Primaris

PRIMARIS RETAIL REIT Announces Strong First Quarter

Toronto (Ontario) May 12, 2011 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report positive operating results for the first 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 financial results for the first quarter of the year are very positive. We have reported growth in same property net operating income and FFO per unit. Our leasing team continues to achieve rent growth on new and renewal activity and tenant demand has improved from a year ago. We completed the refinancing of Dufferin Mall generating a net $73 million dollars to treasury after repaying the existing debt. The new loan bears interest at a fixed rate of 5.01% and has a ten year term. In addition we continue to make progress on redevelopment projects. "

Highlights

Funds from Operations

- Funds from operations for the first quarter ended March 31, 2011 were $25.0 million, up $2.7 million from the $22.3 million reported for the first quarter of 2010 as restated. On a per unit diluted basis, funds from operations for the first quarter of 2011 were $0.352, up $0.006 or 1.7% from the $0.346 reported for the first quarter of 2010. The principal reasons for the improved financial results are 1) contribution from the property acquisition made in 2010, and 2) improved performance of existing properties. These improvements were sufficient to more than offset both increased finance costs from new acquisition debt arranged in mid 2010, and the dilutive impact of an equity issue completed in June 2010.

Net Operating Income

- Net operating income for the first quarter ended March 31, 2011 was $46.3 million, an increase of $3.3 million from the $43.0 million recorded in the first quarter of 2010.

Same Properties – Net Operating Income

- Net operating income for the first quarter ended March 31, 2011, for the properties held continually for the past twenty-four months, increased 1.2% or $0.5 million from the comparative three month period.

Net Income

- Net income for the first quarter ended March 31, 2011 was $5.0 million, a decrease of $1.8 million from the $6.8 million recorded in the first quarter of 2010. The decrease is principally due to fair value adjustments on convertible debentures and unit-based compensation.

Operations

- Primaris renewed or leased 175,132 square feet of space during the first quarter. The weighted average new rent in these leases, on a cash basis, represented a 7.2% increase over the previous rent paid.

- The portfolio occupancy declined during the first quarter. It was 96.3% at March 31, 2011, compared to 97.1% at December 31, 2010, and 96.7% at March 31, 2010. The decline is primarily attributable to seasonality of revenues and redevelopment activity.

- Same tenant sales per square foot, for the 15 properties owned during all of the 24 months ended February 28, 2011 was $451 as compared to $452 for the previous 12 months.

Liquidity

- At March 31, 2011, Primaris had $54.1 million of cash on hand and no amount drawn on its $130.0 million credit facility. There are no commitments to fund mezzanine loans.

- A mortgage of $37 million matured in March of 2011. Primaris entered into a new loan agreement for $110,000 at a fixed interest rate of 5.01% and a term of ten years.

Financial Results

Funds from operations for the three months ended March 31, 2011 were $25.0 million, up $2.7 million from the $22.3 million reported for the three months ended March 31, 2010. On a per unit diluted basis, funds from operations for the first quarter of 2011 were $0.352, up $0.006 or 1.7% from the $0.346 reported for the first quarter of 2010. The principal reasons for the improved financial results are 1) contribution from the property acquisition made in 2010, and 2) improved performance of existing properties. These improvements were sufficient to more than offset both increased finance costs from new acquisition debt arranged in mid 2010, and the dilutive impact of an equity issue completed in June 2010.

Net income for the three months ended March 31, 2011 was $5.0 million. This compares to net income of $6.8 million earned during the three months ended March 31, 2010. The decrease is principally due to fair value adjustments on convertible debentures and unit-based compensation.

