Primaris

PRIMARIS RETAIL REIT Announces Strong First Quarter Results

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

President and CEO, John Morrison, commented "The reported results benefited from the significant investment made during late 2009 in Sunridge Mall and Woodgrove Centre (50%). In addition, the reduction in transition costs this year has contributed to our improved reported results. Both of these factors also contributed to an improvement in our FFO payout ratio to 87.2% from 98.2% in the fourth quarter of 2009. Occupancy rates remained strong in our properties and we continued to achieve rent increases on lease renewals."

Highlights

Funds from Operations

- Funds from operations for the first quarter ended March 31, 2010 were $22.5 million or $0.350 per unit diluted, up $0.7 million from the $21.8 million, or $0.347 per unit diluted reported for the first quarter of 2009. The principal reasons for the change are 1) contribution from property acquisitions made in 2009, and 2) improved performance of base properties. These improvements were sufficient to more than offset increased interest costs from new debt arranged late in 2009. In addition, the March 31, 2009 results included a gain of $466 for the redemption of convertible debentures under the normal course issuer bid and there was no similar item in the current quarter.

Net Operating Income

- Net operating income for the first quarter ended March 31, 2010 was $43.8 million, an increase of $6.3 million from the $37.5 million recorded in the first quarter of 2009.

Same Property – Net Operating Income

- Net operating income for the first quarter ended March 31, 2010, on a same property basis, increased 0.2% or $82 from the comparative three-month period.

Operations

- Primaris renewed or leased 271,747 square feet of space during the first quarter. The weighted average new rent in these leases, on a cash basis, represented a 4.5% increase over the previous rent paid.

- The portfolio occupancy rate decreased during the fourth quarter and was 96.7% at March 31, 2010, compared to 97.2% at December 31, 2009 and down from 97.3% at March 31, 2009.

- Same tenant sales, for the 15 properties owned during all of the 24 months ended March 31, 2010 was $446 as compared to $464 for the previous 12 months.

Liquidity

- At the end of the quarter, Primaris had $3 million of cash on hand and $16.5 million drawn on its credit facility, leaving $103.5 million remaining on the credit facility. With the exception of a small $3.7 mortgage maturing in the second quarter of 2010, there are no loan maturities until 2011 and no commitments to fund mezzanine loans.

Financial Results

Funds from operations for the first quarter ended March 31, 2010 were $22.5 million or $0.350 per unit diluted, up $0.7 million from the $21.8 million, or $0.347 per unit diluted reported for the first quarter of 2009. The principal reasons for the change are 1) contribution from property acquisitions made in 2009, and 2) improved performance of base properties. These improvements were sufficient to more than offset increased interest costs from new debt arranged late in 2009. In addition, the March 31, 2009 results included a gain of $466 for the redemption of convertible debentures under the normal course issuer bid and there was no similar item in the current quarter.

Net income for the three months ended March 31, 2010 was $2.9 million or $0.047 per unit (basic and diluted). This compares to $0.5 million or $0.008 per unit (basic and diluted) earned during the three months ended March 31, 2009.

General and administrative expenses in the first quarter of internalized management were $2.0 million. Prior to January 1, 2010 Primaris retained Oxford Properties Group to provide property and asset management, leasing and development services. The internalization of management resulted in a similar total cost for the quarter when compared to the previous year.

The distribution payout ratio for the first quarter of 2010, expressed on a per unit basis as distributions paid divided by diluted funds from operations was 87.2% as compared to an 87.8% payout ratio for the first quarter of 2009 and 98.2% for the fourth quarter of 2009.

The payout ratios are sensitive to both seasonal operating results and financial leverage.

At March 31, 2010 Primaris' total enterprise value was approximately $2.3 billion (based on the market closing price of Primaris' units on March 31, 2010 plus total debt outstanding). At March 31, 2010 Primaris had $1,278.5 million of outstanding debt, equating to a debt to total enterprise value ratio of 54.8%. Primaris' debt consisted of $1,089.5 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 6.3 years, $5.3 million of 6.75% fixed-rate convertible debentures, $88.0 million of 5.85% fixed-rate convertible debentures, $79.2 million of 6.30% fixed-rate convertible debentures, and a $16.5 million draw on the operating line. Primaris had a debt to gross book value ratio, as defined under the Declaration of Trust, of 53.5%. During the three months ended March 31, 2010, Primaris had an interest coverage ratio of 2.2 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

		Three Months Ended March 31, 2010		Three Months Ended March 31, 2009		Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$	68,261	$	68,193	$	68
Operating expenses		30,687		30,701		14
Net operating income	$	37,574	$	37,492	$	82

The same-property comparison consists of the 26 principal properties that were owned throughout both the current and comparative three-month periods. Net operating income, on a same-property basis, increased $82, or 0.2%, in relation to the comparable three month period.

Liquidity

At the end of the quarter, Primaris had $3 million of cash on hand and $16.5 million drawn on its credit facility, leaving $103.5 million remaining on the credit facility. With the exception of a small $3.7 mortgage maturing in the second quarter of 2010, there are no mortgage maturities until 2011 and no commitments to fund mezzanine loans. Primaris is in discussions with its lenders to extend the term on its operating line of credit, which is scheduled to expire in the third quarter of 2010.

