Primaris
Retail Real Estate Investment Trust

Tuesday, May 8, 2012

CEO Remarks – 2012 Annual and Special Meeting

Slide 1. AGM Title Slide

Thank you, Roland.

I am very pleased to be addressing you this morning at Primaris' ninth annual and special meeting of Unitholders.

Before I begin my remarks, I would like to offer a special welcome to two of our employees who have travelled from Calgary and Montreal to be with us here this morning.

It is my pleasure to welcome Yvonne Chan, Property manager at Sunridge Mall in Calgary and Annick Libersan, Marketing Manager at Place Vertu in Montreal.

Slide 2. Forward looking slide

My presentation may include forward looking statements and as such I ask you to refer to the forward-looking caution that is in our Annual Information Form and MD&A for the 2011 financial year for the complete text of Primaris' advice. Both of these documents are filed on SEDAR.

Slide 3. Accomplishments in 2011

2011 was a strong year for us

- we generated an 11.9% return to our Unitholders
- we raised $336 million in the Public markets
- we acquired a portfolio of five properties for $572 million, increasing our portfolio size by 22% measured by gross leasable area, and
- we successfully negotiated deals with Target Corporation at eight of our enclosed shopping centres

Let me begin by talking about how we delivered results to our Unitholders.

Slide 4. Unitholder Return

An investor who held our units on January 1, 2011 and reinvested their distributions realized an 11.9% return on their investment by the end of the year. The TSX returned an 8.7% **loss** during the same period.

Slide 5. Unitholder Return

An investor who put $1000 into Primaris Units on the day of our IPO in July 2003 and reinvested distributions would have accumulated over $3,811 at the end of 2011 or a 281% total return. The TSX Capped REIT index returned 151% and the TSX returned 109%.

Our current yield is 5.4 percent which is attractive to investors. These results make it a pleasure for me to promote Primaris to the investment community which looks for these kinds of superior returns.

Slide 6. Distributions

We are committed to providing stable and growing distributions to investors. In addition to our stock market performance, Primaris Unitholders received $1.22 in distributions per unit this past year. That's 19 percent more than we were distributing to Unitholders at IPO. This is very attractive to investors whose investment objective is to receive steady reliable income.

Slide 7. Strategic plan

We are midway through implementation of our five year strategic plan that sets out targets for growth in the Canadian marketplace. Generating revenues from existing properties and acquiring five shopping centres in 2011 kept us on track toward meeting our targets. We will continue to build on this momentum and deliver positively against expectations.

Slide 8. Our vision

Our vision is to be the leading enclosed shopping centre REIT in Canada.

Primaris ***is*** the leading enclosed shopping centre REIT in Canada with 26 enclosed shopping centres in seven provinces.

We want to own dominant regional shopping centres in every growing Canadian primary trade area that matches our target demographic.

Slide 9. Investing in enclosed shopping centres – the advantages

Let me tell you why the enclosed shopping centre format is so attractive. Typically, they are in prime locations, which often makes them the "town centre" in their communities – or the local gathering place. Shoppers enjoy a climate controlled environment; they park once and shop the entire centre conveniently.

Slide 10. Investing in enclosed shopping centres – the advantages

The amenities are great - modern comfortable seating, clear signage, pleasant washrooms, helpful customer service, strollers and handicap accessibility all in a secure, landscaped environment. With enclosed shopping centres we have a captive audience. People usually make an enclosed shopping centre a multiple store shopping destination unlike consumer behaviour in big box centres.

Slide 11. Investing in enclosed shopping centres – the advantages

Merchandise and store selection matters – retailers compete and complement each other, offering a broad array of the latest brands of products, food and services. This enhances the experience and entertainment of shopping.
Last year we introduced the global cosmetic retailer Sephora to our centres in Kelowna and Saskatoon. Bringing this brand to consumers in those markets has produced sales results far beyond expectations. This is one example of a new-to-market retailer driving traffic to our centres, which drives sales which then stimulates retailer demand and ultimately, drives up market rent.

