Management's Discussion and Analysis of Financial Condition and Results of Operations

(in thousands of dollars, except per unit and square foot amounts)
For the three and nine month periods ended September 30, 2012

Primaris Retail Real Estate Investment Trust ("Primaris") has prepared the following discussion and analysis of financial condition and results of operations ("MD&A"), which should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes prepared for the three and nine month periods ended September 30, 2012 and 2011.

The MD&A is dated November 8, 2012. Disclosure contained in this document is current to that date, unless otherwise noted. Additional information relating to Primaris, including the Annual Information Form, is on SEDAR at www.sedar.com.

Primaris owns, manages, leases and develops retail properties, in Canada. These properties are typically mid-market retail centres in major cities or major retail centres in secondary cities and dominant in their primary trade areas. The portfolio's focus to date has been predominantly enclosed shopping centres. Primaris also acquires complementary real estate in its target markets.

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 accretive acquisition of properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in the cost of capital;

(ii) reinvesting to make improvements and maintenance to existing properties, which could be impacted by the availability of labour and capital resource allocation decisions;

(iii) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Primaris' properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Primaris locations;

(iv) overall indebtedness levels, which could be impacted by the level of acquisition activity Primaris is able to achieve and future financing opportunities;

(v) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;

(vi) anticipated distributions and payout ratios, which could be impacted by capital expenditures, results of operations and capital resource allocation decisions;

(vii) the effect that any contingencies could have on Primaris' financial statements;

(viii) anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations; and

(ix) the development of properties which could be impacted by real estate market cycles, the availability of labour and general economic conditions.

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; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program and to enable Primaris 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.

Basis of Presentation

Canadian generally accepted accounting principles ("GAAP") for Canadian publically accountable profit-oriented enterprises, is International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Financial data provided in the MD&A, for the three and nine month periods ended September 30, 2012 and 2011, has been prepared in accordance with IFRS.

Non-IFRS Financial 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 IFRS. Management uses these measures when comparing itself to industry data or to others in the marketplace. The MD&A describes FFO, NOI and EBITDA and provides reconciliations to net income as defined under IFRS. FFO, NOI and EBITDA should not be considered alternatives to net income or other measures that have been calculated in accordance with IFRS and may not be comparable to measures presented by other issuers. Primaris' MD&A describes FFO, NOI and EBITDA. Reconciliations to net income, as defined under IFRS, for FFO and EBITDA are presented, as well as the calculation of NOI.

Business Objectives and Overview

Primaris is an unincorporated, open-ended real estate investment trust created in 2003 pursuant to its Declaration of Trust, as amended and restated. Primaris is governed by the laws of Ontario. The units and three series of convertible debentures of Primaris trade on the Toronto Stock Exchange under the symbols PMZ.UN, PMZ.DB, PMZ.DB.B and PMZ.DB.C, respectively.

Primaris' vision is to be the leading enclosed shopping centre real estate investment trust ("REIT") in Canada. The objectives of Primaris are:

- to generate stable and growing cash distributions;
- to enhance the value of Primaris' assets and maximize long-term unit value; and
- to expand the asset base of Primaris and increase its funds from operations through an acquisition program.

Primaris' results have been consistent with these objectives. Key performance indicators for Primaris include operational results both at the properties and for Primaris in the aggregate.

(Unaudited)	**Q3 2012**	Q2 2012	Q1 2012	Q4 2011
Unit price at period end	**$24.38**	$23.56	$21.64	$20.61
Distributions	**$28,769**	$27,053	$25,576	$25,282
Funds from operations [1]	**$36,232**	$33,425	$32,713	$34,672
Funds from operations per unit diluted [1]	**$0.383**	$0.376	$0.382	$0.407
Occupancy (including committed space)	**97.5%**	97.4%	96.7%	97.1%
Tenant sales per square foot – same-property sales[2]	**$470**	$468	$466	$458
Interest Coverage [3]	**2.7**	2.5	2.4	2.5
Mortgages – weighted average term to maturity	**5.1 years**	5.3 years	5.5 years	5.8 years
Mortgages – weighted average interest rate	**5.4%**	5.4%	5.4%	5.4%
Indebtedness – % at fixed interest rates	**99.9%**	100.0%	98.4%	99.7%

[1] *FFO is not a term defined under IFRS. The reconciliation of FFO to net income is disclosed on page 13.*
[2] *Tenant sales are reported on a one-month time lag during interim quarters; Q3 is 12 months to August 2012, Q2 2012 is 12 months to May 31, 2012, Q1 2012 is 12 months to February 2012, and Q4 is the 12 months to December 31, 2011.*
[3] *A calculation of interest coverage is included in "Liquidity and Capital Resources". This measure is not defined under IFRS.*

Primaris' business currently depends materially on two types of contracts:

1. lease agreements, which generate the revenues and put substantially all of the risk of variable operating expenses with the tenants; and
2. loan agreements, which determine both interest expense, using fixed or variable rates, and loan principal repayments.

The portfolio occupancy rate for 2012 is relatively stable. It was 97.5% at September 30, 2012, compared to 97.4% at June 30, 2012, and 96.5% at September 30, 2011. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

For the 18 reporting properties owned throughout both twelve month periods ended August 31, 2012 and 2011, sales per square foot, on a same-tenant basis, have increased to $470 per square foot, from $467 in the prior year. For the same 18 properties the all-tenant total sales volume has increased 2.0%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
(Unaudited)	**2012**	2011	$	%	**2012**	2011	$	%
Cataraqui	**$ 504**	$ 513	$ (9)	-1.8%	**86,116**	87,354	(1,238)	-1.4%
Dufferin Mall	**520**	513	$ 7	1.4%	**95,077**	89,665	5,412	6.0%
Eglinton Square	**378**	380	$ (2)	-0.5%	**31,273**	28,997	2,276	7.8%
Heritage Place	**314**	316	$ (2)	-0.6%	**25,425**	25,193	232	0.9%
Lambton Mall	**322**	328	$ (6)	-1.8%	**44,423**	47,443	(3,020)	-6.4%
Place d'Orleans	**444**	463	$ (19)	-4.1%	**98,097**	102,483	(4,386)	-4.3%
Place Du Royaume	**426**	427	$ (1)	-0.2%	**114,171**	114,574	(403)	-0.4%
Place Fleur De Lys	**339**	339	$ -	0.0%	**68,572**	70,754	(2,182)	-3.1%
Stone Road Mall	**530**	527	$ 3	0.6%	**116,596**	114,225	2,371	2.1%
Aberdeen Mall	**391**	387	$ 4	1.0%	**49,299**	48,622	677	1.4%
Cornwall Centre	**578**	551	$ 27	4.9%	**89,048**	81,911	7,137	8.7%
Grant Park	**592**	574	$ 18	3.1%	**26,631**	26,807	(176)	-0.7%
Midtown Plaza	**622**	602	$ 20	3.3%	**141,019**	129,899	11,120	8.6%
Northland Village	**458**	460	$ (2)	-0.4%	**42,517**	43,794	(1,277)	-2.9%
Orchard Park	**500**	496	$ 4	0.8%	**132,906**	129,828	3,078	2.4%
Park Place Mall	**490**	477	$ 13	2.7%	**77,991**	75,469	2,522	3.3%
Sunridge Mall	**509**	500	$ 9	1.8%	**98,485**	91,120	7,365	8.1%
Woodgrove Centre	**473**	470	$ 3	0.6%	**92,235**	93,477	(1,242)	-1.3%
	$ 470	$ 467	$ 3	0.6%	**$ 1,429,881**	$ 1,401,615	$ 28,266	2.0%

The same tenants' sales increased 0.6% 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, 2012, increased 1.8%. Primaris' sales productivity of $470 is lower than the ICSC average of $595, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

Comparison of the Unaudited Three Months Ended September 30, 2012, to the Unaudited Three Months Ended September 30, 2011

Primaris' unaudited financial results, for the three months ended September 30, 2012 compared to the unaudited financial results for the three month period ended September 30, 2011, are summarized below.

