Primaris

PRIMARIS RETAIL REIT Announces Strong Third Quarter Results and $731 Million IFRS Appraisal Increment as at January 1, 2010

Toronto (Ontario) November 4, 2010 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report positive operating results for the third quarter of 2010.

President and CEO, John Morrison, commented "The operating results for the third quarter are positive. Primaris has delivered solid same property growth in two key metrics - Net Operating Income and Funds from Operations on a per unit basis. Our leasing team continues to achieve rent growth on new and renewal activity and tenant demand has improved from a year ago.

In addition, with the third quarter results, we are announcing a $731 million appraisal increment on our Investment Properties as at January 1, 2010. This amount was determined by our initial portfolio valuation exercise which was based on external appraisals prepared on 100% of our assets for IFRS purposes. The appraisals, and hence the appraisal increment, were effective as at January 1, 2010." This appraisal process is discussed in more detail later in this press release.

Highlights

Funds from Operations

- Funds from operations for the third quarter ended September 30, 2010 were $24.2 million or $0.344 per unit diluted, up $5.3 million ($0.040 per unit diluted or 13%) from the $18.9 million, or $0.304 per unit diluted, reported for the third quarter of 2009. The principal reasons for the change are 1) a decrease in General and Administrative expenses during 2010 due to the completion of the internalization of management in 2009 and the costs related thereto, 2) contribution from property acquisitions made in 2009 and 2010, and 3) improved performance of existing properties. These improvements were sufficient to more than offset increased interest costs from new debt arranged late in 2009 and the dilutive impact of an equity issue completed in June 2010.

Net Operating Income

- Net operating income for the third quarter ended September 30, 2010 was $45.9 million, an increase of $8.8 million from the $37.1 million recorded in the third quarter of 2009.

Same Property – Net Operating Income

- Net operating income for the third quarter ended September 30, 2010, for the properties held throughout the third quarters of 2009 and 2010, increased 3.0% or $1.1 million from the comparative three month period.

Operations

- Primaris renewed or leased 625,792 square feet of space during the third quarter. The weighted average new rent in these leases, on a cash basis, represented a 1.9% decrease over the previous rent paid (5.2% increase when renewals of major tenants are excluded).

- The portfolio occupancy rate increased slightly during the third quarter and was 97.0% at September 30, 2010, compared to 96.6% at June 30, 2010, and was up from 96.4% at September 30, 2009.

- Same tenant sales per square foot, for the 15 properties owned during all of the 24 months ended August 31, 2010 was $442 as compared to $451 for the previous 12 months.

Liquidity

- At the end of the quarter, Primaris had $5.7 million of cash on hand and $15.0 million drawn on its $65.0 million credit facility. There are no loan maturities until 2011 and no commitments to fund mezzanine loans.

Financial Results

Funds from operations for the third quarter ended September 30, 2010 were $24.2 million or $0.344 per unit diluted, up $5.3 million ($0.040 per unit diluted or 13%) from the $18.9 million, or $0.304 per unit diluted reported for the third quarter of 2009. The principal reasons for the change are 1) contribution from property acquisitions made in 2009 and 2010, and 2) improved performance of existing properties. These improvements were sufficient to more than offset increased interest costs from new debt arranged late in 2009.

Net income for the three months ended September 30, 2010 was $3.3 million or $0.05 per unit (basic and diluted). This compares to a net loss of $1.0 million or $0.02 per unit (basic and diluted) earned during the three months ended September 30, 2009.

General and administrative expenses in the third quarter of internalized management were $2.4 million. In the approximate 6.5 years prior to January 1, 2010, Primaris retained Oxford Properties Group to provide property and asset management, leasing and development services.

