



# Primaris Retail REIT

Analyst Day 2012  
September 20, 2012



- 
- Presentation
  - Walking tour with Chris St. Amand
  - Short walk to early lunch
  - On the bus to Kingston
  - Tour Cataraqui Centre with Susan St. Clair
  - Catch the train back to Toronto



## **Introduction**

**John Morrison**

**President & CEO**

# Introduction

- Anne Morash, Vice President, Development
- Lesley Gibson, Vice President, Finance
- Louis Forbes, EVP & CFO
- Ron Perlmutter, Vice President, Investments
- Toran Eggert, Vice President, Portfolio Management, East
  
- Chris St. Amand, General Manager, Place d'Orleans
- Nat Weinstein, Director, Retail Leasing
- Paul Crane, Director of Leasing, responsible for Place d'Orleans & Cataraqi Centre
- Sebastien Dubois, Regional Director, Montreal Office
- Susan St. Clair, General Manager, Cataraqi Centre

# Valuation



We are undervalued relative to our peers



Cap rates on regional malls are lower than power centres, and other retail formats



Cap rate surveys for regional malls do NOT include the trophies



Gap has narrowed but still exists

# Portfolio Valuation

Asset Class	% of Portfolio Value
Institutional	73%
Near Institutional	13%
Complimentary	5%
Value Add	4%
Underperforming	3%
Development	2%

# Institutional Assets

## West

Orchard Park Shopping Centre

Woodgrove Centre

Sunridge Mall

Park Place Mall

Cornwall Centre

Midtown Plaza

## East

Burlington Mall

Cataraqui Centre

Dufferin Mall

Oakville Place

Place d'Orleans

Stone Road Mall

Place du Royaume

# Debt Update

**Repaid Eglinton Square mortgage in July (\$21 mm)**

**Called the 5.85% converts for redemption,  
\$85 mm converted in August**

**Pro forma Debt : Total Assets ~40%**

**Hedged interest rate on \$100 m Q1 '13 maturing debt  
(\$125 mm new debt)**



# DBRS Update

Published a report in June confirming our BB (High) rating and attaching a positive outlook

Stated they needed to see interest coverage get to 2.4x for an upgrade, need to see EBITDA > \$200 mm

Pro forma Q2 coverage 2.7X, rolling 12 months at 2.5X

**EBITDA > \$220 mm**



## Investment Summary

Ron Perlmutter  
Vice President, Investments

# Place d'Orleans



733,000 sf; 43 acres

Acquired: June 27, 2007

Vendor: SunLife & Oxford Properties (RFO)

Purchase Price: \$185.4 million

Yield at Purchase:  $\leq 6\%$

Current Market Yield: High 5%

# Place d'Orleans



## Investment Attributes

- Award winning, highly improved, institutionally owned asset
- Ottawa-Gatineau economy consistently outperforms Ontario average
- Limited direct competition
- Strategically located between Orleans and Ottawa
- Situated in a growing residential node with easy access and public transit
- Affluent and growing population with large, young cohort
- Strong anchor tenants: Target, The Bay, SportChek, RCMP offices



**Place d'Orleans**  
Chris St. Amand  
General Manager, PDO

# Place d'Orleans Team



- **Chris St. Amand, General Manager**
- **Caroline Joanisse, Marketing Manager**
- **Sallyanne Crawshaw, Specialty Leasing Manager**
- **Brian Wells, Operations Manager**

# Key Statistics



**GLA : 760,365 SF**

**Opened : 1979**

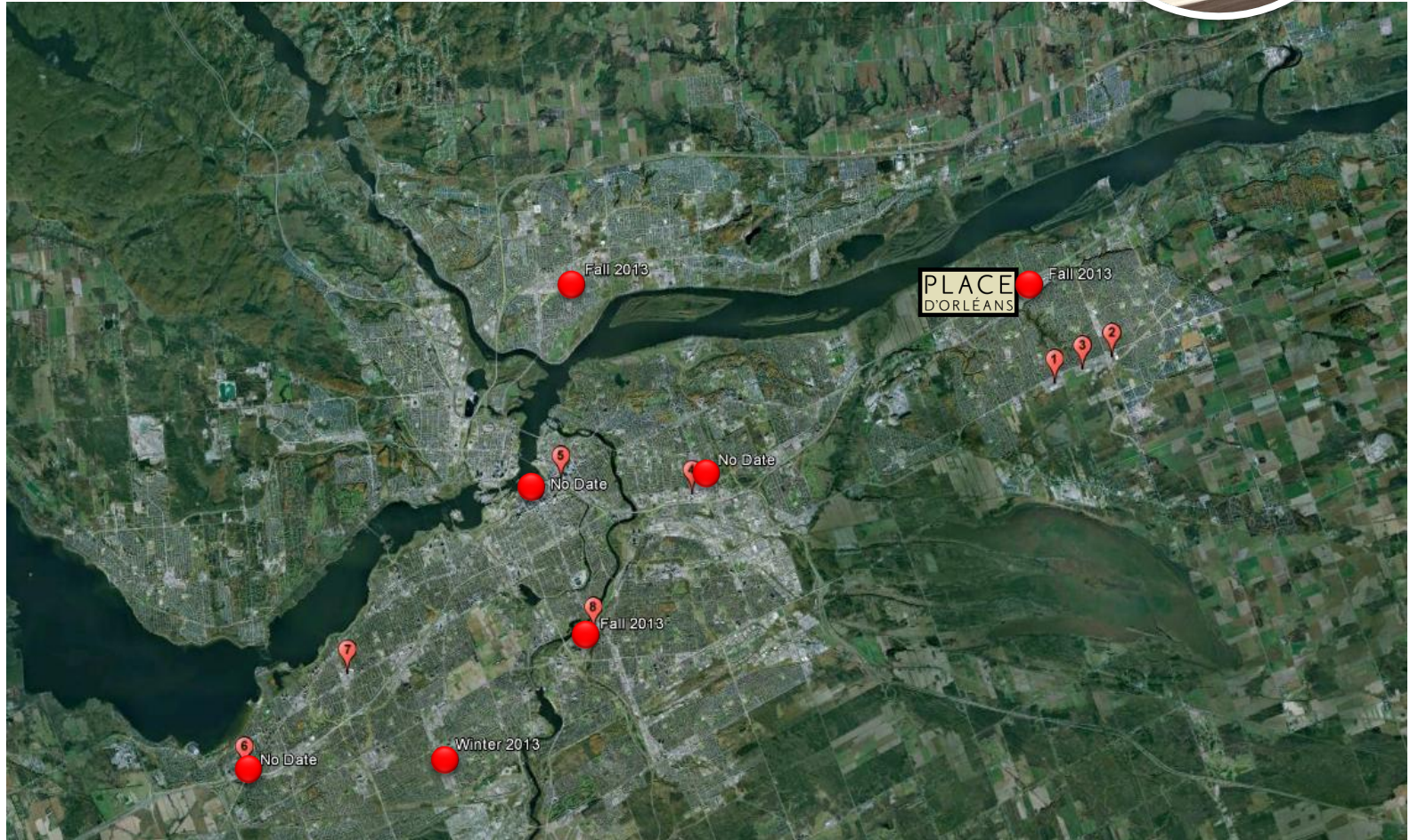
**Occupancy : 95.4% (at July 2012)**

**Annual Visitors : 6 million approx.**

- **All store rolling 12m CRU sales:**
  - \$408 PSF (at July 2012) down 3.4%
- **Same store rolling 12m CRU sales:**
  - \$440 PSF (at July 2012) down 4%
- **Chronology:**
  - 1990s:** Robinson's, Eaton's, The Bay/Eaton's, Walmart, Home Store
  - 2012:** Farm Boy opened
  - 2013:** Target store opening in the fall



