Primaris

PRIMARIS RETAIL REIT Announces First Quarter Results

Toronto (Ontario) May 7, 2009 - Primaris Retail REIT (TSX:PMZ.UN) is reporting stable operating results and continued strong liquidity.

President and CEO, Michael Latimer, commented "Primaris' financial position remains strong in these uncertain times. While it is encouraging to see some capital markets activity during the first quarter, market conditions are by no means normal. We have a cautious outlook for future operating results because we see less depth to tenant demand for vacant space. However, to date, occupancy rates remain solid and rents continue to grow on renewal of leases."

Highlights

Liquidity

- Primaris continues to remain extremely liquid. It has $80 million cash and a $120 million unutilized credit facility. There is one loan maturity in 2009 of $3.7 million that needs to be re-financed and there are no loan maturities in 2010. There are no commitments to fund mezzanine loans.

Funds From Operations

- Funds from operations for the first quarter ended March 31, 2009 were $21.8 million or $0.347 per unit diluted, down 4.4% on a per unit basis from the $22.7 million, or $0.363 per unit diluted reported for the first quarter of 2008.

Net Operating Income

- Net operating income for the first quarter ended March 31, 2009, was $37.5 million, virtually the same as the $37.6 million recorded in the first quarter of 2008.

Same Property – Net Operating Income

- Net operating income for the first quarter ended March 31, 2009, on a same property basis, decreased 0.4% 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 1.9%.

Operations

- The REIT renewed or leased 392,426 square feet of space during the first quarter, which includes the renewal of one anchor store. The weighted average new rent in these leases, on a cash basis, represented a 6.2% increase over the previous rent paid (5.8% excluding the anchor store).

- The portfolio occupancy rate decreased during the first quarter and was 97.3% at March 31, 2009, compared to 98.2% at December 31, 2008, and the same as the 97.3% at March 31, 2008.

- Same-tenant sales, for the 13 reporting properties owned during all of the 24 months ended February 28, 2009 decreased 1.8% to $470 per square foot as compared to the previous 12 months.

- The first quarter results included seasonal revenues of $2.6 million as compared to $2.3 million recorded in the first quarter of 2008.

Liquidity

Primaris continues to remain extremely liquid. It has $80 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 March 31, 2009 was $21.8 million or $0.350 per unit basic ($0.347 diluted). This compares to funds from operations of $22.7 million or $0.366 per unit basic ($0.363 diluted) earned during the three months ended March 31, 2008.

Net income for the three months ended March 31, 2009 was $0.5 million or $0.008 per unit (basic and diluted). This compares to net income of $2.4 million or $0.038 per unit (basic and diluted) earned during the three months ended March 31, 2008.

Funds from Operations and Net Income for the three months ended March 31, 2009 include a gain of $467 resulting from the repurchase of $3,051 (cost $2,288) of the 5.85% convertible debentures. This repurchase occurred in the late March 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 March 31, 2009. The total purchase price for the acquisitions was $14.6 million.

The distribution payout ratio for the first quarter of 2009, expressed on a per unit basis as distributions paid divided by diluted funds from operations was 87.8% as compared to a 84.0% payout ratio for the first quarter of 2008. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At March 31, 2009, the REIT's total enterprise value was approximately $1.5 billion (based on the market closing price of Primaris' units on March 31, 2009, plus total debt outstanding). At March 31, 2009 the REIT had $978.7 million of outstanding debt equating to a debt to total enterprise value ratio of 63.4%. On a net of cash basis, this ratio would be 58.3%. The REIT's debt consisted of $885.6 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 7.5 years, $5.9 million of 6.75% fixed-rate convertible debentures and $87.2 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 March 31, 2009, the REIT had an interest coverage ratio of 2.5 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 March 31, 2009	Three Months Ended March 31, 2008	Variance to Comparative Period Favourable / (Unfavourable)
Operating revenue	$ 68,010	$ 65,650	$ 2,360
Operating expenses	30,644	28,152	(2,492)
Net operating income	$ 37,366	$ 37,498	$ (132)

