costs on the condensed consolidated interim statements of income and comprehensive income.

(b) The exchangeable units contain an embedded derivative and Primaris has elected to record the entire instrument at fair value. Fair value is calculated using the quoted market price of Primaris units at the end of each reporting period.

The fair value adjustment is recorded as part of finance costs on the condensed consolidated interim statements of income and comprehensive income.

(c) When exchangeable units are exchanged for trust units, they are transferred to equity at the market value at the time of the transfer.

(iv) Unit-based compensation recorded as a liability at fair value:

	September 30, 2010	December 31, 2010	January 1, 2010
Increase to accounts payable and other liabilities	$ 2,065	$ 2,309	$ 342
Increase (decrease) to equity - units issued	$ (9)	$ 13	$ –
Decrease to equity - contributed surplus	(978)	(1,131)	(75)
Decrease to equity - cumulative net income	(1,078)	(1,191)	(267)
Net change to equity	$ (2,065)	$ (2,309)	$ (342)

	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
Increase to general and administrative expenses from IFRS changes to unit-based compensation	$ 658	$ 811	$ 924

Restricted units and options granted to employees under Primaris' equity incentive plan are required to be settled in units. Under Canadian GAAP, the awards were measured at the grant date and recorded over the vesting period to equity.

Under IFRS, the awards are considered to be liability awards which are recorded to liabilities over the vesting period based on the fair value of the awards at each condensed consolidated interim statement of financial position date.

As awards are exercised, amounts are recorded into equity at the fair value on the exercise date.

(v) Deferred income taxes:

Under both IFRS and Canadian GAAP, deferred income taxes are recorded for the temporary differences arising in respect of assets and liabilities for the periods when Primaris did not meet the REIT Conditions. The calculations of deferred income taxes at January 1, 2010 and September 30, 2010 were different under Canadian GAAP and IFRS. The changes are reflected in the condensed consolidated interim statements of financial position, equity and income and comprehensive income. The deferred tax liability was reversed on December 31, 2010 when Primaris met the REIT Conditions.

(e) Material adjustments to the condensed consolidated interim statements of cash flows for the three months and nine months ended September 30, 2010:

The disclosure of finance costs and income has changed to meet IFRS requirements. All finance costs and income are added back to the calculation of cash generated from operating activities, whether the transaction is cash-paid or non-cash.

Cash-paid transactions are then deducted as separate line items under financing activities. These amounts were disclosed as supplemental cash flow information under Canadian GAAP.

Fair value adjustments on investment properties that were not recorded under Canadian GAAP are also added back to the condensed consolidated interim statements of cash flows.

There are no other material differences between the condensed consolidated interim statements of cash flows presented under IFRS and the condensed consolidated interim statements of cash flows presented under Canadian GAAP.

4. ACQUISITIONS:

During the nine months ended September 30, 2011, Primaris completed the purchase of five new properties: Burlington Mall in Burlington, Ontario; Oakville Place in Oakville, Ontario; Place Vertu in Saint-Laurent, Quebec; St. Albert Centre in St. Albert, Alberta; and Tecumseh Mall in Windsor, Ontario.

During the nine months ended September 30, 2010, Primaris completed the purchase of Cataraqui Centre located in Kingston, Ontario.

The purchases have been accounted for as asset acquisitions with the results of operations included in these condensed consolidated interim financial statements. The purchase price allocation to net assets was as follows:

	September 30, 2011	September 30, 2010
Land	**$ 154,790**	$ 16,441
Buildings	**426,751**	153,397
Other assets	**3,534**	1,552
Other liabilities	**(2,692)**	(2,068)
Purchase price paid in cash, including acquisition costs of $9,541 (2010 - $3,264)	**$ 582,383**	$ 169,322

Primaris arranged third-party mortgage funding of $108,600 and $115,000 with respect to the acquisitions of Burlington Mall and Oakville Place, respectively. The respective loans have terms of 5 years and 10 years and bear interest at fixed rates of 3.83% and 4.74%.

Primaris arranged third-party mortgage funding of $105,000 with respect to the purchase of Cataraqui Centre. The loan has a term of 10 years and bears interest at 5.3%.

5. INVESTMENT PROPERTIES:

	September 30, 2011	December 31, 2010
Balance, beginning of period	**$ 2,804,900**	$ 2,541,700
Acquisitions of investment properties, including acquisition costs of $9,541 (December 31, 2010 - $3,264)	**581,541**	169,838
Additions:		
Capital expenditures	**12,296**	14,175
Direct leasing costs	**11,867**	8,527
Dispositions	**(19,981)**	(14)
Fair value adjustments	**15,157**	75,890
Amortization of leasing costs and straight-line rents included in revenue	**(3,980)**	(5,216)
Balance, end of period	**$ 3,401,800**	$ 2,804,900

During the quarter, Primaris sold two shopping centres. Primaris was released from a mortgage of $5,394 on one of the properties sold. The proceeds of the sale of the second property, $13,020, are being held in escrow pending registration of a mortgage against a different shopping centre in the Primaris portfolio. Upon registration, these funds will be released to Primaris.