(Unaudited)	Three Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Revenue			
Minimum rent	**$ 59,763**	$ 58,574	$ 1,189
Recoveries from tenants	**38,601**	35,558	3,043
Percent rent	**511**	711	(200)
Parking	**1,624**	1,483	141
Other income	**1,767**	263	1,504
	102,266	96,589	5,677
Expenses			
Property operating	**25,759**	23,882	(1,877)
Property tax	**19,109**	18,291	(818)
Ground rent	**332**	325	(7)
General & administrative	**3,331**	2,080	(1,251)
Depreciation	**257**	286	29
	48,788	44,864	(3,924)
Income from operations	**$ 53,478**	$ 51,725	$ 1,753
Finance income	**9**	13	(4)
Finance costs	**(24,194)**	(19,518)	(4,676)
Fair value adjustment on investment properties	**109,879**	(2,997)	112,876
Net income	**$ 139,172**	$ 29,223	$ 109,949
Fair value adjustment on investment properties	**(109,879)**	2,997	(112,876)
Fair value adjustment on convertible debentures	**1,213**	(3,721)	4,934
Fair value adjustment on exchangeable units	**1,740**	(1,203)	2,943
Fair value adjustment on unit-based compensation	**995**	(459)	1,454
Distributions on exchangeable units	**647**	667	(20)
Amortization of tenant improvement allowances	**2,344**	1,783	561
Funds from operations [1]	**$ 36,232**	$ 29,287	$ 6,945
Funds from operations per unit - basic	**$ 0.389**	$ 0.355	$ 0.034
Funds from operations per unit - diluted	**$ 0.383**	$ 0.349	$ 0.034
Funds from operations - payout ratio	**79.6%**	87.4%	-7.8%
Distributions per unit	**$ 0.305**	$ 0.305	$ -
Weighted average units outstanding - basic	**93,040,645**	82,439,758	10,600,887
Weighted average units outstanding - diluted	**96,898,901**	91,295,759	5,603,142
Units outstanding, end of period (including exchangeable units)	**95,021,808**	82,543,264	12,478,544

[1] FFO is not a term defined under IFRS

Primaris acquired Driftwood Mall in Courtenay, British Columbia on May 2, 2012. Also, in September of 2012, Primaris purchased a property adjacent to Eglinton Square Shopping Centre (collectively the "2012 Acquisitions"). Primaris acquired Oakville Place in Oakville, Ontario, Burlington Mall in Burlington, Ontario, Place Vertu in Saint-Laurent, Quebec, St. Albert Centre in St. Albert, Alberta and Tecumseh Mall in Windsor, Ontario on June 22, 2011. Also, in November of 2011, Primaris purchased a property adjacent to Northland Village Shopping Centre (collectively the "2011 Acquisitions"). The total purchase price for the 2012 Acquisitions, including acquisition costs, was $50,336, and for the 2011 Acquisitions was $585,388 (together the "Acquisitions").

During 2011 Primaris sold two small properties: Forest Glen in Kitchener, Ontario; and Tillsonburg Gateway Centre in Tillsonburg, Ontario (together the "Dispositions"). At the time of the sale, the fair value of the properties was equivalent to the selling price.

Revenue

Revenue for Primaris is comprised primarily of minimum rent, operating expense and tax recoveries collected from tenants, and percentage rent generated through tenant sales, as well as parking revenue, specialty leasing and lease-surrender revenue.

Current three month revenue of $102,266 is $5,677 greater than the comparative three month period. The Acquisitions contributed $1,000 to this positive variance and same properties were also up $4,868. The Dispositions decreased revenues by $191. Same properties showed revenue increases for minimum rent, recoveries, parking and other revenues, particularly lease-surrender revenue.

Certain non-cash amounts are included in revenue. Primaris records revenue on a straight-line basis over the full term of a lease which results in non-cash revenue. In addition, the amortization of tenant improvement allowances and tenant inducements is offset against revenue. In the three months ended September 30, 2012, the amortization of these items totaled $1,830 which is $643 higher than the $1,187 in the comparative three month period.

Lease-surrender revenue is unpredictable and varies from quarter to quarter. In the three months ended September 30, 2012, lease-surrender revenues totaled $1,560 which is $1,540 higher than the $20 in the comparative three month period.

Operating Expenses

Operating expenses, being the sum of property operating costs, property taxes and ground rent, of $45,200 are $2,702 greater than in the comparative three month period. The Acquisitions account for $431 of the increase and the Dispositions account for a $117 decrease. The remaining properties had an increase of $2,388. The increase is primarily from a reduction in non-recoverable expenses.

Net Operating Income – All Properties

(Unaudited)		Three Months Ended September 30, **2012**	2011	Favourable / (Unfavourable)
Revenue		**$ 102,266**	$ 96,589	$ 5,677
Reverse:	Non-cash revenue	**1,830**	1,187	643
Operating revenue[1]		**104,096**	97,776	6,320
Less:	Property operating	**(25,759)**	(23,882)	(1,877)
	Property tax	**(19,109)**	(18,291)	(818)
	Ground rent	**(332)**	(325)	(7)
Net operating income[1]		**$ 58,896**	$ 55,278	$ 3,618

[1] Not a term defined under IFRS

NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Operating revenue from properties includes an adjustment for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions from revenue for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent.

Net operating income of $58,896 is $3,618 greater than in the comparative three month period. The Acquisitions generated an increase of $508 and the Dispositions account for a $71 decrease. The balance is an increase of $3,181, generated by the remainder of the properties in the portfolio.

Net Operating Income – Same Properties

(Unaudited)	Three Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Operating revenue[1]	**$ 103,157**	$ 97,588	$ 5,569
Less operating expenses	**(44,743)**	(42,355)	(2,388)
Net operating income[1]	**$ 58,414**	$ 55,233	$ 3,181

[1] Not a term defined under IFRS

Operating revenue from properties is adjusted for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. The same-property comparison consists of the 32 properties that were owned throughout both the current and comparative three month periods. Net operating income, on a same-property basis, was $3,181 or 5.8% higher than the comparative period. Removing the effects of lease-surrender revenue, net operating income, on a same-property basis, would be $1,641 or 3.0% higher than the comparative period.

The $5,569 increase in same property revenues results from a $2,761 increase in recoveries, a $1,365 increase in minimum rent adjusted for non-cash amounts, a $1,503 increase in other revenues, primarily due to lease surrenders, a $141 increase in parking revenues and a $201 decrease in percentage rent.

On a same-property basis, operating expenses were $2,388 higher than in the comparative period as a result of a $1,167 increase in recoverable expenses, a $490 increase in non-recoverable expenses, a $725 increase in property taxes and a $6 increase in ground rent.

General and Administrative Expenses

General and administrative expenses increased by $1,251 primarily due to the fluctuations in the recording of unit-based compensation expense at fair value. The chart below compares the quarter-over-quarter charges to total overhead costs that are recorded to various accounts including general and administrative expenses.

(Unaudited)	Three Months Ended September 30, 2012	2011
Salaries, wages and benefits	**$ 5,144**	$ 4,948
Fair value adjustment on unit-based compensation	**995**	(459)
Occupancy costs	**530**	366
Professional fees	**704**	684
Information systems	**276**	304
Public company costs	**138**	134
Abandoned transaction costs	**33**	37
Third party leasing fees	**187**	215
Other general and administrative costs	**186**	193
Total Costs	**8,193**	6,422
Property management fees[1]	**(2,975)**	(2,838)
Other charges to properties[1]	**(1,700)**	(1,289)
Amounts capitalized	**(187)**	(215)
General and administrative expense	**3,331**	2,080
Fair value adjustment on unit-based compensation	**(995)**	459
General and administrative, net of fair value adjustments	**$ 2,336**	$ 2,539
As a percentage of total revenue	**2.3%**	2.6%
As a percentage of total assets	**0.1%**	0.1%

[1] Reported on the statement of income and comprehensive income as part of property operating expenses

Finance Costs

(Unaudited)	Three Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Interest expense on mortgage financing	**$ 18,203**	$ 19,221	$ 1,018
Interest expense on convertible debentures	**1,881**	3,567	1,686
Interest expense on bank indebtedness	**95**	480	385
Amortization of net loss on cash flow hedges	**57**	58	1
Amortization of debt placement costs	**358**	449	91
Interest expensed	**20,594**	23,775	3,181
Distributions paid on exchangeable units	**647**	667	20
Capitalized interest	**-**	-	-
Fair value adjustment on convertible debentures	**1,213**	(3,721)	(4,934)
Fair value adjustment on exchangeable units	**1,740**	(1,203)	(2,943)
Other items	**3,600**	(4,257)	(7,857)
Total finance costs	**$ 24,194**	$ 19,518	$ (4,676)

Finance costs of $24,194 are $4,676 higher than the comparative three month period. Finance costs include interest expensed as well as other items. The other items include fair value adjustments that increase the variability in finance costs between comparable periods. Without this variability, finance costs would be declining due to declining mortgage balances and debenture conversions and redemptions.