# Ottawa Overview – Competition





# Competition



Competitive Properties	GLA (SF)	Anchors/Majors	Type	Store #	Year Built/ Expansion	Owner
Place d'Orléans	760,365	GoodLife, Sport Chek, The Bay Home Store Target, Farm Boy, RCMP	Enclosed	132	1979	Primaris
1. Orléans SmartCentres	381,416	Walmart Supercentre, Canadian Tire (shadow anchor)	Power Centre	34		Calloway REIT
2. RioCan Orléans	182,251	Home Depot (shadow anchor), JYSK, Metro, Staples	Power Centre	23	2000	RioCan REIT
3. Trinity Crossing	191,448	Loblaws (shadow anchor), Michaels, Value Village, Winners/HomeSense, LCBO	Power Centre	32	2006	RioCan REIT
4. St. Laurent Shopping Centre	871,074	Sears, Sport Chek, The Bay, Toys 'R' Us, Everest College, GoodLife, Rainbow Cinemas	Enclosed	181	1967	Morguard REIT
5. Rideau Centre	740,000	Nordstrom's, The Bay	Enclosed	172	1983	Cadillac Fairview
6. Bayshore Shopping Centre	736,153 <sup>(1)</sup>	Old Navy, Sports Experts, The Bay, Winners, Target	Enclosed	151	1973	Ivanhoe Cambridge
7. Carlingwood Mall	510,215	Sears, Loblaws	Enclosed	125	1956	OPB Realty Inc.
8. Billings Bridge Plaza	490,000	Target, Your Independent Grocer	Enclosed	110	1954	Capital City Shopping Centre Ltd.

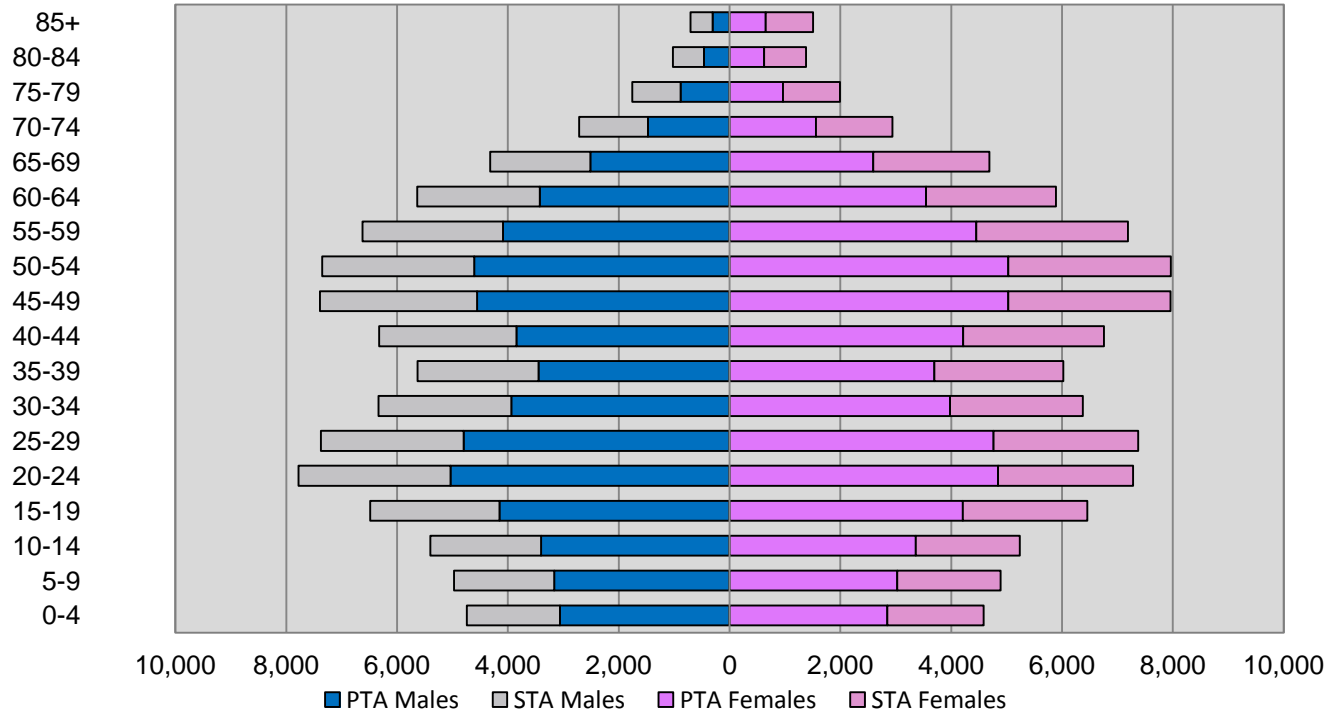
(1) Undergoing a 300,000 sf. expansion

\* RioCan REIT & Tanger have announced plans to develop a 350,000 sf outlet centre in Kanata. Expected to be completed in 2014.

