Primaris

# PRIMARIS RETAIL REIT Announces Second Quarter Results

Toronto (Ontario) August 6, 2009 - Primaris Retail REIT (TSX:PMZ.UN) is reporting stable operating results and continued strong liquidity.

President and CEO, John Morrison, commented "Primaris' financial position remains strong in these uncertain times. The decrease in occupancy rate during the quarter was expected, as a result of the redevelopment work at Lambton Mall in Sarnia. We have a cautious outlook for future operating results because we continue to see less depth in tenant demand for vacant space. On the other hand, credit markets appear to have a better tone than early in the year."

## *Highlights*

Liquidity

- Primaris continues to remain extremely liquid. It has $58 million cash and a $120 million unutilized credit facility. There is one loan maturity in 2009 of $3.7 million and there are no loan maturities in 2010. There are no commitments to fund mezzanine loans.

Funds From Operations

- Funds from operations for the second quarter ended June 30, 2009 were $21.1 million or $0.337 per unit diluted, down 4.0% on a per unit basis from the $22.0 million, or $0.351 per unit diluted reported for the second quarter of 2008.

Net Operating Income

- Net operating income for the second quarter ended June 30, 2009, was $37.7 million, up from the $37.2 million recorded in the second quarter of 2008.

Same Property – Net Operating Income

- Net operating income for the second quarter ended June 30, 2009, on a same property basis, increased 1.1% 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 $842 increase in the property management fees during 2009, same property net operating income would have increased 3.4%.

Operations

- The REIT renewed or leased 332,729 square feet of space during the second quarter, which includes the renewal of one anchor store. The weighted average new rent in these leases, on a cash basis, represented a 3.3% increase over the previous rent paid (3.5% excluding the anchor store).

- The portfolio occupancy rate decreased during the second quarter and was 96.4% at June 30, 2009, compared to 97.3% at March 31, 2009, and down from 97.7% at June 30, 2008.

- Same-tenant sales, for the 13 reporting properties owned during all of the 24 months ended May 31, 2009, decreased 1.9% to $466 per square foot as compared to the previous 12 months.

- The second quarter results included seasonal revenues of $2.5 million as compared to $2.5 million recorded in the second quarter of 2008.

- During the second quarter the REIT incurred and expensed $0.8 million of transition costs, included in general and administrative expenses.

***Liquidity***

Primaris continues to remain extremely liquid. It has $58 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 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.

***Financial Results***

Funds from operations for the three months ended June 30, 2009 was $21.1 million or $0.339 per unit basic ($0.337 diluted). This compares to funds from operations of $22.0 million or $0.354 per unit basic ($0.351 diluted) earned during the three months ended June 30, 2008.

Net income for the three months ended June 30, 2009 was $0.7 million or $0.011 per unit (basic and diluted). This compares to net income of $1.0 million or $0.017 per unit (basic and diluted) earned during the three months ended June 30, 2008.

Funds from Operations and Net Income for the three months ended June 30, 2009 include a gain of $260 resulting from the repurchase of $3,427 (cost $2,839) of the 5.85% convertible debentures.

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 June 30, 2009. The total purchase price for the acquisition completed to date in 2009 was $7.4 million and those acquisitions completed in 2008 was $14.6 million.

General and administrative expenses in the second quarter include $0.8 million of transition costs, compared to virtually no such costs incurred in the comparative quarter. This increase is partially offset by a reduction in consulting and other professional fees.

The distribution payout ratio for the second quarter of 2009, expressed on a per unit basis as distributions paid divided by diluted funds from operations was 90.3% as compared to an 86.8% payout ratio for the second quarter of 2008. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At June 30, 2009, the REIT's total enterprise value was approximately $1.7 billion (based on the market closing price of Primaris' units on June 30, 2009, plus total debt outstanding). At June 30, 2009 the REIT had $975.0 million of outstanding debt equating to a debt to total enterprise value ratio of 56.9%. On a net of cash basis, this ratio would be 53.5%. The REIT's debt consisted of $884.6 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 7.2 years, $5.9 million of 6.75% fixed-rate convertible debentures and $84.5 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 June 30, 2009, the REIT had an interest coverage ratio of 2.4 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 June 30, 2009 | Three Months Ended June 30, 2008 | Variance to Comparative Period Favourable/ (Unfavourable) |
|---|---|---|---|
| Operating revenue | $ 66,131 | $ 63,991 | $ 2,140 |
| Operating expenses | 28,617 | 26,882 | (1,735) |
| Net operating income | $ 37,514 | $ 37,109 | $ 405 |

The same property comparison includes only 26 properties that were owned throughout both the current and comparative three-month periods. Net operating income, on a same property basis, increased $405, or 1.1%, over the comparative three-month period. Net operating income, on a same-property basis, would have increased 3.4% excluding the net change in the property management fees of $842.

