Primaris

PRIMARIS RETAIL REIT Announces Third Quarter Results

Toronto (Ontario) November 10, 2009 - Primaris Retail REIT (TSX:PMZ.UN) is reporting stable operating results and continued strong liquidity.

President and CEO, John Morrison, commented "Occupancy rates remained strong during the third quarter and we continued to achieve rent increases on lease renewal activity. We remain cautious from an operating perspective as it will take some time for positive economic trends to translate into tenant sales growth. In the meantime we have improved our liquidity position in anticipation of investment opportunities. The transition to the internal management model has gone smoothly and we expect we will be complete by year end."

Highlights

Liquidity

- Primaris continues to remain extremely liquid. It has $47 million cash and a $120 million unutilized credit facility. There is one loan maturity in the fourth quarter of 2009 of $3.7 million and there are no loan maturities in 2010. There are no commitments to fund mezzanine loans. After the quarter end Primaris completed the issue of convertible debentures raising an additional $82 million dollars of cash to treasury.

Funds From Operations

- Funds from operations for the third quarter ended September 30, 2009 were $18.9 million or $0.304 per unit diluted, down 13.1% on a per unit basis from the $22.0 million, or $0.350 per unit diluted reported for the third quarter of 2008. The principal reasons for the change are 1) non-recurring transition costs 2) a reduction in lease termination fees and 3) lower interest income resulting from lower rates of interest earned on lower cash balances.

Net Operating Income

- Net operating income for the third quarter ended September 30, 2009, was $37.1 million, down from the $37.8 million recorded in the third quarter of 2008.

Same Property – Net Operating Income

- Net operating income for the third quarter ended September 30, 2009, on a same property basis, decreased 1.8% over the comparative three-month period. Primaris is currently externally managed and as previously announced, the rate of the property management fee increased during the third quarter of 2008. After adjusting for the $142 increase in the property management fees and the decrease in the lease surrender revenue during 2009, same property net operating income would have increased 0.6%.

Operations

- The REIT renewed or leased 182,158 square feet of space during the third quarter. The weighted average new rent in these leases, on a cash basis, represented a 4.6% increase over the previous rent.

- The portfolio occupancy rate remained constant during the third quarter and was 96.4% at September 30, 2009, and June 30, 2009, and down from 97.7% at September 30, 2008.

- Same-tenant sales, for the 15 reporting properties owned during all of the 24 months ended August 31, 2009, decreased 2.9% to $456 per square foot as compared to the previous 12 months.

- The third quarter results included seasonal revenues of $2.6 million as compared to $2.7 million recorded in the third quarter of 2008.

- During the third quarter the REIT incurred and expensed $2.3 million of transition costs, included in general and administrative expenses.

Liquidity

Primaris continues to remain extremely liquid. It has $47 million cash invested in Treasury Bills and a variety of high quality Bankers Acceptances and bearer deposit notes, and has a $120 million unutilized credit facility not maturing until mid 2010. There is one loan maturity in the fourth quarter of 2009 of $3.7 million and there are no loan maturities in 2010. The annual requirement to fund loan principal payments amounts to approximately $20 million. There are no commitments to fund mezzanine loans. After the quarter end Primaris completed the issue of convertible debentures raising an additional $82 million dollars of cash to treasury.

Financial Results

Funds from operations for the three months ended September 30, 2009 was $18.9 million or $0.302 per unit basic ($0.304 diluted). This compares to funds from operations of $22.0 million or $0.353 per unit basic ($0.350 diluted) earned during the three months ended September 30, 2008.

Net loss for the three months ended September 30, 2009 was $1.0 million or $0.02 per unit (basic and diluted). This compares to net income of $1.2 million or $0.02 per unit (basic and diluted) earned during the three months ended September 30, 2008.

The REIT made one small acquisition in the second quarter of 2009. The REIT made one small acquisition in the first quarter of 2008 and two small acquisitions in the fourth quarter of 2008, which contributed to operations for the three months ended September 30, 2009. The total purchase price for the acquisition completed to date in 2009 was $7.4 million and for those acquisitions completed in 2008 was $14.6 million.

General and administrative expenses in the third quarter include $2.3 million of transition costs.