Fair Value Adjustment on Investment Properties

The appraisal process resulted in a value of investment properties for September 30, 2012 of $3,766,650 ($3,557,900 as at December 31, 2011). During the third quarter, investment properties with an aggregate fair value of $435,550 at September 30, 2012 were valued by external appraisers and the balance was valued by management using a discounted future cash flow model. The appraisals used a range of discount rates and terminal capitalization rates on the overall portfolio:

- Discount rates from 6.3% to 10.0%, weighted average 7.0% (weighted by property value) (December 31, 2011 – 6.5% to 10.7%, average 7.3%)
- Terminal cap rates from 5.3% to 9.0%, weighted average 6.1% (weighted by property value) (December 31, 2011 – 5.5% to 9.5%, average 6.3%)

Primaris' Yonge Street assets, which represent less than 1% of the portfolio value, were appraised at a capitalization rate lower than this range reflecting, in part, the redevelopment potential of these locations. As at September 30, 2012, the fair value of the 2012 Acquisitions were determined to be equal to their purchase price, net of acquisition costs.

The effect to net income of the fair value adjustment on investment properties for the three months ended September 30, 2012 was a gain of $109,879, a change of $112,876 from the loss of $2,997 recorded for the comparable period.

Comparison of the Unaudited Nine Months Ended September 30, 2012, to the Unaudited Nine Months Ended September 30, 2011

Primaris' unaudited financial results, for the nine months ended September 30, 2012 compared to the unaudited financial results for the nine month period ended September 30, 2011, are summarized below.

(Unaudited)	Nine Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Revenue			
Minimum rent	**$ 178,171**	$ 157,280	$ 20,891
Recoveries from tenants	**112,873**	96,844	16,029
Percent rent	**1,685**	1,759	(74)
Parking	**5,059**	4,558	501
Other income	**3,797**	849	2,948
	301,585	261,290	40,295
Expenses			
Property operating	**75,082**	65,363	(9,719)
Property tax	**57,182**	49,972	(7,210)
Ground rent	**994**	914	(80)
General & administrative	**9,533**	7,730	(1,803)
Depreciation	**1,000**	757	(243)
	143,791	124,736	(19,055)
Income from operations	**$ 157,794**	$ 136,554	$ 21,240
Finance income	**68**	96	(28)
Finance costs	**(87,308)**	(76,445)	(10,863)
Fair value adjustment on investment properties	**134,693**	15,157	119,536
Net income	**$ 205,247**	$ 75,362	$ 129,885
Fair value adjustment on investment properties	**(134,693)**	(15,157)	(119,536)
Fair value adjustment on convertible debentures	**11,820**	5,989	5,831
Fair value adjustment on exchangeable units	**8,070**	2,111	5,959
Fair value adjustment on unit-based compensation	**3,017**	557	2,460
Distributions on exchangeable units	**1,950**	2,006	(56)
Amortization of tenant improvement allowances	**6,959**	5,243	1,716
Funds from operations (1)	**$ 102,370**	$ 76,111	$ 26,259
Funds from operations per unit - basic	**$ 1.166**	$ 1.022	$ 0.144
Funds from operations per unit - diluted	**$ 1.141**	$ 1.004	$ 0.137
Funds from operations - payout ratio	**80.1%**	91.1%	-11.0%
Distributions per unit	**$ 0.914**	$ 0.914	$ -
Weighted average units outstanding - basic	**87,824,412**	74,476,869	13,347,543
Weighted average units outstanding - diluted	**94,189,555**	83,579,141	10,610,414
Units outstanding, end of period (including exchangeable units)	**95,021,808**	82,543,264	12,478,544

(1) FFO is not a term defined under IFRS

Primaris acquired Driftwood Mall in Courtenay, British Columbia on May 2, 2012. Also, in September of 2012, Primaris purchased a property adjacent to Eglinton Square Shopping Centre (collectively the "2012 Acquisitions"). Primaris acquired Oakville Place in Oakville, Ontario, Burlington Mall in Burlington, Ontario, Place Vertu in Saint-Laurent, Quebec, St. Albert Centre in St. Albert, Alberta and Tecumseh Mall in Windsor, Ontario on June 22, 2011. Also, in November of 2011, Primaris purchased a property adjacent to Northland Village Shopping Centre (collectively the "2011 Acquisitions"). The total purchase price for the 2012 Acquisitions, including acquisition costs, was $50,336, and for the 2011 Acquisitions was $585,388 (together the "Acquisitions").

During 2011 Primaris sold two small properties: Forest Glen in Kitchener, Ontario; and Tillsonburg Gateway Centre in Tillsonburg, Ontario (together the "Dispositions"). At the time of the sale, the fair value of the properties was equivalent to the selling price.

Revenue

Revenue for Primaris is comprised primarily of minimum rent, operating expense and tax recoveries collected from tenants, and percentage rent generated through tenant sales, as well as parking revenue, specialty leasing and lease-surrender revenue.

Current nine month revenue of $301,585 is $40,295 greater than the comparative nine month period. The Acquisitions contributed $36,539 to this positive variance and same properties were also up $5,467. The Dispositions decreased revenues by $1,711. Same properties showed revenue increases for minimum rent, recoveries, parking and other revenues, particularly lease-surrender revenue.

Certain non-cash amounts are included in revenue. Primaris records revenue on a straight-line basis over the full term of a lease which results in non-cash revenue. In addition, the amortization of tenant improvement allowances and tenant inducements is offset against revenue. In the nine months ended September 30, 2012, the amortization of these items totaled $5,606 which is $1,626 higher than the $3,980 in the comparative nine month period.

Lease-surrender revenue is unpredictable and varies from quarter to quarter. In the nine months ended September 30, 2012, lease-surrender revenues totaled $3,169 which is $2,962 higher than the $207 in the comparative nine month period.

Operating Expenses

Operating expenses, being the sum of property operating costs, property taxes and ground rent, of $133,258 are $17,009 greater than in the comparative nine month period. The Acquisitions account for $15,799 of the increase and the Dispositions account for an $884 decrease. The remaining properties had an increase of $2,094.

Net Operating Income – All Properties

(Unaudited)		Nine Months Ended September 30, 2012	2011	Favourable / (Unfavourable)
Revenue		**$ 301,585**	$ 261,290	$ 40,295
Reverse:	Non-cash revenue	**5,606**	3,980	1,626
Operating revenue[1]		**307,191**	265,270	41,921
Less:	Property operating	**(75,082)**	(65,363)	(9,719)
	Property tax	**(57,182)**	(49,972)	(7,210)
	Ground rent	**(994)**	(914)	(80)
Net operating income[1]		**$ 173,933**	$ 149,021	$ 24,912

[1] Not a term defined under IFRS

NOI is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Operating revenue from properties includes an adjustment for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions from revenue for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent.

Net operating income of $173,933 is $24,912 greater than in the comparative nine month period. The Acquisitions generated an increase of $20,276 and the Dispositions account for an $842 decrease. The balance is an increase of $5,478, generated by the remainder of the properties in the portfolio.

Net Operating Income – Same Properties

(Unaudited)		Nine Months Ended September 30, 2012		2011		Favourable / (Unfavourable)
Operating revenue[1]	$	**253,881**	$	246,309	$	7,572
Less operating expenses		**(110,094)**		(108,000)		(2,094)
Net operating income[1]	$	**143,787**	$	138,309	$	5,478

[1] Not a term defined under IFRS

Operating revenue from properties is adjusted for amortization of tenant improvement allowances, tenant inducements and straight-line rent to remove non-cash transactions for the calculation of net operating income. Operating expenses include operating expenses from properties, property taxes and ground rent. The same-property comparison consists of the 27 properties that were owned throughout both the current and comparative nine month periods. Net operating income, on a same-property basis, was $5,478 or 4.0% higher than the comparative period. Removing the effects of lease-surrender revenue, net operating income, on a same-property basis, would be $3,190 or 2.3% higher than the comparative period.

The $7,572 increase in same property revenues results from a $2,446 increase in minimum rent adjusted for non-cash amounts, a $2,483 increase in recoveries, a $2,249 increase in other revenues, due to lease-surrenders, and a $501 increase in parking revenues. The increases are partially offset by a $107 decrease in percentage rent.