The distribution payout ratio for the third quarter of 2010, calculated as distributions paid per diluted unit divided by diluted funds from operations per unit, was 88.5% as compared to a 100.3% payout ratio for the third quarter of 2009 and 86.9% for the previous quarter June 30, 2010. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At September 30, 2010 Primaris' total enterprise value was approximately $2.7 billion (based on the market closing price of Primaris' units on September 30, 2010 plus total debt outstanding). At September 30, 2010 Primaris had $1,365.0 million of outstanding debt, equating to a debt to total enterprise value ratio of 52.8%. Primaris' debt consisted of $1,178.9 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 6.2 years, $4.0 million of 6.75% fixed-rate convertible debentures, $88.4 million of 5.85% fixed-rate convertible debentures, $78.7 million of 6.30% fixed-rate convertible debentures and $15.0 million credit facility. Primaris had a debt to gross book value ratio, as defined under the Declaration of Trust, of 53.5%. During the three months ended September 30, 2010, Primaris had an interest coverage ratio of 2.3 times as expressed by EBITDA divided by net interest expensed. Primaris defines EBITDA as net income increased by depreciation, amortization, interest expense and, if applicable, income tax expense. 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

	Three months ended September 30, 2010		Three months ended September 30, 2009		Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$	68,574	$ 65,906	$	2,668
Operating expenses		30,319	28,768		(1,551)
Net operating income	$	38,255	$ 37,138	$	1,117

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, increased $1.1 million, or 3.0%, in relation to the comparable three month period.

Liquidity

During the second quarter of 2010, Primaris amended the terms of its line of credit. The term of the line was extended two years to July, 2012. The amount of the facility was reduced from $120.0 million to $65.0 million in response to increased costs of unutilized credit.

At the end of the quarter, Primaris had $5.7 million of cash on hand and $15.0 million drawn on its $65.0 million credit facility. There are no mortgage maturities until 2011 and no commitments to fund mezzanine loans.

Tenant Sales

For the 15 reporting properties owned throughout both the years ended August 31, 2010 and 2009, sales per square foot, on a same-tenant basis, have decreased to $442 from $451 per square foot. For the same 15 properties the total tenant sales volume has decreased 1.7%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
	2010	2009	$	%	2010	2009	$	%
Dufferin Mall	539	534	5	0.9%	89,759,447	86,075,978	3,683,469	4.3%
Eglinton Square	314	315	(1)	-0.5%	26,464,557	28,986,978	(2,522,421)	-8.7%
Heritage Place	292	300	(8)	-2.8%	25,043,526	27,203,481	(2,159,955)	-7.9%
Lambton Mall	357	356	1	0.4%	47,887,769	49,439,806	(1,552,037)	-3.1%
Place d'Orleans	447	445	2	0.5%	108,478,802	107,664,418	814,384	0.8%
Place Du Royaume	384	381	3	0.9%	110,969,859	106,248,684	4,721,175	4.4%
Place Fleur De Lys	322	326	(4)	-1.2%	72,364,712	74,044,554	(1,679,842)	-2.3%
Stone Road Mall	501	523	(22)	-4.3%	112,319,589	116,744,166	(4,424,577)	-3.8%
Aberdeen Mall	364	378	(14)	-4.0%	47,633,199	49,104,234	(1,471,035)	-3.0%
Cornwall Centre	531	540	(9)	-1.8%	79,720,458	78,766,478	953,980	1.2%
Grant Park	469	475	(6)	-1.4%	27,292,969	28,176,044	(883,075)	-3.1%
Midtown Plaza	550	567	(17)	-3.0%	133,069,077	136,129,506	(3,060,429)	-2.2%
Northland Village	447	467	(20)	-4.4%	44,730,534	48,085,443	(3,354,909)	-7.0%
Orchard Park	461	470	(9)	-2.0%	133,923,077	139,768,566	(5,845,489)	-4.2%
Park Place Mall	505	533	(28)	-5.6%	75,760,214	78,726,978	(2,966,764)	-3.8%
	442	**451**	**(9)**	**-2.1%**	**1,135,417,789**	**1,155,165,314**	**(19,747,525)**	**-1.7%**

The tenants' sales decreased 2.1% 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, 2010, increased 3.2%. Primaris' sales productivity of $442 is lower than the ICSC average of $560, 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 increased slightly during the third quarter of 2010 and was 97.0% at September 30, 2010, compared to 96.6% at June 30, 2010, and up from 96.4% at September 30, 2009. 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 625,792 square feet of space during the third quarter of 2010. Approximately 79.8% of the leased spaces during the third quarter of 2010 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 1.9% decrease over the previous rent paid (5.2% increase when renewals of major tenants are excluded).