### *Tenant sales*

Tenant sales per square foot, on a same-tenant basis, have decreased to $466 for the 12 months ended May 31, 2009. Total tenant volume has decreased by 1.1% when comparing sales for the same properties.

| | Same-Tenant Sales per Square Foot | | Variance | | All-Tenant Total Sales Volume | | Variance | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | $ | % | 2009 | 2008 | $ | % |
| Aberdeen Mall | $ 408 | $ 437 | $ (29) | (6.6%) | $ 50,741 | $ 53,059 | $ (2,318) | (4.4%) |
| Cornwall Centre | 585 | 560 | 25 | 4.5% | 78,321 | 74,655 | 3,666 | 4.9% |
| Dufferin Mall | 531 | 548 | (17) | (3.1%) | 88,040 | 89,660 | (1,620) | (1.8%) |
| Eglinton Square | 385 | 390 | (5) | (1.3%) | 31,365 | 39,437 | (8,072) | (20.5%) |
| Grant Park Shopping Centre | 491 | 489 | 2 | 0.4% | 29,596 | 29,760 | (164) | (0.6%) |
| Lambton Mall | 351 | 370 | (19) | (5.1%) | 50,803 | 53,791 | (2,988) | (5.6%) |
| Midtown Plaza | 567 | 564 | 3 | 0.5% | 135,396 | 130,385 | 5,011 | 3.8% |
| Northland Village | 449 | 446 | 3 | 0.7% | 48,199 | 46,892 | 1,307 | 2.8% |
| Orchard Park Shopping Centre | 518 | 551 | (33) | (6.0%) | 145,008 | 150,949 | (5,941) | (3.9%) |
| Park Place Shopping Centre | 514 | 531 | (17) | (3.2%) | 80,019 | 81,749 | (1,730) | (2.1%) |
| Place Fleur de Lys | 305 | 309 | (4) | (1.3%) | 73,353 | 73,213 | 140 | 0.2% |
| Place du Royaume | 385 | 393 | (8) | (2.0%) | 105,008 | 102,922 | 2,086 | 2.0% |
| Stone Road Mall | 550 | 561 | (11) | (2.0%) | 116,435 | 117,368 | (933) | (0.8%) |
| | $ 466 | $ 475 | $ (9) | (1.9%) | $ 1,034,293 | $ 1,045,848 | $ (11,555) | (1.1%) |

The REIT's sales decreased 1.9% 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 May 31, 2009 decreased 0.9%. The REIT's sales productivity of $466 is lower than the ICSC average of $544, 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 1.3% for same period, which is more than the ICSC decrease of 0.9%.

### *Leasing activity*

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate decreased during the second quarter and was 96.4% at June 30, 2009, down from 97.3% at March 31, 2009, and down from 97.7% at June 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 332,729 square feet of space during the second quarter of 2009. This represented 78 leases of generally smaller stores and the renewal of one anchor store of approximately 95,000 square feet. Approximately 79% of the leased space during the current quarter of 2009 resulted from the renewal of existing tenants or 71% if the anchor store is excluded. The weighted average new rent for renewals of existing tenants in the current quarter, on a cash basis, represented a 3.3% increase over the previous cash rent for all transactions (3.5% excluding the anchor store).

### *Development Activity*

At Lambton Mall in Sarnia, Ontario, Canadian Tire leased a 139,000 square foot store, previously occupied by Wal-Mart. Canadian Tire began work on the premises in October 2008, and opened on April 15, 2009. The former 106,331 square foot Canadian Tire store remained in operation until the existing store opened. The REIT's budget for this phase of the project was approximately $3,500, and Canadian Tire spent additional funds in completing their store and executing their move. The scope of work included a small expansion as well as constructing a connection between the existing store and the interior of the mall, something that did not exist with the previous tenant. Now that the former Canadian Tire store has been vacated, a second phase of the project will be planned, with Lambton Mall modifying and re-leasing the vacated space. Plans for this second phase are not yet finalized; however, discussions are underway with a number of retailers to participate in this second phase.