The distribution payout ratio for the first quarter of 2011, calculated as distributions paid per unit divided by diluted funds from operations per diluted unit, was 86.5% as compared to an 88.0% payout ratio for the first quarter of 2010 and 72.7% for the previous quarter December 31, 2010. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At March 31, 2011, Primaris' total enterprise value was approximately $2.9 billion (based on the market closing price of Primaris' units on March 31, 2011 plus total debt outstanding). At March 31, 2011 Primaris had $1,409.9 million of outstanding debt, equating to a debt to total enterprise value ratio of 48.9%. Primaris' debt consisted of $1,236.5 million of fixed-rate senior debt with a weighted average interest rate of 5.6% and a weighted average term to maturity of 6.3 years, $3.5 million of 6.75% fixed-rate convertible debentures, $93.5 million of 5.85% fixed-rate convertible debentures, and $76.4 million of 6.30% fixed-rate convertible debentures. During the three months ended March 31, 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 included in revenue. 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 Three Months Ended March 31, 2011	Unaudited Three Months Ended March 31, 2010	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$ 78,755	$ 77,268	$ 1,487
Operating expenses	35,287	34,309	(978)
Net operating income	$ 43,468	$ 42,959	$ 509

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 $0.5 million, or 1.2%, in relation to the comparable three month period.

Liquidity

At the end of the quarter, Primaris had $54.1 million of cash on hand and no amount drawn on its $130.0 million credit facility. Primaris had a mortgage payable mature on March 30, 2011, secured by Dufferin Mall. The loan balance due on maturity was $37.0 million dollars. Primaris received a new $110.0 million dollar mortgage. Proceeds of the new mortgage were used to repay the maturing loan, reduce the amount of bank indebtedness and for general corporate purposes. The new loan has a ten year term and a fixed interest rate of 5.01%.

Tenant Sales

For the 15 reporting properties owned throughout both the twelve month periods ended February 28, 2011 and 2010, sales per square foot, on a same-tenant basis, have decreased slightly to $451 from $452 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	537	524	13	2.4%	90,651	85,969	4,682	5.4%
Eglinton Square	341	322	19	5.9%	27,687	27,393	294	1.1%
Heritage Place	298	300	(2)	-0.6%	25,781	25,542	239	0.9%
Lambton Mall	372	374	(2)	-0.6%	47,760	48,204	(444)	-0.9%
Place d'Orleans	454	451	3	0.6%	108,350	107,594	756	0.7%
Place Du Royaume	402	394	8	2.1%	113,581	108,112	5,469	5.1%
Place Fleur De Lys	323	325	(2)	-0.5%	71,619	74,021	(2,402)	-3.2%
Stone Road Mall	511	513	(2)	-0.4%	112,870	112,893	(23)	0.0%
Aberdeen Mall	393	395	(2)	-0.4%	48,097	47,630	467	1.0%
Cornwall Centre	532	519	13	2.5%	81,743	77,601	4,142	5.3%
Grant Park	450	464	(14)	-3.0%	26,604	27,674	(1,070)	-3.9%
Midtown Plaza	555	565	(10)	-1.7%	131,712	134,215	(2,503)	-1.9%
Northland Village	452	460	(8)	-1.8%	44,626	45,827	(1,201)	-2.6%
Orchard Park	466	477	(11)	-2.4%	130,171	138,186	(8,015)	-5.8%
Park Place Mall	503	513	(10)	-2.0%	76,541	75,480	1,061	1.4%
	451	**452**	**(1)**	**-0.2%**	**1,137,793**	**1,136,341**	**1,452**	**0.1%**

The tenants' sales decreased 0.2% 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 February 28, 2011, increased 6.4%. Primaris' sales productivity of $451 is lower than the ICSC average of $587, 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 first quarter of 2011 and was 96.3% at March 31, 2011, compared to 97.1% at December 31, 2010, but down from 96.7% at March 31, 2010. 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 175,132 square feet of space during the first quarter of 2011. Approximately 66.6% of the leased spaces during the first quarter of 2011 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 7.2% increase over the previous rent.

At March 31, 2011, Primaris had a weighted average term to maturity of leases of 5.6 years.

Development Activity

During 2009 Primaris completed phase one of a three phased 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.

With construction commencing June 2011, a second phase 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 second redevelopment project at Orchard Park Shopping Centre in Kelowna, British Columbia started in the summer of 2010 and will be completed by November of 2011. This project includes the construction of approximately 25,000 square feet of new retail space and redevelopment of about 10,000 square feet of existing area to bring Best Buy, a dynamic first-to-market tenant, to the centre. The project is on budget and 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 are scheduled to commence in June 2011 with an anticipated opening date of October 2011 for the relocated retail tenant, and an April 2012 opening 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.

