Primaris

PRIMARIS RETAIL REIT Announces Strong Second Quarter Results

Toronto (Ontario) August 5, 2010 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report improved operating results for the second quarter of 2010.

President and CEO, John Morrison, commented "Business conditions have continued to strengthen as demonstrated by our improved financial and operating results. As previously announced, we have recently committed to the $168 million purchase of Cataraqui Town Centre in Kingston, Ontario. We also obtained a loan commitment of $105 million to assist funding this acquisition. This acquisition is consistent with Primaris' core strategy of owning market dominant shopping centres in Canada. In addition, the quarter has been active on the capital front. In June we successfully completed the issue of $98.0 million of new equity (before issuance costs). "

Highlights

Funds from Operations

- Funds from operations for the second quarter ended June 30, 2010 were $23.2 million or $0.351 per unit diluted, up $2.1 million from the $21.1 million, or $0.337 per unit diluted reported for the second quarter of 2009. The principal reasons for the change are 1) contribution from property acquisitions made in 2009, and 2) improved performance of existing properties. These improvements were sufficient to more than offset increased interest costs from new debt arranged late in 2009. The June 30, 2009 results included a gain of $826 for the redemption of convertible debentures under the normal course issuer bid and there was no similar item in the current quarter.

Net Operating Income

- Net operating income for the second quarter ended June 30, 2010 was $44.4 million, an increase of $6.7 million from the $37.7 million recorded in the second quarter of 2009.

Same Property – Net Operating Income

- Net operating income for the second quarter ended June 30, 2010, on a same property basis, increased 1.5% or $580 from the comparative three month period.

Operations

- Primaris renewed or leased 312,512 square feet of space during the second quarter. The weighted average new rent in these leases, on a cash basis, represented a 5.9% increase over the previous rent paid.

- The portfolio occupancy rate decreased slightly during the second quarter and was 96.6% at June 30, 2010, compared to 96.7% at March 31, 2010, but was up from 96.4% at June 30, 2009.

- Same tenant sales, for the 15 properties owned during all of the 24 months ended June 30, 2010 was $445 as compared to $456 for the previous 12 months.

Liquidity
- At the end of the quarter, Primaris had $60.3 million of cash on hand and no amount drawn on its $65.0 million credit facility. There are no loan maturities until 2011 and no commitments to fund mezzanine loans.

Financial Results

Funds from operations for the second quarter ended June 30, 2010 were $23.2 million or $0.351 per unit diluted, up $2.1 million from the $21.1 million, or $0.337 per unit diluted reported for the second quarter of 2009. The principal reasons for the change are 1) contribution from property acquisitions made in 2009, and 2) improved performance of existing properties. These improvements were sufficient to more than offset increased interest costs from new debt arranged late in 2009. In addition, the June 30, 2009 results included a gain of $826 for the redemption of convertible debentures under the normal course issuer bid and there was no similar item in the current quarter.

Net income for the three months ended June 30, 2010 was $4.8 million or $0.074 per unit (basic and diluted). This compares to $0.7 million or $0.011 per unit (basic and diluted) earned during the three months ended June 30, 2009.

General and administrative expenses in the second quarter of internalized management were $2.4 million. Prior to January 1, 2010, Primaris retained Oxford Properties Group to provide property and asset management, leasing and development services. The internalization of management resulted in a similar total cost for the quarter when compared to the previous year.

The distribution payout ratio for the second quarter of 2010, calculated as distributions paid per diluted unit divided by diluted funds from operations per unit, was 86.9% as compared to a 90.3% payout ratio for the second quarter of 2009 and 87.2% for the previous quarter March 31, 2010. The payout ratios are sensitive to both seasonal operating results and financial leverage.