# Place d'Orleans Market



Place d'Orleans Mall TA Population Structure, 2012

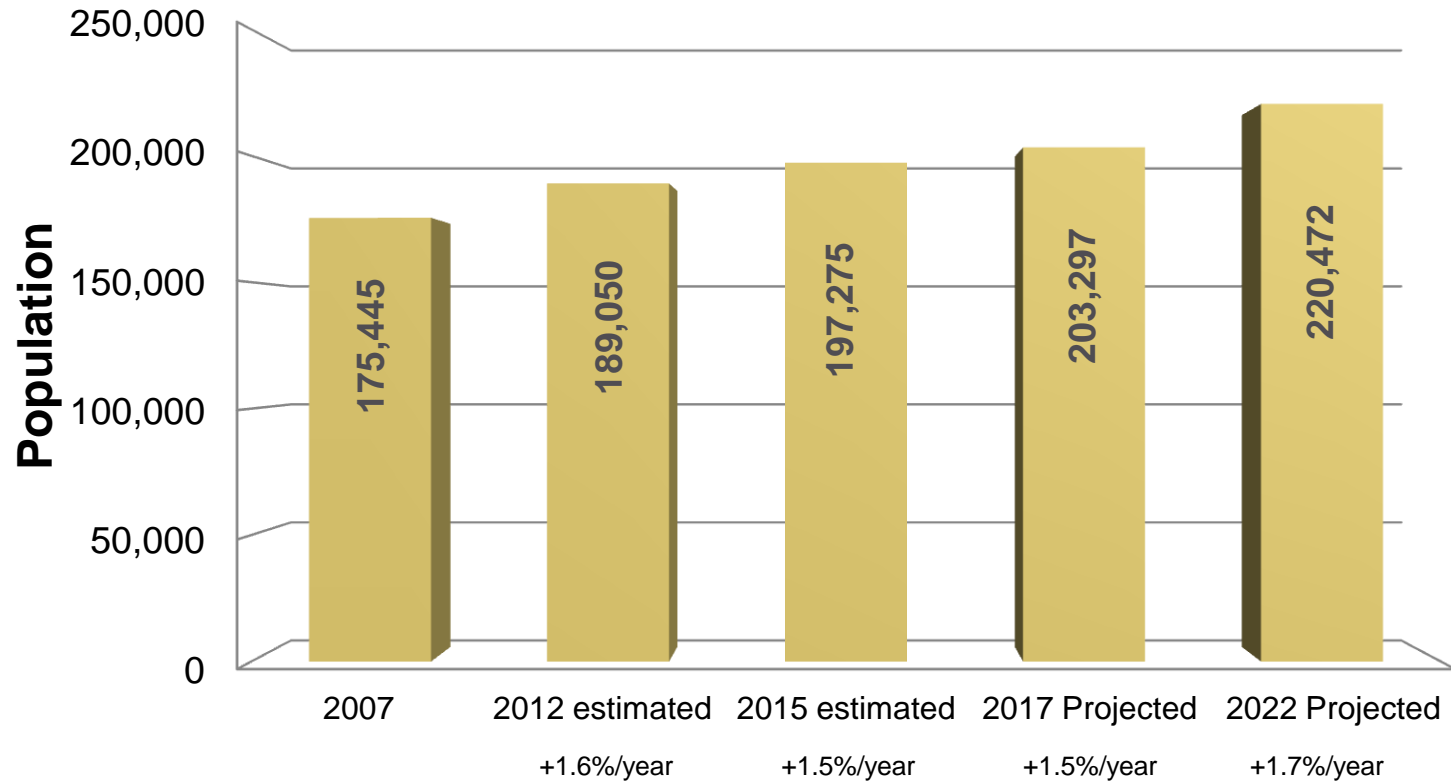


- The Place d'Orleans primary trade area is estimated at approximately 116,553 residents in 2012 with an additional 72,501 residents living in the secondary trade area.
- The population pyramid for the Place d'Orleans trade area illustrates the boom bust and echo pattern with higher number of residents 45-54 years of age and 20-29 years of age. The population falls off moderately in the 30-44 age cohorts.

# Market Overview – Population Growth



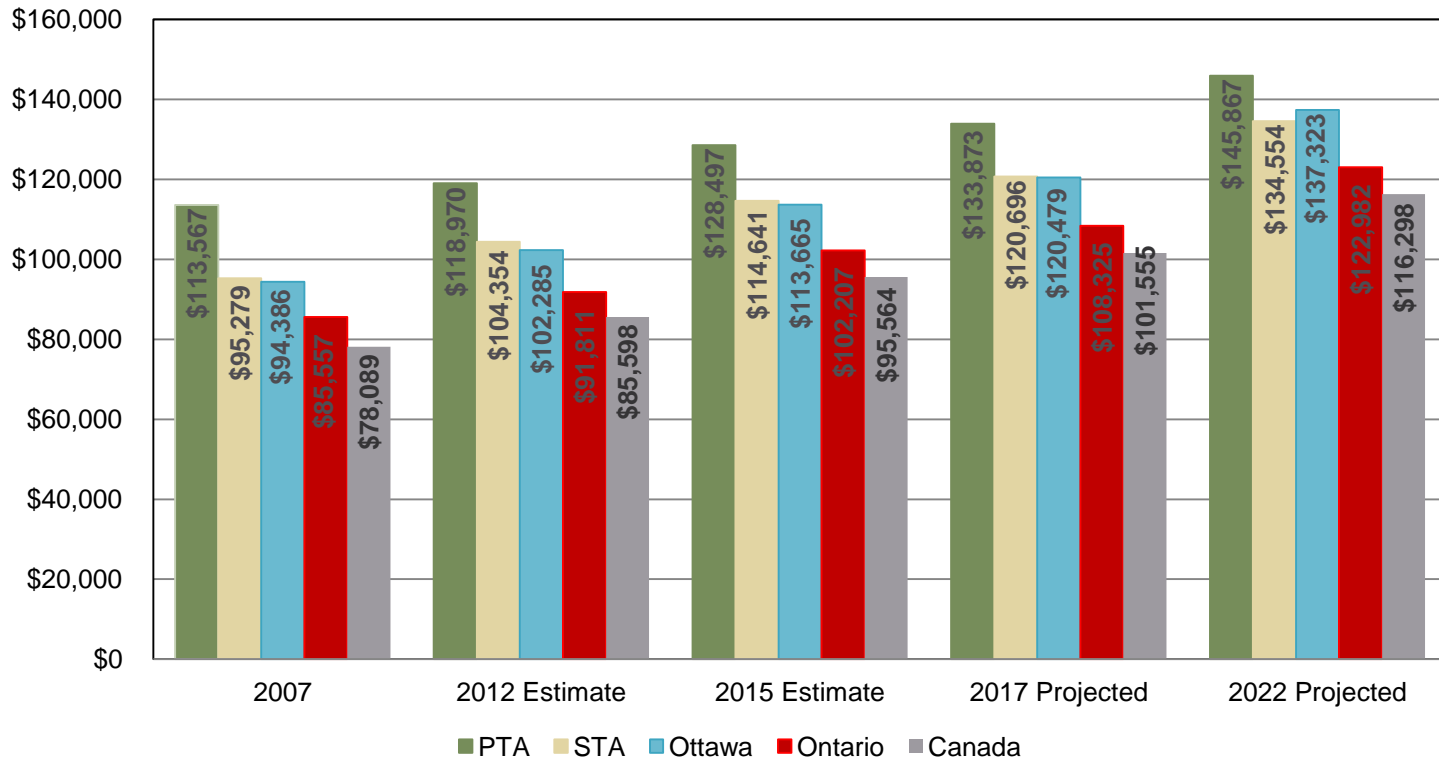
Place d'Orleans Trade Area Population Growth 2007- 2022