Investment properties are stated at fair value. The fair value was determined by a combination of valuations made by independent external appraisers having appropriate professional qualifications and internal management valuations using a discounted cash flow model.

(a) External appraisals:

Each property is subject to an external appraisal at least once in every three years.

Aggregate fair value of properties externally appraised for the quarter ending:

	September 30, 2011	September 30, 2010 [1]
March 31	**$ 21,900**	$ -
June 30	**1,028,900**	-
September 30	**297,600**	167,600
December 31	**N/A**	189,500
Year-to-date total	**$ 1,348,400**	$ 357,100

[1] *All properties were valued by external appraisals on January 1, 2010.*

(b) Internal appraisals:

Fair values were primarily determined by using a discounted cash flow model. Using this model, discount rates are applied to the projected annual operating cash flows, generally over a term of 10 years including a terminal value based on a capitalization rate to estimated year 11

cash flows. Valuations are most sensitive to changes in discount rates and capitalization rates. Primaris received quarterly capitalization rate reports from independent external appraisers and these reports support management's view on the investment metrics used. Below are the key rates used in the modeling process for both internal and external appraisals:

	September 30, 2011			December 31, 2010			January 1, 2010		
	Maximum	**Minimum**	**Weighted average**	Maximum	Minimum	Weighted average	Maximum	Minimum	Weighted average
Discount rate	**10.7%**	**6.9%**	**7.6%**	9.3%	7.0%	7.6%	9.8%	7.5%	8.0%
Terminal cap rate	**9.5%**	**6.0%**	**6.7%**	8.3%	6.0%	6.7%	8.8%	6.5%	7.1%
Investment horizon (years)	**10**	**10**	**10**	10	10	10	12	10	10

Primaris' Yonge Street assets, which represent less than 2% of the portfolio value, were appraised at a capitalization rate lower than this range reflecting, in part, the redevelopment potential of these locations.

Two land leases meet the definition of a finance lease and are included in the fair value of investment properties.

Included in investment properties is $28,438 (December 31, 2010 - $23,728) of net improvements to be recovered from tenants.

The investment properties have been pledged as security for Primaris' mortgages payable and bank indebtedness. In addition, Primaris' interest in one property remains pledged as security for $20,125 (December 31, 2010 - $22,013) of obligations of its joint venture partner, which mature no later than March 31, 2013. Primaris has been indemnified and has implemented appropriate additional protective measures to minimize the risk of any loss.

6. RENTS RECEIVABLE:

	September 30, 2011	December 31,2010
Rents receivable, net of allowance of $1,456 (December 31, 2010 - $1,129)	**$ 684**	$ 3,706
Accrued recovery revenue	**2,179**	757
Accrued percentage rent	**647**	717
Other amounts receivable	**1,583**	916
	$ 5,093	$ 6,096

7. OTHER ASSETS AND RECEIVABLES:

	September 30, 2011	December 31, 2010
Prepaid realty taxes	**$ 14,316**	$ 3,067
Prepaid ground rent	**499**	241
Fixtures and equipment, net of accumulated depreciation of $2,163 (December 31, 2010 - $2,120)	**4,311**	4,964
Other assets	**3,595**	2,734
Escrow funds	**13,020**	-
	$ 35,741	$ 11,006

The proceeds of the sale of the second property, $13,020, are being held in escrow pending registration of a mortgage against a different shopping centre in the Primaris portfolio. Upon registration, these funds will be released to Primaris.

8. MORTGAGES PAYABLE:

Mortgages payable are secured by investment properties and, in many cases, by corporate guarantees, and bear interest at fixed rates ranging between 3.83% and 7.45% (December 31, 2010 - 4.75% and 7.45%). The weighted average interest rate for the mortgages payable, excluding the finance costs, is 5.41% (December 31, 2020 - 5.65%). Mortgages payable mature at various dates between 2012 and 2022.