Slide 12. Investing in enclosed shopping centres – the advantages

Fashion continues to be one of the strongest retail segments of our portfolio. The change of seasons alone in Canada is a big driver for turnover of merchandise. Retailers like H&M, Guess, Aeropostale and Garage are a continuing draw for customers who come back every few weeks to check out new styles.

Slide 13. Investing in enclosed shopping centres – the advantages

The enclosed shopping centre format presents an opportunity to introduce new concepts through the use of kiosks and carts and to generate additional revenues through signage, promotions and seasonal tenants.

Slide 14. Encl Shopping Centre Advantages

Shoppers have higher expectations of technology interfaces as part of their shopping experiences compared to what they did even a year ago.

The use of social media sites is providing tremendous opportunities for our on-site management teams to engage with customers. The marketing managers at our properties hold consumers' interest by posting information about mall events and fashion trends and by holding contests.

Slide 15. Encl Shopping Centre Advantages

The explosion in the use of Facebook and Twitter is the newest research tool for our enclosed shopping centres. We use them to monitor what customers are saying about their experiences at our centres and the stores and products they like and dislike. Immediate one-to-one communication and feedback is providing us with highly relevant views on consumer preferences.

Slide 16. Encl Shopping Centre Advantages

We continue to embrace technology as an enabler and as such we introduced Wi-Fi as a pilot project throughout Lambton Mall in Sarnia, Ontario. Another compelling reason to visit and enjoy a longer stay at the centre. A longer stay equates to higher sales.

The availability of this technology allows retailers to identify which customers are logged onto our Wi-Fi in the shopping centre and issue proximity-based shopping incentives. Imagine shopping at a Primaris Centre in a retailer like the Gap and suddenly receiving a discount e-coupon for the store on your mobile device. It's a great pull strategy. Only enclosed shopping centres can offer these conveniences on a scalable platform.

Slide 17. The three drivers of growth

Let me tell you for a moment about the three drivers of growth for our company. They are

1. Enhancing the performance of our existing assets
2. Reinvestment in our properties, and
3. Acquisitions

We approach each of these drivers strategically.

Slide 18. Growth Driver 1: Existing Properties

First, let me speak about our existing properties. We have 33 principal properties right across Canada; each of them is dominant in its primary trade area.

Slide 19. Growth Driver 1: Demand for Primaris Space (occupancy stats)

Our 96.7 percent occupancy and nearly 6 percent rent lifts on lease renewals underscore the strong demand for space in our shopping centres.

We remerchandise our properties continually and this means bringing in sought after brands that are often first-to-market.

Slide 20. Growth Driver 1: Retail sales

At our shopping centres, average retail sales for reporting tenants in 2011 were $439 dollars per square foot, down slightly from 2010 retail sales. This was primarily a result of the elimination of some underperforming retailers in our centres.

We look at retail sales data for our portfolio every month. The ability to gather this type of business intelligence helps us make strategic observations about the financial health of our retailers. We are very much partners in retail with our tenants. When we see that a business is failing to thrive in a retail segment that is otherwise doing well, we get involved to see what's going on. Conversely, when we have tenants with sales at the top of the charts, we make plans to expand their success at different centres across the country as appropriate.

Slide 21. Growth Driver 1: Top 10 Tenants

These are Primaris' top ten tenants. You will recognize these as the retail brands where you shop, and we are proud to have them so well represented in our portfolio.

Our top 10 tenants contribute only 24.5% of the total annual gross rent, compared to other REITs that have a higher concentration of top 10 tenants.

Slide 22. Growth Driver 1: Tenant Mix

Our overall tenant mix is well diversified. In fact, it is much more diversified than any of the other Canadian retail REITs.

The breadth of categories includes department stores, fashion, health and beauty, jewelry, footwear, electronics, food and restaurants.