# Market Overview – Affluence



## Place d'Orleans Average Household Income



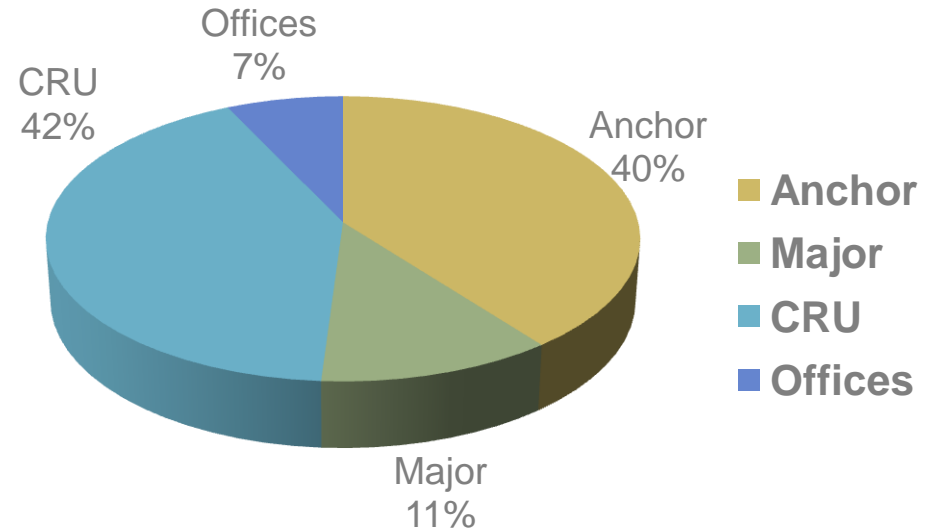
# Tenants – GLA Distribution



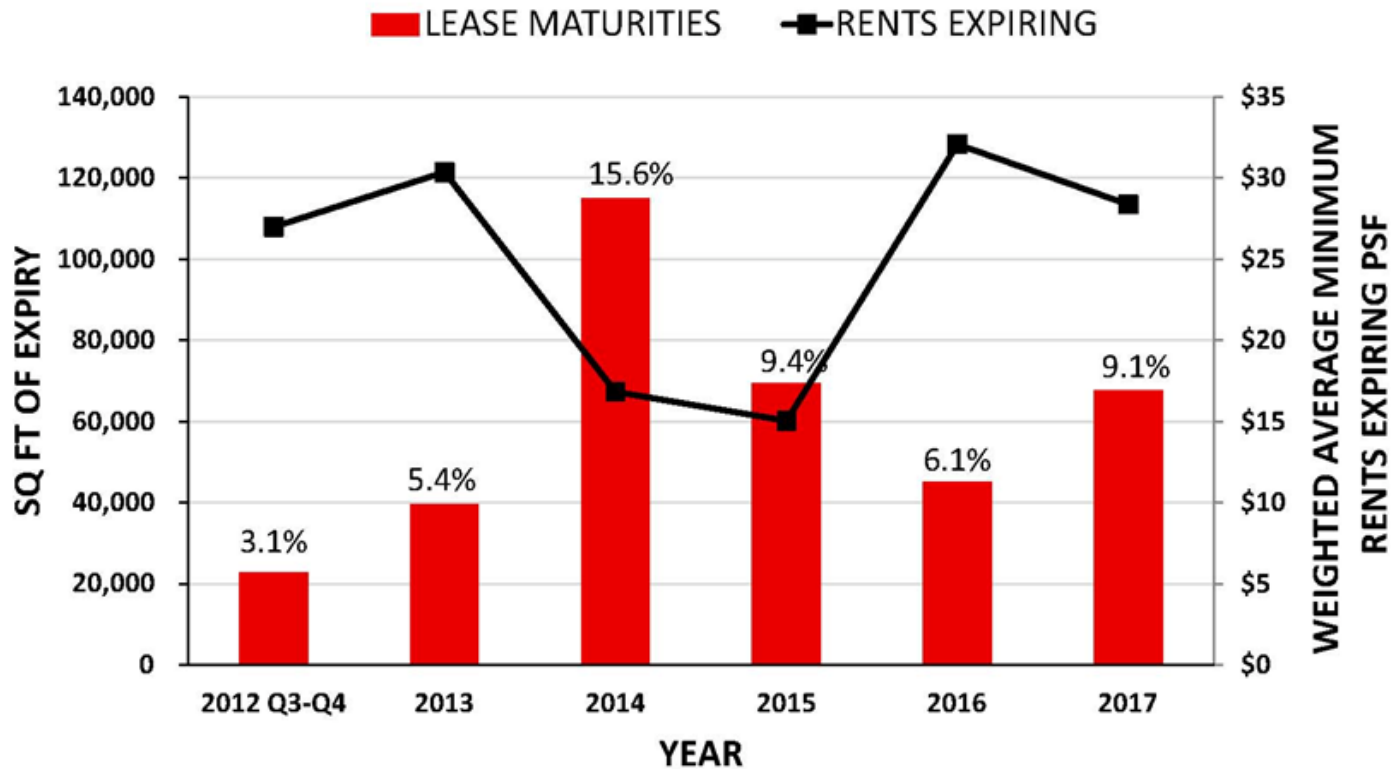
## Anchors & Majors: Tenant / Retailer Names

	Area (SF)	% of GLA
Target	116,598	15.3%
the Bay	115,501	15.2%
SportChek	68,499	9.0%
RCMP	53,919	7.1%
the Bay Home Store	44,601	5.9%
Farm Boy	21,372	2.8%
Goodlife Fitness	21,565	2.8%
Sub-total	<u>442,055</u>	<u>58.1%</u>
Non-Anchor Tenants	318,310	41.9%
<b>Total</b>	<b>760,365</b>	<b>100.0%</b>

Area distribution by SF  
(% of GLA)



# Lease Maturities



**Notable Expiries:**

- 2014 – Sport Chek (68,499 sf)
- 2015 – Bay Home Store (44,601 sf)
- 2017 – GoodLife Fitness (21,565 sf)



**Development**

Anne Morash

Vice President, Development

# Farm Boy - Timeline



	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lease Negotiation / Pre-development Due Diligence	█	█	█					
Lender/Anchor/Municipal/Board Approvals			█	█	█	█		
Landlord Construction					█	█		
Tenant Construction						█	█	
Opening - July 2012							X	



# Farm Boy - Returns



## Return Summary

Forecast

**Stabilized Year 1 Incremental NOI** **\$ 360,000**

**Total Project Costs** **\$ 4,049,000**

**Stabilized Year 1 Return on Investment** **8.9%**

**10 Year Average Return on Investment** **9.3%**

**10 Year IRR** **11.3%**

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# Farm Boy - Before



- Vacant 4,000 sf building in 2007



- Demolished building in 2008



# Farm Boy - After



- Farm Boy Opened in July 2012



# QUESTIONS





# ANALYST TOUR Catarraqui Centre, Kingston

September 20, 2012





**Investment Summary**  
Ron Perlmutter  
Vice President, Investments

# Cataraqui Town Centre



595,000 sf; 43 acres

Acquired: August 19, 2010

Vendor: Cadillac Fairview & Ivanhoe  
Cambridge

Purchase Price: 167.6 million

Yield at Purchase:  $\geq 7\%$

Current Market Yield:  $\leq 6\%$

# Cataraqui Centre



## Investment Attributes

- Well maintained modern centre with several expansions and renovations
- Large trade area extending towards Belleville, Ottawa, Montreal
- Limited direct competition
- Kingston economy is diversified and stable with a large public sector
- New residential growth in close proximity to property
- Strong anchors: Target, The Bay, SportChek, H&M, Shoppers Drug Mart, Sears





## Cataraqi Centre

Susan St. Clair  
General Manager

# Cataraqui Team



- Susan St. Clair, General Manager
- Rhonda Mosher, Marketing Manager
- Mary Beth Shaw, Specialty Leasing Manager
- Rick Gray, Operations Manager
- Patrick Arruda, Senior Property Administrator