	September 30, 2011	December 31, 2010
Mortgages payable	**$ 1,439,641**	$ 1,168,587
Mark-to-market adjustment, net	**803**	1,229
Debt placement costs, net of accumulated amortization of $3,831 (December 31, 2010 - $3,046)	**(6,772)**	(5,047)
	1,433,672	1,164,769
Less current portion	**53,003**	61,685
	$ 1,380,669	$ 1,103,084

Future principal payments on the mortgages payable are as follows:

	Payments on maturity	Total annual payments	Total
2011 remainder	$ –	$ 8,029	$ 8,029
2012	21,226	32,971	54,197
2013	213,917	31,433	245,350
2014	97,347	29,754	127,101
2015	96,920	28,065	124,985
Thereafter	778,261	101,718	879,979
	$ 1,207,671	$ 231,970	$ 1,439,641

9. CONVERTIBLE DEBENTURES:

	6.75% convertible debentures	**5.85% convertible debentures**	**6.30% convertible debentures**	**5.40% convertible debentures**	**September 30, 2011 Total**	December 31, 2010 Total
Principal balance, beginning of period	**$ 3,848**	**$ 93,476**	**$ 81,928**	**$ –**	**$ 179,252**	$ 185,477
Issued	**–**	**–**	**–**	**75,000**	**75,000**	–
Conversions	**(703)**	**–**	**(11,886)**	**–**	**(12,589)**	(6,225)
Principal balance, end of period	**3,145**	**93,476**	**70,042**	**75,000**	**241,663**	179,252
Fair value adjustment	**2,269**	**2,571**	**15,675**	**(375)**	**20,140**	17,451
	$ 5,414	**$ 96,047**	**$ 85,717**	**$ 74,625**	**$ 261,803**	$ 196,703

Fair value is calculated using the quoted market price on September 30, 2011 and December 31, 2010.

The full terms of the convertible debentures are contained in the public offering documents and the following table summarizes some of the terms:

Debenture series	Principal balance, September 30, 2011	Maturity	Interest rate	Conversion price	Redemption date after
6.75%	$ 3,145	June 30, 2014	6.75%	$ 12.25	June 30, 2010
5.85%	93,476	August 1, 2014	5.85%	22.55	August 1, 2012
6.30%	70,042	September 30, 2015	6.30%	16.70	October 1, 2014
5.40%	75,000	November 30, 2018	5.40%	28.84	December 1, 2016

Under certain circumstances, redemption of the convertible debentures may occur sooner than the redemption date.

(a) 6.75% convertible debentures:

During the nine months ended September 30, 2011, holders of $703 (September 30, 2010 - $1,728) of convertible debentures at face value exercised their option to convert to units. A total of 57,384 units (September 30, 2010 - 141,052) were issued on conversion. As at September 30, 2011, the face value of this series of debentures was $3,145 (December 31, 2010 - $3,848).

(b) 5.85% convertible debentures:

During the nine months ended September 30, 2011 and 2010, there were no conversions nor any repurchases under Primaris' normal course issuer bid of this series of convertible debentures. As at September 30, 2011, the face value of this series of debentures was $93,476 (December 31, 2010 - $93,476).

(c) 6.30% convertible debentures:

During the nine months ended September 30, 2011, holders of $11,886 (September 30, 2010 - $1,002) of convertible debentures at face value exercised their option to convert to units. A total of 711,725 units (September 30, 2010 - 59,998) were issued on conversion. As at September 30, 2011, the face value of this series of debentures was $70,042 (December 31, 2010 - $81,928).

(d) 5.40% convertible debentures:

On June 22, 2011, Primaris issued $75,000 of 5.40% convertible debentures. No holders have exercised their option to convert to units. As at September 30, 2011, the face value of this series of debentures was $75,000. Issuance costs of $3,029 were expensed.

10. BANK INDEBTEDNESS:

Primaris has an operating line of $130,000 that expires on July 31, 2012. The operating line is secured by fixed charges on certain investment properties and a corporate guarantee. Draws on the operating line are subject to certain conditions; interest is at prime plus applicable premiums or, at the option of Primaris, at bankers' acceptance rates, plus applicable premiums. As at September 30, 2011, $7,000 has been drawn on the operating line (December 31, 2010 - $10,000).

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES:

	September 30, 2011	December 31, 2010
Accounts payable and accrued liabilities	$ 44,899	$ 46,773
Tenant deposits	6,192	4,626
Deferred revenue	503	458
	51,594	51,857
Less non-current portion of accounts payable and accrued liabilities	1,121	533
	$ 50,473	$ 51,324

12. EQUITY:

Primaris is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of Unitholders and entitles the Unitholder to receive a pro rata share of all distributions. The Unitholders have the right to require Primaris to redeem their trust units on demand. Upon receipt of the redemption notice by Primaris, all rights to and under the trust units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per trust unit ("Redemption Price"), as determined by a market formula. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

Primaris trust units are considered liability instruments under IFRS because the trust units are redeemable at the option of the holder. Primaris' trust units meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

Primaris has also issued exchangeable units. As at September 30, 2011, there were 2,187,261 exchangeable units issued and outstanding by subsidiaries of Primaris with a recorded value of $44,839 (December 31, 2010 - 2,217,261 units with a recorded value of $43,325). These exchangeable units are economically equivalent to trust units and are entitled to receive distributions equal to those provided to holders of trust units. However, these units are not the most subordinate of the units issued. As a result, they are not eligible for equity presentation and are recorded as liabilities. Exchangeable units are recorded at fair value, which is calculated using the quoted market price of Primaris' trust units at the end of each reporting period. The exchangeable units are included in the calculation of total units outstanding for the per unit calculations.