On a same-property basis, operating expenses were $2,094 higher than in the comparative period as a result of a $1,426 increase in property taxes, a $710 increase in recoverable expenses, and a $31 increase in ground rent. The increases are partially offset by a $73 decrease in non-recoverable expenses.

General and Administrative Expenses

General and administrative expenses increased by $1,803 primarily due to the fluctuations in the recording of unit-based compensation expense at fair value. The chart below compares the year-to-date over prior year-to-date charges to total overhead costs that are recorded to various accounts including general and administrative expenses.

(Unaudited)		Nine Months Ended September 30, 2012		2011
Salaries, wages and benefits	$	**14,823**	$	13,310
Fair value adjustment on unit-based compensation		**3,017**		557
Occupancy costs		**1,526**		1,201
Professional fees		**1,551**		1,843
Information systems		**879**		788
Public company costs		**407**		474
Abandoned transaction costs		**33**		112
Third party leasing fees		**644**		365
Other general and administrative costs		**569**		392
Total Costs		**23,449**		19,042
Property management fees[1]		**(8,787)**		(7,577)
Other charges to properties[1]		**(4,485)**		(3,370)
Amounts capitalized		**(644)**		(365)
General and administrative expense		**9,533**		7,730
Fair value adjustment on unit-based compensation		**(3,017)**		(557)
General and administrative, net of fair value adjustments	$	**6,516**	$	7,173
As a percentage of total revenue		**2.2%**		2.7%
As a percentage of total assets		**0.2%**		0.2%

[1] Reported on the statement of income and comprehensive income as part of property operating expenses

Finance Costs

(Unaudited)		Nine Months Ended September 30, 2012		2011		Favourable / (Unfavourable)
Interest expense on mortgage financing	**$**	**55,506**	$	52,003	$	(3,503)
Interest expense on convertible debentures		**8,192**		8,972		780
Interest expense on bank indebtedness		**500**		1,144		644
Amortization of net loss on cash flow hedges		**170**		173		3
Amortization of debt placement costs		**1,100**		1,018		(82)
Interest expensed		**65,468**		63,310		(2,158)
Distributions paid on exchangeable units		**1,950**		2,006		56
Convertible debenture issuance costs		**-**		3,029		3,029
Capitalized interest		**-**		-		-
Fair value increment on convertible debentures		**11,820**		5,989		(5,831)
Fair value adjustment on exchangeable units		**8,070**		2,111		(5,959)
Other items		**21,840**		13,135		(8,705)
Total finance costs	**$**	**87,308**	$	76,445	$	(10,863)

Finance costs of $87,308 are $10,863 higher than the comparative nine month period. Finance costs include interest expensed as well as other items. The other items include fair value adjustments that increase the variability in finance costs between comparable periods. Mortgage interest increased $4,511 due to the additional mortgages secured by the Acquisitions and $561 due to additional debt obtained on the 2011 refinancing of Dufferin Mall. These increases were partially offset by decreases in interest expensed at other properties and the Dispositions. Interest on convertible debentures increased $1,836 as a result of the new series of debentures issued in June 2011. This increase is partially offset by interest reductions on other series of debentures which experienced conversions to equity and redemptions.

Fair Value Adjustment on Investment Properties

The effect to net income of the fair value adjustment on investment properties for the nine months ended September 30, 2012 was a gain of $134,693, a change of $119,536 from the gain of $15,157 recorded for the comparable period.

Non-IFRS Financial Measures

Funds from Operations

FFO is not a term defined under IFRS and may not be comparable to similar measures used by other Trusts. Primaris calculates its FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations issued in 2004 and revised in 2010 for the impact of IFRS. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure from reporting issuers.

(Unaudited)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net Income	**$ 139,172**	$ 29,223	**$ 205,247**	$ 75,362
Fair value adjustment on investment properties	**(109,879)**	2,997	**(134,693)**	(15,157)
Fair value adjustment on convertible debentures	**1,213**	(3,721)	**11,820**	5,989
Fair value adjustment on exchangeable units	**1,740**	(1,203)	**8,070**	2,111
Fair value adjustment on unit-based compensation	**995**	(459)	**3,017**	557
Distributions on exchangeable units	**647**	667	**1,950**	2,006
Amortization of tenant improvement allowances	**2,344**	1,783	**6,959**	5,243
Funds from operations[1]	**$ 36,232**	$ 29,287	**$ 102,370**	$ 76,111
Funds from operations per unit - basic	**$ 0.389**	$ 0.355	**$ 1.166**	$ 1.022
Funds from operations per unit - diluted	**$ 0.383**	$ 0.349	**$ 1.141**	$ 1.004
Funds from operations - payout ratio	**79.6%**	87.4%	**80.1%**	91.1%
Distributions per unit	**$ 0.305**	$ 0.305	**$ 0.914**	$ 0.914
Weighted average units outstanding - basic	**93,040,645**	82,439,758	**87,824,412**	74,476,869
Weighted average units outstanding - diluted	**96,898,901**	91,295,759	**94,189,555**	83,579,141
Units outstanding, end of period (including exchangeable units)	**95,021,808**	82,543,264	**95,021,808**	82,543,264

(1) FFO is not a term defined under IFRS

An advantage of the FFO measure is improved comparability between Canadian and foreign REITs. A disadvantage is that FFO is not a perfect measure of cash flow. FFO adds back to net income items that do not arise from operating activities, such as amortization of tenant improvement allowances, deferred income taxes, and fair value adjustments. However, it includes non-cash revenues related to accounting for straight-line rent and it makes no deduction for the recurring capital expenditures necessary to maintain the existing earnings stream. The research analyst community adjusts FFO for certain items in an attempt to develop another measure of economic profitability and to allow for the differences between REITs in relation to their capital expenditure programs. Primaris' disclosure of capital expenditures may assist readers in making such adjustments.

FFO, for the three month period ended September 30, 2012, increased by $6,945. FFO per unit for the third quarter of 2012 had a favourable variance of $0.034 per unit on a diluted basis compared to the prior period. The favourable variance can be attributed to the accretive effect of the Acquisitions, and the same property NOI growth.

The diluted weighted average number of units outstanding increased from the comparative quarter because of three factors: the June 2011 and May 2012 equity offerings, the issuance of units pursuant to Primaris' Distribution Reinvestment Program, and the dilutive impact of the unit-based compensation plan.

Quarterly Trends

Selected Quarterly Information

(Unaudited)	**2012 Q3**	Q2	Q1	2011 Q4	Q3	Q2	Q1	2010 Q4
Revenue	**$ 102,266**	$ 98,881	$ 100,438	$ 104,063	$ 96,589	$ 82,752	$ 81,949	$ 84,247
Seasonal revenue	**4,087**	4,310	4,153	6,821	3,689	3,297	3,008	5,316
Net operating income[(1)]	**58,896**	57,662	57,375	59,329	55,278	47,449	46,294	49,700
Net income	**139,172**	39,201	26,874	156,437	29,223	41,150	4,989	350,805
Total assets	**3,797,931**	3,709,948	3,600,836	3,590,297	3,443,772	3,457,947	2,880,704	2,828,502
Indebtedness	**1,485,887**	1,621,395	1,661,863	1,677,475	1,689,107	1,706,940	1,409,931	1,359,068
Diluted funds from operations	**$ 0.383**	$ 0.376	$ 0.382	$ 0.407	$ 0.349	$ 0.285	$ 0.352	$ 0.416
Distributions per unit	**$ 0.305**	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.305	$ 0.305
Units outstanding, end of period	**95,021,808**	90,197,295	84,697,928	82,740,232	82,543,264	82,342,138	69,257,469	68,794,679

[(1)] Not a term defined by IFRS

Note: As at October 31, 2012, there were 95,085,289 units outstanding (including 2,122,261 exchangeable units).

Primaris' quarterly results for the last eight quarters have been primarily affected by four factors: property acquisitions; issuances of new trust units and convertible debentures; seasonality of revenues; and the timing of incurrence of operating expenses and the recovery of these operating expenses from tenants. In addition, redevelopment activities have had an impact on revenue, net operating income and net income.

Acquisitions have resulted in increased revenues and net operating income. However, on a per unit basis these increases are substantially offset by interest expense for the new mortgages payable, and by the issuance of equity and convertible debentures.

