Primaris Retail Real Estate Investment Trust

Primaris Retail REIT Announces Second Quarter Financial Results

TORONTO, ONTARIO--(Marketwire - Aug. 7, 2008) - Primaris Retail REIT (TSX:PMZ.UN) is pleased to report a 17.0% increase in net operating income for the second quarter of 2008, as compared to the second quarter of 2007.

President and CEO, Michael Latimer, commented "We continue to be very pleased with the rate of internal growth represented by 4.7% Same Property net operating income growth in the second quarter. In addition, the recent completion of the Stone Road Mall refinancing has generated $48 million to treasury. Our next significant loan maturity does not occur until 2011."

Highlights

Funds From Operations

- Funds from operations for the second quarter ended June 30, 2008 were $21.3 million or $0.341 per unit fully diluted, down 0.9% on a per unit basis from the $20.2 million, or $0.344 per unit reported for the second quarter of 2007.

Net Operating Income

- Net operating income for the second quarter ended June 30, 2008, was $36.4 million, substantially higher than the $31.1 million recorded in the second quarter of 2007. The large increase was driven principally by acquisitions.

Same Property - Net Operating Income

- Net operating income for the second quarter ended June 30, 2008, on a same property basis, increased 4.7% over the comparative three-month period.

Operations

- The REIT renewed or leased 141,482 square feet of space during the second quarter. The weighted average new rent in these leases, on a cash basis, represented a 9.1% increase over the previous rent paid.

- The portfolio occupancy rate increased during second quarter and was 97.7% at June 30, 2008, compared to 97.3% at March 31, 2008, and up from 96.6% at June 30, 2007.

- Same-tenant sales, for the 13 properties owned during all of the 24 months ended May 31, 2008 increased 3.4% to $474 per square foot as compared to the previous 12 months.

- The second quarter results included seasonal revenues of $2.5 million as compared to $1.7 million recorded in the second quarter of 2007.

- Primaris successfully completed the refinancing of Stone Road Mall on August 1, 2008. The loan was for $110 million, bears interest at 5.49%, and matures in July 2013.

Financial Results

Funds from operations for the three months ended June 30, 2008 was $21.3 million or $0.343 per unit basic ($0.341 fully diluted). This compares to funds from operations of $20.2 million or $0.346 per unit basic ($0.344 fully diluted) earned during the three months ended June 30, 2007.

Net income for the three months ended June 30, 2008 was $1.0 million or $0.017 per unit (basic and fully diluted). This compares to a net loss of $43.6 million or $0.745 per unit (basic and fully diluted) earned during the three months ended June 30, 2007.

The REIT acquired six properties at various times during 2007. These properties contributed significantly to operations throughout the three months June 30, 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. In addition the REIT acquired one site in the first quarter of 2008 which contributed to operations for the three months ended June 30, 2008.

The distribution payout ratio for the second quarter of 2008, expressed on a per unit basis as distributions paid divided by fully diluted funds from operations was 89.3% as compared to a 85.7% payout ratio for the second quarter of 2007.

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

At June 30, 2008, the REIT's total enterprise value was approximately $2.1 billion (based on the market closing price of Primaris' units on June 30, 2008, plus total debt outstanding). At June 30, 2008 the REIT had $947.6 million of outstanding debt equating to a debt to total enterprise value ratio of 45.4%.

The REIT's debt consisted of $852.8 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 8.0 years, $6.0 million of 6.75% fixed-rate convertible debentures and $88.8 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 47.9%. During the three months ended June 30, 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 June 30, 2008	Three Months Ended June 30, 2007	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$ 56,178	$ 54,101	$ 2,077
Operating expenses	23,841	23,202	(639)
Net operating income	$ 32,337	$ 30,899	$ 1,438

The same property comparison includes only 20 properties that were owned throughout both the current and comparative three-month periods. Net operating income, on a same property basis, increased $1,438, or 4.7%, over the comparative three-month period.

Tenant sales

Tenant sales per square foot, on a same-tenant basis, have increased 3.4% to $474 in the 12 months ended May 31, 2008. Total tenant volume has increased by 6.1% when comparing sales for the same properties.

