



PRIMARIS RETAIL REIT Announces Fourth Quarter and Annual Financial Results

Toronto (Ontario) March 10, 2009 - Primaris Retail REIT (TSX:PMZ.UN) is pleased to report a 1.8% increase in net operating income for the fourth quarter of 2008, as compared to the fourth quarter of 2007.

President and CEO, Michael Latimer, commented "Primaris' operations remain solid and its financial position strong. FFO per unit in the fourth quarter would have been stronger except for the \$0.5 million transition costs which were incurred and expensed in the quarter. We are very aware of current economic conditions and therefore we have a cautious outlook for future operating results. However, to date, occupancy rates remain solid and rents continue to grow on renewal activity."

Highlights

Liquidity

- Primaris is more liquid than at any other time in its five year history. It has \$97 million cash and a \$120 million unutilized credit facility. All 2008 maturities were re-financed and there is one loan maturity in 2009 of \$3.7 million that needs to be re-financed and there are no loan maturities in 2010. Only \$3.5 million is committed to complete existing developments, and there are no commitments to fund mezzanine loans.

Funds From Operations

- Funds from operations for the fourth quarter ended December 31, 2008 were \$22.0 million or \$0.351 per unit diluted, down 7.4% on a per unit basis from the \$23.8 million, or \$0.379 per unit diluted reported for the fourth quarter of 2007.
- Funds from operations for the year ended December 31, 2008 were \$86.6 million or \$1.384 per unit diluted, down 2.3% on a per unit basis from the \$85.3 million, or \$1.417 per unit diluted reported for 2007.

Net Operating Income

- Net operating income for the fourth quarter ended December 31, 2008, was \$39.0 million, higher than the \$38.3 million recorded in the fourth quarter of 2007.

- Net operating income for the year ended December 31, 2008, was \$149.0 million, substantially higher than the \$135.7 million recorded in 2007. The large increase was again driven principally by acquisitions.

Same Property – Net Operating Income

- Net operating income for the fourth quarter ended December 31, 2008, on a same property basis, increased 1.5% over the comparative three-month period.
- Net operating income for the year ended December 31, 2008, on a same property basis, increased 3.1% over 2007. Excluding the increase in lease termination income of \$645 in 2008 and a \$1,908 increased costs for the change in the property management contract, same property net operating income would have increased 4.1%.

Operations

- The REIT renewed or leased 542,351 square feet of space during the fourth quarter, which includes the renewal of four anchor stores. The weighted average new rent in these leases, on a cash basis, represented a 5.8% increase over the previous rent paid (12.1% excluding the anchor stores).
- The REIT renewed or leased 1,214,148 square feet of space during 2008, which includes the renewal of five anchor stores. The weighted average new rent in these leases, on a cash basis, represented a 7.0% increase over the previous rent paid (8.7% excluding the anchor stores).
- The portfolio occupancy rate increased during the fourth quarter and was 98.2% at December 31, 2008, compared to 98.0% at September 30, 2008, and up from 97.4% at December 31, 2007.
- Same-tenant sales, for the 13 properties owned during all of the 24 months ended December 31, 2008 remained constant at \$465 per square foot as compared to the previous 12 months.
- The fourth quarter results included seasonal revenues of \$4.5 million as compared to \$4.1 million recorded in the fourth quarter of 2007.

Liquidity

Primaris is more liquid than at any other time in its five year history. It has \$97 million cash invested in a variety of high quality Bankers Acceptances and Treasury Bills, and a \$120 million unutilized credit facility not maturing until mid 2010. All 2008 maturities were re-financed and there is one loan maturity in 2009 of \$3.7 million that needs to be re-financed and there are no loan maturities in 2010. The annual requirement to fund loan principal payments amounts to approximately \$20 million. Only \$3.5 million is

committed to complete the development of the re-tenanting of the former Wal-Mart store at Lambton Mall. There are no commitments to fund mezzanine loans. The REIT completed two small acquisitions during the fourth quarter of 2008 for a total purchase price of approximately \$7 million.