Primaris experiences seasonality in earnings, with stronger results in the fourth quarter of each year due to increased temporary seasonal leasing and stronger percentage rent revenues, as a significant number of tenants have calendar lease years. As a result of these factors, revenues, net income and funds from operations in the fourth quarter should be stronger than in other quarters.

Liquidity and Capital Resources

Primaris expects to be able to meet all of its current obligations. Management expects to finance future growth through the use of (i) cash, (ii) conventional mortgage debt secured by investment properties, (iii) secured short-term financing through its $100,000 revolving credit facility, (iv) cash flow from operations, and (v) subject to market conditions, the issuance of equity and convertible debentures.

Management continues to take steps to maintain a strong financial position. At September 30, 2012 there was $910 drawn on the revolving credit facility. As at June 30, 2012, there was a cash balance of $34,758 and no amount drawn on the operating line.

Interest Coverage, expressed as EBITDA divided by interest expense (defined as the sum of interest on mortgages, convertible debentures and bank indebtedness plus amortization included in finance costs), was 2.7 times for the current quarter. Primaris defines EBITDA as net income increased by finance costs, depreciation, income tax expense and amortization of leasing costs and straight-line rent. EBITDA is not an IFRS defined measure and may not be comparable to similar measures used by other entities.

(Unaudited)	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
Net income	**$ 139,172**	$ 29,223	**$ 205,247**	$ 75,362
Depreciation	**257**	286	**1,000**	757
Finance costs	**24,194**	19,518	**87,308**	76,445
Fair value adjustment on investment properties	**(109,879)**	2,997	**(134,693)**	(15,157)
Fair value adjustment on unit-based compensation	**995**	(459)	**3,017**	557
Amortization of leasing costs and straight-line rent	**1,830**	1,187	**5,606**	3,980
EBITDA	**$ 56,569**	$ 52,752	**$ 167,485**	$ 141,944
EBITDA / Interest expense	**2.7**	2.2	**2.6**	2.2

The Debt to Total Asset Ratio was 38.9% which is significantly below the 65% maximum as mandated by Primaris' Declaration of Trust or the 60% covenant in Primaris' operating credit agreement.

During the nine month period ended September 30, 2012, $866 of face value of the 6.75% series of convertible debentures, $84,018 of face value of the 5.85% series of convertible debentures, and $48,645 of face value of the 6.30% series of convertible debentures were converted into equity. During the same period, there were no conversions of the 5.40% series of convertible debentures. The remaining outstanding balance, at face value, as at September 30, 2012, of the 6.75% series is $1,923, of the 5.85% series is nil, of the 6.30% series is $20,292 and of the 5.40% series is $75,000.

On July 18, 2012, Primaris called the 5.85% series of convertible debentures for redemption. Prior to redemption, holders of $84,018 of convertible debentures at face value exercised their option to convert to units. The redemption of the debentures was effective on August 17, 2012 when Primaris redeemed the remaining debentures at a face value of $9,458.

During the current quarter, Primaris made $8,239 of scheduled principal payments on its mortgages ($24,620 during the current year).

One mortgage of $21,227 matured on July 1, 2012 and was repaid, leaving the property unencumbered.

On June 15, 2012, Primaris entered into a hedge agreement that is scheduled to mature February 1, 2013. The hedge was completed to mitigate the risk of interest rate volatility in anticipation of $125,000 of new debt to be placed for a 5 year term, principally to repay loans maturing during the first quarter of 2013. Primaris achieved an effective hedge on the five year Government of Canada bond yield of 1.448%, including the cost of the hedge. The credit spread on this anticipated loan is unknown as of September 30, 2012.

Subsequent to September 30, 2012, Primaris refinanced an existing mortgage with an original maturity date of July 1, 2013. The mortgage balance at September 30, 2012 of $100,528 is being refinanced for $120,000 for a term of ten years at a fixed interest rate of 4.132%. The loan will commence in November 2012 and mature October 31, 2022.

Primaris declared $28,769 in distributions to Unitholders during the third quarter of 2012 ($81,398 during the current year), including distributions to holders of exchangeable units. Primaris has a Distribution Reinvestment Plan ("DRIP"). Currently, Unitholders representing approximately 14.2% of units outstanding have elected to participate in the DRIP. This represents approximately $15,596 per annum of additional capital to treasury, based on current distribution rates and units outstanding.

Capital Expenditures

In accordance with its objectives, Primaris distributes a high percentage of its FFO to Unitholders. As such it does not retain a material amount of operating cash flow. Primaris has a number of capital requirements including loan principal payments, acquisitions, developments, recoverable improvements and maintenance capital. Capital requirements for loan principal payments, acquisitions and development are generally sourced by financing for each project. Expenditures for acquisitions, developments, expansions and maintenance of productive capacity are classified in the statement of cash flows as "investing activities." Over the longer term, with a stabilized receivable pool from tenants, the capital required for recoverable improvements is derived primarily from the ongoing collection of the receivable balance from tenants. Capital expenditures relating to securing new tenants are classified as "operating activities" using such captions as "leasing costs" or as "tenant improvements".

Leasing costs are a component of investment properties and may include leasing commissions, tenant improvement allowances, tenant inducements and expenditures by Primaris to prepare space for occupancy by a tenant. Primaris incurred $15,065 of leasing costs in 2012 (and $11,867 in the prior year), which is comprised of $14,396 in tenant improvement allowances, $644 in leasing commissions, and $25 of tenant inducements. $2,964 of the tenant improvement allowances to date was incurred as part of development projects. The timing of such expenditures is irregular and depends more on the satisfaction of contractual obligations in a lease rather than on the timing of the leasing process. Leasing costs, other than leasing commissions, are amortized on a straight-line basis over the term of the related lease.

Recoverable improvements, also a component of investment properties, include expenditures of a capital nature that are generally recoverable from tenants under the terms of their leases. They may include, but are not limited to, items such as parking lot resurfacing and common area roof replacement. These items are recorded as part of investment properties; the revenue from tenants is recorded as recoveries from tenants. Primaris had a recoverable improvements balance of $34,010 at the beginning of 2012, $5,027 recorded as additional expenditures during the nine month period, and $4,873 recovered from tenants. This resulted in a balance of $34,164 yet to be recovered as at September 30, 2012.

Maintenance of Productive Capacity
The primary focus in an analysis of capital expenditures should be a differentiation between those costs incurred to maintain the enterprise versus those costs incurred to achieve a long-term improvement in the enterprise's ability to generate incremental cash flow.

Acquisitions and the expansion of existing assets are two areas of capital expenditures that should normally be considered as increasing the productive capacity of the enterprise. Capital expenditures incurred on existing space would usually be costs of maintaining productive capacity. However, there are many examples of capital projects that fundamentally change the nature of existing space so that the productive capacity of the space is permanently changed. In the case of Primaris, the conversion of anchor stores to smaller stores usually represents a permanent increase in the productive capacity of the asset. This is because anchor tenants generally pay lower rents per square foot than the smaller replacement stores. While this conversion of space occurs less frequently than the usual capital maintenance projects, conversions tend to be larger in scale than day-to-day activity.

The analysis of historical capital expenditures (which includes leasing capital) that follows starts by including all non-acquisition capital expenditures and then deducting those determined by management to be increases in productive capacity. The remaining net figure is a measure of maintenance capital.

Primaris endeavours to fund maintenance capital from cash flow from ongoing operations in order to manage Primaris on a sustainable basis. Leasing capital varies with tenant demand and merchandising mix strategies of a property. Primaris actively manages its merchandising mix and activities to achieve a balance of new and renewal leasing. This enables management to increase retail sales and grow rental income. Maintenance capital also captures other productive capacity capital that is not chargeable to tenants, such as that related to mall entrances or mechanical equipment. Primaris' experience with these is that they are incurred in irregular amounts over a longer time period, which means that Primaris needs to find financial resources for their incurrence. A review of historical data over a period is required to develop a normalized view of these. The following table summarizes the historic maintenance capital of Primaris for nine properties owned throughout the last five years:

	2011	2010	2009	2008	2007
Leasing capital	$ 6,148	$ 3,561	$ 4,266	$ 4,493	$ 8,321
Other capital	4,038	4,281	6,269	3,779	12,189
Less: additions to productive capacity	(2,560)	(1,167)	(4,109)	(1,077)	(12,612)
	$ 7,626	$ 6,675	$ 6,426	$ 7,195	$ 7,898

These nine properties have a rentable area of approximately 4.7 million square feet. The average maintenance capital cost per square foot over the five-year period was $1.52, before considering the impact of recoverable improvement expenditures. These historical costs may not be indicative of future costs for Primaris' 13.8 million square foot portfolio. However, an extrapolation of these costs generates an amount of $0.22 per diluted unit per annum as maintenance capital.

