Primaris

PRIMARIS RETAIL REIT Announces Second Quarter Results

Toronto (Ontario) August 4, 2011 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report positive operating results for the second quarter of 2011. These results have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Prior year's results have been restated to conform to this change.

President and CEO, John Morrison, commented "The second quarter of 2011 and was significant for Primaris as we completed the largest transaction in the eight year history of our company. The acquisition of five shopping centres from Ivanhoe Cambridge for $572 million dollars increased gross leasable area by 23%. We are very pleased with this investment as we are adding a strong mix of shopping centres and retailers to our portfolio. The purchase was financed by a combination of $249 million from the issuance of trust units, $72 million from unsecured debt, $222 million from secured debt, and $39 million from cash and the operating line. The transaction was a success due to efforts from many members of the Primaris team."

Highlights

Funds from Operations

- Funds from operations for the second quarter ended June 30, 2011 were $21.8 million, down $1.1 million from the $22.9 million reported for the second quarter of 2010 as restated. On a per unit diluted basis, funds from operations for the second quarter of 2011 were $0.304, down $0.042 from the $0.346 reported for the second quarter of 2010. The second quarter was affected by a non-recurring charge for issuance costs of $3.0 million or $0.037 per unit diluted. Net of this charge, the financial results improved due to the acquisitions in mid 2010 and June 2011.

Net Operating Income

- Net operating income for the second quarter ended June 30, 2011 was $47.4 million, an increase of $3.9 million from the $43.5 million recorded in the second quarter of 2010.

Same Properties – Net Operating Income

- Net operating income for the second quarter ended June 30, 2011, for the properties held continually for the past twenty-four months, increased 0.7% or $0.3 million from the comparative three month period.

Net Income

- Net income for the second quarter ended June 30, 2011 was $41.2 million, a decrease of $17.7 million from the $58.9 million recorded in the second quarter of 2010. The decrease is principally due to the volatility in the fair value adjustments on investment properties, convertible debentures, exchangeable units and unit-based compensation, which are non-cash adjustments.

Operations

- Primaris renewed or leased 382,285 square feet of space during the second quarter. The weighted average new rent in these leases, on a cash basis, represented a 6.35% increase over the previous rent paid.

- The portfolio occupancy declined during the second quarter. It was 95.7% at June 30, 2011, compared to 96.3% at March 31, 2011, and 96.6% at June 30, 2010. The decline is primarily attributable to redevelopment activity and the addition of the acquisition properties.

- Same tenant sales per square foot, for the 15 properties owned during all of the 24 months ended May 31, 2011 was $454 as compared to $456 for the previous 12 months.

Liquidity

- At June 30, 2011, Primaris had $11.2 million of cash on hand and $10.0 drawn on its $130.0 million credit facility.

Financial Results

Funds from operations for the second quarter ended June 30, 2011 were $21.8 million, down $1.1 million from the $22.9 million reported for the second quarter of 2010 as restated. On a per unit diluted basis, funds from operations for the second quarter of 2011 were $0.304, down $0.042 from the $0.346 reported for the second quarter of 2010. The second quarter was affected by a onetime charge for convertible debenture issuance costs of $3.0 million or $0.037 per unit diluted. Net of this charge, the financial results improved due to the acquisitions in mid 2010 and June 2011.

Net income for the three months ended June 30, 2011 was $41.2 million. This compares to net income of $58.9 million earned during the three months ended June 30, 2010. The decrease is principally due to the volatility in the fair value adjustments on investment properties, convertible debentures, exchangeable units and unit-based compensation.