At June 30, 2010 Primaris' total enterprise value was approximately $2.4 billion (based on the market closing price of Primaris' units on June 30, 2010 plus total debt outstanding). At June 30, 2010 Primaris had $1,252.0 million of outstanding debt, equating to a debt to total enterprise value ratio of 51.2%. Primaris' debt consisted of $1,079.9 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 6.1 years, $4.5 million of 6.75% fixed-rate convertible debentures, $88.3 million of 5.85% fixed-rate convertible debentures, $79.3 million of 6.30% fixed-rate convertible debentures. Primaris had a debt to gross book value ratio, as defined under the Declaration of Trust, of 51.1%. During the three months ended June 30, 2010, Primaris had an interest coverage ratio of 2.2 times as expressed by EBITDA divided by net interest expensed. Primaris defines EBITDA as net income increased by depreciation, amortization, interest expense and, if applicable, income tax expense. EBITDA is a non-GAAP measure and may not be comparable to similar measures used by other Trusts.

Operating Results
Net Operating Income – Same Properties

	Three months ended June 30, 2010	Three months ended June 30, 2009	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$ 66,513	$ 66,314	$ 199
Operating expenses	28,292	28,673	381
Net operating income	$ 38,221	$ 37,641	$ 580

The same-property comparison consists of the 26 principal properties that were owned throughout both the current and comparative three month periods. Net operating income, on a same-property basis, increased $580, or 1.5%, in relation to the comparable three month period.

Liquidity

During the second quarter of 2010, Primaris amended the terms of its line of credit. The term of the line was extended two years to July, 2012. The amount of the facility was reduced from $120.0 million to $65.0 million in response to increased costs of unutilized credit.

At the end of the quarter, Primaris had $60.3 million of cash on hand and no amount drawn on its $65.0 million credit facility. There are no mortgage maturities until 2011 and no commitments to fund mezzanine loans.

Tenant Sales

For the 15 reporting properties owned throughout both the three month periods ended June 30, 2010 and 2009, sales per square foot, on a same-tenant basis, have decreased to $445 from $456 per square foot. For the same 15 properties the total tenant sales volume has decreased 2.6%.

	Same Tenant Sales per Square Foot 2010	2009	Variance $	%	All Tenant Total Sales Volume 2010	2009	Variance $	%
Dufferin Mall	534	546	(12)	-2.2%	88,174,887	88,082,732	92,155	0.1%
Eglinton Square	311	320	(9)	-3.0%	26,250,342	31,590,461	(5,340,119)	-16.9%
Heritage Place	294	304	(10)	-3.5%	25,288,794	28,213,176	(2,924,382)	-10.4%
Lambton Mall	367	372	(5)	-1.4%	48,103,473	50,336,356	(2,232,883)	-4.4%
Place d'Orleans	445	450	(5)	-1.1%	107,825,191	107,191,458	633,733	0.6%
Place Du Royaume	392	387	5	1.3%	110,005,701	105,329,110	4,676,591	4.4%
Place Fleur De Lys	354	347	7	2.1%	75,347,059	74,288,517	1,058,542	1.4%
Stone Road Mall	508	525	(17)	-3.3%	112,971,865	117,005,099	(4,033,234)	-3.4%
Aberdeen Mall	366	389	(23)	-6.3%	47,908,235	50,579,693	(2,671,458)	-5.3%
Cornwall Centre	456	462	(6)	-1.4%	79,830,847	80,425,664	(594,817)	-0.7%
Grant Park	471	478	(7)	-1.4%	27,381,575	28,722,341	(1,340,766)	-4.7%
Midtown Plaza	564	576	(12)	-2.1%	134,043,612	135,810,423	(1,766,811)	-1.3%
Northland Village	437	452	(15)	-3.5%	45,318,362	48,030,527	(2,712,165)	-5.6%
Orchard Park	471	492	(21)	-4.5%	136,121,949	145,114,123	(8,992,174)	-6.2%
Park Place Mall	492	527	(35)	-7.1%	75,990,498	79,891,004	(3,900,506)	-4.9%
	445	**456**	**(11)**	**-2.3%**	**1,140,562,390**	**1,170,610,684**	**(30,048,294)**	**-2.6%**

The tenants' sales decreased 2.3% per square foot, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the 12-month period ended May 31, 2010, increased 3.0%. Primaris' sales productivity of $445 is lower than the ICSC average of $559, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

Leasing Activity

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate decreased slightly during the second quarter of 2010 and was 96.6% at June 30, 2010, compared to 96.7% at March 31, 2010, but up from 96.4% at June 30, 2009. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

Primaris renewed or leased 312,512 square feet of space during the second quarter of 2010. Approximately 79.9% of the leased spaces during the second quarter of 2010 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 5.9% increase over the previous rent paid (6.9% increase when renewals of major tenants are excluded).