	Same-Tenant Sales per Square Foot 2008	2007	Variance $	%
Aberdeen Mall	$ 466	$ 452	$ 14	3.1%
Cornwall Centre	503	466	37	7.9%
Dufferin Mall	536	538	(2)	(0.3%)
Eglinton Square	415	423	(8)	(1.9%)
Grant Park Shopping Centre	365	365	(1)	(0.2%)

Lambton Mall	371	378	(8)	(2.0%)
Midtown Plaza	594	521	72	13.9%
Northland Village	449	444	5	1.0%
Orchard Park Shopping Centre	586	574	11	1.9%
Park Place Shopping Centre	513	482	31	6.4%
Place Fleur de Lys	322	319	3	0.9%
Place du Royaume	399	379	20	5.3%
Stone Road Mall	544	560	(16)	(2.8%)
	$ 474	$ 459	$ 15	3.4%

	All-Tenant Total Sales Volume		Variance	
	2008	2007	$	%
Aberdeen Mall	$ 52,944,620	$ 54,963,478	$ (2,018,858)	(3.7%)
Cornwall Centre	74,640,555	69,077,096	5,563,459	8.1%
Dufferin Mall	89,607,782	87,062,053	2,545,729	2.9%
Eglinton Square	39,471,462	40,390,708	(919,246)	(2.3%)
Grant Park Shopping Centre	29,746,317	27,571,139	2,175,178	7.9%
Lambton Mall	53,798,205	55,488,099	(1,689,894)	(3.0%)
Midtown Plaza	130,451,353	113,399,701	17,051,652	15.0%
Northland Village	46,875,146	42,894,458	3,980,688	9.3%
Orchard Park Shopping Centre	150,883,999	138,168,984	12,715,016	9.2%
Park Place Shopping Centre	81,810,634	75,363,204	6,447,430	8.6%
Place Fleur de Lys	72,563,239	72,130,377	432,862	0.6%
Place du Royaume	103,283,243	97,705,888	5,577,355	5.7%
Stone Road Mall	117,827,237	109,497,944	8,329,293	7.6%
	$ 1,043,903,793	$ 983,713,130	$ 60,190,663	6.1%

Note: Tenant sales are reported on a one-month time lag during interim quarters; therefore, Q2 2008 is the 12 months to May 2008.

The REIT's increase in sales per square foot of 3.4% is favourable compared to the 3.0% national average tenant sales increase for the same period, as reported by the International Council of Shopping Centres for the 12 months ended May 31, 2008. The REIT's sales productivity of $474 is lower than the ICSC average of $555, 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 second quarter of 2008 at 97.7%, versus 97.3% at March 31, 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 141,482 square feet of space during the second quarter of 2008. This represented 86 leases of generally smaller stores. Approximately

58% of the leased spaces during the second quarter of 2008 consisted of the renewal of existing tenants. The weighted average new rent for renewals of existing tenants in the second quarter, on a cash basis, represented a 9.1% increase over the previous cash rent.

Refinancing

Primaris successfully completed the refinancing of Stone Road Mall on August 1, 2008, generating a net $47,690 to treasury. The new loan is in the amount of $110 million, matures in July 2013 and bears interest at 5.49%. Proceeds were used to repay the existing loan in the amount of $62,310, and for general trust purposes. Monthly payments will be blended payments of principal and interest, based on a 25-year amortization period.

Development Activity

Work on the development project at Place du Royaume is well underway and progressing on time and on budget.

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. Leases are in place for 100% of the leaseable area of this first phase of the project. At June 30th 71,348 square feet of the new space in phase one was open for business. The second phase of the project is to reconstruct some existing space for use by other retailers. As part of this new circulation plan a small part of existing common area will be backfilled by retail use. The total budgeted cost of both phases of this project is approximately $14,000. As at June 30, 2008, $7,744 has been incurred and capitalized. The REIT expects that the backfill of existing common area will be completed in the fourth quarter of 2008. The project is anticipated to generate a positive return.