Our shopping centres also offer important services such as medical, dental, banking and lifestyle focused retail.

The balance of offerings underscores my points earlier about the advantages of enclosed shopping centres.

Slide 23. Target

On the subject of strong retailers, we are very pleased to be in the planning and construction stages for new Target stores in our portfolio. With nine Target stores to open in our shopping centres in the next 12 – 18 months, we are already experiencing stronger tenant demand and higher rent increases in those centres. The addition of Target will mean the expansion of customer traffic to include more people from secondary trade areas, as consumers will commute from longer distances to shop in this type of store. Primaris will have the highest ratio of Target stores per square foot of any other landlord in this country.

Slide 24. Growth Driver 2: Focus on re-investment – Lambton Mall

As I mentioned earlier, the second area of growth is reinvestment in our properties through strategic re-merchandising and re-development opportunities.
Our development, operations and leasing people continually review all of our assets to identify and prioritize opportunities for redevelopment.
In 2011 we set aside space at Lambton Mall in Sarnia to launch a new eight unit, 360 seat food court. This beautiful new space now provides hungry shoppers a place to enjoy a meal or snack before continuing to shop at our centre. That extends the visit time at the centre and is just basically good for business.

Slide 25. Growth Driver 2: Focus on re-investment – Lambton Mall

Last fall a new H&M store opened at Lambton Mall with sales exceeding expectations.
Work will commence soon to build a new 32,000 square foot Cineplex Galaxy Theatre, and a 31,000 square foot Sport Chek store, both of which are slated to open next spring.

We are in the process of acquiring a 6 acre piece of land adjacent to Lambton Mall for $1.75 million for future development. I am very excited about the outlook for this shopping centre.

Slide 26. Growth Driver 2: Focus on re-investment – Grant Park

Grant Park Shopping Centre is under redevelopment now to accommodate the expansion of Manitoba's flagship liquor store and to remerchandise an additional 23,000 square feet of retail space. You are looking at an artist's rendering of the new entrance which is under construction. Expansion plans are making way for a 5,000 square foot addition to a key existing tenant.

…and with Target opening in 2013, we have continued plans to reset the balance of this shopping centre that will provide improved washroom facilities and bright, modern common areas.

Slide 27. Growth Driver 2: Focus on re-investment – Place d'Orleans

Later this year, a brand new Farm Boy grocery store will open at Place d'Orleans in Ottawa. This 21,000 square foot store is being built on land that was being held for development in the south east quadrant of the property and allows us to extract further value from our existing investment in two ways: by generating rent and by stimulating additional traffic to the centre.

Slide 28. Growth Driver 2: Focus on re-investment – Cataraqui Centre

As we contemplated acquiring Cataraqui Centre just about two years ago, we were impressed with the opportunities represented by its market position midway between the major centres of the Greater Toronto Area and Ottawa. It did not take long to put redevelopment plans in place after we acquired Cataraqui Centre in mid 2010.

By last fall, we completed renovations to the common areas and entrances at the Centre, finalized construction of a new H&M store and updated Cataraqui's brand by creating a contemporary visual identity. This new image is as fresh as the changes we made to the rest of the centre.

Slide 29. Growth Driver 2: Focus on re-investment – Cataraqui Centre

Built in 1981, this Centre was tired and dated and was in need of reinvestment.

The interior now features modern comfortable seating, bright helpful directional signage…

Slide 30. Growth Driver 2: Focus on re-investment – Cataraqui Centre

… updated railings and banisters around the atrium.

Opening day sales at the new H&M store well exceeded expectations and this retailer continues to be a great draw for the younger demographic in Kingston.

Slide 31. Growth Driver 3: Acquisitions

Our third growth driver is our focus on acquisition activity. Last year we added to our portfolio of properties by acquiring five enclosed shopping centres. Oakville Place, Burlington Mall, Tecumseh Mall, St. Albert Centre and Place Vertu were acquired for a purchase price of 572 million dollars. Each of these properties is dominant in its primary trade area.