An amount for maintenance capital is typically deducted from FFO in order to estimate a sustainable and recurring amount that can be distributed to Unitholders. Primaris currently has adequate financial resources to fund its capital expenditure program without anticipating any change to its distributions.

Current Redevelopment Projects

During 2009 and 2011, Primaris completed phases one and two of a three phase redevelopment at Lambton Mall in Sarnia, Ontario.

Work is well underway on the third phase of the Lambton Mall redevelopment. The project involves the redevelopment of the vacant anchor space (approximately 92,000 square feet), formerly occupied by Canadian Tire. Part of the existing building will be demolished and replaced with a new Galaxy Theatre building comprising approximately 32,000 square feet, a Sport Chek which will occupy approximately 31,000 square feet and 1,000 square feet of commercial retail space. The plan also creates a new mall entrance next to H&M. The project includes the acquisition of the existing 5.9 acre Cineplex property located at 1450 London Road, adjacent to Lambton Mall. With the opening of the new Galaxy Theatre at Lambton Mall, Cineplex will close its existing theatre. This phase will cost approximately $16,000, including the purchase of 1450 London Road. A spring 2013 opening of both the Galaxy Theatre and the Sport Chek is expected.

The first phase of a redevelopment project is now complete at Grant Park Shopping Centre in Winnipeg, Manitoba to accommodate an expanded and repositioned Manitoba Liquor Control Commission ("MLCC") store. This project also included the realignment and upgrade of almost 11,500 square feet of common area with new floor and ceiling finishes which has revitalized the west end of the shopping centre. A portion of the exterior of the building and the west mall entrance were also renovated to provide a marquee entry to the new redevelopment inside. Primaris invested $6,400 in this project. This phased redevelopment has already created an additional consumer draw to the centre.

The second phase of the redevelopment at Grant Park comprises a 5,000 square foot expansion of the shopping centre, re-leasing and remerchandising of approximately 23,000 square feet of other retail area, renovation and expansion of washrooms, and upgrade of an additional 5,000 square feet of common area. Landlord pre-construction activities commenced in September 2012. Common area improvements and washroom renovations are expected to be completed by spring 2013, and the expansion is expected to open in July 2013. This second phase has a $5,400 budget.

A 12,000 square foot freestanding pad development at Tecumseh Mall, in Windsor, Ontario, was turned over to the LCBO for fixturing on October 31, 2012, on time and under budget. The LCBO plans to open in spring 2013. Primaris invested $3.3 million in this project.

Redevelopment projects will be funded through a combination of cash, draws on the operating line and mortgage refinancing.

Distributions

In determining the amount of distributions to be made to Unitholders, Primaris considers many factors, including provisions in its Declaration of Trust, overall health of the business, its expected need for capital, covenants in debt agreements and taxable income.

There are financial covenants in loan agreements requiring that various conditions be met before funds can be distributed to Unitholders.

The Distributions Committee of the Board regularly reviews Primaris' rate of distributions. In its deliberations, the committee considers the following items:

- the current economic environment;
- Primaris' annual Operating Plan;
- availability of cash resources, including credit lines;
- the outlook for loan maturities;
- Primaris' leverage measured on both a balance sheet and operating basis; and
- leasing and development capital requirements.

At its most recent meeting on August 7, 2012, the Distributions Committee reviewed the current rate of distributions of $1.22 per unit per annum and resolved to maintain this rate at this time.

Corporate Structure and Debt Covenants
Primaris is an unincorporated, open-ended REIT. It owns a subsidiary trust, PRR Trust, which in turn owns a number of subsidiary trusts, partnerships and corporations. All of Primaris' operating assets, including real property, are owned by either PRR Trust or its subsidiary entities.

Primaris is a borrower pursuant to many third-party loan agreements. Subsidiary entities are typically the borrower where secured debt is used. PRR Trust is the borrower under Primaris' operating credit agreement. In some instances, including the operating credit agreement, lenders have guarantees and/or loan covenants from an entity other than the borrower under the loan agreement.

No loan agreement directly limits or restricts Primaris' ability to declare and pay distributions to Unitholders, so long as payments are current under the loan. Certain secured loan agreements restrict Primaris' ability to move cash from a borrowing entity to another Primaris entity if the borrower is in default of the loan agreement. However, as a practical point, if Primaris were ever in material default of a loan agreement, it might otherwise become difficult to continue paying distributions at the then current rate.

Primaris' operating credit agreement contains four financial covenants Primaris must maintain, as defined in the agreement, which are based on IFRS:

1. a Debt to Total Assets Ratio of not more than 60%;
2. an Interest Coverage Ratio of greater than 1.75;
3. a Debt Service Coverage Ratio of greater than 1.50; and
4. a minimum Unitholders' Equity of $800,000.

As at September 30, 2012, Primaris was in compliance with these covenants (refer to note 16 of the condensed consolidated interim financial statements) and had no defaults under any of its loan agreements.

Tax
There are income tax implications on our distribution policy. The table below indicates the level of historic taxable income on the "Income" line. It is possible that a gain on a sale of a Primaris asset could be individually significant such that selling one asset could generate a sufficient taxable gain to erase the entire tax-deferred component of Primaris' annual distributions.

Primaris' historic trend in the split of distributions between return of capital and other income has been as follows:

Unaudited	2011	2010	2009	2008	2007	2006	2005	2004	2003
Return of capital	61.1%	59.0%	76.6%	63.6%	80.0%	77.6%	56.4%	65.6%	74.4%
Income	34.1%	40.9%	21.6%	36.0%	20.0%	22.4%	43.6%	34.4%	25.6%
Capital gain	4.8%	0.1%	1.8%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

This historical trend is not necessarily indicative of future tax treatment.

Primaris qualified for the "REIT Exemption" commencing December 31, 2010. Accordingly, Primaris will not be subject to the SIFT rules, that lead to taxation of distributions at a rate substantially equivalent to the general tax rate applicable to a Canadian corporation, as long as Primaris continues to qualify for the REIT

Exemption at all times (see the "Tax-Related Risks" in the Risks and Uncertainties section for further discussion).

Financial Condition

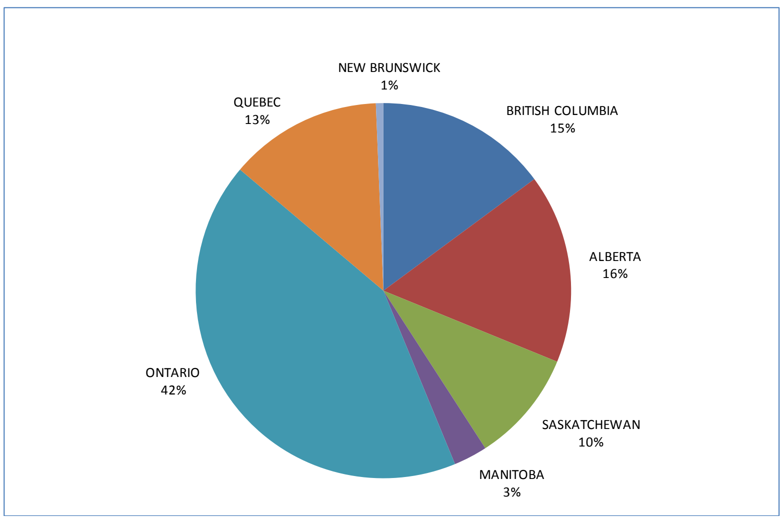
Investment Properties
Investment properties represent 99.2% of total assets as at September 30, 2012. The property portfolio comprises 33 retail properties of various sizes and, as such, represents a good degree of market diversification. However, as revenues are earned from individual tenants and not properties as a whole, one should consider that these assets include over 1,100 different tenants, which represents a significant diversification of revenues. In addition, the 33 properties have good geographic diversification.

The future financial performance of investment properties is a function of a number of factors. The principal factors include occupancy rates, trends in rental rates achieved on leasing or renewing space currently leased, retail sales performance and the contractual increases in rent that are programmed to occur mid-lease.