# Key Statistics



**GLA : 596,000 SF**

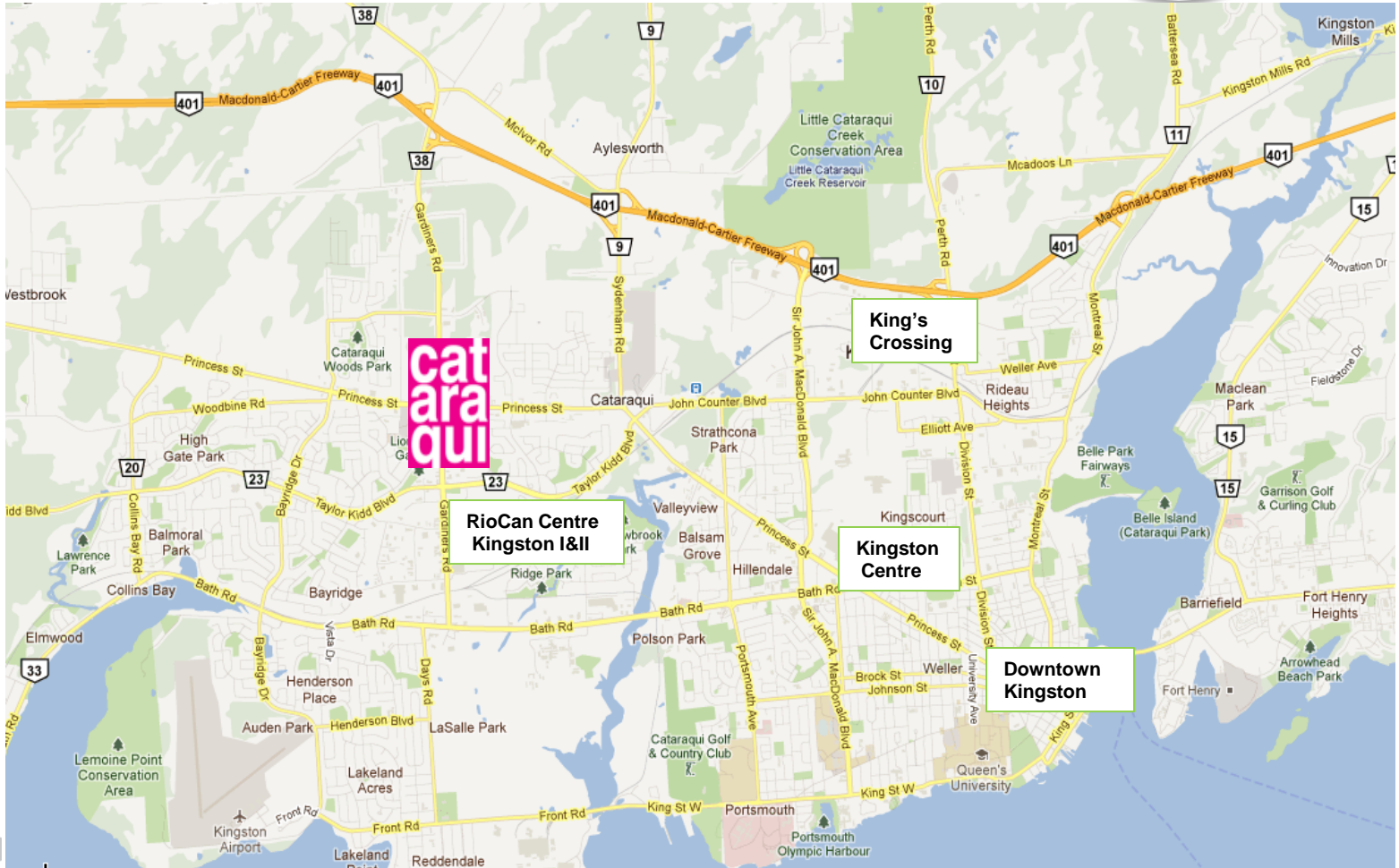
**Opened : 1982**

**Occupancy : 99%**

**Annual Visitors : 6 million approx.  
per annum**

- **All store rolling 12m CRU sales:**
  - \$478 PSF (at July 31, 2012) up 1.8%
- **Same store rolling 12m CRU sales:**
  - \$510 PSF (at July 31, 2012) down 1.5%
- **Chronology:**
  - **1999:** Expanded by 50,000 square feet of GLA and added Sears (relocated from Kingston Centre), renovated existing mall to match expanded area
  - **2000:** Food court relocated into former Loblaws space, added SportChek and Shoppers DrugMart
  - **2005-6:** Expanded Zellers store by 30,000 square feet, on two levels
  - **2011:** Renovation of existing mall including painting/ lighting / furniture/entrances/signage
  - **2013:** Target store opening July 2013

# Cataraqui Centre – Competition



# Cataraqui Centre - Competition

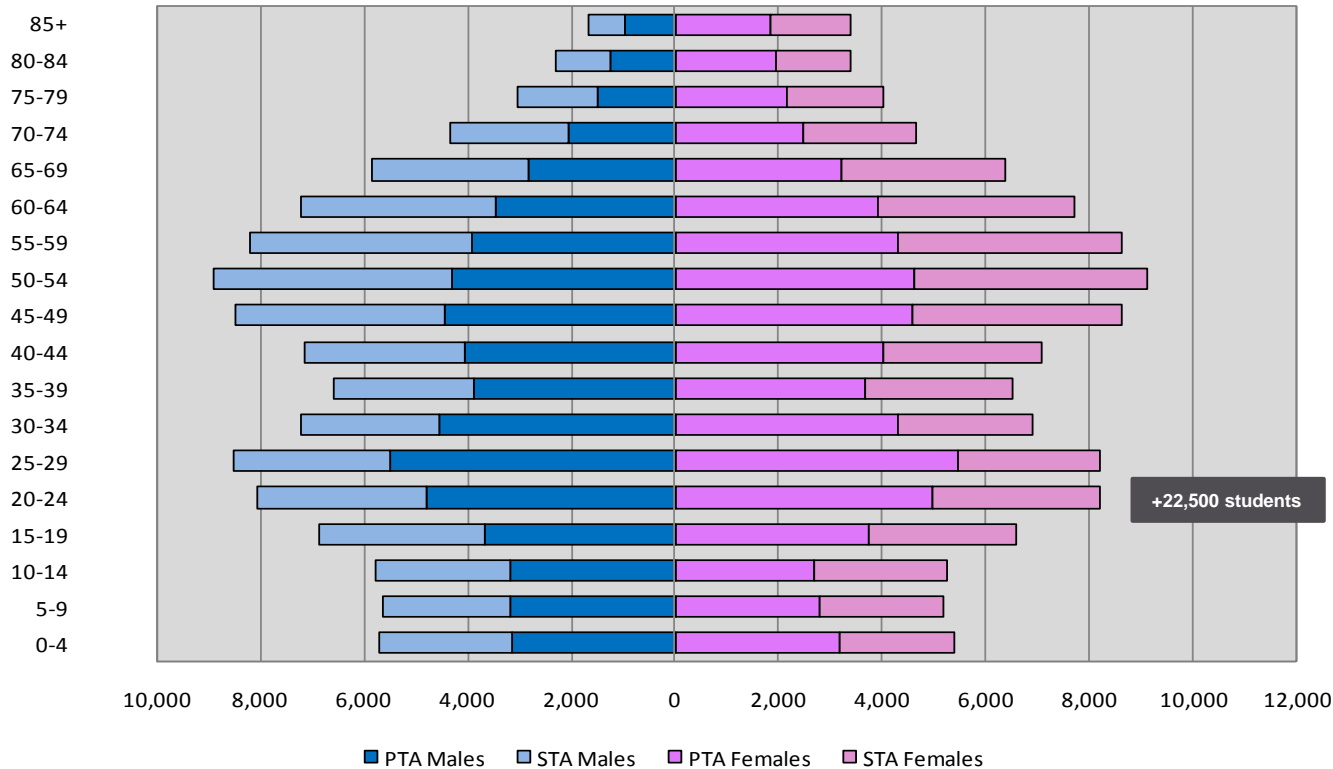


Competitive Properties	GLA (sf)	Anchors/Majors	Type	Store #	Year Built/Expansion	Owner
Cataraqui Centre	596,000	Sears, The Bay, Zellers (Target), Sport Chek, H&M	Regional	103	1982	Primaris REIT
RioCan Centre Kingston I & II	768,277	Best Buy, Cineplex, Home Depot, Home Outfitters, HomeSense, Michaels, Sears Home, Staples, The Brick	Power Centre	62	1999	RioCan REIT
King's Crossing	525,000	Canadian Tire	Power Centre	16	2008	Knightstone Capital
Kingston Centre	163,509	Loblaws	Community	27	1955	Loblaws Properties
Downtown Kingston		Lululemon, Urban Outfitters, Gap, American Apparel	Streetfront	50+	na	na