Since the exchangeable units are presented as liabilities, the distributions on these units are recorded as part of finance costs (note 14).

Primaris' Trustees have discretion in declaring distributions.

(a) Units outstanding:

	September 30, 2011		December 31, 2010	
	Units	Amount	Units	Amount
Trust units, beginning of period	66,577,418	$ 847,827	60,227,333	$ 741,743
Issuance of units under the distribution reinvestment plan	320,346	6,635	193,208	3,525
Conversion of debentures (note 9)	769,109	15,889	414,134	7,846
Purchase of units under normal course issuer bid	(31,000)	(589)	(60,000)	(1,130)
Units issued under equity compensation arrangement	40,130	935	48,993	727
Units issued, net of costs	12,650,000	249,496	5,663,750	93,511
Conversion of exchangeable units	30,000	597	90,000	1,605
Trust units, end of period	80,356,003	$ 1,120,790	66,577,418	$ 847,827
Exchangeable units, beginning of period	2,217,261	43,325	2,307,261	37,239
Conversion to trust units	(30,000)	(597)	(90,000)	(1,605)
Fair value adjustment	–	2,111	–	7,691
Exchangeable units, end of period	2,187,261	$ 44,839	2,217,261	$ 43,325
Total trust units and exchangeable units for per unit calculations, end of period	82,543,264		68,794,679	

Primaris issued 11,000,000 units on June 13, 2011 and 1,650,000 units on June 20, 2011.

(b) Distribution reinvestment plan:

Primaris has a distribution reinvestment plan that allows Unitholders to use the monthly cash distributions paid on their existing units to purchase additional units directly from Primaris. Unitholders who elect to participate in the distribution reinvestment plan will receive a further distribution, payable in units, equal in value to 3% of each cash distribution.

(c) Normal course issuer bid:

Pursuant to its issuer bid (note 18), Primaris repurchased and cancelled 31,000 units for $589 during the nine months ended September 30, 2011 (2010 - nil). No convertible debentures were repurchased in the nine months ended September 30, 2011 (2010 - nil).

(d) Adjusted per unit calculations:

Primaris' trust units are considered puttable instruments in accordance with IAS 32, Financial Instruments. Puttable instruments are required to be accounted for as financial liabilities and, therefore, are not equity instruments for which an income or loss per unit is required to be presented. Therefore, Primaris does not report an income or loss per unit figure on its condensed consolidated interim statements of income and comprehensive income. However, for disclosure purposes only, Primaris has determined earnings per unit using the same basis that would apply in accordance with IAS 33, Earnings Per Share, had Primaris' trust units been accounted for as equity, and had the exchangeable units and related distributions been accounted for as equity. The adjusted earnings per unit treats the exchangeable units as Unitholders' equity and management believes the calculation more appropriately reflects the nature of this financial instrument in the context of Primaris' business.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Numerator:				
Net income	**$ 29,223**	$ (10,973)	**$ 75,362**	$ 54,726
Fair value adjustment of exchangeable units	**(1,203)**	4,608	**2,111**	7,647
Distributions on exchangeable units	**667**	676	**2,006**	2,060
Net income for calculating adjusted basic earnings per unit	**$ 28,687**	$ (5,689)	**$ 79,479**	$ 64,433
Fair value adjustment on dilutive series of convertible debentures	**(3,721)**	-	**-**	-
Interest on dilutive series of convertible debentures	**3,567**	-	**-**	-
Net income for calculating adjusted diluted earnings per share	**$ 28,533**	$ (5,689)	**79,479**	$ 64,433
Denominator:				
Basic units	**82,439,758**	68,506,099	**74,476,869**	65,215,815
Diluted units	**93,896,314**	68,666,318	**74,686,974**	65,334,877
Adjusted earnings per unit:				
Basic adjusted earnings per unit	$ **0.348**	$ (0.083)	**$ 1.067**	$ 0.988
Diluted adjusted earnings per unit	**0.304**	(0.083)	**1.064**	0.986

The convertible debentures and options granted but not yet exercised have been excluded from the calculation of diluted net income per unit, as they are currently anti-dilutive to net income.

(e) Unit-based compensation plan:

In order to provide long-term compensation to certain officers, employees and Trustees of Primaris, there may be grants of restricted units or options, which are subject to certain restrictions. Under Primaris' unit-based compensation plan, the maximum number of total units available for grant is limited to 7% of the then issued and outstanding units at the time the plan was approved.