Development Activity

During 2009 Primaris completed phase one of a two phased redevelopment at Lambton Mall in Sarnia, Ontario. Although this first phase created a vacant anchor store location, it provided an opportunity to not only add a food court where none existed previously, but also provided an opportunity to backfill the anchor store with a new large tenant.

With an anticipated construction commencement of fall 2010, this second phase will introduce a food court to improve the centre's amenities as well as replace the vacant anchor. Both changes will significantly reinforce the Mall's market presence. The project is expected to cost approximately $13.0 million and be completed by back-to-school 2011.

A second development project at Orchard Park Shopping Centre in Kelowna, British Columbia is scheduled to start in the summer of 2010 for completion by November of 2011. This project includes the construction of approximately 25,000 square feet of new retail space and redevelopment of about 10,000 square feet of existing area to bring a dynamic first-to-market tenant to the centre and allow for the relocation of the undersized mall administration offices. The project is expected to cost $7.7 million and will increase the centre's market dominance.

Acquisition

Primaris previously announced it has agreed to purchase Cataraqui Town Centre, an enclosed shopping centre located in Kingston, Ontario. The property is being purchased from a joint venture of The Cadillac Fairview Corporation Limited and Ivanhoe Cambridge for $168 million dollars. Closing of the acquisition is expected to occur in mid- August, 2010. Primaris has received a loan commitment to fund $105 million of the purchase price. The proposed loan has a term of ten years and will bear interest at a fixed rate of 5.3%.

Comparison to Prior Period Financial Results

		Three Months Ended June 30, 2010		Three Months Ended June 30, 2009		Comparative Period Favourable / (Unfavourable)
Revenue						
Minimum rent	$	47,808	$	40,961	$	6,847
Recoveries from tenants		26,369		23,229		3,140
Percent rent		443		560		(117)
Parking		1,516		1,549		(33)
Interest & other income		289		454		(165)
Total revenue		76,425		66,753		9,672
Expenses						
Property operating		18,113		15,758		(2,355)
Property tax		13,542		12,622		(920)
Depreciation & amortization		18,225		19,436		1,211
Interest		19,045		14,521		(4,524)
Ground rent		312		324		12
		69,237		62,661		(6,576)
Income from operations		7,188		4,092		3,096
General & administrative		(2,390)		(2,601)		211
Future income taxes		-		(800)		800
Gain on sale of land		-		-		-
Net income	**$**	**4,798**	**$**	**691**	**$**	**4,107**
Depreciation of income producing properties		16,251		17,807		(1,556)
Amortization of leasing costs		1,660		1,582		78
Accretion of convertible debentures		547		269		278
Future income taxes		-		800		(800)
Gain on sale of land		-		-		-
Funds from operations	**$**	**23,256**	**$**	**21,149**	**$**	**2,107**
Funds from operations per unit - basic	$	0.361	$	0.339	$	0.022
Funds from operations per unit - diluted	$	0.351	$	0.337	$	0.014
Funds from operations - payout ratio		86.9%		90.3%		-3.4%
Distributions per unit	$	0.305	$	0.305	$	-
Weighted average units outstanding - basic		64,504,760		62,384,749		2,120,011
Weighted average units outstanding - diluted		74,331,348		67,119,386		7,211,962
Units outstanding, end of period		68,430,386		62,413,012		6,017,374

Funds from Operations, which is not a defined term within Canadian generally accepted accounting principles, has been calculated by management, using Canadian generally accepted accounting principles, in accordance with REALpac's White Paper on Funds from Operations. The White Paper defines Funds from Operations as net income adjusted for depreciation and amortization of assets purchased, including the net impact of above and below market leases, amortization of leasing costs and accretion of convertible debentures. Funds from Operations may not be comparable to similar measures used by other entities.