# Cataraqui Centre - Market



Cataraqui TA Population Structure, 2012

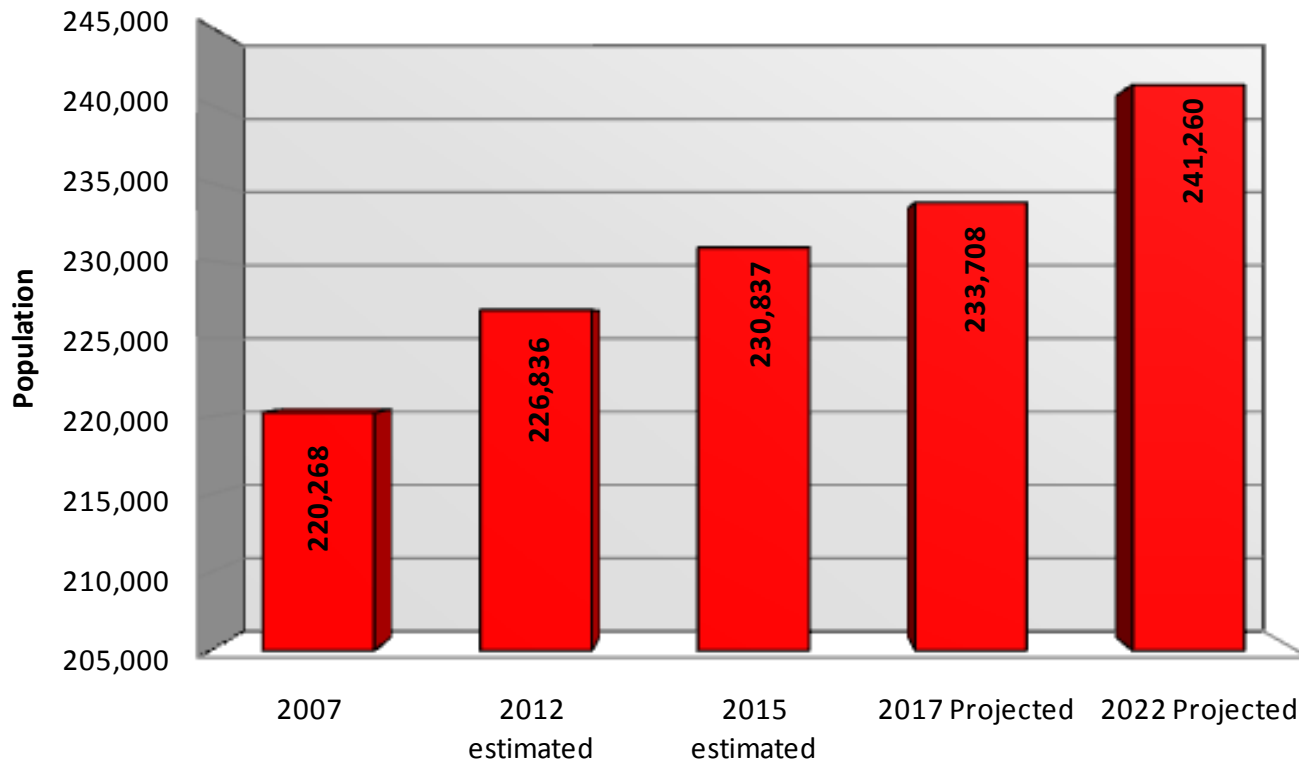


- The age pyramid for the Cataraqui trade area is robust through each of the age groups with only a moderate decline in the population 30-39 years of age.
- There is also a peak in the 20-24 year cohort which is further inflated by the presence of out of town Queens University students, who are not included in the census population counts.

# Cataraqui Centre - Market



### Cataraqui Trade Area Population Growth 2007- 2022



+0.6%/year

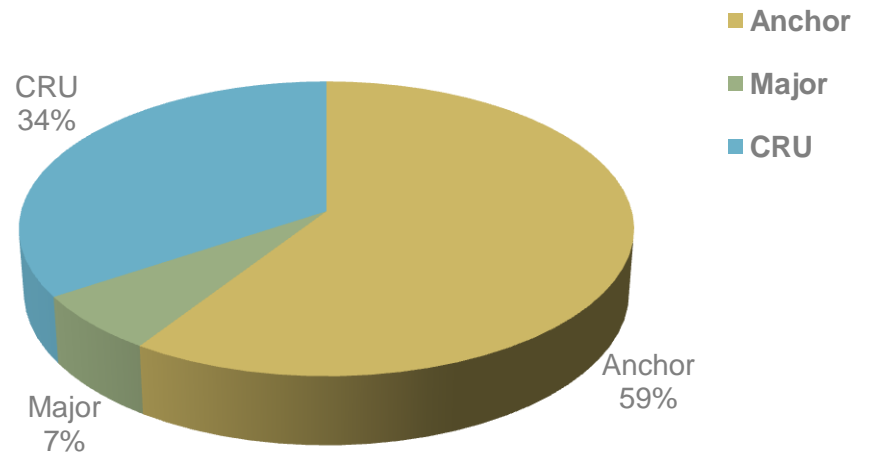
# Tenants – GLA Distribution



## Anchors & Majors: Tenant / Retailer Names

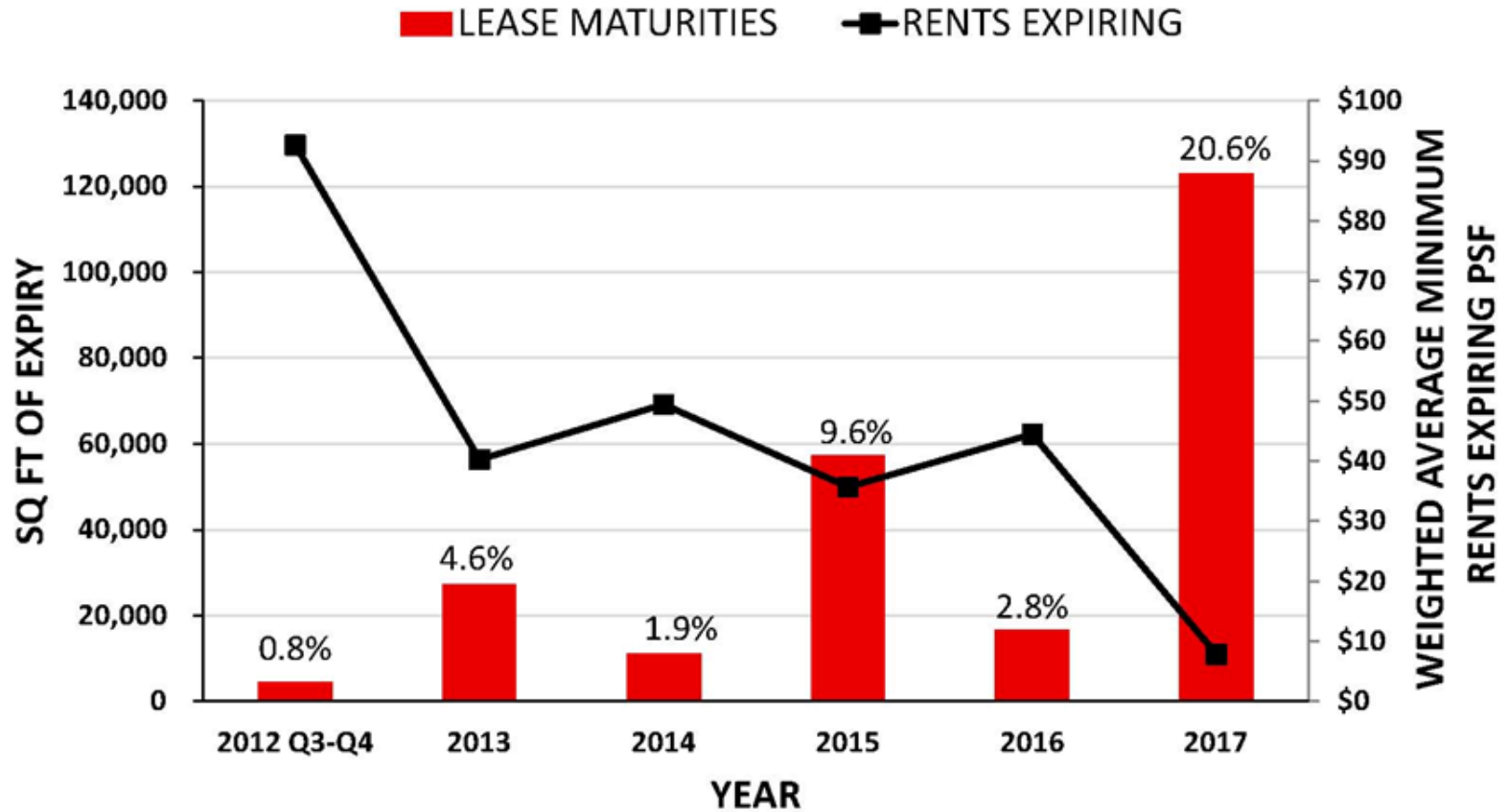
	Area (SF)	% of GLA
Sears	124,933	21.0%
Target	115,307	19.4%
The Bay	113,054	19.0%
SportChek	<u>19,126</u>	3.2%
H&M	<u>19,203</u>	<u>3.2%</u>
<b>Sub-total</b>	<b>391,623</b>	<b>65.8%</b>
<b>Non-Anchor Tenants</b>	<b><u>204,377</u></b>	<b><u>34.2%</u></b>
<b>Total</b>	<b>596,000</b>	<b>100.0%</b>