Comparison to Prior Period Financial Results

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Variance to Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 39,379	$ 33,606	$ 5,773
Recoveries from tenants	22,408	18,802	3,606
Percentage rent	649	510	139
Parking	1,555	1,356	199
Interest and other income	727	1,135	(408)
	$ 64,718	$ 55,409	$ 9,309
Expenses			
Operating	27,484	23,067	(4,417)
Interest	14,032	10,164	(3,868)
Depreciation and amortization	18,864	18,719	(145)
Ground rent	264	295	31
	$ 60,644	$ 52,245	$ (8,399)
Income from operations	4,074	3,164	910
General and administrative	(2,017)	(1,801)	(216)
Gain on sale of land	298	-	298
Future income taxes	(1,320)	(45,000)	43,680
Net income (loss)	$ 1,035	$ (43,637)	$ 44,672
Depreciation of income-producing properties	17,486	17,773	(287)
Amortization of leasing costs	1,378	946	432
Amortization of acquired deferred recoverable costs	145	166	(21)
Accretion of convertible debentures	247	(4)	251
Gain on sale of land	(298)	-	(298)
Future income taxes	1,320	45,000	(43,680)
Funds from operations	$ 21,313	$ 20,244	$ 1,069
Funds from operations per unit - basic	$ 0.343	$ 0.346	$ (0.003)
Funds from operations per unit - diluted	$ 0.341	$ 0.344	$ (0.003)
Funds from operations - payout ratio	89.3%	85.7%	3.6%
Distributions per unit	$ 0.305	$ 0.295	$ 0.010
Weighted average units outstanding - basic	62,103,730	58,540,282	3,563,448
Weighted average units outstanding - diluted	67,064,978	59,205,786	7,859,192
Units outstanding, end of period	62,179,175	58,590,888	3,588,287

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 June 30, 2008 was $1.1 million ($0.003 less per unit, fully diluted) greater than the comparative period.

Management Resources Committee

The board of trustees of Primaris has recently formed a Management Resources Committee to be chaired by G.T. (Tom) Gunn. Mr. Gunn is joined on the committee by three other independent trustees, Bill Biggar, Roland Cardy, and Ian Collier. The committee will assist the board of trustees in its oversight role with respect to human resource strategies, policies and programs and certain information technology matters.

Supplemental Information

The REIT's unaudited interim consolidated financial statements and Management's Discussion and Analysis for the three-month and six-month periods ended June 30, 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, 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 Thursday, August 7 at 4pm 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 Thursday, August 14, 2008. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 3265921#.

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 July 31, 2008, the REIT had 62,203,259 units issued and outstanding.

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

	June 30, 2008	December 31, 2007
	(Unaudited)	
Assets		
Income-producing properties	$ 1,448,364	$ 1,471,637
Deferred costs	52,526	46,242
Rents receivable	6,917	6,366
Other assets and receivables	34,449	24,588
Cash and cash equivalents	59,544	94,202
	$ 1,601,800	$ 1,643,035
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 852,850	$ 861,623
Convertible debentures	94,786	94,543
Accounts payable and other liabilities	46,030	49,678
Distribution payable	6,325	6,299
Future income taxes	41,470	40,000
	1,041,461	1,052,143
Unitholders' equity	560,339	590,892
	$ 1,601,800	$ 1,643,035

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, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue:				
Minimum rent	$ 39,379	$ 33,606	$ 78,950	$ 66,699
Recoveries from tenants	22,408	18,802	46,197	38,360
Percentage rent	649	510	1,361	1,235
Parking	1,555	1,356	3,119	2,760
Interest and other	727	1,135	1,813	2,667
	64,718	55,409	131,440	111,721
Expenses:				
Property operating	15,423	12,502	31,855	26,290
Property taxes	12,061	10,565	24,272	20,840
Depreciation	17,486	17,773	35,491	33,120
Amortization	1,378	946	2,503	1,920
Interest	14,032	10,164	28,214	20,289
Ground rent	264	295	617	585
General and administrative	2,017	1,801	3,925	3,584
	62,661	54,046	126,877	106,628
Income before income taxes	2,057	1,363	4,563	5,093
Gain on sale of land	298	-	298	-
Future income taxes	1,320	45,000	1,470	45,000
Net income (loss)	$ 1,035	$ (43,637)	$ 3,391	$ (39,907)
Basic and diluted net income (loss) per unit	$ 0.017	$ (0.745)	$ 0.055	$ (0.683)