At September 30, 2010 Primaris had a weighted average term to maturity of leases of 5.9 years.

Development Activity

During 2009 Primaris completed phase one of a two 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 an anticipated construction commencement of winter 2011, this second phase will introduce a food court to improve the centre's amenities as well as replace the vacant anchor. Both changes will significantly reinforce the Mall's market presence. The project is expected to cost approximately $13.0 million and be completed by back-to-school 2011.

A second development 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 expected to cost $7.7 million and will increase the centre's market dominance.

Acquisition

As previously announced, Primaris purchased Cataraqui Town Centre, an enclosed shopping centre located in Kingston, Ontario on August 19, 2010. The property was purchased from a joint venture of The Cadillac Fairview Corporation Limited and Ivanhoe Cambridge for $170.9 million inclusive of closing costs. Primaris received mortgage funding of $105 million of the purchase price. The loan has a term of ten years and bears interest at a fixed rate of 5.3%.

Comparison to Prior Period Financial Results – in thousands of dollars

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 49,382	$ 40,917	$ 8,465
Recoveries from tenants	28,725	22,893	5,832
Percent rent	885	644	241
Parking	1,404	1,317	87
Interest & other income	244	300	(56)
Total revenue	80,640	66,071	14,569
Expenses			
Property operating	20,217	16,204	(4,013)
Property tax	14,159	12,259	(1,900)
Depreciation & amortization	18,262	18,472	210
Interest	19,328	14,569	(4,759)
Ground rent	311	305	(6)
	72,277	61,809	(10,468)
Income from operations	8,363	4,262	4,101
General & administrative	(2,438)	(3,948)	1,510
Future income taxes	(2,600)	(1,300)	(1,300)
Gain on sale of land	-	-	-
Net income	**$ 3,325**	**$ (986)**	**$ 4,311**
Depreciation of income producing properties	16,156	16,152	4
Amortization of leasing costs	1,775	2,101	(326)
Accretion of convertible debentures	302	283	19
Future income taxes	2,600	1,300	1,300
Gain on sale of land	-	-	-
Funds from operations	**$ 24,158**	**$ 18,850**	**$ 5,308**
Funds from operations per unit - basic	$ 0.353	$ 0.302	$ 0.051
Funds from operations per unit - diluted	$ 0.344	$ 0.304	$ 0.040
Funds from operations - payout ratio	88.5%	100.3%	-11.8%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	68,506,099	62,442,592	6,063,507
Weighted average units outstanding - diluted	78,285,284	67,115,054	11,170,230
Units outstanding, end of period	68,565,353	62,477,749	6,087,604

Funds from Operations, which is not a defined term within Canadian generally accepted accounting principles, has been calculated by management, using Canadian generally accepted accounting principles, in accordance with REALpac's White Paper on Funds from Operations. The White Paper defines Funds from Operations as net income adjusted for depreciation and amortization of assets purchased, including the net impact of above and below market leases, amortization of leasing costs and accretion of convertible debentures. Funds from Operations may not be comparable to similar measures used by other entities.

Funds from operations for the quarter ended September 30, 2010 were $5.3 million ($0.040 per unit diluted) more than the comparative period.

International Financial Reporting Standards ("IFRS")

Work continues on preparation of IFRS information in advance of the adoption of IFRS in January 2011. Primaris has completed the valuation of its portfolio as at December 31, 2009. Fair valuing the portfolio using external appraisers will underpin the most substantive change to Primaris' financial statements upon its adoption of IFRS.

The appraisals indicate an unaudited value of Investment Properties of $2,542 million, which represents a $731 million increment over the reported December 31, 2009 values. The appraisal increment of Investment Properties represents a 155% increase in the previously disclosed book value of unitholders' equity and a 39% increase in total assets.

Based on Canadian GAAP and definitions in the Declaration of Trust, Primaris had a Debt to Gross Book Value ratio of 53.4% as at December 31, 2009. This ratio would decrease to 42.9% if one used the fair value in place of book value. The REIT expects that it will revise its borrowing limits in 2011 so as to prevent excessive financial leverage.