The distribution payout ratio for the third quarter of 2009, expressed on a per unit basis as distributions paid divided by diluted funds from operations was 100.3% as compared to an 87.0% payout ratio for the third quarter of 2008. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At September 30, 2009, the REIT's total enterprise value was approximately $1.9 billion (based on the market closing price of Primaris' units on September 30, 2009, plus total debt outstanding). At September 30, 2009 the REIT had $977.6 million of outstanding debt equating to a debt to total enterprise value ratio of 50.7%. On a net of cash basis, this ratio would be 48.2%. The REIT's debt consisted of $884.3 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 7.0 years, $5.9 million of 6.75% fixed-rate convertible debentures and $87.4 million of 5.85% fixed-rate convertible debentures. The REIT had a debt to gross book value ratio, as defined under the Declaration of Trust, of 49.1%. During the three months ended September 30, 2009, the REIT had an interest coverage ratio of 2.3 times as expressed by EBITDA divided by net interest expensed. The REIT defines EBITDA as net income increased by depreciation, amortization, interest expense and 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 September 30, 2009	Three Months Ended September 30, 2008	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$ 65,637	$ 65,737	$ (100)
Operating expenses	28,666	28,084	(583)
Net operating income	$ 36,971	$ 37,653	$ (682)

The same property comparison includes the 26 properties that were owned throughout both the current and comparative three-month periods. Net operating income, on a same property basis, decreased $682, or 1.8%, over the comparative three-month period. Net operating income, on a same-property basis, would have increased 0.6% excluding the net change in the property management fees of $149 and the decrease in lease surrender revenue of $785.

Tenant sales

Tenant sales per square foot, on a same-tenant basis, have decreased to $456 for the 12 months ended August 31, 2009. Total tenant volume has decreased by 2.3% when comparing sales for the same properties.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
	2009	2008	$	%	2009	2008	$	%
Dufferin Mall	523	553	(30)	-5.5%	86,083,014	90,297,960	(4,214,946)	-4.7%
Eglinton Square	363	379	(16)	-4.3%	28,786,668	38,858,103	(10,071,435)	-25.9%
Heritage Place	304	320	(16)	-5.1%	27,479,412	29,975,921	(2,496,510)	-8.3%
Lambton Mall	351	378	(27)	-7.3%	49,782,738	53,327,541	(3,544,803)	-6.6%
Place d'Orleans	449	459	(10)	-2.2%	107,165,037	104,061,500	3,103,537	3.0%
Place Du Royaume	385	385	0	0.0%	105,950,401	102,770,248	3,180,153	3.1%
Place Fleur de Lys	306	312	(6)	-1.9%	72,748,203	73,287,241	(539,039)	-0.7%
Stone Road Mall	540	554	(14)	-2.5%	116,240,438	117,227,298	(986,860)	-0.8%
Aberdeen Mall	382	422	(40)	-9.4%	49,242,180	53,469,750	(4,227,570)	-7.9%
Cornwall Centre	586	565	21	3.7%	78,785,332	75,423,008	3,362,324	4.5%
Grant Park Shopping Centre	504	507	(3)	-0.5%	29,112,581	29,869,161	(756,580)	-2.5%
Midtown Plaza	572	570	2	0.3%	135,862,658	132,464,118	3,398,540	2.6%
Northland Village	464	460	4	0.9%	48,290,826	46,769,153	1,521,674	3.3%
Orchard Park Shopping Centre	490	534	(44)	-8.2%	140,587,298	152,348,711	(11,761,413)	-7.7%
Park Place Shopping Centre	509	529	(20)	-3.8%	78,529,282	82,150,030	(3,620,748)	-4.4%
	456	469	(14)	-2.9%	1,154,646,067	1,182,299,743	(27,653,676)	-2.3%

The REIT's sales decreased 2.9% 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, 2009 decreased 5.1%. The REIT's sales productivity of $456 is lower than the ICSC average of $541, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country. However the ICSC data point is for all tenant sales. The REIT's all tenant sales per square foot decrease was 2.3% for same period, which is less than the ICSC decrease of 5.1%.

Leasing activity

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate remained constant during the third quarter and was 96.4% at September 30, 2009, and March 31, 2009, and down from 97.7% at September 30, 2008. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

The REIT leased 182,158 square feet of space during the third quarter of 2009. This represented 78 leases of generally smaller stores. Approximately 78% of the leased space during the current quarter of 2009 resulted from the renewal of existing tenants. The weighted average new rent for renewals of existing tenants in the current quarter, on a cash basis, represented a 4.6% increase over the previous cash rent for all transactions.