Area distribution by SF  
(% of GLA)





# Cataraqui Centre - Expiry Profile



Notable Expiries:  
2017 – The Bay option (113,054 sf)



# Primaris Development

September 20, 2012

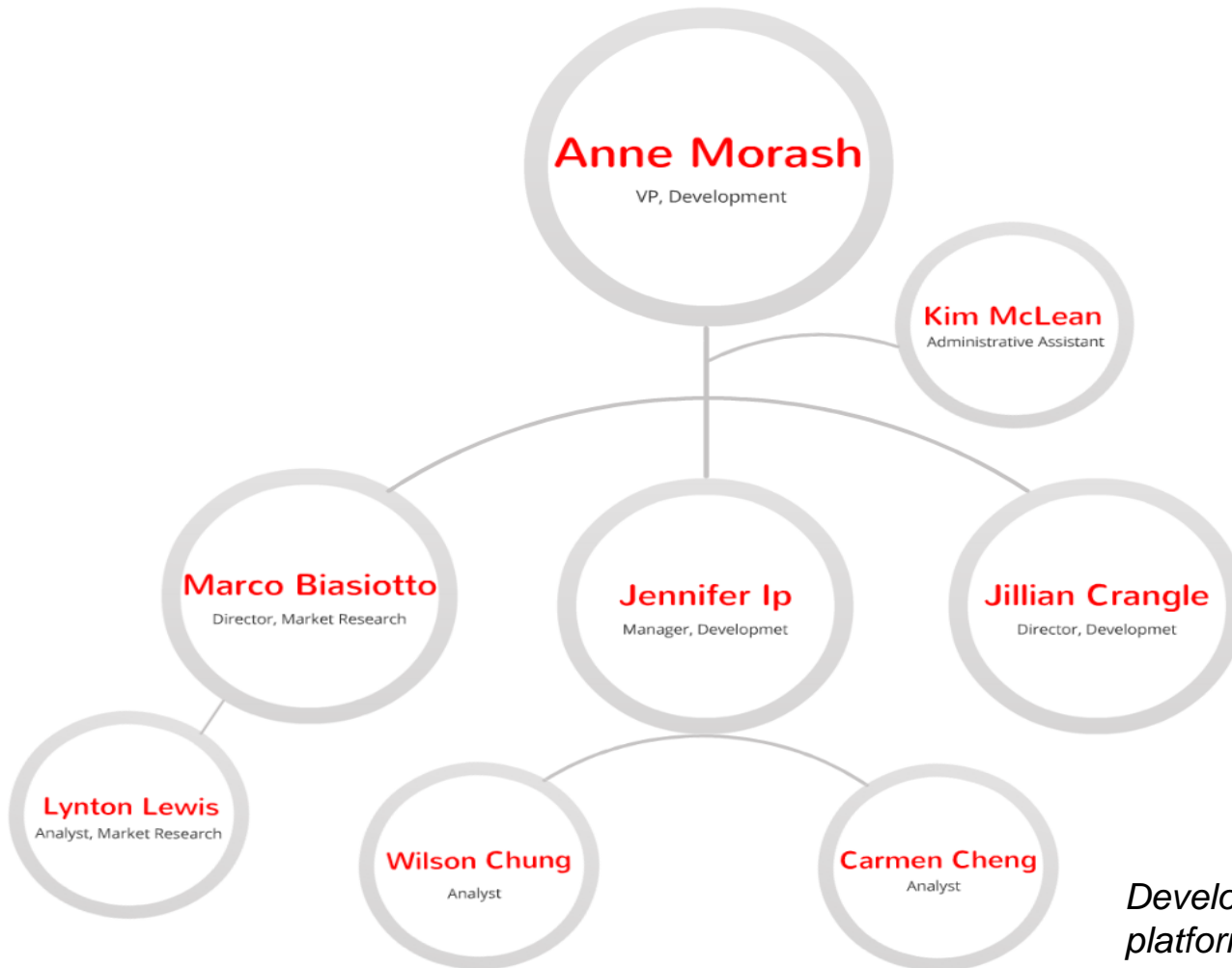
**Primaris**   
Retail Real Estate  
Investment Trust

# Primaris Development



- Who we are and what we do
- What we have done
- What we are doing
- What we are going to do

# Who We Are and What We Do



*Development looks to create stronger platforms for high quality growth*

# What We've Done



- Lambton Mall Food Court

*Before*



*AFTER*





# What We've Done



- Lambton Mall Food Court



Before



AFTER

# What We've Done



- Lambton Mall Food Court

Schedule	2010				2011							
	Q3		Q4		Q1		Q2		Q3		Q4	
Lease Negotiation / Design Development												
Lender/Anchor/Municipal/Board Approvals												
Landlord Construction												
Tenant Construction												
Food Court Opening Dec 2011												X



# What We've Done



- Lambton Mall Food Court

Return Summary	Forecast
<b>Stabilized Year 1 Incremental NOI</b>	\$ 314,000
<b>Investment</b>	\$ 4,489,000
<b>Stabilized Year 1 Return on Investment</b>	7.0%
<b>10 Year IRR</b>	7.1%

# What We've Done



- Grant Park Phase 1



*Before*



*AFTER*

# What We've Done



- Grant Park Phase 1

*Before*



*AFTER*



# What We've Done



- Grant Park Phase 1

Schedule	2010		2011				2012				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Lease Negotiation / Pre-development Due Diligence		■	■	■							
Lender/Anchor/Municipal/Board Approvals				■	■	■					
Landlord Construction							■	■	■	■	
Tenant Construction									■	■	■
MLCC Expansion Opened Aug 2012											X

# What We've Done



- Grant Park Phase 1

<b>Return Summary</b>		<b>Forecast</b>
Stabilized Year 1 Incremental NOI	\$	541,000
Investment	\$	6,316,000
Year 1 Return on Investment		8.6%
10 Year Average Return on Investment		9.5%
10 Year IRR		12.2%