For restricted units granted to Trustees, the units vest at the earlier of two events: (i) four years from the grant date; and (ii) Trustee departure. As the Trustees can control when the restricted share units vest, they were considered fully vested when issued. Upon exchange of the restricted share units, the Trustees have the option to settle in cash instead of units issued from treasury and, therefore, the awards are classified as cash-settled unit-based payments and recorded as liabilities. The restricted share units accrue distributions in the form of additional grants of restricted share units with all the same terms. These restricted share units are recorded as liabilities, which are indexed to changes in fair value of Primaris units.

Restricted units granted to employees are recorded based on the grant date fair value. The awards will be satisfied by trust units issued from treasury. Since trust units are redeemable at the option of the holder, the restricted share units are classified as cash-settled unit-based payments and recorded as liabilities. The restricted units are subject to vesting conditions and are subject to forfeiture until the employees have been employed by Primaris for a specified period of time. The restricted share units accrue cash distributions during the vesting period and accrued distributions will be paid when the restricted units vest. These restricted share units are recorded as liabilities, which are indexed to changes in fair value of Primaris units.

Option values are initially calculated based on the grant date fair value. Typically options vest 25% at the end of the year of the grant, and a further 25% at the end of each of the following three years. Since trust units are redeemable at the option of the Unitholder, the options are classified as cash-settled unit-based payments and are recorded as liabilities, which are to be indexed to changes in fair value of the options.

Primaris accounts for its unit-based compensation using the fair value method, under which compensation expense is recognized over the vesting period. Unit-based compensation expense and assumptions used in the calculation thereof using binomial models for option valuation are as follows:

	Nine months ended September 30, 2011	Year ended December 31, 2010
Unit-based compensation [1]		
Compensation expense	**$ 1,036**	$ 801
Fair value adjustments	**557**	963
Liability recorded for unit-based payments	**3,828**	3,121
Unit options granted	**308,148**	490,132
Unit option holding period (years)	**7**	7
Volatility rate	**20.0%**	22.0%
Distribution yield	**6.1%**	7.2%
Risk-free interest rate	**3.1%**	3.1%
Weighted average fair value, at grant date:		
Options	**$ 2.37**	$ 2.29
Restricted share units	**20.15**	16.87

(1) Of the equity awards granted in 2010, $1,000 was classified as transition expense in 2009 and not included in the above compensation expense.

The number of options outstanding changed as follows:

	Nine months ended September 30, 2011		Year ended December 31, 2010	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of period	**664,775**	**$ 15.73**	201,588	$ 12.20
Granted	**308,148**	**20.32**	490,132	17.50
Exercised	**(40,130)**	**11.40**	(20,000)	10.70
Expired/Forfeited	**–**	**–**	(6,945)	16.81
Balance, end of period	**932,793**	**$ 17.43**	664,775	$ 15.73
Exercisable, end of period	**318,518**		308,251	

As at September 30, 2011, the following options were outstanding:

Exercise price	Number of options	Remaining weighted average life (in years)
$10.70	56,088	4.3
$14.06	90,000	4.9
$16.81	271,463	5.3
$17.17	3,878	5.5
$17.25	203,216	5.5
$20.32	308,148	6.3
$10.70 - $20.32	932,793	5.6

As at September 30, 2011, there were 98,202 restricted share units granted and outstanding at a recorded value of $1,056 (December 31, 2010 - 53,037 restricted share units at a recorded value of $456).

13. INVESTMENT IN JOINT VENTURE:

During 2009, Primaris entered into an agreement to establish a joint venture, in which Primaris has a 50% interest. The joint venture became effective on December 17, 2009 with contributions of cash and fixed assets by the venturers which were recorded at their fair values.

The condensed consolidated interim financial statements include Primaris' proportionate share of the assets, liabilities, revenue and expenses of the joint venture.

	September 30, 2011	December 31, 2010
Assets	**$ 110,742**	$ 110,752
Liabilities	**11,702**	6,316

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Revenue	**$ 2,815**	$ 2,958	**$ 8,622**	$ 8,710
Expenses	**1,037**	1,201	**3,245**	3,347
Cash provided by (used in):				
Operations	**$ (2,231)**	$ (150)	**$ (289)**	$ 1,983
Investments	**–**	–	**(4)**	–

In addition to the above, Primaris' liabilities include a $63,000 (December 31, 2010 - $63,000) mortgage secured by its interest in the joint venture. Primaris' interest in the joint venture has also been pledged as security for $20,125 (December 31, 2010 - $22,013) of obligations of its joint venture partner which mature no later than March 31, 2013. The joint venture partner is the manager of the property.