Comparison to Prior Period Financial Results

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Comparative Period Favourable/ (Unfavourable)
Revenue			
Base Rent	40,917	39,992	925
Recoveries from Tenants	22,893	22,615	278
Percent Rent	644	995	(351)
Parking	1,317	1,330	(13)
Interest & Other Income	300	1,578	(1,278)
Total Revenue	66,071	66,510	(439)
Expenses			
Property Operating	16,204	15,558	(646)
Property Tax	12,259	12,147	(112)
Depreciation & Amortization	18,472	19,746	1,274
Interest	14,569	14,616	47
Ground Rent	305	404	99
	61,809	62,471	662
Income from Operations	4,262	4,039	223
General & Administrative	3,948	2,092	(1,856)
Future Income Taxes	1,300	710	(590)
Net Income (Loss)	**$ (986)**	**$ 1,237**	**$ (2,223)**
Depreciation of Income Producing Properties	16,152	18,247	(2,095)
Amortization of leasing costs	2,101	1,499	602
Accretion of convertible debentures	283	261	22
Future income taxes	1,300	710	590
Funds from operations	**$ 18,850**	**$ 21,954**	**$ (3,104)**
Funds from operations per unit - basic	$ 0.302	$ 0.353	$ (0.051)
Funds from operations per unit - diluted	$ 0.304	$ 0.350	$ (0.047)
Funds from operations - payout ratio	100.3%	87.0%	13.3%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	62,442,592	62,209,426	233,166
Weighted average units outstanding - diluted	67,115,054	67,147,564	(32,510)
Units outstanding, end of period	62,477,749	62,239,176	238,573

Notes:

Funds from Operations, which is not a defined term within Canadian generally accepted accounting principles, has been calculated by management 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, 2009 was $3.1 million ($0.047 less per unit, diluted) less than the comparative period.

Transition Update

As previously announced, the REIT is planning to fully internalize its management on January 1, 2010. There is a fuller discussion of this in the Management's Discussion and Analysis. During the three-months ended September 30, 2009 the REIT incurred $4,572 of transition costs, of which $2,305 was expensed and $2,267 was capitalized.

Reclassification Prior Years Amounts

The REIT has reclassified prior periods' results to reflect the reclassification of recoverable improvements (previously called recoverable operating costs) to a component of income-producing properties. This is discussed more fully in Management's Discussion and Analysis and the reclassification of the previous quarters is contained therein.

Supplemental Information

The REIT's unaudited interim consolidated financial statements and Management's Discussion and Analysis for the three-month and nine-month periods ended September 30, 2009 and 2008 are available on the REIT's 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, the REIT's 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 which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Examples of such information include, but are not limited to, factors relating to the business, financial position of the REIT, operations and redevelopments including volatility of capital markets, legislative changes, consumer spending, retail leasing demand, strength of the retail sector, price volatility of construction costs, availability of construction labour and timing of regulatory and contractual approvals for developments.

Although the forward-looking statements contained in this document are based on what management of the REIT 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. Factors that could cause actual results to differ materially include, but are not limited to, economic, competitive and commercial real estate conditions, unplanned compliance-related expenses, uninsured property losses and tenant-related risks.

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, November 11, 2009 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 are: 416-340-2216 (within Toronto), and 1-866-226-1792 (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 Wednesday, November 18, 2009. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 2843686.

The REIT is a TSX listed real estate investment trust (TSX:PMZ.UN). The REIT owns 26 income-producing properties comprising approximately 9.3 million square feet located in Canada. As of October 31, 2009, the REIT had 62,498,120 units issued and outstanding.

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST
Interim Consolidated Balance Sheets
(In thousands of dollars)

	September 30, 2009	December 31, 2008
	(Unaudited)	

Assets

	September 30, 2009	December 31, 2008
Income-producing properties	$ 1,409,717	$ 1,443,958
Leasing costs	41,386	38,200
Rents receivable	4,107	4,812
Other assets and receivables	39,990	24,438
Cash and cash equivalents	47,968	97,424
	$ 1,543,168	$ 1,608,832

Liabilities and Unitholders' Equity

	September 30, 2009	December 31, 2008
Liabilities:		
Mortgages payable	$ 879,820	$ 890,258
Convertible debentures	90,647	95,438
Accounts payable and other liabilities	45,088	45,782
Distribution payable	6,352	6,334
Future income taxes	45,400	40,800
	1,067,307	1,078,612
Unitholders' Equity	475,861	530,220
	$ 1,543,168	$ 1,608,832