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST
Interim Consolidated Statements of Cash Flows
(In thousands of dollars)
Unaudited

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Cash provided by (used in):				
Operations:				
Net income (loss)	$ 1,035	$ (43,637)	$ 3,391	$ (39,907)
Items not involving cash:				
Depreciation	17,486	17,773	35,491	33,120
Amortization of deferred leasing commissions and tenant improvements	1,378	946	2,503	1,920
Accretion of convertible debt liability	247	(4)	496	11
Amortization of acquired deferred recoverable operating costs	145	166	291	334
Future income taxes	1,320	45,000	1,470	45,000
Gain on sale of land	(298)	-	(298)	-
	21,313	20,244	43,344	40,478
Change in non-cash operating items:				
Amortization of above- and below-market leases	(417)	(226)	(891)	(422)
Deferred leasing commissions	(395)	(481)	(594)	(752)
Tenant inducements	(282)	(221)	(282)	(1,241)
Amortization of tenant inducements	28	54	55	82
Deferred recoverable operating costs	(1,748)	(836)	(3,126)	(1,086)
Amortization of deferred recoverable operating costs	666	514	1,336	999
Amortization of financing costs	356	155	678	299
Other non-cash operating items	(5,203)	14,172	(12,000)	404
	14,318	33,375	28,520	38,761
Financing:				
Issuance of units, net of costs	731	682	1,373	1,343
Mortgage principal repayments	(4,283)	(3,464)	(8,368)	(6,870)
Financing costs	(3)	(314)	(38)	(352)
Proceeds of new financing	-	160,000	-	166,000

Repayment of financing	-	-	-	(4,187)
Distributions to unitholders	(18,938)	(17,279)	(37,840)	(34,507)
	(22,493)	139,625	(44,873)	121,427
Investments:				
Acquisition of income-producing properties	(50)	(209,503)	(7,074)	(228,715)
Additions to buildings and building improvements	(2,342)	(5,397)	(5,189)	(7,886)
Additions to tenant improvements	(4,447)	(2,165)	(6,467)	(3,071)
Proceeds from sale of land	425	-	425	-
	(6,414)	(217,065)	(18,305)	(239,672)
Decrease in cash and cash equivalents	(14,589)	(44,065)	34,658	(79,484)
Cash and cash equivalents, beginning of period	74,133	63,909	94,202	99,328
Cash and cash equivalents, end of period	$ 59,544	$ 19,844	$ 59,544	$ 19,844
Supplemental cash flow information:				
Interest paid	$ 14,069	$ 10,949	$ 28,191	$ 21,688
Supplemental disclosure of non-cash operating and financing activities:				
Value of units issued under asset management agreement	1,124	-	1,881	1,598
Value of units issued upon conversion of convertible debentures	355	796	577	1,404
Financing costs transferred to equity upon conversion of convertible debentures	16	15	24	58
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	(3)	(12)	(6)	(18)
Mortgages assumed on acquisition	-	9,324	-	9,324

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Net income/(loss)	$ 1,035	$ (43,637)
Depreciation of income producing properties	17,486	17,773
Amortization of leasing costs	1,378	946
Accretion of convertible debentures	247	(4)
Amortization of acquired deferred recoverable costs	145	166
Gain on sale of land	(298)	-
Future income taxes	1,320	45,000
Funds from operations	$ 21,313	$ 20,244

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Calculation of Net Operating Income
(In thousands of dollars)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Revenue	$64,718	$55,409
Less: Corporate interest and other income	(573)	(947)
Property operating expenses	(15,423)	(12,502)
Property tax expense	(12,061)	(10,565)
Ground rent	(264)	(295)
Net operating income	$ 36,397	$ 31,100

For more information, please contact
Primaris Retail REIT
R. Michael Latimer
Chief Executive Officer
(416) 865-5353

or

Primaris Retail REIT
Louis M. Forbes
Senior Vice President, Chief Financial Officer
(416) 865-5360