The distribution payout ratio for the second quarter of 2011, calculated on a diluted basis, was 100.3% as compared to an 88.0% payout ratio for the second quarter of 2010 and 86.5% for the previous quarter March 31, 2011. The ratio would have been 89.3% if the convertible debenture issuance costs had not been incurred during the quarter. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At June 30, 2011, Primaris' total enterprise value was approximately $3.4 billion (based on the market closing price of Primaris' units on June 30, 2011 plus total debt outstanding). At June 30, 2011 Primaris had $1,706.9 million of outstanding debt, equating to a debt to total enterprise value ratio of 49.6%. Primaris' debt consisted of $1,453.6 million of fixed-rate senior debt with a weighted average interest rate of 5.5% and a weighted average term to maturity of 6.3 years, $10.0 drawn on the operating line of credit, $3.3 million of 6.75% fixed-rate convertible debentures, $93.5 million of 5.85% fixed-rate convertible debentures, $71.5 million of 6.30% fixed-rate convertible debentures and $75.0 million of 5.40% fixed-rate convertible debentures. During the three months ended June 30, 2011, Primaris had an interest coverage ratio of 2.3 times as expressed by EBITDA divided by interest expense on mortgages, convertible debentures and bank indebtedness. Primaris defines EBITDA as net income increased by depreciation, finance costs, income tax expense and amortization of leasing costs and straight-line rent. EBITDA is a non-GAAP measure and may not be comparable to similar measures used by other Trusts.

Operating Results

Net Operating Income – Same Properties
In thousands of dollars

		Unaudited ended June 30, 2011		Unaudited ended June 30, 2010		Variance to Comparable Period Favourable / (Unfavourable)
Operating revenue	$	78,126	$	75,302	$	2,824
Operating expenses		34,301		31,763		(2,538)
Net operating income	$	43,825	$	43,539	$	286

The same-property comparison consists of the 28 properties that were owned throughout both the current and comparative three month periods. Net operating income, on a same-property basis, increased $0.3 million, or 0.7%, in relation to the comparable three month period.

Liquidity

At the end of the quarter, Primaris had $11.2 million of cash on hand and $10.0 drawn on its $130.0 million credit facility.

To finance the acquisition of five shopping centres, Primaris issued 12,650,000 units for net proceeds of $249.5 million and $75 million 5.40% convertible debentures, and also placed permanent financing on two of the acquired properties. Primaris arranged third party mortgage funding of $108.6 million and $115.0 million with respect to the acquisitions of 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%.

Tenant Sales

For the 15 reporting properties owned throughout both the twelve month periods ended May 31, 2011 and 2010, sales per square foot, on a same-tenant basis, have decreased slightly to $454 from $456 per square foot. For the same 15 properties the tenant total sales volume has decreased 0.2%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
	2011	2010	$	%	2011	2010	$	%
Dufferin Mall	532	530	2	0.5%	89,923	88,166	1,757	2.0%
Eglinton Square	358	349	9	2.6%	27,611	27,183	428	1.6%
Heritage Place	294	298	(4)	-1.3%	26,016	25,276	740	2.9%
Lambton Mall	371	377	(6)	-1.9%	47,291	48,023	(732)	-1.5%
Place d'Orleans	456	458	(2)	-0.5%	107,849	108,004	(155)	-0.1%
Place Du Royaume	419	412	7	1.7%	114,019	109,817	4,202	3.8%
Place Fleur De Lys	325	327	(2)	-0.2%	71,175	73,373	(2,198)	-3.0%
Stone Road Mall	513	509	4	0.7%	113,814	112,885	929	0.8%
Aberdeen Mall	402	406	(4)	-1.0%	48,477	47,860	617	1.3%
Cornwall Centre	516	509	7	1.2%	81,839	78,689	3,150	4.0%
Grant Park	448	456	(8)	-1.7%	27,184	27,860	(676)	-2.4%
Midtown Plaza	561	570	(9)	-1.6%	130,247	133,916	(3,669)	-2.7%
Northland Village	450	457	(7)	-1.6%	44,291	45,310	(1,019)	-2.2%
Orchard Park	479	491	(12)	-2.3%	130,094	136,152	(6,058)	-4.4%
Park Place Mall	494	500	(6)	-1.2%	76,879	75,962	917	1.2%
	454	**456**	**(2)**	**-0.5%**	**1,136,709**	**1,138,476**	**(1,767)**	**-0.2%**

The tenants' sales decreased 0.5% 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 May 31, 2011, increased 3.3%. Primaris' sales productivity of $454 is lower than the ICSC average of $584, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

Leasing Activity

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate declined during the second quarter of 2011. It was 95.7% at June 30, 2011, compared to 96.3% at March 31, 2011, and 96.6% at June 30, 2010. The decline is primarily attributable to redevelopment activity and the addition of the acquisition properties. Without the five additional properties, occupancy would be 96.1%. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

Primaris renewed or leased 382,285 square feet of space during the second quarter of 2011. Approximately 68.5% of the leased spaces during the second quarter of 2011 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 6.35% increase over the previous rent.