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, decreased $132, or 0.4%, over the comparative three-month period. Net operating income, on a same-property basis, would have increased 1.9% 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 $470 for the 12 months ended February 28, 2009. Total tenant volume has increased by 0.9% 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	$ 429	$ 444	$ (14)	(3.2%)	$ 52,015	$ 53,496	$ (1,481)	(2.8%)
Cornwall Centre	551	524	28	5.3%	77,699	73,427	4,272	5.8%
Dufferin Mall	558	563	(5)	(1.0%)	89,583	89,398	185	0.2%
Eglinton Square	343	343	(1)	(0.2%)	34,103	39,505	(5,402)	(13.7%)
Grant Park Shopping Centre	492	495	(3)	(0.5%)	29,805	29,686	119	0.4%
Lambton Mall	370	382	(12)	(3.2%)	51,849	54,057	(2,208)	(4.1%)
Midtown Plaza	565	548	17	3.1%	135,812	126,737	9,075	7.2%
Northland Village	461	461	0	0.1%	47,684	46,826	858	1.8%
Orchard Park Shopping Centre	528	557	(29)	(5.1%)	147,081	149,839	(2,758)	(1.8%)
Park Place Shopping Centre	523	527	(4)	(0.8%)	81,571	80,590	981	1.2%
Place Fleur de Lys	309	311	(2)	(0.6%)	73,660	73,285	375	0.5%
Place du Royaume	389	392	(3)	(0.8%)	104,796	101,692	3,104	3.1%
Stone Road Mall	568	568	(1)	(0.1%)	117,900	115,657	2,243	1.9%
	$ 470	$ 473	$ (3)	(1.8%)	$ 1,043,558	$ 1,034,196	$ 9,363	0.9%

The REIT's sales decreased 1.8% 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, 2009 increased 2.2%. The REIT's sales productivity of $470 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. However the ICSC data point is for all tenant sales. The REIT's all tenant sales per square foot increase was 0.2% for same period, lower than the ICSC figure of 2.2%.

Leasing activity

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate decreased during the first quarter and was 97.3% at March 31, 2009, down from 98.2% at December 31, 2009, and the same as the 97.3% at March 31, 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 392,426 square feet of space during the first quarter of 2009. This represented 89 leases of generally smaller stores and the renewal of one anchor store. Approximately 83% of the leased spaces during the first quarter of 2009 consisted of the renewal of existing tenants, or 73% if the anchor store is excluded. The weighted average new rent for renewals of existing tenants in the first quarter, on a cash basis, represented a 6.2% increase over the previous cash rent (5.8% excluding the anchor store).

Development Activity

Canadian Tire leased a 139,000 square foot store, previously occupied by Wal-Mart at Lambton Mall in Sarnia, Ontario. Canadian Tire began work on the premises in October 2008, and opened on April 15, 2009. Their existing 106,331 square foot store, also at Lambton Mall, remained in operation until the new store opened. The REIT's budget for this first phase of the project was approximately $3.5 million, and Canadian Tire spent additional amounts in completing their store and executing their move. The scope of work included a small expansion as well as constructing a connection between the new store and the interior of the mall, something that did not exist with the previous tenant. Once the existing Canadian Tire store is vacated, a second phase of the project will be initiated, 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.

In mid-April 2007, the REIT agreed to terminate the lease of an 86,500 square foot Bay department store at Place du Royaume located in Saguenay, Quebec. The store closed in June 2007. The first phase of the project was to reconstruct the existing space for use by other retailers. Tenants are in place for 100% of the leasable area of the first phase of the project. The second phase included a new common area of the mall, including the floor, demising walls and ceilings and the demolition of the exterior entrance. Both phases were completed on time and under budget. As at March 31, 2009, $9,539 has been incurred and capitalized. As part of this new circulation plan, a small part of existing common area has been backfilled by retail use. The total budgeted cost of this project is approximately $14,000. There are still some further costs to be incurred, but the REIT is anticipating the cost of this project to be substantially under budget. The REIT experienced 12 months of downtime in the former department store space and six months of downtime for the backfill of existing common area. During the second quarter of 2008 almost all of the tenants in the former department store space opened, with the last tenant having opened in the first quarter of 2009. The project generated a positive return for the property.

Comparison to Prior Period Financial Results

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Variance to Comparative Period Favourable / (Unfavourable)
Revenue			
Minimum rent	$ 40,568	$ 39,571	$ 997
Recoveries from tenants	25,311	23,789	1,522
Percentage rent	724	712	12
Parking	1,528	1,564	(36)
Interest and other income	887	1,086	(199)
	$ 69,018	$ 66,722	$ 2,296
Expenses			
Operating	30,401	27,827	(2,574)
Interest	14,625	14,182	(443)
Depreciation and amortization	18,550	19,946	1,396
Ground rent	300	353	53
	$ 63,876	$ 62,308	$ (1,568)
Income from operations	5,142	4,414	728
General and administrative	(2,118)	(1,908)	(210)
Future income taxes	(2,500)	(150)	(2,350)
Net income	$ 524	$ 2,356	$ (1,832)
Depreciation of income-producing properties	16,999	18,821	(1,822)
Amortization of leasing costs	1,503	1,125	378
Accretion of convertible debentures	269	249	20
Future income taxes	2,500	150	2,350
Funds from operations	$ 21,795	$ 22,701	$ (906)
Funds from operations per unit - basic	$ 0.350	$ 0.366	$ (0.016)
Funds from operations per unit - diluted	$ 0.347	$ 0.363	$ (0.016)
Funds from operations - payout ratio	87.8%	84.0%	3.8%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	62,306,961	61,965,060	341,901
Weighted average units outstanding - diluted	67,230,327	66,950,493	279,834
Units outstanding, end of period	62,348,408	62,039,190	309,218

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 March 31, 2009 was $0.9 million ($0.016 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 quarter ended March 31, 2009 the REIT incurred $384 of transition costs (2008 $nil), of which $353 was expensed and $31 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 seven quarters is contained therein.