### *Comparison to Prior Period Financial Results*

| | Three Months Ended June 30, 2009 | Three Months Ended June 30, 2008 | Variance to Comparative Period Favourable/ (Unfavourable) |
|---|---|---|---|
| Revenue | | | |
| Minimum rent | $ 40,961 | $ 39,379 | $ 1,582 |
| Recoveries from tenants | 23,229 | 22,408 | 821 |
| Percentage rent | 560 | 649 | (89) |
| Parking | 1,549 | 1,555 | (6) |
| Interest and other income | 454 | 727 | (273) |
| | $ 66,753 | $ 64,718 | $ 2,035 |
| Expenses | | | |
| Operating | 28,380 | 26,673 | (1,707) |
| Interest | 14,521 | 14,032 | (489) |
| Depreciation and amortization | 19,436 | 19,675 | 239 |
| Ground rent | 324 | 264 | (60) |
| | $ 62,661 | $ 60,644 | $ (2,017) |
| Income from operations | 4,092 | 4,074 | 18 |
| General and administrative | (2,601) | (2,017) | (584) |
| Gain on sale of land | - | 298 | (298) |
| Future income taxes | (800) | (1,320) | 520 |
| Net income | $ 691 | $ 1,035 | $ (344) |
| Depreciation of income-producing properties | 17,807 | 18,297 | (490) |
| Amortization of leasing costs | 1,582 | 1,378 | 204 |
| Accretion of convertible debentures | 269 | 247 | 22 |
| Gain on sale of land | - | (298) | 298 |
| Future income taxes | 800 | 1,320 | (520) |
| Funds from operations | $ 21,149 | $ 21,979 | $ (830) |
| Funds from operations per unit - basic | $ 0.339 | $ 0.354 | $ (0.015) |
| Funds from operations per unit - diluted | $ 0.337 | $ 0.351 | $ (0.014) |
| Funds from operations - payout ratio | 90.3% | 86.8% | 3.5% |
| Distributions per unit | $ 0.305 | $ 0.305 | $ - |
| Weighted average units outstanding - basic | 62,384,749 | 62,103,730 | 281,019 |
| Weighted average units outstanding - diluted | 67,119,386 | 67,064,978 | 54,408 |
| Units outstanding, end of period | 62,413,012 | 62,179,175 | 233,837 |

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 June 30, 2009 was $0.8 million ($0.014 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 six-months ended June 30, 2009 the REIT incurred $3,830 of transition costs, of which $1,202 was expensed and $2,628 was capitalized.

### *Leadership Update*

As previously announced, Mr. John R. Morrison has been appointed President and Chief Executive Officer of Primaris Retail REIT. Mr. Morrison has been actively involved in Primaris since its launch in 2003, representing continuity of strategy and management for the REIT, its portfolio and its team.

### *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 seven 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 six-month periods ended June 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 Friday, August 7, 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 Friday, August 14, 2009. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 8333846#.

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 July 31, 2009, the REIT had 62,431,234 units issued and outstanding.

**INFORMATION:**

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

Louis M. Forbes
Senior Vice President,
Chief Financial Officer
(416) 642-7810

**PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST**

Interim Consolidated Balance Sheets
(In thousands of dollars)

| | June 30, 2009 (Unaudited) | December 31, 2008 |
|---|---|---|
| **Assets** | | |
| Income-producing properties | $ 1,424,042 | $ 1,443,958 |
| Leasing costs | 41,350 | 38,200 |
| Rents receivable | 5,827 | 4,812 |
| Other assets and receivables | 38,830 | 24,438 |
| Cash and cash equivalents | 58,669 | 97,424 |
| | $ 1,568,718 | $ 1,608,832 |
| **Liabilities and Unitholders' Equity** | | |
| Liabilities: | | |
| Mortgages payable | $ 884,608 | $ 890,258 |
| Convertible debentures | 90,427 | 95,438 |
| Accounts payable and other liabilities | 48,252 | 45,782 |
| Distribution payable | 6,365 | 6,334 |
| Future income taxes | 44,100 | 40,800 |
| | 1,073,752 | 1,078,612 |
| Unitholders' equity | 494,966 | 530,220 |
| | $ 1,568,718 | $ 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 June 30, 2009 | Three months ended June 30, 2008 | Six months ended June 30, 2009 | Six months ended June 30, 2008 |
|---|---|---|---|---|
| Revenue: | | | | |
| Minimum rent | $ 40,961 | $ 39,379 | $ 81,529 | $ 78,950 |
| Recoveries from tenants | 23,229 | 22,408 | 48,540 | 46,197 |
| Percentage rent | 560 | 649 | 1,284 | 1,361 |
| Parking | 1,549 | 1,555 | 3,077 | 3,119 |
| Interest and other | 454 | 727 | 1,341 | 1,813 |
| | 66,753 | 64,718 | 135,771 | 131,440 |
| Expenses: | | | | |
| Property operating | 15,758 | 14,612 | 33,597 | 30,228 |
| Property taxes | 12,622 | 12,061 | 25,184 | 24,272 |
| Depreciation | 17,854 | 18,297 | 34,901 | 37,118 |
| Amortization | 1,582 | 1,378 | 3,085 | 2,503 |
| Interest | 14,521 | 14,032 | 29,146 | 28,214 |
| Ground rent | 324 | 264 | 624 | 617 |
| General and administrative | 2,601 | 2,017 | 4,719 | 3,925 |
| | 65,262 | 62,661 | 131,256 | 126,877 |
| Income before gain on sale of land and income taxes | 1,491 | 2,057 | 4,515 | 4,563 |
| Gain on sale of land | – | 298 | – | 298 |
| Income before income taxes | 1,491 | 2,355 | 4,515 | 4,861 |
| Future income taxes | 800 | 1,320 | 3,300 | 1,470 |
| Net income | $ 691 | $ 1,035 | $ 1,215 | $ 3,391 |
| Basic and diluted net income per unit | $ 0.011 | $ 0.017 | $ 0.019 | $ 0.055 |

# PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

| | Three months ended June 30, 2009 | Three months ended June 30, 2008 | Six months ended June 30, 2009 | Six months ended June 30, 2008 |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operations: | | | | |
| Net income | $ 691 | $ 1,035 | $ 1,215 | $ 3,391 |
| Items not involving cash: | | | | |
| Depreciation of income -producing properties | 16,993 | 17,486 | 33,165 | 35,491 |
| Amortization of recoverable improvements | 814 | 811 | 1,641 | 1,627 |
| Amortization of leasing commissions and tenant improvements | 1,582 | 1,378 | 3,085 | 2,503 |
| Accretion of convertible debentures | 269 | 247 | 538 | 496 |
| Future income taxes | 800 | 1,320 | 3,300 | 1,470 |
| Gain on sale of land | – | (298) | – | (298) |
| | 21,149 | 21,979 | 42,944 | 44,680 |
| Change in non-cash operating items: | | | | |
| Gain on purchase of convertible debentures under normal course issuer bid | (260) | – | (727) | – |
| Depreciation of fixtures and equipment | 47 | – | 95 | – |
| Amortization of above- and below-market leases | (442) | (417) | (1,063) | (891) |
| Amortization of tenant inducements | 37 | 28 | 73 | 55 |
| Amortization of financing costs | 362 | 356 | 765 | 678 |
| Other | (2,900) | (5,203) | (12,532) | (12,000) |
| Leasing commissions | (292) | (395) | (512) | (594) |
| Tenant inducements | – | (282) | (53) | (282) |
| | 17,701 | 16,066 | 28,990 | 31,646 |
| Financing: | | | | |
| Mortgage principal repayments | (4,621) | (4,283) | (9,176) | (8,368) |
| Financing costs | (14) | (3) | (14) | (38) |
| Distributions to Unitholders | (19,031) | (18,938) | (38,040) | (37,840) |
| Issuance of units, net of costs | 698 | 731 | 1,415 | 1,373 |
| Purchase of convertible debentures under normal course issuer bid | (2,839) | – | (5,127) | – |
| | (25,807) | (22,493) | (50,942) | (44,873) |
| Investments: | | | | |
| Acquisition of income-producing properties | (3,594) | (50) | (3,594) | (7,074) |
| Additions to buildings and building improvements | (2,351) | (2,342) | (4,172) | (5,189) |
| Additions to tenant improvements | (4,250) | (4,447) | (5,743) | (6,467) |
| Additions to recoverable improvements | (3,226) | (1,748) | (3,294) | (3,126) |
| Proceeds from sale of land | – | 425 | – | 425 |
| | (13,421) | (8,162) | (16,803) | (21,431) |
| Decrease in cash and cash equivalents | (21,527) | (14,589) | (38,755) | (34,658) |
| Cash and cash equivalents, beginning of period | 80,196 | 74,133 | 97,424 | 94,202 |
| Cash and cash equivalents, end of period | $ 58,669 | $ 59,544 | $ 58,669 | $ 59,544 |

# PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

| | Three Months Ended June 30, 2009 | Three Months Ended June 30, 2008 |
|---|---|---|
| Net income | $ 691 | $ 1,035 |
| Depreciation of income producing properties | 17,807 | 18,297 |
| Amortization of leasing costs | 1,582 | 1,378 |
| Accretion of convertible debentures | 269 | 247 |
| Gain on sale of land | - | (298) |
| Future income taxes | 800 | 1,320 |
| Funds from operations | $ 21,149 | $ 21,979 |

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.

Calculation of Net Operating Income
(In thousands of dollars)

| | Three Months Ended June 30, 2009 | Three Months Ended June 30, 2008 |
|---|---|---|
| Revenue | $66,753 | $64,718 |
| Less: Corporate interest and other income | (356) | (574) |
| Property operating expenses | (15,758) | (14,612) |
| Property tax expense | (12,622) | (12,061) |
| Ground rent | (324) | (264) |
| Net operating income | $ 37,693 | $ 37,207 |