Primaris has chosen the "Fair Value" approach for Investment Properties for its going-forward IFRS financial statements in order to be most readily comparable with its peer group of public reporting real estate entities. In addition, the magnitude of the fair value adjustment highlights the diminished meaning of the previously disclosed net book values prepared using the historical cost basis.

This accounting policy choice means that starting in 2011 assets will be recorded at fair value on the Statement of Financial Position. Periodic changes in fair value will be recorded in the Statement of Operations. This could lead to increased volatility in reported net income and income per unit but should not impact Funds From Operations ("FFO").

Primaris' portfolio was appraised in its entirety by external appraisers. Altus Group appraised approximately 96% of the portfolio while Cushman Wakefield appraised one asset representing the remaining 4% of the portfolio. The portfolio includes two large assets acquired in December 2009. The valuation disclosed above includes these recent acquisitions at purchase price, which amount 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 8.5%. The portfolio weighted average cap rate (weighted by property value) was 7.0%. Primaris' Yonge Street assets, which represent less than 2% of the portfolio value, were appraised at a cap rate lower than this range reflecting, in part, the redevelopment potential of these locations. The portfolio valuation does not include Cataraqui Town Centre, a property acquired in August 2010.

There are some industry issues that have not yet been resolved, however the IFRS transition project continues and is progressing in accordance with the plan to be compliant by March 31, 2011, Primaris' first IFRS reporting date.

Supplemental Information

Primaris' audited consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the three months ended September 30, 2010 and 2009 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.

The valuations referred to above 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. The valuations were conducted in connection with the IFRS conversion process and may not be suitable for other purposes.

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-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 Canadian generally accepted accounting principles ("GAAP"). Management uses these measures when comparing itself to industry data or others in the marketplace. The MD&A describes FFO, NOI and EBITDA and provides a reconciliation to net income as defined under GAAP. FFO and EBITDA should not be considered alternatives to net income or other measures that have been calculated in accordance with GAAP 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, November 5, 2010 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 1-866-225-0198 (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 November 18, 2010. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 3888743.

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 October 31, 2010, Primaris had 68,742,314 units issued and outstanding.

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheets
(in thousands of dollars)

September 30, 2010 and December 31, 2009

	September 30, 2010 (Unaudited)	December 31, 2009
Assets		
Income-producing properties	$ 1,894,587	$ 1,763,426
Leasing costs	42,196	41,209
Rents receivable	4,243	4,907
Other assets and receivables	41,205	31,023
Cash and cash equivalents	5,668	15,452
	$ 1,987,899	$ 1,856,017
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 1,173,599	$ 1,089,966
Convertible debentures	166,140	166,461
Bank indebtedness	15,000	15,000
Accounts payable and other liabilities	57,525	63,815
Distribution payable	6,973	6,358
Future income taxes	45,000	43,000
	1,464,237	1,384,600
Unitholders' equity	523,662	471,417
	$ 1,987,899	$ 1,856,017

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Revenue:				
Minimum rent	$ 49,382	$ 40,917	$ 144,791	$122,446
Recoveries from tenants	28,725	22,893	83,630	71,433
Percentage rent	885	644	1,740	1,928
Parking	1,404	1,317	4,388	4,394
Interest and other	244	300	912	1,641
	80,640	66,071	235,461	201,842
Expenses:				
Property operating	20,217	16,204	58,486	49,801
Property taxes	14,159	12,259	41,771	37,443
Depreciation	16,487	16,371	50,628	51,272
Amortization	1,775	2,101	5,118	5,186
Interest	19,328	14,569	57,646	43,715
Ground rent	311	305	935	929
General and administrative	2,438	3,948	6,908	8,667
	74,715	65,757	221,492	197,013
Income before gain on sale of land and income taxes	5,925	314	13,969	4,829
Gain on sale of land	–	–	74	–
Income before income taxes	5,925	314	14,043	4,829
Future income taxes	2,600	1,300	3,000	4,600
Net income (loss)	$ 3,325	$ (986)	$ 11,043	$ 229
Basic and diluted net income per unit	$ 0.05	$ (0.02)	$ 0.17	$ 0.00