Supplemental Information

The REIT's unaudited interim consolidated financial statements for the three-months ended March 31, 2009 and 2008 and Management's Discussion and Analysis for the three-month period ended March 31, 2009 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, May 8, 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, May 15, 2009. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 7230077#.

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 April 30, 2009, the REIT had 62,376,548 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, 2009 (Unaudited)	December 31, 2008
Assets		
Income-producing properties	$ 1,428,848	$ 1,443,958
Leasing costs	38,427	38,200
Rents receivable	5,245	4,812
Other assets and receivables	28,004	24,438
Cash and cash equivalents	80,196	97,424
	$ 1,580,720	$ 1,608,832
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 885,591	$ 890,258
Convertible debentures	93,106	95,438
Accounts payable and other liabilities	39,815	45,782
Distribution payable	6,341	6,334
Future income taxes	43,300	40,800
	1,068,153	1,078,612
Unitholders' equity	512,567	530,220
	$ 1,580,720	$ 1,608,832

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
Revenue:		
Minimum rent	$ 40,568	$ 39,571
Recoveries from tenants	25,311	23,789
Percentage rent	724	712
Parking	1,528	1,564
Interest and other	887	1,086
	69,018	66,722
Expenses:		
Property operating	17,839	15,616
Property taxes	12,562	12,211
Depreciation	17,047	18,821
Amortization	1,503	1,125
Interest	14,625	14,182
Ground rent	300	353
General and administrative	2,118	1,908
	65,994	64,216
Income before income taxes	3,024	2,506
Future income taxes	(2,500)	(150)
Net income	$ 524	$ 2,356
Basic and diluted net income per unit	$ 0.008	$ 0.038

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

Three months ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
Cash provided by (used in):		
Operations:		
Net income	$ 524	$ 2,356
Items not involving cash:		
Depreciation of income-producing properties	16,172	18,005
Depreciation of recoverable improvements	827	816
Amortization of leasing commissions and tenant improvements	1,503	1,125
Accretion of convertible debt	269	249
Future income taxes	2,500	150
	21,795	22,701
Change in non-cash operating items:		
Depreciation of fixtures and equipment	48	–
Gain on purchase of convertible debentures under normal course issuer bid	(467)	–
Amortization of above- and below-market leases	(621)	(474)
Amortization of tenant inducements	36	27
Amortization of financing costs	403	322
Other	(9,632)	(6,797)
Leasing commissions	(220)	(199)
Tenant inducements	(53)	–
	11,289	15,580
Financing:		
Mortgage principal repayments	(4,555)	(4,085)
Financing costs	–	(35)
Distributions to Unitholders	(19,009)	(18,902)
Issuance of units, net of costs	717	642
Purchase of convertible debentures under normal course issuer bid	(2,288)	–
	(25,135)	(22,380)
Investments:		
Acquisition of income-producing properties	–	(7,024)
Additions to buildings and building improvements	(1,821)	(2,847)
Additions to tenant improvements	(1,493)	(2,020)
Additions to recoverable improvements	(68)	(1,378)
	(3,382)	(13,269)
Increase (decrease) in cash and cash equivalents	(17,228)	(20,069)
Cash and cash equivalents, beginning of period	97,424	94,202
Cash and cash equivalents, end of period	$ 80,196	$ 74,133
Supplemental cash flow information:		
Interest paid	$ 14,598	$ 14,122
Supplemental disclosure of non-cash operating and financing activities:		
Value of units issued under asset management agreement	57	757
Value of units issued under equity incentive plan	14	–
Value of units issued from conversion of convertible debentures	–	217
Financing costs transferred to equity upon conversion of convertible debentures	–	8
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	–	(3)

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net income	$ 524	$ 2,356
Depreciation of income producing properties	16,999	18,821
Amortization of leasing costs	1,503	1,125
Accretion of convertible debentures	269	249
Future income taxes	2,500	150
Funds from operations	$ 21,795	$ 22,701

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Calculation of Net Operating Income
(In thousands of dollars)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Revenue	$69,018	$66,722
Less: Corporate interest and other income	(825)	(975)
Property operating expenses	(17,839)	(15,616)
Property tax expense	(12,562)	(12,211)
Ground rent	(300)	(353)
Net operating income	$ 37,492	$ 37,567