Funds from operations for the quarter ended June 30, 2010 were $2.1 million ($0.014 per unit diluted) more than the comparative period.

Supplemental Information

Primaris' audited consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the three months ended June 30, 2010 and 2009 are available on Primaris' website at www.primarisreit.com.

Forward-Looking Information

The MD&A contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements are related to, but not limited to, 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 development of properties which could be impacted by real estate market cycles, the availability of labour and general economic conditions;

(ii) reinvesting to make improvements 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) anticipated distributions and payout ratios, which could be impacted by seasonality of capital expenditures, results of operations and capital resource allocation decisions;

(vi) the effect that any contingencies would have on Primaris’ financial statements; and

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

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 than has been seen for the last several years; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program and to enable the Trust 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.

Non-GAAP Measures

Funds from operations ("FFO"), net operating income ("NOI") and earnings before interest, taxes, depreciation and amortization ("EBITDA") are widely used supplemental measures of a Canadian real estate investment trust's performance and are not defined under Canadian generally accepted accounting principles ("GAAP"). Management uses these measures when comparing itself to industry data or others in the marketplace. The MD&A describes FFO, NOI and EBITDA and provides a reconciliation to net income as defined under GAAP. FFO and EBITDA should not be considered alternatives to net income or other measures that have been calculated in accordance with GAAP and may not be comparable to measures presented by other issuers.

Conference Call

Primaris invites you to participate in the conference call that will be held on Friday, August 6, 2010 at 9am EST to discuss these results. Senior management will speak to the results and provide a brief corporate update. The telephone numbers for the conference call are: 416-340-2216 (within Toronto), and 1-866-226-1792 (within North America).

Audio replays of the conference call will be available immediately following the completion of the conference call, and will remain active until August 13, 2010. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 2021022.

Primaris is a TSX listed real estate investment trust (TSX:PMZ.UN). Primaris owns 28 income-producing properties comprising approximately 10.5 million square feet located in Canada. As of July 31, 2010, Primaris had 68,491,248 units issued and outstanding.

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST
Interim Consolidated Balance Sheets
(in thousands of dollars)

June 30, 2010 and December 31, 2009

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Income-producing properties	$ 1,733,554	$ 1,763,426
Leasing costs	40,429	41,209
Rents receivable	4,830	4,907
Other assets and receivables	44,032	31,023
Cash and cash equivalents	60,317	15,452
	$ 1,883,162	$ 1,856,017
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 1,074,937	$ 1,089,966
Convertible debentures	166,888	166,461
Bank indebtedness	-	15,000
Accounts payable and other liabilities	52,969	63,815
Distribution payable	6,370	6,358
Future income taxes	42,400	43,000
	1,343,564	1,384,600
Unitholders' equity	539,598	471,417
	$ 1,883,162	$ 1,856,017

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Revenue:				
Minimum rent	$ 47,808	$ 40,961	$ 95,409	$ 81,529
Recoveries from tenants	26,369	23,229	54,905	48,540
Percentage rent	443	560	855	1,284
Parking	1,516	1,549	2,984	3,077
Interest and other	289	454	668	1,341
	76,425	66,753	154,821	135,771
Expenses:				
Property operating	18,113	15,758	38,269	33,597
Property taxes	13,542	12,622	27,612	25,184
Depreciation	16,565	17,854	34,141	34,901
Amortization	1,660	1,582	3,343	3,085
Interest	19,045	14,521	38,318	29,146
Ground rent	312	324	624	624
General and administrative	2,390	2,601	4,470	4,719
	71,627	65,262	146,777	131,256
Income before gain on sale of land and income taxes	4,798	1,491	8,044	4,515
Gain on sale of land	–	–	74	–
Income before income taxes	4,798	1,491	8,118	4,515
Future income taxes	–	800	400	3,300
Net income (loss)	$ 4,798	$ 691	$ 7,718	$ 1,215
Basic and diluted net income per unit	$ 0.074	$ 0.011	$ 0.121	$ 0.019