At June 30, 2011, Primaris had a weighted average term to maturity of leases of 5.7 years.

Development Activity

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 to not only add a food court where none existed previously, but also provided an opportunity 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 expected to cost approximately $4.75 million and be completed by November 2011. Discussions continue with regard to a replacement anchor tenant.

A redevelopment project at Orchard Park Shopping Centre in Kelowna, British Columbia started in the summer of 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 be completed by November 2011, will bring Best Buy, a dynamic first-to-market tenant, to the centre. The project is on budget, expected to cost $7.7 million, and will increase the centre's market dominance.

A re-development 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 an anticipated opening date of October 2011 for the relocated retail tenants, and an April 2012 opening date for the MLCC expansion. The project is expected to cost $6.5 million and will create additional consumer draw to the centre and increase the cross shopping opportunity.

Acquisition

As previously announced, Primaris purchased 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 in June 2011. The properties were purchased from Ivanhoe Cambridge for $582.4 million inclusive of closing costs. The acquisition of these five shopping centres is a significant step in the growth of Primaris. The investment is consistent the core strategy of owning shopping centres that have dominant positions in the primary trade areas.

Comparison to Prior Period Financial Results – in thousands of dollars

	Unaudited Three Months Ended June 30, 2011	Restated to IFRS Unaudited Three Months Ended June 30, 2010	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 49,817	$ 45,757	$ 4,060
Recoveries from tenants	30,415	26,369	4,046
Percent rent	632	443	189
Parking	1,596	1,516	80
Other income	292	277	15
	82,752	74,362	8,390
Expenses			
Property operating	20,188	17,927	(2,261)
Property tax	16,202	13,542	(2,660)
Ground rent	295	294	(1)
General & administrative	2,523	2,707	184
Depreciation	284	314	30
	39,492	34,784	(4,708)
Income from operations	$ 43,260	$ 39,578	$ 3,682
Finance income	73	12	61
Finance costs	(20,787)	(19,703)	(1,084)
Fair value adjustment on investment properties	18,604	56,336	(37,732)
Deferred income taxes	-	(17,344)	17,344
Net income	**$ 41,150**	**$ 58,879**	**$ (17,729)**
Fair value adjustment on investment properties	(18,604)	(56,336)	37,732
Fair value adjustment on convertible debentures	(2,626)	(707)	(1,919)
Fair value adjustment on exchangeable units	(547)	1,505	(2,052)
Fair value adjustment on unit-based compensation	88	139	(51)
Distributions on exchangeable units	666	689	(23)
Amortization of tenant improvement allowances	1,679	1,403	276
Deferred income taxes	-	17,344	(17,344)
Funds from operations	**$ 21,806**	**$ 22,916**	**$ (1,110)**
Funds from operations per unit - basic	$ 0.303	$ 0.355	$ (0.052)
Funds from operations per unit - diluted	$ 0.304	$ 0.346	$ (0.042)
Funds from operations - payout ratio	100.3%	88.0%	12.3%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	71,854,014	64,504,760	7,349,254
Weighted average units outstanding - diluted	80,923,952	74,331,348	6,592,604
Units outstanding, end of period	82,342,138	68,430,386	13,911,752

Funds from Operations, which is not a defined term within International Financial Reporting Standards, has been calculated by management, using International Financial Reporting Standards, in accordance with REALpac's White Paper on Funds from Operations. The White Paper adds back to net income items that do not arise from operating activities, such as amortization of tenant improvements, deferred income taxes and fair value adjustments. Funds from Operations may not be comparable to similar measures used by other entities.

Funds from operations for the quarter ended June 30, 2011 were $1.1 million ($0.042 per unit diluted) less than the comparative period. The second quarter was affected by a onetime charge for convertible debenture issuance costs of $3.0 million or $0.037 per unit diluted. Net of this charge, the financial results improved due to the acquisitions in mid 2010 and June 2011.

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that 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. The June 30, 2011 unaudited condensed interim consolidated financial statements and related disclosures include 2010 comparative results restated to IFRS and reconciliations to the previously reported Canadian GAAP statements.