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash provided by (used in):				
Operations:				
Net income (loss)	$ 3,325	$ (986)	$ 11,043	$ 229
Items not involving cash:				
Depreciation of income-producing properties	15,151	15,276	46,490	48,441
Amortization of recoverable improvements	1,005	876	2,988	2,517
Amortization of leasing commissions and tenant improvements	1,775	2,101	5,118	5,186
Accretion of convertible debentures	302	283	1,388	821
Future income taxes	2,600	1,300	3,000	4,600
Gain on sale of land	–	–	(74)	–
	24,158	18,850	69,953	61,794
Change in non-cash operating items:				
Gain on purchase of convertible debentures under normal course issuer bid	–	–	–	(727)
Depreciation of fixtures and equipment	331	217	1,150	309
Amortization of above- and below-market leases	(593)	(420)	(1,812)	(1,483)
Amortization of tenant inducements	37	36	111	109
Amortization of financing costs	523	359	1,730	1,124
Other	4,718	(873)	(17,869)	(10,319)
Leasing commissions	(135)	(219)	(387)	(731)
Tenant inducements	(1,000)	–	(1,000)	(53)
	28,039	17,947	51,876	50,023
Financing:				
Mortgage principal repayments	(5,643)	(4,689)	(16,510)	(13,865)
Repayment of financing	–	–	(3,685)	–
Proceeds of new financing	105,000	–	105,000	–
Bank indebtedness	15,000	–	–	–
Financing costs	(630)	–	(988)	(14)
Distributions to Unitholders	(20,896)	(19,049)	(59,107)	(57,089)
Issuance of units, net of costs	765	678	95,803	2,093
Purchase of convertible debentures under normal course issuer bid	–	–	–	(5,127)
	93,596	(23,060)	120,513	(74,002)
Investments:				
Acquisition of income-producing properties	(169,322)	–	(169,322)	(3,594)
Additions to land, buildings, and building improvements	(2,970)	(800)	(4,785)	(4,972)
Additions to tenant improvements	(2,444)	(1,954)	(4,829)	(7,697)
Additions to recoverable improvements	(1,548)	(1,027)	(3,197)	(4,321)
Additions to fixtures and equipment	–	(1,807)	(128)	(4,893)
Proceeds from sale of land	–	–	88	–
	(176,284)	(5,588)	(182,173)	(25,477)
Increase (decrease) in cash and cash equivalents	(54,649)	(10,701)	(9,784)	(49,456)
Cash and cash equivalents, beginning of period	60,317	58,669	15,452	97,424
Cash and cash equivalents, end of period	$ 5,668	$ 47,968	$ 5,668	$ 47,968

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
Supplemental cash flow information:				
Interest paid	(21,803)	(14,446)	(60,278)	(43,550)
Supplemental disclosure of non-cash operating and financing activities:				
Value of units issued under asset management agreement	–	–	–	57
Value of units issued under incentive plan	135	25	1,403	54
Value of units issued from conversion of convertible debentures	1,405	162	2,730	162
Financing costs transferred to equity upon conversion of convertible debentures	(50)	(7)	(99)	(7)
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	13	3	40	3
Impact on the future tax liability arising from the costs of issuing REIT units	–	–	1,000	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Net income	$ 3,325	$ (986)
Depreciation of income producing properties	16,156	16,152
Amortization of leasing costs	1,775	2,101
Accretion of convertible debentures	302	283
Future income taxes	2,600	1,300
Funds from operations	**$ 24,158**	**$ 18,850**

Funds from Operations, which is not a defined term within Canadian generally accepted accounting principles, has been calculated by management, using Canadian generally accepted accounting principles, in accordance with REALPac's White Paper on Funds from Operations. The White Paper defines Funds from Operations as net income adjusted for depreciation and amortization of assets purchased, including the net impact of above and below market leases, amortization of leasing costs and accretion of convertible debentures. 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)
(Unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Revenue	$80,640	$66,071
Less: Corporate interest and other income	(12)	(165)
Property operating expenses	(20,217)	(16,204)
Property tax expense	(14,159)	(12,259)
Ground Rent	(311)	(305)
Net operating income	**$ 45,941**	**$ 37,138**