Financial Results

Funds from operations for the three months ended December 31, 2008 was \$22.0 million or \$0.353 per unit basic (\$0.351 diluted). This compares to funds from operations of \$23.8 million or \$0.384 per unit basic (\$0.379 diluted) earned during the three months ended December 31, 2007.

Funds from operations for the year ended December 31, 2008 was \$86.6 million or \$1.393 per unit basic (\$1.384 diluted). This compares to funds from operations of \$85.3 million or \$1.426 per unit basic (\$1.417 diluted) earned during 2007.

Net income for the three months ended December 31, 2008 was \$5.1 million or \$0.08 per unit (basic and diluted). This compares to net income of \$7.8 million or \$0.13 per unit (basic and diluted) earned during the three months ended December 31, 2007.

Net income for the year ended December 31, 2008 was \$9.8 million or \$0.157 per unit (basic and diluted). This compares to a net loss of \$30.7 million or \$0.513 per unit (basic and diluted) earned during the 2007. The net loss for 2007 includes a provision of \$39.1 million for future income taxes, as a result of new tax legislation that was introduced in mid-2007.

The REIT acquired six properties at various times during 2007. These properties contributed significantly to operations throughout the three months ended December 31, 2008. These acquisitions and the related debt and equity financings explain a significant amount of the difference between the results for the current periods and the comparative periods. The REIT made one acquisition in the first quarter of 2008 which contributed to operations for the three months ended December 31, 2008. In addition, the REIT acquired two small properties in the fourth quarter of 2008, which only contributed to operations for part of the period.

The distribution payout ratio for the fourth quarter of 2008, expressed on a per unit basis as distributions paid divided by diluted funds from operations was 86.9% as compared to a 78.7% payout ratio for the fourth quarter of 2007.

The distribution payout ratio for 2008 was 88.1% as compared to an 83.5% payout ratio for 2007.

The payout ratios are sensitive to both seasonal operating results and financial leverage.

At December 31, 2008, the REIT's total enterprise value was approximately \$1.7 billion (based on the market closing price of Primaris' units on December 31, 2008, plus total debt outstanding). At December 31, 2008 the REIT had \$994.9 million of outstanding debt equating to a debt to total enterprise value ratio of 59.9%. On a net of cash basis, this ratio would be 54.0%. The REIT's debt consisted of \$888.8 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 7.7 years, \$6.1 million of 6.75% fixed-rate convertible debentures and \$100.0 million of 5.85% fixed-rate convertible debentures. The REIT had a debt to gross book value ratio, as defined under the Declaration of Trust, of 49.2%. During the three months ended December 31, 2008, the REIT had an interest coverage ratio of 2.5 times as expressed by EBITDA divided by net interest expensed. The REIT defines EBITDA as net income increased by depreciation, amortization, interest expense and, 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 December 31, 2008	Three Months Ended December 31, 2007	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	\$ 71,154	\$ 69,387	\$ 1,767
Operating expenses	32,302	31,119	(1,183)
Net operating income	<u>\$ 38,852</u>	<u>\$ 38,268</u>	<u>\$ 584</u>

The same property comparison includes only 26 properties that were owned throughout both the current and comparative three-month periods. Net operating income, on a same property basis, increased \$584, or 1.5%, over the comparative three-month period. Net operating income, on a same-property basis, would have increased 3.5% excluding the net change in the property management fees of \$752.

Tenant sales

Tenant sales per square foot, on a same-tenant basis, have remained constant at \$465 for the 12 months ended December 31, 2008. Total tenant volume has increased by 2.1% when comparing sales for the same properties.