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, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Revenue:				
Minimum rent	$ 40,917	$ 39,992	$ 122,446	$ 118,942
Recoveries from tenants	22,893	22,615	71,433	68,812
Percentage rent	644	995	1,928	2,356
Parking	1,317	1,330	4,394	4,449
Interest and other	300	1,578	1,641	3,391
	66,071	66,510	201,842	197,950
Expenses:				
Property operating	16,203	15,558	49,801	45,786
Property taxes	12,259	12,147	37,443	36,419
Depreciation	16,371	18,247	51,272	55,365
Amortization	2,101	1,499	5,186	4,002
Interest	14,569	14,616	43,715	42,830
Ground rent	305	404	929	1,021
General and administrative	3,949	2,092	8,667	6,017
	65,757	64,563	197,013	191,440
Income before gain on sale of land and income taxes	314	1,947	4,829	6,510
Gain on sale of land	–	–	–	298
Income before income taxes	314	1,947	4,829	6,808
Future income taxes	1,300	710	4,600	2,180
Net income (loss)	$ (986)	$ 1,237	$ 229	$ 4,628
Basic and diluted net income (loss) per unit	$ (0.02)	$ 0.02	$ 0.00	$ 0.07

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended September 30, 2009	2008	Nine months ended September 30, 2009	2008
Cash provided by (used in):				
Operations:				
Net income (loss)	$ (986)	$ 1,237	$ 229	$ 4,628
Items not involving cash:				
Depreciation of income-producing properties	15,276	17,360	48,441	52,851
Amortization of recoverable improvements	876	887	2,517	2,514
Amortization of leasing commissions and tenant improvements	2,101	1,499	5,186	4,002
Accretion of convertible debentures	283	261	821	757
Future income taxes	1,300	710	4,600	2,180
Gain on sale of land	–	–	–	(298)
	18,850	21,954	61,794	66,634
Change in non-cash operating items:				
Gain on purchase of convertible debentures under normal course issuer bid	–	–	(727)	–
Depreciation of fixtures and equipment	214	–	309	–
Amortization of above- and below-market leases	(420)	(462)	(1,483)	(1,353)
Amortization of tenant inducements	36	32	109	87
Amortization of financing costs	359	470	1,124	1,148
Other (note 14)	(873)	(2,658)	(10,319)	(14,659)
Leasing commissions	(219)	(612)	(731)	(1,206)
Tenant inducements	–	–	(53)	(282)
	17,947	18,724	50,023	50,369
Financing:				
Mortgage principal repayments	(4,689)	(4,229)	(13,865)	(12,597)
Financing costs	–	(824)	(14)	(862)
Proceeds of new financing	–	110,000	–	110,000
Repayment of financing	–	(62,454)	–	(62,454)
Distributions to Unitholders	(19,049)	(18,982)	(57,089)	(56,822)
Issuance of units, net of costs	678	782	2,093	2,156
Purchase of convertible debentures under normal course issuer bid	–	–	(5,127)	–
	(23,060)	24,293	(74,002)	(20,579)
Investments:				
Acquisition of income-producing properties (note 2)	–	–	(3,594)	(7,074)
Additions to buildings and building improvements	(800)	(1,804)	(4,972)	(6,993)
Additions to tenant improvements	(1,954)	(2,172)	(7,697)	(8,639)
Additions to recoverable improvements	(1,027)	(1,690)	(4,321)	(4,816)
Additions to fixtures and equipment	(1,807)	(237)	(4,893)	(237)
Proceeds from sale of land	–	–	–	425
	(5,588)	(5,903)	(25,477)	(27,334)
Increase (decrease) in cash and cash equivalents	(10,701)	37,114	(49,456)	2,456
Cash and cash equivalents, beginning of period	58,669	59,544	97,424	94,202
Cash and cash equivalents, end of period	$ 47,968	$ 96,658	$ 47,968	$ 96,658

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008
Net income (loss)	$ (986)	$ 1,237
Depreciation of income producing properties	16,152	18,247
Amortization of leasing costs	2,101	1,499
Accretion of convertible debentures	283	261
Future income taxes	500	710
Funds from operations	$ 18,850	$ 21,954

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Calculation of Net Operating Income
(In thousands of dollars)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008
Revenue	$66,071	$66,510
Less: Corporate interest and other income	(165)	(643)
Property operating expenses	(16,204)	(15,558)
Property tax expense	(12,259)	(12,147)
Ground rent	(305)	(404)
Net operating income	$ 37,138	$ 37,758