Slide 32. Growth Driver 3: Acquisitions – Oakville Place

Oakville Place is the largest enclosed shopping centre in affluent Oakville, Ontario. It has 459,000 square feet on two levels.

The retailer representation features a successful mix of better quality fashion along with a selection of brands geared to the youth market.

Slide 33. Growth Driver 3: Acquisitions – Burlington Mall

Burlington Mall is the largest enclosed shopping centre in the city of Burlington, Ontario, one of Canada's fastest growing municipalities.

It features a solid mix of national and regional retailers and has a diverse product offering including value to mid-priced fashion and lifestyle amenities. At 638,000 square feet, it has huge potential and we are looking forward to the arrival of Target in 2013.

Slide 34. Growth Driver 3: Acquisitions – Tecumseh Mall

Tecumseh Mall is the second largest enclosed retail centre in Windsor, Ontario and forms part of a large retail node that includes a number of community plazas and stand alone, name brand, big box retailers. It is a 373,000 square foot single level enclosed community shopping centre with three free-standing retail pads. The property also includes 7.5 acres of land for future development. Plans are currently underway for the development of a 12,000 square foot free standing lifestyle retailer, a great addition to the existing tenant mix.

Slide 35. Growth Driver 3: Acquisitions – Place Vertu

Place Vertu, located in Saint-Laurent on the Island of Montreal in Quebec, is an 832,000 square foot enclosed regional shopping centre offering shoppers a diverse array of products and services.

It is the largest enclosed mall in its trade area and includes an integrated nine storey office building. The 124,000 square foot Zellers store will be converted to Target in 2013.

Slide 36. Growth Driver 3: Acquisitions – St. Albert Centre

St. Albert Centre is in the affluent suburban city of St. Albert, which borders the northwest city limits of Edmonton, Alberta. The average household income in this market is $145,000… 69% above the national average.

The property is located along the city of St. Albert's main commercial strip. St. Albert Centre is a single-level enclosed community shopping centre of 312,000 square feet including two free-standing pads. The Centre is anchored by the Bay and Zellers which will be converted to Target in 2013.

Slide 37. Growth Driver 3: Acquisitions – Driftwood Mall

Just last week, we acquired Driftwood Mall for 45 million dollars. It is a single-level enclosed community shopping centre with 3 pad tenants, comprising 260,000 square feet after completion of a 28,000 square foot expansion proposed by Target. Driftwood is the dominant enclosed shopping centre serving the Comox Valley Regional District on Vancouver Island in British Columbia. Driftwood is currently anchored by Zellers, which will be converted to a Target.

Slide 38. Growth Driver 1: Operating Results

All of these acquisitions made a great contribution to our results last year. Let's turn to them now.

Slide 39. Growth Driver 1: Operating Results

Property operating revenue was 365 million dollars in 2011, an increase of 16 percent. Same store property operating revenue was 315 million dollars, up 2 percent from the previous year.

Property expenses were 163 million dollars in 2011, up 18 percent and same property expenses were 138 million dollars, up 4 percent.

The increase in both revenue and expenses is primarily due to acquisitions in 2010 and 2011, slightly offset by the result of dispositions. Our existing portfolio continues to grow in addition to the growth underlying our acquisitions.

Slide 40. Financial results - NOI

Net operating income for 2011 was $208 million dollars, an increase of almost 27 million dollars or 15 percent over the previous year.

This increase in NOI reflects our growing portfolio, our focus on business fundamentals and adds to our stability.

Q1 2012 NOI was 57 million dollars, an increase of nearly 24 percent over Q1, 2011.

Slide 41. Financial results – Operating FFO

As you can see, we have achieved good long-term growth in Funds From Operations or FFO although FFO per unit was flat in 2011 over the previous year. The gains associated with our accretive investment of capital in five new properties and rental rate growth were offset by a decrease in occupancy related to our redevelopment activity and tenant failures.