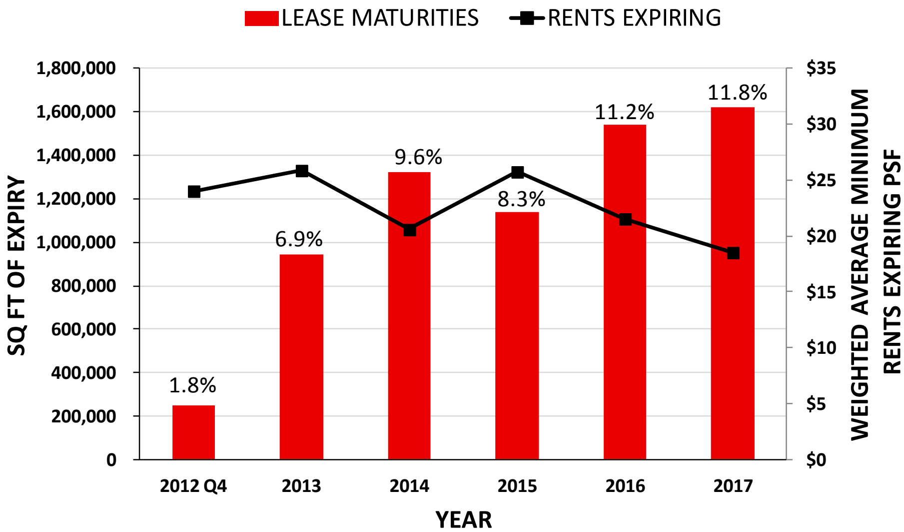
During the third quarter of 2012, Primaris leased 523,003 square feet comprised of 162,370 square feet to 121 smaller tenants and the remainder to five major and anchor tenants. Approximately 62.9% of the space leased during the current quarter of 2012 resulted from the renewal of existing tenants (85.1% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in the current quarter, on a cash basis, represented an 8.7% increase over the previous rent (10.6% if the major tenants are excluded).

During the first nine months of 2012, Primaris leased 1,487,791 square feet comprised of 655,113 square feet to 402 smaller tenants and the remainder to 14 major and anchor tenants. Approximately 71.1% of the space leased during 2012 resulted from the renewal of existing tenants (69.9% if the major tenants are excluded). The weighted average new rent for renewals of existing tenants in 2012, on a cash basis, represented a 5.2% increase over the previous rent (7.52% if the major tenants are excluded).

Geographic Diversification
The investment properties are located in seven provinces. As at September 30, 2012, the portfolio distribution based on annualized minimum rent is as follows:



Lease and Rent Expiries



Lease maturities are no greater than 11.8% of the portfolio in any year between 2012 and 2017.

Largest Tenants

The following table illustrates the 10 largest tenants by related group in Primaris' portfolio of investment properties as measured by their percentage contribution to total annual gross rent, as at September 30, 2012.

	Tenant Groups	Percentage of Total Annual Gross Rent	Area (Sq. ft.)	Weighted Average Lease Term to Maturity (Years)
1	HBC	4.2%	1,993,118	6.0
2	Canadian Tire	3.8%	886,735	4.7
3	YM	2.5%	241,090	2.9
4	Sears	2.4%	1,209,264	7.3
5	Reitmans	2.4%	177,829	4.0
6	Target	2.3%	1,046,882	8.5
7	Shoppers Drug Mart	2.2%	182,673	5.3
8	Bell Canada	1.8%	95,586	4.3
9	Comark	1.7%	112,826	4.1
10	Best Buy	1.6%	222,976	4.6
		24.9%		

Note: The tenant groups shown above represent different corporate covenants that fall within a given tenant group. Included in the HBC group are four Zellers locations representing 0.7% of total annual gross rent and 368,910 square feet.

With respect to the four remaining Zellers' leases in Primaris' portfolio, two now terminate on April 30, 2013, the third includes a mutual termination clause with six months' notice and the fourth expires naturally on March 31, 2013. Our leasing and development teams are already at work on plans to make the most of the opportunity to bring new brands to the properties.

Indebtedness and Other Obligations

Year	Principal on Mortgages	Convertible Unsecured Debebtures	Ground Rent	Operating Leases	Total
2012 remainder	$ 8,368	$ -	$ 355	$ 441	$ 9,164
2013	245,420	-	1,422	1,811	248,653
2014	128,675	1,923	1,422	1,811	133,831
2015	124,985	20,292	1,422	1,763	148,462
2016	155,183	-	1,422	1,791	158,396
Thereafter	724,792	75,000	34,092	5,256	839,140
	$ 1,387,423	**$ 97,215**	**$ 40,135**	**$ 12,873**	**$ 1,537,646**

Note: Of the total mortgages balance, $107,382 is recourse only to the underlying property.
Note: $317,300 of investment properties is unencumbered by debt.

As at September 30, 2012, Primaris had $1,387,423 of mortgages payable, bearing a weighted average interest rate of 5.4%. This rate reflects the marking-to-market of interest rates for all debts assumed in conjunction with property acquisitions. This debt amount excludes net debt premiums of $339 and debt placement costs of $5,783. The mortgages payable have a weighted average term to maturity of 5.1 years.

The Indebtedness and Other Obligations table above includes ground rent, on a cash basis, pursuant to operating leases at Park Place Shopping Centre, Orchard Park Shopping Centre and Burlington Mall. The amounts in the table reflect the assumption that Primaris exercises its renewal options in the respective ground leases.

It is expected that principal payments, ground rent and operating leases will be funded from operations and from draws on the revolving credit facility.

Accounting Estimates

The financial statements include accounting estimates and assumptions with respect to the fair value of investment property, recovery revenue accruals, fair value of mortgages, fair value of convertible debentures, fair value of exchangeable units, fair value of unit-based compensation and useful lives used to calculate depreciation. These estimates and assumptions could affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses and cash flows during the period. These estimates are made by management and discussed with the Audit Committee and the Board of Trustees.

Property Valuations
Investment properties included land and buildings held primarily to earn rental income or for capital appreciation or for both. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued by either qualified external valuation professionals or by management. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. Valuations are most sensitive to changes in discount rates and capitalization rates. The following table summarizes the rate sensitivity:

Capitalization rate sensitivity Increase (decrease)	Weighted Average Discount rate	Terminal cap rate	Fair Value of Investment Property	Fair Value Variance	% Change	Debt to Total Assets
-0.75%	5.36%	6.28%	$4,306,450	$539,800	14.3%	34.1%
-0.50%	5.61%	6.53%	$4,110,350	$343,700	9.1%	35.7%
-0.25%	5.86%	6.78%	$3,931,150	$164,500	4.4%	37.3%
September 30, 2012	6.11%	7.03%	$3,766,650	$0	0.0%	38.9%
0.25%	6.36%	7.28%	$3,615,250	($151,400)	-4.0%	40.6%
0.50%	6.61%	7.53%	$3,475,350	($291,300)	-7.7%	42.2%
0.75%	6.86%	7.78%	$3,345,750	($420,900)	-11.2%	43.8%

Fair Value of Mortgages

Primaris discloses the fair value of mortgages in the notes to the condensed interim consolidated financial statements. In determining the market rates, management adds a credit spread to the quoted yields on Canadian government bonds with similar maturity dates to Primaris' mortgages. The credit spread is estimated based upon experience in obtaining similar financing and market conditions.

Future Changes in Accounting Policies

Primaris monitors new IFRS accounting pronouncements to assess the applicability and impact, if any; these new pronouncements may have on the condensed interim consolidated financial statements and note disclosures. The following IFRS standards have been issued but are not yet effective. Primaris intends to adopt these standards when they become effective.

IAS 1 – Presentation of Financial Statements ("IAS 1") includes amendments to the presentation of other comprehensive income. Primaris intends to adopt the amendments to IAS 1 in its financial statements for the annual period beginning on January 1, 2013. Primaris does not expect IAS 1 to have a significant impact on its consolidated financial statements and will not early adopt the new standard.

IFRS 9 – Financial Instruments ("IFRS 9") was issued to replace IAS 39 – Financial instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. The standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. Primaris does not expect IFRS 9 to have a significant impact on its consolidated financial statements and will not early adopt the new standard.