Comparison to Prior Period Financial Results – in thousands of dollars

	Unaudited Three Months Ended March 31, 2011	Restated Unaudited Three Months Ended March 31, 2010	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 48,889	$ 45,607	$ 3,282
Recoveries from tenants	30,871	28,536	2,335
Percent rent	416	412	4
Parking	1,479	1,468	11
Other income	294	355	(61)
	81,949	76,378	5,571
Expenses			
Property operating	21,293	19,944	(1,349)
Property tax	15,479	14,070	(1,409)
Ground rent	294	295	1
General & administrative	3,127	2,314	813
Depreciation	187	505	318
	40,380	37,128	(1,626)
Income from operations	$ 41,569	$ 39,250	$ 2,319
Finance Income	10	24	(14)
Finance Costs	(36,140)	(26,007)	(10,133)
Fair value adjustment on investment properties	(450)	(689)	(239)
Gain on sale of land	-	74	(74)
Deferred income taxes	-	(5,832)	5,832
Net income	**$ 4,989**	**$ 6,820**	**$ (1,831)**
Fair value adjustment on investment properties	450	689	(239)
Fair value adjustment on convertible debentures	12,336	5,364	6,972
Fair value adjustment on exchangeable units	3,861	1,534	2,327
Fair value adjustment on unit-based compensation	928	30	898
Distributions on exchangeable units	673	695	(22)
Amortization of tenant improvements	1,781	1,423	358
Gain on sale of land	-	(74)	74
Deferred income taxes	-	5,832	(5,832)
Funds from operations	**$ 25,018**	**$ 22,313**	**$ 2,705**
Funds from operations per unit - basic	$ 0.363	$ 0.357	$ 0.006
Funds from operations per unit - diluted	$ 0.352	$ 0.346	$ 0.006
Funds from operations - payout ratio	86.5%	88.0%	-1.5%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	68,989,025	62,571,367	6,417,658
Weighted average units outstanding - diluted	78,464,092	72,417,515	6,046,577
Units outstanding, end of period	69,257,469	62,651,506	6,605,963

Funds from Operations, which is not a defined term within International Financial Reporting Standards, has been calculated by management, using International Financial Reporting Standards, substantially 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 March 31, 2011 were $2.7 million ($0.006 per unit diluted) more than the comparative period.

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 March 31, 2011 unaudited condensed interim consolidated financial statements and related disclosures are Primaris' first publications under the new standards. These statements 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 March 31, 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 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, May 13, 2011 at 9am EST to discuss these results. Senior management will speak to the results and provide a brief corporate update. The telephone numbers for the conference call are: 416-340-8018(within Toronto), and 1-866-223-7781 (within North America).

Audio replays of the conference call will be available immediately following the completion of the conference call, and will remain active until May 27, 2011. The replay will be accessible by dialing 905-694-9451 or 1-800-408-3053 and using the pass code 6186175.

Primaris is a TSX listed real estate investment trust (TSX:PMZ.UN). Primaris owns 29 income-producing properties comprising approximately 11.1 million square feet located in Canada. As of April 30, 2011, Primaris had 69,481,038 units issued and outstanding (including exchangeable units).

INFORMATION

John R. Morrison
President & Chief Executive Officer
(416) 642-7860

Louis M. Forbes
Executive Vice President
& Chief Financial Officer
(416) 642-7810

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Non-current assets:			
Investment properties	$ 2,805,900	$ 2,804,900	$2,541,700
Current assets:			
Rents receivable	5,013	6,096	4,907
Other assets and receivables	15,645	11,006	12,083
Cash and cash equivalents	54,146	6,500	15,452
	74,804	23,602	32,442
	$ 2,880,704	$ 2,828,502	$2,574,142
Liabilities and Equity			
Non-current liabilities:			
Mortgages payable	$ 1,203,481	$ 1,101,015	$1,059,163
Convertible debentures	201,755	196,703	189,847
Exchangeable units	46,589	43,325	37,239
Deferred tax liability	–	–	264,286
	1,451,825	1,341,043	1,550,535
Current liabilities:			
Current portion of mortgages payable	27,380	63,754	27,919
Bank indebtedness	–	10,000	15,000
Accounts payable and other liabilities	45,085	51,857	53,929
Distribution payable	6,878	6,809	6,358
	79,343	132,420	103,206
	1,531,168	1,473,463	1,653,741
Equity	1,349,536	1,355,039	920,401
	$ 2,880,704	$ 2,828,502	$2,574,142