	Same-Tenant				All-Tenant			
	Sales per Square Foot		Variance		Total Sales Volume		Variance	
	2008	2007	\$	%	2008	2007	\$	%
Aberdeen Mall	\$ 430	\$ 445	\$ (15)	(3.3%)	\$ 52,159,910	\$ 53,569,253	\$ (1,409,343)	(2.6%)
Cornwall Centre	537	508	29	5.6%	76,850,942	72,582,529	4,268,413	5.9%
Dufferin Mall	567	573	(6)	(1.0%)	90,307,664	88,890,231	1,417,433	1.6%
Eglinton Square	338	344	(7)	(1.9%)	35,516,731	39,716,845	(4,200,114)	(10.6%)
Grant Park Shopping Centre	479	483	(4)	(0.9%)	29,859,764	29,459,289	400,475	1.4%
Lambton Mall	360	374	(14)	(3.6%)	52,306,253	54,401,015	(2,094,762)	(3.9%)
Midtown Plaza	564	541	23	4.3%	134,457,332	124,510,856	9,946,476	8.0%
Northland Village	451	448	3	0.7%	47,223,700	46,232,928	990,772	2.1%
Orchard Park Shopping Centre	519	542	(23)	(4.3%)	148,125,920	148,566,729	(440,809)	(0.3%)
Park Place Shopping Centre	499	500	(1)	(0.2%)	81,819,111	80,000,222	1,818,889	2.3%
Place Fleur de Lys	302	301	1	0.5%	72,707,739	72,718,070	(10,331)	(0.0%)
Place du Royaume	393	390	3	0.8%	107,354,314	100,635,618	6,718,696	6.7%
Stone Road Mall	565	566	(1)	(0.2%)	118,823,596	114,636,633	4,186,963	3.7%
	\$ 465	\$ 465	\$ -	-	\$ 1,047,512,975	\$ 1,025,920,219	\$ 21,592,758	2.1%

The REIT's unchanged sales per square foot is unfavourable compared to the 1.0% national average tenant sales increase for the same period, as reported by the International Council of Shopping Centres for the 12 months ended December 31, 2008. The REIT's sales productivity of \$465 per square foot is lower than the ICSC average of \$545 per square foot, largely because the ICSC includes sales from super regional malls which 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 increased during the fourth quarter of 2008 at 98.2%, versus 98.0% at September 30, 2008. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

The REIT leased 542,351 square feet of space during the fourth quarter of 2008. This represented 59 leases of generally smaller stores and the renewal of four anchor stores, totalling 442,801 square feet. Approximately 92% of the leased spaces during the fourth quarter of 2008 consisted of the renewal of existing tenants, or 65% if the anchor stores are excluded. The weighted average new rent for renewals of existing tenants in the fourth quarter, on a

cash basis, represented a 5.8% increase over the previous cash rent (12.1% excluding the anchor stores).

Development Activity

At Lambton Mall in Sarnia, Ontario, Canadian Tire will lease a 139,000 square foot store, previously occupied by Wal-Mart. Canadian Tire began work on the premises in October 2008, and the REIT expects the new store to open in April 2009. The existing 106,331 square foot Canadian Tire store will remain in operation as usual until the new store opens. The REIT's budget for this first phase of the project is approximately \$3.5 million, and Canadian Tire will spend additional amounts in completing their store and executing their move. The scope of work will include a small expansion as well as constructing a connection between the new store and the interior of the mall, something that did not exist with the previous tenant. Once the existing Canadian Tire store is vacated, a second phase of the project will be initiated, with Lambton Mall modifying and re-leasing the vacated space. Plans for this second phase are not yet finalized; however, discussions are underway with a number of prominent retailers to participate in this second phase.

In mid-April 2007, the REIT agreed to terminate the lease of an 86,500 square foot Bay department store at Place du Royaume located in Saguenay, Quebec. The store closed in June 2007. The first phase of the project was to reconstruct the existing space for use by other retailers. Tenants are in place for 100% of the leasable area of the first phase of the project. The second phase included a new common area of the mall, including the floor, demising walls and ceilings and the demolition of the exterior entrance. Both phases were completed on time and under budget. As at December 31, 2008, \$9.4 million has been incurred and capitalized. As part of this new circulation plan, a small part of existing common area has been backfilled by retail use. The total budgeted cost of this project is approximately \$14.0 million. The REIT experienced 12 months of downtime in the former department store space and six months of downtime for the backfill of existing common area. During the second quarter of 2008 almost all of the tenants in the former department store space opened, with the last tenant having opened in the first quarter of 2009. The project generated a positive return for the property.