IFRS 11 – Joint Arrangements ("IFRS 11") replaces IAS 31- Interest in Joint Ventures. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Primaris has one investment that is currently proportionately consolidated. Under IFRS 11, this investment will be classified as a joint operation, and therefore, will continue to be proportionately consolidated. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Primaris does not expect any impact on the consolidated statements from this standard.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") outlines the disclosures for interests in subsidiaries, joint ventures and associates. The standard requires Primaris to disclose information that enables users of financial statements to evaluate the nature, risks and financial effects associated with its interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Primaris does not expect IFRS 12 to have a significant impact on its consolidated financial statements and will not early adopt the new disclosures.

IFRS 13 – Fair Value Measurements ("IFRS 13") provides a single source of guidance on how to measure fair value where fair value is already required or permitted by other IFRS standards (except IFRS 2 – Share Based payment and IAS 17 – Leases). The standard also enhances disclosure requirements for information about fair value measurements and the use of managements' judgment. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Primaris does not expect IFRS 13 to have a significant impact on its consolidated financial statements and will not early adopt the new disclosures.

Risks and Uncertainties

Real Property Ownership
Primaris owns 33 Canadian retail properties and is expected in the future to directly or indirectly acquire interests in other real property. All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises, and various other factors.

Certain significant expenditures, including fixed expenditures, property taxes, maintenance costs, ground rent, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Primaris is unable to meet mortgage payments or ground rent payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies.

Tenant Risks
The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. Primaris' Funds from Operations (FFO) may be adversely affected if tenants become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which Primaris has an interest becomes vacant and is not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Primaris than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Primaris' investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which Primaris has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to Primaris. The ability to rent unleased space in the properties in which Primaris has an interest will be affected by many factors. Costs may be

incurred in making improvements or repairs to the property required by a new tenant.

Certain of the major tenants are permitted to cease operating from their leased premises at any time at their option. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some Commercial Retail Unit ("CRU") tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

Reliance on Anchor Tenants
Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. A property could be negatively affected by such a loss.

Interest Rate Fluctuations
From time to time, Primaris' financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in Primaris' cost of borrowing. Changes in interest rates may also affect Primaris in many other ways, due to factors including the impact on the economy, the value of real estate, the value of Primaris' units, the economics of acquisition activity and the availability of capital.

Retail Concentration
Primaris' portfolio is limited to Canadian retail properties. Consequently, the market value of the properties and the income generated from them could be negatively affected by changes in the domestic retail environment.

Competition
The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with Primaris in seeking tenants. Some of the properties of Primaris' competitors are newer or better located or less levered than the properties in which Primaris has an interest. Some of Primaris' competitors are stronger financially and hence better able to withstand an economic downturn. The existence of competing developers, managers and owners and competition for Primaris' tenants could have an adverse effect on Primaris' ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Primaris' revenues and its ability to meet its debt obligations.

Competition for acquisitions of real properties is intense, and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that Primaris is prepared to accept. An increase in the availability of investment funds and an increased interest in real property investments may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Financing Risks
Primaris has indebtedness outstanding of approximately $1,485,887 as at September 30, 2012. A portion of the cash flow generated by the existing properties and any future acquired properties will be devoted to servicing such debt, and there can be no assurance that Primaris will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If Primaris is unable to

meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. Primaris is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by Primaris' properties will not be able to be re-financed or that the terms of such re-financing will not be as favourable as the terms of existing indebtedness.

Primaris has stated that one of its objectives is to grow through acquisitions. While Primaris has financial resources on hand to complete some acquisitions, the longer term ability of Primaris to fund acquisitions is dependent on both equity and debt capital markets. There are risks that, from time to time, such capital may not be available or may not be available on favourable terms.

Valuations
Valuations reflect an assessment of value based on the facts and circumstances as of the date the valuations were made. Such valuations may not have incorporated all relevant facts or may have relied on incorrect assumptions which may have been too optimistic or not sufficiently optimistic. Furthermore, valuations conducted at one point in time may not be reflective of value at another point in time, nor may the valuation be reflective of the value that could be obtained on a sale or other transaction.

Asset Liquidity
Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and the perceived desirability of, such investments. Such illiquidity may tend to limit Primaris' ability to vary its portfolio promptly in response to changing economic or investment conditions. If Primaris were to be required to liquidate its real property investments, the proceeds to Primaris might be significantly less than the aggregate carrying value of its properties.

Capital Expenditures
Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. Primaris may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for recoverable improvements may exceed recovery of amounts from tenants.

Distributions
Primaris is subject to provisions in its Declaration of Trust as well as to debt agreements that may impact the quantum of distributions. The sale of investment properties with inherent taxable gains could materially change Primaris' level of distributions.

Land Leases
To the extent that the properties in which Primaris has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets that may fluctuate. This may result in significant rental rate adjustments and therefore have a potential negative effect on the cash flow of Primaris.

Environmental Matters
As an owner of interests in real property in Canada, Primaris is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that Primaris could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to

remove or remediate such substances or locations, if any, could adversely affect Primaris' ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the owner by private plaintiffs.

Primaris will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, Primaris does not believe that costs relating to environmental matters will have a material adverse effect on Primaris' business, financial condition or results of operation. However, environmental laws and regulations can change and Primaris or its subsidiaries may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Primaris' business, financial condition or results of operations and distributions.

Reliance on Key Personnel
The management of Primaris depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Primaris subject to Primaris appropriately developing and planning for succession.

Tax-Related Risks
The specified investment flow-through rules ("SIFT Rules"), federal income tax legislation that result in a tax on certain flow-though entities, are not applicable to funds that qualify for an exemption available to certain Real Estate Investment Trusts (the "REIT Exemption"). The stated intention of the Minister of Finance (Canada) in introducing the REIT Exemption is to exempt certain Real Estate Investment Trusts from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". If Primaris fails to qualify for the REIT Exemption, Primaris will be subject to certain tax consequences including taxation of Primaris in a manner similar to corporations.

Management of Primaris intends to conduct the affairs of Primaris so that it continues to qualify for the REIT Exemption at all times: however, as the requirements of the REIT Exemption include complex revenue and asset tests, no assurances can be provided that Primaris will in fact so qualify at any time.

Controls and Procedures

Primaris' management, with participation of the President and Chief Executive Officer, and the Executive Vice President and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in the Canadian Securities Administrators' National Instrument 52-109.

There were no changes in internal control over financial reporting during the third quarter of 2012 that have materially affected or are reasonably likely to materially affect Primaris' internal control over financial reporting.

Primaris' management, including the President and Chief Executive Officer, and the Executive Vice President and Chief Financial Officer, does not expect its disclosure controls and procedures or internal control over financial reporting to prevent or detect all misstatements due to error or fraud. Due to the inherent limitations in all control systems, an evaluation of controls and their design provides only reasonable and not absolute assurance that all control issues and instances of fraud or error have been detected. Primaris is continually evolving and enhancing its systems of controls and procedures.

Outlook

On October 31, 2012 Primaris agreed to purchase two shopping centres: Regent Mall in Fredericton, New Brunswick and McAllister Place in Saint John, New Brunswick; for a purchase price of $317,600. The acquisition of this portfolio fits well with Primaris' business objectives; to generate stable and growing cash flows, enhance Primaris' assets through active management, and to expand the asset base by acquiring assets that are dominant within their primary trade area. In addition, this acquisition will provide further geographical diversification to Primaris' holdings.

Primaris has entered into commitments for a $114,000 mortgage loan on Regent Mall for a term of 10 years at a fixed interest rate of 4.034% and a $76,000 mortgage on McAllister Place for a term of 7 years at a fixed interest rate of 3.682%.

In addition, Primaris has agreed to issue approximately $115,016 of units, before issuance costs. The issuance is expected to close on November 9, 2012.

Primaris also expects to draw on its operating line to fund this transaction.

Primaris' business is operating in a stable fashion and has a number of potential strategic redevelopment opportunities under consideration. The Canadian retail environment is expected to experience one of its most dynamic periods of change with the opening of Target stores, starting in 2013. We believe the Primaris portfolio is well positioned for this change. Growth expectations for the Canadian economy are muted, with expectations possibly improving in 2013.

Interest rates are at historically low levels and the prospect of a long period of slow economic growth is likely to keep rates low for a while. Equity markets have continued to improve this year. Canadian REITs have demonstrated continued access to additional equity when required for positive developments. Investors' preference for income returns and the relative stability of the Canadian REIT sector may be reasons for this access to additional equity.