14. FINANCE COSTS:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Mortgages payable	**$ 19,221**	$ 15,407	**$ 52,003**	$ 45,279
Convertible debentures	**3,567**	2,799	**8,972**	8,404
Bank indebtedness	**480**	238	**1,144**	667
Interest expensed	**23,268**	18,444	**62,119**	54,350
Distributions on exchangeable units	**667**	676	**2,006**	2,060
Convertible debenture placement costs	**-**	-	**3,029**	-
Fair value adjustment for convertible debentures	**(3,721)**	10,322	**5,989**	14,979
Fair value adjustment for exchangeable units	**(1,203)**	4,608	**2,111**	7,647
Amortization of net loss on cash flow hedges	**58**	59	**173**	178
Amortization of debt placement costs	**449**	294	**1,018**	899
	$ 19,518	$ 34,403	**$ 76,445**	$ 80,113

15. CHANGE IN OTHER NON-CASH OPERATING WORKING CAPITAL:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	**2011**	2010
Rents receivable	**$ 2,026**	$ 587	**$ 1,003**	$ 664
Other assets and receivables, excluding fixtures, equipment and escrow funds	**4,550**	4,839	**(8,834)**	(8,281)
Accounts payable and other liabilities	**(289)**	735	**(2,782)**	(7,107)
Mortgage premium, net	**(144)**	(252)	**(426)**	(761)
	$ 6,143	$ 5,909	**$ (11,039)**	$ (15,485)

16. SEGMENT DISCLOSURE:

Substantially all of Primaris' assets are in and its revenue is derived from the Canadian real estate industry segment. No single tenant accounts for more than 4.7% (December 31, 2010 - 6.9%) of Primaris' minimum rent.

17. INCOME TAXES:

The Income Tax Act (Canada) contains legislation (the "SIFT Rules") affecting the tax treatment of "specified investment flow-through" trusts ("SIFT"). A SIFT includes a publicly traded trust. The SIFT Rules provide for a transition period until 2011 for publicly traded trusts like Primaris, which existed prior to November 1, 2006. Under the SIFT Rules, distributions of certain types of income by a SIFT are not deductible in computing the SIFT's taxable income, and a SIFT is subject to tax on such income at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. The SIFT Rules do not apply to a publicly traded trust that qualifies as a REIT under the Income Tax Act (Canada). Primaris completed the necessary tax restructuring to qualify as a REIT effective December 31, 2010. For periods before it qualified, Primaris recorded deferred tax liabilities in respect of temporary differences expected to reverse after January 1, 2011. Such deferred tax liability was reversed as an adjustment to deferred income tax expense in income and as an adjustment to other comprehensive income during the fourth quarter of 2010, when Primaris became a qualifying REIT.

The tax effects of temporary differences that give rise to significant portions of the deferred tax liability as at January 1, 2010 are as follows:

Investment properties	$	265,421
Deferred loss on cash flow hedges		594
Other, net		(1,729)
	$	264,286

18. CAPITAL MANAGEMENT:

Primaris manages its capital structure in order to support ongoing property operations, developments and acquisitions, as well as to generate stable and growing cash distributions to Unitholders - one of Primaris' primary objectives. Primaris defines its capital structure to include: mortgages payable, bank indebtedness, acquisition facilities, convertible debentures, excheangable units and trust units. There were no changes to Primaris' approach to capital management for the nine months ended September 30, 2011.

Primaris reviews its capital structure on an ongoing basis. Primaris adjusts its capital structure in response to investment opportunities, the availability of capital and anticipated changes in economic conditions and their impact on Primaris' portfolio. Primaris also adjusts its capital structure for budgeted development projects and distributions.

Primaris' strategy is driven in part by external requirements from certain of its lenders and by policies as set out under the Declaration of Trust. Primaris' Declaration of Trust requires that Primaris:

(a) will not incur any new indebtedness on its properties in excess of 75% of the property's market value;

(b) will not incur any indebtedness that would cause the Debt to Gross Book Value Ratio (as defined in the Declaration of Trust) to exceed 60%; and

(c) will not incur floating rate indebtedness aggregating more than 15% of Gross Book Value.

In addition, Primaris is required by its lenders under the operating line to meet four financial covenants, as defined in the agreement:

(a) a Debt to Total Assets Ratio of not more than 60%;
(b) an Interest Coverage Ratio of greater than 1.75;
(c) a Debt Service Coverage Ratio of greater than 1.5; and
(d) a minimum equity of $800,000.

Those amounts as at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011	December 31, 2010
Debt to Total Assets	**48.9 %**	47.9%
Interest Coverage (rolling four quarters)	**3.0x**	2.2x
Debt Service Coverage (rolling four quarters)	**2.2x**	1.7x
Equity	**$ 1,681,492**	$ 1,398,364

For the nine months ended September 30, 2011, Primaris met all externally imposed requirements.