Comparison to Prior Period Financial Results

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Variance to Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	\$ 41,992	\$ 40,942	\$ 1,050
Recoveries from tenants	25,750	25,252	498
Percentage rent	1,331	1,081	250
Parking	1,935	1,755	180
Interest and other income	775	566	209
	<u>\$ 71,783</u>	<u>\$ 69,596</u>	<u>\$ 2,187</u>
Expenses			
Operating	32,051	30,700	(1,351)
Interest	14,667	12,935	(1,732)
Depreciation and amortization	17,951	21,376	3,425
Ground rent	292	419	127
	<u>\$ 64,961</u>	<u>\$ 65,430</u>	<u>\$ 469</u>
Income from operations	6,822	4,166	2,656
General and administrative	(3,053)	(2,333)	(720)
Future income taxes	1,380	6,000	(4,620)
Net income	<u>\$ 5,149</u>	<u>\$ 7,833</u>	<u>\$ (2,684)</u>
Depreciation of income-producing properties	16,194	19,922	(3,728)
Amortization of leasing costs	1,708	1,454	254
Amortization of acquired deferred recoverable costs	50	296	(246)
Accretion of convertible debentures	270	249	21
Future income taxes	(1,380)	(6,000)	4,620
Funds from operations	<u>\$ 21,991</u>	<u>\$ 23,754</u>	<u>\$ (1,763)</u>
Funds from operations per unit - basic	\$ 0.353	\$ 0.384	\$ (0.031)
Funds from operations per unit - diluted	\$ 0.351	\$ 0.379	\$ (0.028)
Funds from operations - payout ratio	86.9%	78.7%	8.2%
Distributions per unit	\$ 0.305	\$ 0.298	\$ 0.007
Weighted average units outstanding - basic	62,255,812	61,883,305	372,507
Weighted average units outstanding - diluted	67,186,648	66,890,934	295,714
Units outstanding, end of period	62,269,712	61,937,650	332,062

Notes:

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 December 31, 2008 was \$1.8 million (\$0.028 less per unit, diluted) less than the comparative period.

Supplemental Information

The REIT's audited consolidated financial statements for the years ended December 31, 2008 and 2007 and Management's Discussion and Analysis for the three-month and twelve-month periods ended December 31, 2008 are available on the REIT's website at www.primarisreit.com.

Forward-Looking Information

The MD&A contains forward-looking information based on management's best estimates and the current operating environment. These forward-looking statements are related to, but not limited to, the REIT's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Examples of such information include, but are not limited to, factors relating to the business, financial position of the REIT, operations and redevelopments including volatility of capital markets, legislative changes, consumer spending, retail leasing demand, strength of the retail sector, price volatility of construction costs, availability of construction labour and timing of regulatory and contractual approvals for developments.

Although the forward-looking statements contained in this document are based on what management of the REIT believes are reasonable assumptions, forward-looking statements involve significant risks and uncertainties. They should not be read as guarantees of future performance or results and will not necessarily be an accurate indicator of whether or not such results will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results to differ from targets, expectations or estimates expressed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, economic, competitive and commercial real estate conditions, unplanned compliance-related expenses, uninsured property losses and tenant-related risks.

Non-GAAP Measures

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

Conference Call

Primaris invites you to participate in the conference call that will be held on Wednesday, March 11, 2009 at 9am EST to discuss these results. Senior management will speak to the results and provide a brief corporate update. The telephone numbers for the conference are: 416-641-6136 (within Toronto), and 1-866-223-7781 (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 Wednesday, March 18, 2009. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 3280435#.