Supplemental Information

Primaris' unaudited condensed interim consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the three-month periods ended June 30, 2011 and 2010 are available on Primaris' website at www.primarisreit.com.

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

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

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

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

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 than has been seen for the last several years; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program and to enable the Trust 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.

Non-IFRS/GAAP 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 others in the marketplace. Primaris' MD&A describes FFO, NOI and EBITDA and provides reconciliations to net income as defined under IFRS. Reconciliations of FFO and NOI to net income, as defined by IFRS, also appear at the end of the press release. 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.

Conference Call

Primaris invites you to participate in the conference call that will be held on Friday, August 5, 2011 at 9am EST to discuss these results. Senior management will speak to the results and provide a brief corporate update. To only listen to the call, call toll-free 1-877-669-3239 (within Canada/USA). To listen and participate in the call, visit www.primarireit.com/investor to register and be connected automatically by telephone or computer.

Audio replays of the conference call will be available within 15 minutes following the completion of the conference call, and will remain active until the next quarterly results call. The replay will be accessible by visiting: www.primarisreit.com/q2conference.

Primaris is a TSX listed real estate investment trust (TSX:PMZ.UN). Primaris owns 33 income-producing properties comprising approximately 13.5 million square feet located in Canada. As of July 31, 2011, Primaris had 82,447,799 units issued and outstanding (including exchangeable units).

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Condensed Interim Consolidated Statements of Financial Position
(In thousands of dollars)
(Unaudited)

	June 30, 2011	December 31, 2010
Assets		
Non-current assets:		
Investment properties	$ 3,398,800	$ 2,804,900
Current assets:		
Assets held for sale	13,300	–
Rents receivable	7,119	6,096
Other assets and receivables	27,495	11,006
Cash and cash equivalents	11,233	6,500
	59,147	23,602
	$ 3,457,947	$ 2,828,502
Liabilities and Equity		
Non-current liabilities:		
Mortgages payable	$ 1,414,770	$ 1,103,084
Convertible debentures	267,662	196,703
Exchangeable units	46,042	43,325
Unit-based compensation	801	533
	1,729,275	1,343,645
Current liabilities:		
Current portion of mortgages payable	31,627	61,685
Bank indebtedness	10,000	10,000
Accounts payable and other liabilities	51,140	51,324
Distribution payable	8,203	6,809
	100,970	129,818
	1,830,245	1,473,463
Equity	1,627,702	1,355,039
	$ 3,457,947	$ 2,828,502

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Condensed Interim Consolidated Statements of Income and Comprehensive Income
(In thousands of dollars, except per unit amounts)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	(Unaudited)		(Unaudited)	
Revenue:				
Minimum rent	$ 49,817	$ 45,757	$ 98,706	$ 91,364
Recoveries from tenants	30,415	26,369	61,286	54,905
Percentage rent	632	443	1,048	855
Parking	1,596	1,516	3,075	2,984
Other income	292	277	586	632
	82,752	74,362	164,701	150,740
Expenses:				
Property operating	20,188	17,927	41,481	37,871
Property taxes	16,202	13,542	31,681	27,612
Ground rent	295	294	589	589
General and administrative	2,523	2,707	5,560	5,021
Depreciation	284	314	471	819
	39,492	34,784	79,872	71,912
Income from operations	43,260	39,578	84,829	78,828
Finance income	73	12	83	36
Finance costs	(20,787)	(19,703)	(55,638)	(45,710)
Fair value adjustment on investment properties	18,604	56,336	18,154	55,647
Gain on sale of land	–	–	–	74
Income before income taxes	41,150	76,223	46,139	88,875
Deferred income taxes	–	(17,344)	–	(23,176)
Net income	41,150	58,879	46,139	65,699
Amortization of deferred net loss on cash flow hedges	57	59	115	119
Tax effect of deferred loss on cash flow hedges	–	(29)	–	(58)
Comprehensive income	$ 41,207	$ 58,909	$ 46,254	$ 65,760