Primaris' mortgage lenders require security for their loans. The security can include: a mortgage, assignment of the leases and rents receivable, corporate guarantees and assignment of insurance policies.

In December 2010, Primaris renewed its normal course issuer bid, which entitles Primaris to acquire up to 3,000,000 units, $392 of the 6.75% convertible debentures, $9,347 of the 5.85% convertible debentures and $8,264 of the 6.30% convertible debentures. Purchases under the bid could commence on December 6, 2010 and must terminate on the earlier of: (a) December 5, 2011; (b) the date on which Primaris completes its purchases of units and convertible debentures; or (c) the date of notice by Primaris of termination of the bid. Purchases, if completed, will be made on the open market by Primaris. Securities purchased under this bid will be cancelled. The price Primaris will pay for any such units or debentures will be the market price at the time of acquisition. Primaris believes that the market price of its units or debentures at certain times may be attractive and that purchases of units or debentures from time to time would be an appropriate use of funds in light of potential benefits to Unitholders.

19. FINANCIAL RISK MANAGEMENT:

In the normal course of business, Primaris is exposed to a number of risks that can affect its operating performance. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and Primaris' own activities. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk:

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to pay the rents due under their lease commitments. Primaris attempts to mitigate the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of new leasing, and tenant deposits are obtained when warranted.

Primaris' exposure to credit risk is based on business risks associated with the retail sector of the economy. Primaris measures this risk-by-tenant concentration across the portfolio. Primaris has over 1,100 different tenants across the portfolio.

Primaris establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The amounts that comprise the allowance are determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

Primaris places its cash and cash equivalent investments with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligation.

(b) Liquidity risk:

Liquidity risk is the risk that Primaris will not have sufficient access to cash, lines of credit and new debt and equity to fund its financial obligations as they fall due.

Primaris manages cash from operations and capital structure to ensure there are sufficient resources to operate the investment properties, fund anticipated leasing, make capital and development expenditures, meet its debt servicing obligations, fund general administrative costs and make Unitholder distributions. Primaris monitors compliance with debt covenants, estimating lease renewals and property acquisitions and dispositions. Staggering loan maturity dates mitigates Primaris' exposure to large amounts maturing in any one year and the risk that lenders will not refinance.

Primaris' exposure to refinancing risk arises from maturing mortgages payable, convertible debentures and the operating line. Maturing debt funding requirements are typically sourced from new capital from external sources. The ability to obtain funding, or favourable funding, depends on several factors, including current economic climate and quality of the underlying assets being refinanced.

A schedule of mortgage principal repayment obligations is provided in note 8. Maturities of the convertible debentures, which under certain circumstances may be repaid through the issuance of units, are provided in note 9. Details on Primaris' operating line, on which $7,000 has been drawn on September 30, 2011 are disclosed in note 10.

(c) Market risk:

All of Primaris' investment properties are focused on the Canadian retail sector. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect Primaris' financial instruments. All of Primaris' operations are denominated in Canadian dollars, resulting in no direct foreign exchange risk. Primaris' existing debts are all at fixed interest rates. Primaris staggers the maturities of its mortgages payable in order to minimize the exposure to future interest rate fluctuation.

Fair values:

In addition to those financial instruments carried at fair values, the fair values of Primaris' financial assets and financial liabilities, together with the contractual carrying amounts shown in the condensed consolidated interim statements of financial position, are as follows:

	September 30, 2011		December 31, 2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Mortgages payable	**$ 1,439,641**	**$ 1,543,557**	$ 1,168,587	$ 1,217,140

Primaris uses various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of Primaris' financial instruments:

(i) Mortgages payable:

The fair value of Primaris' mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2).

(ii) Convertible debentures:

The fair value of the convertible debentures is estimated based on the market trading prices of the convertible debentures (Level 1).

(iii) Exchangeable units:

The fair value of the exchangeable units is estimated based on the market trading prices of Primaris' units (Level 1).

(iv) Unit-based compensation:

The fair value of unit options granted is estimated using a binomial model for option valuation (Level 2).

The fair value of the restricted share units granted is estimated based on the market trading prices of Primaris' trust units (Level 1).

(v) Other financial assets and liabilities:

The carrying values of cash and cash equivalents, rents receivable, bank indebtedness, accounts payable and other liabilities and distribution payable approximate their fair values due to their short-term nature.