The REIT is a TSX listed real estate investment trust (TSX:PMZ.UN). The REIT owns 26 income-producing properties comprising approximately 9.3 million square feet located in Canada. As of February 28, 2009, the REIT had 62,316,803 units issued and outstanding.

INFORMATION:

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
December 31, 2008 and 2007

	2008	2007
Assets		
Income-producing properties	\$ 1,426,197	\$ 1,471,637
Deferred costs	55,961	46,242
Rents receivable	4,812	6,366
Other assets and receivables	24,438	24,588
Cash and cash equivalents	97,424	94,202
	<u>\$ 1,608,832</u>	<u>\$ 1,643,035</u>
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	\$ 890,258	\$ 861,623
Convertible debentures	95,438	94,543
Accounts payable and other liabilities	45,782	49,678
Distribution payable	6,334	6,299
Future income taxes	40,800	40,000
	<u>1,078,612</u>	<u>1,052,143</u>
Unitholders' equity	530,220	590,892
	<u>\$ 1,608,832</u>	<u>\$ 1,643,035</u>

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income

(In thousands of dollars, except per unit amounts)

Three months ended December 31 2008 and 2007

	Three months ended December 31,		Year ended December 31,	
	2008	2007	2008	2007
	(Unaudited)			
Revenue:				
Minimum rent	\$ 41,992	\$ 40,942	\$ 160,934	\$ 145,745
Recoveries from tenants	25,750	25,252	94,562	85,089
Percentage rent	1,331	1,081	3,687	2,948
Parking	1,935	1,755	6,384	5,771
Interest and other	775	566	4,166	3,592
	71,783	69,596	269,733	243,145
Expenses:				
Property operating	19,853	19,144	68,153	59,667
Property taxes	12,198	11,557	48,617	43,770
Depreciation	16,243	19,922	69,094	71,328
Amortization	1,708	1,454	5,710	4,294
Interest	14,667	12,935	57,497	46,118
Ground rent	292	418	1,313	1,301
General and administrative	3,053	2,333	9,070	8,222
	68,014	67,763	259,454	234,700
Income before gain on sale of land and income taxes	3,769	1,833	10,279	8,445
Gain on sale of land	—	—	298	—
	3,769	1,833	10,577	8,445
Future income taxes	1,380	(6,000)	800	39,100
Net income/(loss)	\$ 5,149	\$ 7,833	\$ 9,777	\$ (30,655)
Basic and fully-diluted net income/(loss) per unit	\$ 0.083	\$ 0.127	\$ 0.157	\$ (0.513)

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

Years ended December 31, 2008 and 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ 9,777	\$ (30,655)
Items not involving cash:		
Depreciation of income producing properties	69,045	71,328
Amortization of leasing commissions and tenant improvements	5,710	4,294
Accretion of convertible debt	1,027	424
Amortization of acquired recoverable costs	512	797
Gain on sale of land	(298)	—
Future income taxes	800	39,100
	86,573	85,288
Change in non-cash operating items:		
Depreciation of fixtures and equipment	49	—
Amortization of above- and below-market leases	(1,758)	(1,646)
Amortization of tenant inducements	124	130
Amortization of recoverable operating costs	3,378	3,219
Amortization of financing costs	1,522	1,207
Other	(323)	22,252
Leasing commissions	(1,649)	(1,592)
Tenant inducements	(282)	(1,441)
Recoverable operating costs	(5,469)	(7,833)
	82,165	99,584
Financing:		
Mortgage principal repayments	(17,087)	(14,144)
Proceeds of new financing	110,000	289,000
Repayment of financing	(62,454)	(143,399)
Financing costs	(1,258)	(5,649)
Settlement of hedging contracts	—	(4,652)
Distributions to Unitholders	(75,817)	(70,387)
Issuance of units, net of costs	2,895	60,011
Issuance of convertible debentures, net of costs	—	99,673
Purchase of units under normal course issuer bid	(338)	—
	(44,059)	210,453
Investments:		
Acquisition of income-producing properties	(14,597)	(286,591)
Additions to buildings and building improvements	(8,669)	(18,991)
Additions to tenant improvements	(12,043)	(9,581)
Proceeds on sale of land	425	—
	(34,884)	(315,163)
Increase (decrease) in cash and cash equivalents	3,222	(5,126)
Cash and cash equivalents, beginning of year	94,202	99,328
Cash and cash equivalents, end of year	\$ 97,424	\$ 94,202
Supplemental cash flow information:		
Interest paid	\$ 53,921	\$ 46,432
Supplemental disclosure of non-cash operating and financing activities:		
Value of units issued under asset management agreement	1,881	2,731
Value of units issued from conversion of convertible debentures	758	2,330
Financing costs transferred to equity upon conversion of convertible debentures	33	97
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	(12)	(27)
Mortgages assumed on acquisitions	—	18,374