# What We've Done



- Cataraqui Centre Renovation



where shopping meets social



# What We've Done



*Before*



*AFTER*



# What We've Done



Before



AFTER

# What We've Done

- Cataraqui Centre Renovation

Schedule	2010		2011							
	Q4		Q1		Q2		Q3		Q4	
Lease Negotiation / Pre-development Due Diligence	█	█	█	█	█					
Lender/Anchor/Municipal/Board Approvals	N/A									
Landlord Construction						█	█	█	█	
Tenant Construction								█	█	
Project Completion - Fall 2011										X

# What We're Doing



- **Lambton Mall Anchor Replacement**



# What We're Doing



- Lambton Mall Anchor Replacement



Before



AFTER

# What We're Doing



- Lambton Mall Anchor Replacement

Schedule	2011		2012				2013				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Lease Negotiation / Pre-development Due Diligence		■	■	■							
Lender/Anchor/Municipal/Board Approvals				■	■	■					
Landlord Construction							■	■	■	■	
Tenant Construction									■	■	■
Project Completion - Fall 2013											X

# What We're Doing



- Lambton Mall Anchor Replacement

Return Summary	Forecast
<b>Stabilized Year 1 Incremental NOI</b>	\$ 1,042,000
<b>Investment</b>	\$ 15,849,000
<b>Stabilized Year 1 Return on Investment</b>	6.6%
<b>10 Year Average Return on Investment</b>	7.2%
<b>10 Year IRR</b>	8.0%



# What We're Doing



- Tecumseh Mall – LCBO



**PROPOSED LCBO - FRONT ELEVATION**  
TECUMSEH MALL - WINDSOR, ONTARIO

1880 Assumption Street  
Suite 100  
Windsor | Ontario  
Canada | N8Y 1C4  
Tel: 519.254.3430  
Fax: 519.254.3642  
[www.ada-architect.ca](http://www.ada-architect.ca)

**A** architectural  
**D** design  
**A** associates inc. architect



# What We're Doing

- Tecumseh Mall – LCBO

Schedule	2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lease Negotiation / Pre-development Due Diligence								
Lender/Anchor/Municipal/Board Approvals								
Landlord Construction								
Tenant Construction								
Project Completion - Fall 2013							X	

# What We're Doing

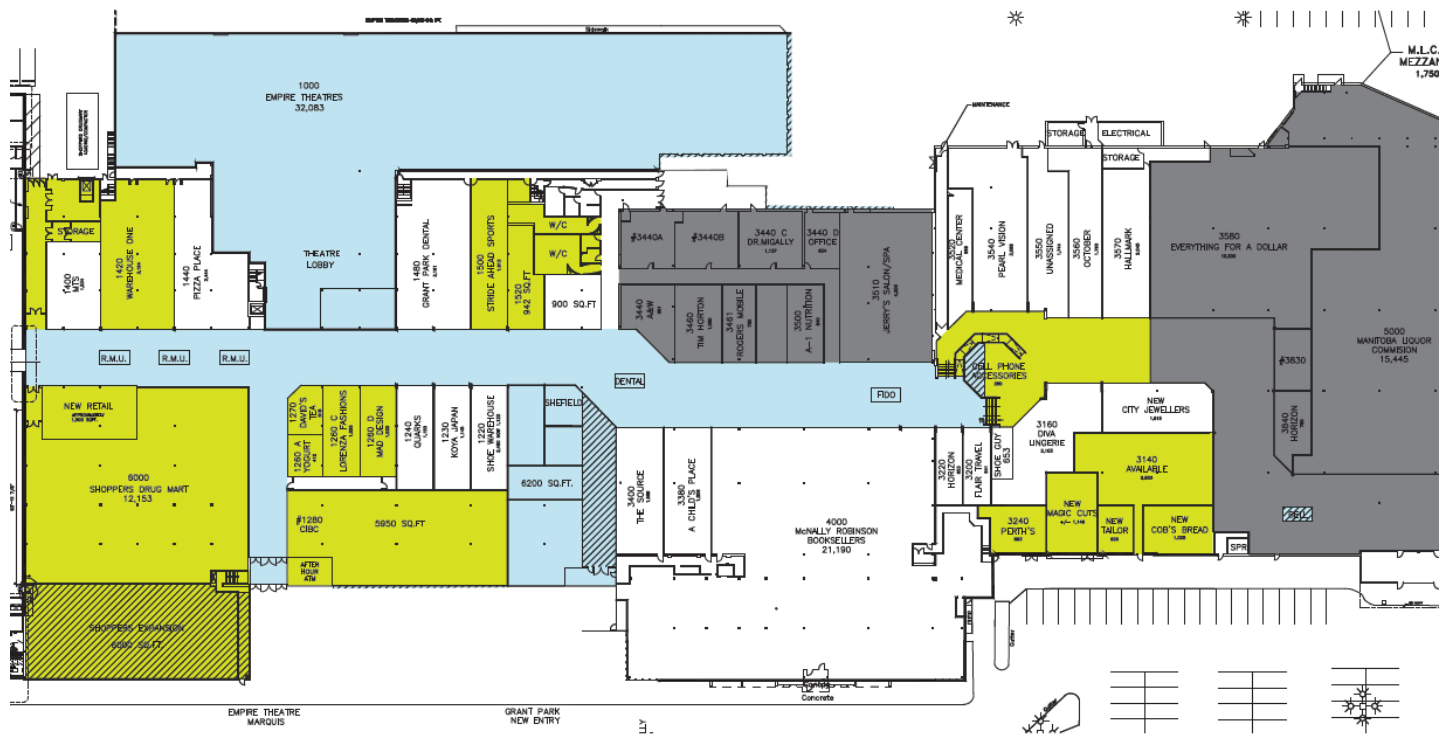
- Tecumseh Mall - LCBO

Return Summary	Forecast
<b>Stabilized Year 1 Incremental NOI</b>	\$ 242,880
<b>Investment</b>	\$3,289,000
<b>Stabilized Year 1 Return on Investment</b>	7.4%
<b>10 Year Average Return on Investment</b>	7.7%
<b>10 Year IRR</b>	7.5%

# What We're Doing



- Grant Park – Phase 2



FLOOR PLAN - MAIN LEVEL

PHASE 1  PHASE 2

# What We're Doing



- Grant Park – Phase 2

Schedule	2011		2012				2013				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Lease Negotiation / Pre-development Due Diligence		■	■								
Lender/Anchor/Municipal/Board Approvals				■	■	■					
Landlord Construction						■	■	■	■	■	
Tenant Construction									■	■	■
Project Completion - Fall 2013											X

# What We're Doing



- Grant Park – Phase 2

<b>Return Summary</b>	<b>Forecast</b>
<b>Stabilized Year 1 Incremental NOI</b>	\$ 373,000
<b>Investment</b>	\$ 5,361,000
<b>Stabilized Year 1 Return on Investment</b>	7.0%
<b>10 Year Average Return on Investment</b>	8.2%
<b>10 Year IRR</b>	11.8%

# What We're Doing – Target Conversions



# What We're Doing – Target Conversions



- St Albert Target Construction





# What We're Doing — Non-Target Conversions



<b>Centre</b>	<b>Location</b>	<b>Area</b>	<b>Zellers Lease Expiry</b>
Alliston Mills	Alliston, ON	93,024 sf	30-Sep-17
Heritage Place	Owen Sound, ON	67,138 sf	31-Mar-13
Sugarloaf Mall	Atholville, NB	94,481 sf	30-Nov-14
Tecumseh Mall	Windsor, ON	114,267 sf	13-Aug-19

# What We Are Going To Do



- Short term, mid term and long term plans for the balance of our assets include:
  1. *Renovations* to align with the RRRs
  2. *Expansions* – freestanding or contiguous
  3. *Repositionings* within the existing commercial hierarchy
  4. *Long term master planning*