Tenant Sales

For the 15 reporting properties owned throughout both the three month periods ended March 31, 2010 and 2009, sales per square foot, on a same-tenant basis, have decreased to $446 from $464 per square foot. For the same 15 properties the total tenant sales volume has decreased 3.9%.

	Same Tenant Sales per Square Foot 2010	2009	Variance $	%	All Tenant Total Sales Volume 2010	2009	Variance $	%
Dufferin Mall	517	544	(27)	-5.2%	85,915,775	89,576,871	(3,661,096)	-4.1%
Eglinton Square	298	316	(18)	-6.0%	25,543,800	34,102,809	(8,559,009)	-25.1%
Heritage Place	316	333	(17)	-5.3%	25,776,057	29,115,880	(3,339,823)	-11.5%
Lambton Mall	353	373	(20)	-5.7%	44,652,754	48,614,498	(3,961,744)	-8.1%
Place d'Orleans	450	459	(9)	-2.0%	107,440,816	106,386,639	1,054,177	1.0%
Place Du Royaume	407	410	(3)	-0.6%	108,147,989	105,070,027	3,077,962	2.9%
Place Fleur De Lys	311	317	(6)	-1.9%	75,961,551	74,222,026	1,739,525	2.3%
Stone Road Mall	510	532	(22)	-4.4%	113,021,218	118,460,287	(5,439,069)	-4.6%
Aberdeen Mall	369	403	(34)	-9.1%	47,811,364	51,723,381	(3,912,017)	-7.6%
Cornwall Centre	527	536	(9)	-1.7%	77,069,144	77,724,319	(655,175)	-0.8%
Grant Park	465	467	(2)	-0.5%	27,673,452	28,921,089	(1,247,637)	-4.3%
Midtown Plaza	562	577	(15)	-2.8%	134,458,937	135,737,757	(1,278,820)	-0.9%
Northland Village	440	456	(16)	-3.6%	45,805,819	47,522,416	(1,716,597)	-3.6%
Orchard Park	473	502	(29)	-6.1%	135,434,826	147,109,512	(11,674,686)	-7.9%
Park Place Mall	502	542	(40)	-7.9%	75,522,213	81,481,261	(5,959,048)	-7.3%
	446	**464**	**(17)**	**-3.7%**	**1,130,235,715**	**1,175,768,772**	**(45,533,057)**	**-3.9%**

The tenants' sales decreased 3.7% 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, 2010, increased 3.4%. Primaris' sales productivity of $446 is lower than the ICSC average of $561, 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 decreased during the first quarter of 2010 and was 96.7% at March 31, 2010, compared to 97.2% at December 31, 2009 and down from 97.3% at March 31, 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 271,747 square feet of space during the first quarter of 2010. Approximately 61% of the leased spaces during the first quarter of 2010 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 4.5% increase over the previous rent paid.

Development Activity

During 2009 Primaris completed phase one of a redevelopment at Lambton Mall in Sarnia, Ontario. This redevelopment resulted in a vacant anchor store location. Commencing in the fall of 2010 the second phase of this project is anticipated to introduce a food court to improve the centre's amenities and bring a significant market tenant into the vacant space to enhance the Mall's market presence. The project is expected to cost approximately $13.0 million and be completed in spring of 2011.

A second development project at Orchard Park Shopping Centre in Kelowna, British Columbia is scheduled to start in the spring of 2010 for completion by November of 2011. This project's plans involve the construction of approximately 35,000 square feet. The new space is intended to bring a dynamic first-to-market tenant to the centre and allow for the relocation of the mall offices. The project which is expected to cost $7.7 million is anticipated to increase the centre's market presence and create additional consumer draw.

Comparison to Prior Period Financial Results

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 47,601	$ 40,568	$ 7,033
Recoveries from tenants	28,536	25,311	3,225
Percent rent	412	724	(312)
Parking	1,468	1,528	(60)
Interest & other income	379	887	(508)
Total revenue	78,396	69,018	9,378
Expenses			
Property operating	20,156	17,839	(2,317)
Property tax	14,070	12,562	(1,508)
Depreciation & amortization	19,259	18,550	(709)
Interest	19,273	14,625	(4,648)
Ground rent	312	300	(12)
	73,070	63,876	(9,194)
Income from operations	5,326	5,142	184
General & administrative	(2,080)	(2,118)	38
Future income taxes	(400)	(2,500)	2,100
Gain on sale of land	74	-	74
Net income	**$ 2,920**	**$ 524**	**$ 2,396**
Depreciation of income producing properties	17,071	16,999	72
Amortization of leasing costs	1,683	1,503	180
Accretion of convertible debentures	539	269	270
Future income taxes	400	2,500	(2,100)
Gain on sale of land	(74)	-	(74)
Funds from operations	**$ 22,539**	**$ 21,795**	**$ 744**
Funds from operations per unit - basic	$ 0.360	$ 0.350	$ 0.010
Funds from operations per unit - diluted	$ 0.350	$ 0.347	$ 0.003
Funds from operations - payout ratio	87.2%	87.8%	-0.6%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	62,571,367	62,306,961	264,406
Weighted average units outstanding - diluted	72,417,515	67,230,327	5,187,188
Units outstanding, end of period	62,651,506	62,348,408	303,098

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 March 31, 2010 were $0.7 million ($0.003.6 per unit diluted) more than the comparative period.