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Condensed Interim Consolidated Statements of Cash Flows
(In thousands of dollars)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	$ 41,150	$ 58,879	$ 46,139	$ 65,699
Adjustments for:				
Amortization of tenant improvements	1,679	1,403	3,460	2,826
Amortization of tenant inducements	31	37	60	74
Amortization of straight-line rent	(328)	(500)	(727)	(1,070)
Depreciation of fixtures and equipment	284	314	471	819
Net finance costs	20,714	19,691	56,844	45,674
Fair value adjustment on investment properties	(18,604)	(56,336)	(18,154)	(55,647)
Gain on sale of land	–	–	–	(74)
Deferred income taxes	–	17,344	–	23,176
	44,926	40,832	88,093	81,477
Other non-cash operating working capital	(6,592)	(10,035)	(17,182)	(21,394)
Leasing commissions	(104)	(119)	(150)	(252)
Tenant improvements	(3,488)	(1,348)	(4,046)	(2,385)
Net cash generated from operating activities	34,742	29,330	66,715	57,446
Interest received	73	12	83	36
Cash flows from operating activities	34,815	29,342	66,798	57,482
Cash flows from financing activities:				
Mortgage principal repayments	(6,351)	(5,587)	(12,468)	(10,867)
Proceeds of new mortgage financing	223,600	–	333,600	–
Repayment of financing	–	(3,685)	(37,039)	(3,685)
Bank indebtedness	10,000	(16,500)	–	(15,000)
Interest paid	(19,898)	(17,873)	(38,851)	(35,906)
Additions to capitalized financing costs	(1,877)	(358)	(2,752)	(358)
Amortization of deferred loss on cash flow hedges	(57)	(59)	(115)	(119)
Issuance of units	263,459	98,666	265,485	99,532
Unit issue costs	(11,076)	(4,503)	(11,076)	(4,503)
Issuance of convertible debentures	75,000	–	75,000	–
Convertible debenture issue costs	(3,029)	–	(3,029)	–
Distributions to Unitholders	(21,232)	(19,124)	(42,293)	(38,211)
Cash flows from (used in) financing activities	508,539	30,977	526,462	(9,117)
Cash flows from investing activities:				
Acquisitions of investment properties	(582,383)	–	(582,383)	–
Additions to buildings and building improvements	(2,670)	(1,479)	(4,834)	(1,811)
Additions to recoverable improvements	(1,175)	(1,558)	(1,268)	(1,649)
Additions to fixtures and equipment	(39)	36	(42)	(128)
Proceeds of disposition of land	–	–	–	88
Cash flows used in investing activities	(586,267)	(3,001)	(588,527)	(3,500)
Increase (decrease) in cash and cash equivalents	(42,913)	57,318	4,733	44,865
Cash and cash equivalents, beginning of period	54,146	2,999	6,500	15,452
Cash and cash equivalents, end of period	$ 11,233	$ 60,317	$ 11,233	$ 60,317
Supplemental disclosure of non-cash operating, financing and investing activities:				
Value of units issued from conversion of convertible debentures	$ 6,467	$ 1,351	$ 13,751	$ 1,864
Value of units and options granted under unit-based compensation plan	352	300	1,721	1,159
Value of units issued upon exchange	–	358	597	1,041

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Reconciliation of Net Income to Funds from Operations
(In thousands of dollars)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Net income	$ 41,150	$ 58,879
Fair value adjustment on investment properties	(18,604)	(56,336)
Fair value adjustment on convertible debentures	(2,626)	(707)
Fair value adjustment on exchangeable units	(547)	1,505
Fair value adjustment on unit-based compensation	88	139
Distributions on exchangeable units	666	689
Amortization of tenant improvements	1,679	1,403
Deferred income taxes	-	17,344
Funds from operations	**$ 21,806**	**$ 22,916**

Funds from Operations, which is not a defined term within International Financial Reporting Standards, has been calculated by management, using International Financial Reporting Standards, in accordance with REALpac's White Paper on Funds from Operations. The White Paper adds back to net income items that do not arise from operating activities, such as amortization of tenant improvements, deferred income taxes and certain fair value adjustments. Funds from Operations may not be comparable to similar measures used by other entities.

Calculation of Net Operating Income All Properties
(In thousands of dollars)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Revenue	$82,752	$74,362
Add: amortization of leasing costs	1,382	940
Less: Property operating expenses	(20,188)	(17,927)
Property tax expense	(16,202)	(13,542)
Ground Rent	(295)	(294)
Net operating income	**$ 47,449**	**$ 43,539**