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows

(In thousands of dollars)

Three months ended December 31, 2008 and 2007

(Unaudited)

	2008	2007
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ 5,149	\$ 7,833
Items not involving cash:		
Depreciation of income producing proerties	16,194	19,922
Amortization of leasing commissions and tenant improvements	1,708	1,454
Accretion of convertible debt	270	249
Amortization of acquired recoverable costs	50	296
Future income taxes	(1,380)	(6,000)
	21,991	23,754
Change in non-cash operating items:		
Depreciation of fixtures and equipment	49	—
Amortization of above- and below-market leases	(405)	(701)
Amortization of tenant inducements	37	24
Amortization of recoverable operating costs	1,326	1,619
Amortization of financing costs	374	351
Other	14,573	12,559
Leasing commissions	(443)	(460)
Tenant inducements	-	(200)
Recoverable operating costs	(653)	(3,941)
	36,849	33,005
Financing:		
Mortgage principal repayments	(4,490)	(3,642)
Proceeds of new financing	-	103,000
Repayment of financing	-	(9,212)
Financing costs	(396)	(1,180)
Settlement of hedging contracts	-	(4,652)
Distributions to Unitholders	(18,995)	(18,263)
Issuance of units, net of costs	739	927
Issuance of convertible debentures, net of costs	-	(327)
Purchase of units under normal course issuer bid	(338)	-
	(23,480)	66,651
Investments:		
Acquisition of income-producing properties	(7,523)	(1,385)
Additions to buildings and building improvements	(1,676)	(2,954)
Additions to tenant improvements	(3,404)	(2,928)
	(12,603)	(7,267)
Increase (decrease) in cash and cash equivalents	766	92,389
Cash and cash equivalents, beginning of period	96,658	1,813
Cash and cash equivalents, end of period	\$ 97,424	\$ 94,202
Supplemental cash flow information:		
Interest paid	\$ 13,867	\$ 12,996
Supplemental disclosure of non-cash operating and financing activities:		
Value of units issued under asset management agreement	-	1,133
Value of units issued from conversion of convertible debentures	-	251
Financing costs transferred to equity upon conversion of convertible debentures	-	10
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	-	(2)

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Net income	\$ 5,149	\$ 7,833
Depreciation of income producing properties	16,194	19,922
Amortization of leasing costs	1,708	1,454
Accretion of convertible debentures	270	249
Amortization of acquired recoverable costs	50	296
Future income taxes	<u>(1,380)</u>	<u>(6,000)</u>
Funds from operations	<u>\$ 21,991</u>	<u>\$ 23,754</u>

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)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Revenue	\$71,783	\$69,596
Less: Corporate interest and other income	(472)	(209)
Property operating expenses	(19,853)	(19,144)
Property tax expense	(12,198)	(11,557)
Ground rent	<u>(292)</u>	<u>(418)</u>
Net operating income	<u>\$ 38,968</u>	<u>\$ 38,268</u>