20. OPERATING LEASES:

Future minimum operating lease payments are as follows:

	Operating leases	Land leases	Total
2011 (remainder)	$ 359	$ 330	$ 689
2012	1,436	1,397	2,833
2013	1,469	1,422	2,891
2014	1,440	1,422	2,862
2015	1,319	1,422	2,741
Thereafter	5,313	35,763	41,076
	$ 11,336	$ 41,756	$ 53,092

During the three and nine months ended September 30, 2011, Primaris recognized operating lease payments, net of incentives, totalling $331 and $1,024 (September 30, 2010 - $332 and $1,033), respectively.

21. COMMITMENTS AND CONTINGENCIES:

(a) Under the terms of a memorandum of agreement dated June 7, 1971 between The City of Calgary and Oxford Properties Group Inc. ("OPGI") as assumed, assigned and amended from time to time, including without limiting the generality of the foregoing, by a development amending agreement between The City of Calgary, Marathon Realty Company Limited and The Cadillac Fairview Corporation Limited, OPGI is obligated to pay for certain roadway construction near Northland Village and such roadway construction obligation remains registered on title for this property. OPGI has indemnified Primaris for up to $30,000 in respect of this obligation. These obligations were assumed by an affiliate of OPGI.

(b) Primaris is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the condensed consolidated interim financial statements.

CORPORATE AND UNITHOLDER INFORMATION

OFFICERS

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Executive Vice President and Chief Financial Officer

Patrick Sullivan
Senior Vice President
Portfolio Management

Leslie Buist
Vice President
Finance

Lesley Gibson
Vice President
Finance

Devon Jones
Vice President
Legal and Secretary

Anne Morash
Vice President
Development

Ron Perlmutter
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Oliver Hobday
Assistant Secretary

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STOCK EXCHANGE LISTING

Toronto Stock Exchange
(TMX), symbols
PMZ.UN
PMZ.DB
PMZ.DB.A
PMZ.DB.B
PMZ.DB.C

BOARD OF TRUSTEES

Roland A. Cardy Independent, Chair of the Board [1,4]

Mr. Cardy is Managing Partner and a director of Gorbay Company Limited, a private real estate investment company. Prior to this role, Mr. Cardy was a Senior Managing Director at Raymond James Ltd. He also held a number of positions at The Toronto-Dominion Bank including Vice-Chair, Investment Banking and served on the Executive Committee and the Board of Directors of TD Securities Inc.

Kerry D. Adams Independent, Chair of the Governance and Nominating Committee [1,2,4]

Ms. Adams is President of K. Adams & Associates Limited providing wealth management services for trusts and private corporations. Prior roles include Commissioner and Director of the Ontario Securities Commission, President of Widcor Limited and Widcor Financial, project leader on the Bank of Nova Scotia's acquisition of McLeod, Young, Weir and Partner with KPMG Peat Marwick.

William J. Biggar Independent, Chair of the Audit Committee [1,2,3]

Mr. Biggar is President and Chief Executive Officer of North American Palladium Ltd. Prior roles include Managing Director of Richardson Capital Limited, President and Chief Executive Officer of MI Developments Inc., Executive Vice President of Magna International Inc. and Executive Vice President and Chief Financial Officer of Cambridge Shopping Centres Limited.

Ian Collier Independent, Chair of the Distributions Committee [2,3]

Mr. Collier is Chief Executive Officer and Partner of Perseis Partners Inc., a manager of private equity investments for institutional investors. Formerly, Mr. Collier was President and CEO of Borealis Private Equity and President and CEO of OMERS Capital Partners and CEO of Borealis Capital Corporation.

Kenneth A. Field Independent, Chair of the Compensation Committee [1,2,4]

Mr. Field is a retired investment banker. Prior to retirement, Mr. Field was Senior Vice President, Head of Real Estate Investment Banking with Midland Walwyn Inc. / Merrill Lynch Canada Inc. He is a former member of the Board of Governors of the Toronto Stock Exchange and a former Chair of the Board of Governors of the Toronto Futures Exchange.

Brent Hollister Independent [3,4]

Mr. Hollister is the former Chief Executive Officer of Sears Canada Inc., one of Canada's leading retailers. Prior to his role as Chief Executive Officer, Mr. Hollister held a number of executive roles at Sears including President & Chief Operating Officer, Executive Vice President / President of Sales & Service, Vice President of Catalogue & Internet and Executive General Manager of Distribution and Planning.

John Morrison Non-Independent [3]

Mr. Morrison is President and Chief Executive Officer of Primaris Retail REIT. Prior to his appointment as CEO of Primaris, Mr. Morrison was President, Real Estate Management at Oxford Properties Group, where he was responsible for the performance of Oxford's $10 billion domestic portfolio of office, industrial, multi-family residential and shopping centre properties. Mr. Morrison was also responsible for the operations of Primaris' shopping centres under management by Oxford.

1. Member of Audit Committee
2. Member of Governance and Nominating Committee
3. Member of Distributions Committee
4. Member of Compensation Committee

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