Q1 2012 funds from operations was 33 million dollars, up 31 percent from Q1, 2011.

Slide 42. Financial results – Operating FFO payout ratio

Our Operating FFO payout ratio was 84% for the year ended 2011 unchanged from the year ended 2010. The FFO payout ratio for Q1 2012 is 80% compared to 87% in Q1 2011.

Slide 43. Capital Structure

With respect to our Statement of Financial Position, our liquidity is solid and we are in good stead for continued growth as of March 31st, 2012. We had $3 million dollars in cash and $73 million dollars of unused credit. Convertible debentures outstanding were recorded at $211 million dollars, and our book equity at $1.8 billion dollars… for a total capitalization of nearly $3.5 billion.

Slide 44. Growth Driver 1: Capital Structure

We have only $21 million dollars of mortgages maturing prior to 2013, a relatively small amount compared to our total mortgages which are in excess of 1.4 billion dollars.

Last week we announced a very successful equity offering which was oversubscribed and will raise gross proceeds of between $100 and 115 million. We will use the net proceeds to repay indebtedness, fund future property acquisitions and finance redevelopment of our existing properties. The level of interest in this offering and the strength of our unit price which closed at $22.76 yesterday are powerful indicators of the confidence that investors have in Primaris.

Slide 45. Sustainability

Turning now from the numbers, I want to comment on our efforts in sustainability this past year.

Slide 46. Sustainability

We are exceptionally proud to have nearly doubled the number of shopping centres that have met the standards for the BOMA BESt environmental certification program. We have adopted this prestigious standard as a target for most of our enclosed shopping centres. This program recognizes environmental achievement in energy, water, recycling, indoor air quality, purchasing of green products and communications with tenants and shoppers. The BOMA BESt certification is a highly respected Canada-wide benchmark of an organization's commitment to understand and continually improve its environmental performance.

Slide 47. Sustainability

Let me tell you about just one of the many exciting and innovative sustainability initiatives that we did last year.
A former tenant's space was being redemised to make way for an Old Navy store. One point two million pounds of rubble was generated from the demolition.

Slide 48. Sustainability

In anticipation, we partnered with the Wildlife Habitat Council and World Wildlife Fund to divert this waste for use to reinforce and stabilize pond banks that serve as a habitat to re-establish wetland bird species. 100% of the roofing gravel and Styrofoam Rigid insulation were diverted to external companies to be reused in future construction projects. There are no textbooks for this type of problem solving. It is inspiring to know that all across the country, our employees are applying their creativity to these sorts of business issues.

Slide 49. Community Involvement

The people that work at Primaris have also created their own local social responsibility committees.

Our employees want to give back to their communities. Primaris employees sponsored and participated in fundraising activities such as the Daily Bread Food Bank and the Children's Aid Society among others. The International Council of Shopping Centres recognized excellence in our employees when it awarded the prestigious Gold Maple Leaf Marketing Award to two of our centres at the Canadian Conference last year. One of these awards was for the "Something to Wear" Campaign which partnered clothing retailers with a local women's shelter to inspire women to shop for and donate new clothing, shoes and accessories to the shelter. Over $10,000 worth of clothing and accessories were donated to women in need as a result of this initiative.

It makes me proud to know what has been accomplished by our employees.

Slide 50. Management Platform

Let me introduce you to the individuals who are responsible for the leadership of Primaris. We have an exceptionally experienced management team and this is apparent to me when we take on complex business challenges.

Slide 51. Management Platform

These are the people who are delivering our vision to be the leading enclosed shopping centre REIT in Canada. Their deep experience in the Canadian shopping centre industry is one of our competitive advantages.

Slide 52.Closing

In closing, I want to thank you for participating in our Annual and Special Meeting this year. Ours is a good news story and one that I am proud to share. Thank you very much. Before turning things back to Roland, I would be pleased to take questions.