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended March 31, 2011	Three months ended March 31, 2010
	(Unaudited)	
Revenue:		
Minimum rent	$ 48,889	$ 45,607
Recoveries from tenants	30,871	28,536
Percentage rent	416	412
Parking	1,479	1,468
Other Income	294	355
	81,949	76,378
Expenses:		
Property operating	21,293	19,944
Property taxes	15,479	14,070
Ground rent	294	295
General and administrative	3,127	2,314
Depreciation	187	505
	40,380	37,128
Income from operations	41,569	39,250
Finance income	10	24
Finance costs	(36,140)	(26,007)
Fair value adjustments on investment properties	(450)	(689)
Gain on sale of land	–	74
Income before income taxes	4,989	12,652
Deferred income taxes	–	(5,832)
Net income	4,989	6,820
Amortization of deferred net loss on cash flow hedges	58	60
Tax effect of deferred net loss on cash flow hedges	-	(29)
Comprehensive income	$ 5,047	$ 6,851

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended March 31, 2011	2010
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 4,989	$ 6,820
Adjustments for:		
Amortization of tenant improvements	1,781	1,423
Amortization of tenant inducements	29	37
Amortization of straight-line rent	(399)	(570)
Depreciation of fixtures and equipment	187	505
Net finance costs	36,130	25,983
Fair value adjustments on investment properties	450	689
Gain on sale of land	–	(74)
Deferred income taxes	–	5,832
	43,167	40,645
Other non-cash operating working capital	(10,590)	(11,359)
Leasing commissions	(46)	(133)
Tenant improvements	(558)	(1,037)
Cash generated from operating activities	31,973	28,116
Interest received	10	24
Net cash from operating activities	31,983	28,140
Cash flows from financing activities:		
Mortgage principal repayments	(6,117)	(5,280)
Proceeds of new mortgage financing	110,000	–
Repayment of financing	(37,039)	–
Bank indebtedness	(10,000)	1,500
Interest paid on financing	(18,953)	(18,033)
Additions to financing costs	(875)	–
Amortization of deferred loss on cash flow hedges	(58)	(60)
Issuance of units, net of costs	2,026	866
Distributions to Unitholders	(21,061)	(19,087)
Net cash flow from (used in) financing activities	17,923	(40,094)
Cash flows from investing activities:		
Proceeds of disposition of land	–	88
Additions to fixtures and equipment	(3)	(164)
Additions to buildings and building improvements	(2,164)	(332)
Additions to recoverable improvements	(93)	(91)
Net cash flow from (used in) investing activities	(2,260)	(499)
Increase (decrease) in cash and cash equivalents	47,646	(12,453)
Cash and cash equivalents, beginning of period	6,500	15,452
Cash and cash equivalents, end of period	$ 54,146	$ 2,999
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued from conversion of convertible debentures	7,284	513
Value of units and options granted under equity incentive plan	1,369	859
Value of units issued upon exchange	597	683

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Net income	$ 4,989	$ 6,820
Fair value adjustment on investment properties	450	689
Fair value adjustment on convertible debentures	12,336	5,364
Fair value adjustment on exchangeable units	3,861	1,534
Fair value adjustment on unit-based compensation	928	30
Distributions on exchangeable units	673	695
Amortization of tenant improvements	1,781	1,423
Gain on sale of land	-	(74)
Deferred income taxes	-	5,832
Funds from operations	**$ 25,018**	**$ 22,313**

Funds from Operations, which is not a defined term within International Financial Reporting Standards, has been calculated by management, using International Financial Reporting Standards, substantially 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 March 31, 2011	Three Months Ended March 31, 2010
Revenue	$81,949	$76,378
Add: amortization of leasing costs	1,411	890
Less: Property operating expenses	(21,293)	(19,944)
Property tax expense	(15,479)	(14,070)
Ground Rent	(294)	(295)
Net operating income	**$ 46,294**	**$ 42,959**