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Cash provided by (used in):				
Operations:				
Net income (loss)	$ 4,798	$ 691	$ 7,718	$ 1,215
Items not involving cash:				
Depreciation of income-producing properties	15,267	16,993	31,339	33,165
Amortization of recoverable improvements	984	814	1,983	1,641
Amortization of leasing commissions and tenant improvements	1,660	1,582	3,343	3,085
Accretion of convertible debentures	547	269	1,086	538
Future income taxes	–	800	400	3,300
Gain on sale of land	–	–	(74)	–
	23,256	21,149	45,795	42,944
Change in non-cash operating items:				
Gain on purchase of convertible debentures under normal course issuer bid	–	(260)	–	(727)
Depreciation of fixtures and equipment	314	47	819	95
Amortization of above- and below-market leases	(648)	(442)	(1,219)	(1,063)
Amortization of tenant inducements	37	37	74	73
Amortization of financing costs	566	362	1,207	765
Other	(10,668)	(2,900)	(22,587)	(12,532)
Leasing commissions	(119)	(292)	(252)	(512)
Tenant inducements	–	–	–	(53)
	12,738	17,701	23,837	28,990
Financing:				
Mortgage principal repayments	(5,587)	(4,621)	(10.867)	(9,176)
Repayment of financing	(3,685)	–	(3,685)	–
Bank indebtedness	(16,500)	–	(15,000)	–
Financing costs	(358)	(14)	(358)	(14)
Distributions to Unitholders	(19,124)	(19,031)	(38,211)	(38,040)
Issuance of units, net of costs	94,185	698	95,038	1,415
Purchase of convertible debentures under normal course issuer bid	–	(2,839)	–	(5,127)
	48,931	(25,807)	26,917	(50,942)
Investments:				
Acquisition of income-producing properties	–	(3,594)	–	(3,594)
Additions to buildings and building improvements	(1,481)	(2,351)	(1,815)	(4,172)
Additions to tenant improvements	(1,348)	(4,250)	(2,385)	(5,743)
Additions to recoverable improvements	(1,558)	(3,226)	(1,649)	(3,294)
Additions to fixtures and equipment	36	–	(128)	–
Proceeds from sale of land	–	–	88	–
	(4,351)	(13,421)	(5,889)	(16,803)
Increase (decrease) in cash and cash equivalents	57,318	(21,527)	44,865	(38,755)
Cash and cash equivalents, beginning of period	2,999	80,196	15,452	97,424
Cash and cash equivalents, end of period	$ 60,317	$ 58,669	$ 60,317	$ 58,669

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended June 30, 2010	2009	Six months ended June 30, 2010	2009
Supplemental cash flow information:				
Interest paid	(16,205)	(14,505)	(38,475)	(29,104)
Supplemental disclosure of non-cash operating and financing activities:				
Value of units issued under asset management agreement	–	–	–	57
Value of units issued under incentive plan	145	15	1,504	29
Value of units issued from conversion of convertible debentures	967	–	1,325	–
Financing costs transferred to equity upon conversion of convertible debentures	33	–	(49)	–
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	19	–	27	–
Impact on the future tax liability arising from the costs of issuing REIT units	1,000	–	1,000	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Net income	$ 4,798	$ 691
Depreciation of income producing properties	16,251	17,807
Amortization of leasing costs	1,660	1,582
Accretion of convertible debentures	547	269
Future income taxes	-	800
Funds from operations	**$ 23,256**	**$ 21,149**

Funds from Operations, which is not a defined term within Canadian generally accepted accounting principles, has been calculated by management, using Canadian generally accepted accounting principles, in accordance with REALPac's White Paper on Funds from Operations. The White Paper defines Funds from Operations as net income adjusted for depreciation and amortization of assets purchased, including the net impact of above and below market leases, amortization of leasing costs and accretion of convertible debentures. Funds from Operations may not be comparable to similar measures used by other entities.

Calculation of Net Operating Income
(In thousands of dollars)
(Unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009
Revenue	$76,425	$66,753
Less: Corporate interest and other income	(7)	(356)
Property operating expenses	(18,113)	(15,758)
Property tax expense	(13,542)	(12,622)
Ground Rent	(312)	(324)
Net operating income	**$ 44,451**	**$ 37,693**