Supplemental Information

Primaris' audited consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 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 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-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 Wednesday, May 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 May 17, 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 28 income-producing properties comprising approximately 10.5 million square feet located in Canada. As of April 30, 2010, Primaris had 62,681,479 units issued and outstanding.

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Interim Consolidated Balance Sheets
(in thousands of dollars)

March 31 2010 and December 31, 2009

	March31, 2010 (Unaudited)	December 31, 2009
Assets		
Income-producing properties	$ 1,746,766	$ 1,763,426
Leasing costs	40,659	41,209
Rents receivable	5,700	4,907
Other assets and receivables	32,612	31,023
Cash and cash equivalents	2,999	15,452
	$ 1,828,736	$ 1,856,017
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 1,084,644	$ 1,089,966
Convertible debentures	166,979	166,461
Bank indebtedness	16,500	15,000
Accounts payable and other liabilities	53,206	63,815
Distribution payable	6,370	6,358
Future income taxes	43,400	43,000
	1,371,099	1,384,600
Unitholders' equity	457,637	471,417
	$ 1,828,736	$ 1,856,017

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2010 and 2009
(Unaudited)

	2010	2009
Revenue:		
Minimum rent	$ 47,601	$ 40,568
Recoveries from tenants	28,536	25,311
Percentage rent	412	724
Parking	1,468	1,528
Interest and other	379	887
	78,396	69,018
Expenses:		
Property operating	20,156	17,839
Property taxes	14,070	12,562
Depreciation	17,576	17,047
Amortization	1,683	1,503
Interest	19,273	14,625
Ground rent	312	300
General and administrative	2,080	2,118
	75,150	65,994
Income before gain on sale of land and income taxes	3,246	3,024
Gain on sale of land	74	-
Income before income taxes	3,320	3,024
Future income taxes	400	2,500
Net income	$ 2,920	$ 524
Basic and diluted net income per unit	$ 0.047	$ 0.008

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2010 and 2009
(Unaudited)

	2010	2009
Cash provided by (used in):		
Operations:		
Net income	$ 2,920	$ 524
Items not involving cash:		
Depreciation of income producing properties	16,072	16,172
Amortization of recoverable improvements	999	827
Amortization of leasing commissions and tenant improvements	1,683	1,503
Accretion of convertible debentures	539	269
Future income taxes	400	2,500
Gain on sale of land	(74)	–
	22,539	21,795
Change in non-cash operating items:		
Gain on purchase of convertible debentures under normal course issuer bid	–	(467)
Depreciation of fixtures and equipment	505	48
Amortization of above- and below-market leases	(571)	(621)
Amortization of tenant inducements	37	36
Amortization of financing costs	641	403
Other	(11,919)	(9,632)
Leasing commissions	(133)	(220)
Tenant inducements	–	(53)
	11,099	11,289
Financing:		
Mortgage principal repayments	(5,280)	(4,555)
Bank indebtedness	1,500	–
Distributions to Unitholders	(19,087)	(19,009)
Issuance of units, net of costs	853	717
Purchase of convertible debentures under normal course issuer bid	–	(2,288)
	(22,014)	(25,135)
Investments:		
Additions to tenant improvements	(1,037)	(1,493)
Additions to buildings and building improvements	(334)	(1,821)
Additions to recoverable improvements	(91)	(68)
Additions to fixtures and equipment	(164)	–
Proceeds on sale of land	88	–
	(1,538)	(3,382)
Decrease in cash and cash equivalents	(12,453)	(17,228)
Cash and cash equivalents, beginning of period	15,452	97,424
Cash and cash equivalents, end of period	$ 2,999	$ 80,196
Supplemental cash flow information:		
Interest paid	$ 22,270	$ 14,598
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued under asset management agreement	–	57
Value of units issued under equity incentive plan	1,359	14
Value of units issued from conversion of convertible debentures	358	–
Financing costs transferred to equity upon conversion of convertible debentures	(16)	–
Accumulated amortization of financing costs transferred to equity upon conversion of convertible debentures	8	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net income	$ 2,920	$ 524
Depreciation of income producing properties	17.071	16,999
Amortization of leasing costs	1,683	1,503
Accretion of convertible debentures	539	269
Future income taxes	400	2,500
Gain on sale of land	(74)	-
Funds from operations	**$ 22,539**	**$ 21,795**

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
(In thousands of dollars)
(Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenue	$78,396	$69,018
Less: Corporate interest and other income	(23)	(825)
Property operating expenses	(20,156)	(17,839)
Property tax expense	(14,070)	(12,562)
Ground Rent	(312)	(300)
Net operating income	**$ 43,835**	**$ 37,492**