Primaris

PRIMARIS RETAIL REIT Announces Fourth Quarter and Annual Financial Results

Toronto (Ontario) March 5, 2008 - Primaris Retail REIT (TSX:PMZ.UN) is pleased to report a 22.6% increase in net operating income for the fourth quarter of 2007, as compared to the fourth quarter of 2006.

President and CEO, Michael Latimer, commented “We continue to be very pleased with the rate of internal growth represented by the 6.3% Same Property net operating income growth number in the fourth quarter. This was driven, in part, by our successful redevelopment projects, two of which were completed this year. In addition, we closed two long term mortgage financings this quarter, raising $153 million dollars secured by assets acquired earlier in the year. This continues our plan to add liquidity to our balance sheet.”

Highlights

Funds From Operations

- Funds from operations for the fourth quarter ended December 31, 2007 was $23.8 million or $0.379 per unit fully diluted, up 1.6% on a per unit basis from the $19.7 million, or $0.373 per unit reported for the fourth quarter of 2006.
- Funds from operations for the year ended December 31, 2007 was $85.3 million or $1.417 per unit fully diluted, up 2.5% on a per unit basis from the $71.6 million, or $1.382 reported for 2006.

Net Operating Income

- Net operating income for the fourth quarter ended December 31, 2007, was $38.3 million, substantially higher than the $31.2 million recorded in the fourth quarter of 2006. The large increase was driven principally by acquisitions.
- Net operating income for the year ended December 31, 2007, was $135.7 million, substantially higher than the $112.2 million recorded in 2006. The large increase was again driven principally by acquisitions.

Same Property – Net Operating Income

- Net operating income for the fourth quarter ended December 31, 2007, on a same property basis, increased 6.3% over the comparative three-month period. Excluding the net positive effect in 2007 of developments and lease termination fees, the increase in same-property NOI would have been 3.2%.

- Net operating income for the year ended December 31, 2007, on a same property basis, increased 7.5% over 2006. Excluding the net positive effect in 2007 of developments and the net positive effect in 2006 of lease termination fees, the increase in same-property NOI would have been 4.0%.

<u>Operations</u>

- The REIT renewed or leased 398,092 square feet of space during the fourth quarter, which included 143,211 square feet related to an anchor tenant. The weighted average new rent in these leases, on a cash basis, represented a 2.2% increase over the previous rent paid (2.6% excluding the anchor tenant). The REIT renewed or leased 1,026,905 square feet of space during 2007. The weighted average new rent in these leases, on a cash basis, represented an 8.7% increase over the previous rent paid (9.0% excluding the anchor tenant).

- Overall occupancy was 97.4% at December 31, 2007 as compared to 97.2% at December 31, 2006. The occupancy rate has increased from December 31, 2006 across the portfolio, particularly in Western Canada.

- Same-tenant sales, for the 13 properties owned during all of the 24 months ended December 31, 2007 increased 4.0% to $463 per square foot as compared to the previous 12 months.

- The fourth quarter results included seasonal revenues of $4.1 million as compared to $3.1 million recorded in the fourth quarter of 2006.

Financial Results

Funds from operations for the three months ended December 31, 2007 was $23.8 million or $0.384 per unit basic ($0.379 fully diluted). This compares to funds from operations of $19.7 million or $0.376 per unit basic ($0.373 fully diluted) earned during the three months ended December 31, 2006.

Funds from operations for the year ended December 31, 2007 was $85.3 million or $1.426 per unit basic ($1.417 fully diluted). This compares to funds from operations of $71.6 million or $1.393 per unit basic ($1.382 fully diluted) earned during 2006.

Net income for the three months ended December 31, 2007 was $7.8 million or $0.127 per unit (basic and fully diluted). This compares to net income of $4.2 million or $0.08 per unit (basic and fully diluted) earned during the three months ended December 31, 2006. The change in net income reflects the positive impact of acquisitions and operations and recovery of future taxes, offset by the negative impact of accounting policies requiring accelerated depreciation of acquired assets.

Net loss for the year ended December 31, 2007 was $30.7 million or $0.513 per unit (basic and fully diluted). This compares to net income of $12.3 million or $0.239 per unit (basic and fully diluted) earned during the 2006. 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 and the year ended December 31, 2007. 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 five properties in 2006.

The distribution payout ratio for the fourth quarter of 2007, expressed on a per unit basis as distributions paid divided by fully diluted funds from operations was 78.7% as compared to a 77.1% payout ratio for the fourth quarter of 2006.

The distribution payout ratio for 2007 was 83.5% as compared to an 82.7% payout ratio for 2006.

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

At December 31, 2007, the REIT's total enterprise value was approximately $2.09 billion (based on the market closing price of Primaris' units on December 31, 2007, plus total debt outstanding). At December 31, 2007 the REIT had $956.1 million of outstanding debt equating to a debt to total enterprise value ratio of 45.8%. The REIT's debt consisted of $861.6 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 8.5 years, $6.5 million of 6.75% fixed-rate convertible debentures and $88.0 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 47.6%. During the three months and the year ended December 31, 2007, the REIT had an interest coverage ratio of 2.8 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, 2007	Three Months Ended December 31, 2006	Variance to Comparative Period Favourable/ (Unfavourable)
Operating revenue	$ 58,790	$ 54,219	$ 4,571
Operating expenses	25,804	23,190	(2,614)
Net operating income	$ 32,986	$ 31,029	$ 1,957

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 $1,957, or 6.3%, over the comparative three-month period.

Net operating income, on a same property basis, would have increased 3.2% if the results from the properties that were under development in 2006 and the net positive impact of lease termination fees were excluded.

Tenant sales

Tenant sales per square foot, on a same-tenant basis, have increased 4.0% to $463 in the 12 months ended December 31, 2007. Total tenant volume has increased by 7.6% when comparing sales for the same properties.

	Same-Tenant Sales per Square Foot		Variance		All-Tenant Total Sales Volume		Variance	
	2007	2006	$	%	2007	2006	$	%
Aberdeen Mall	$ 456	$ 448	$ 8	1.9%	$ 53,542,769	$ 54,929,467	$ (1,386,698)	(2.5%)
Cornwall Centre	489	456	34	7.4%	73,189,801	67,530,113	5,659,688	8.4%
Dufferin Mall	524	512	12	2.3%	88,785,763	85,421,082	3,364,681	3.9%
Eglinton Square	408	410	(2)	(0.5%)	39,666,105	40,280,705	(614,600)	(1.5%)
Grant Park Shopping Centre	366	361	5	1.3%	29,459,289	26,066,944	3,392,345	13.0%
Lambton Mall	372	371	2	0.4%	54,407,487	54,785,793	(378,306)	(0.7%)
Midtown Plaza	571	504	67	13.3%	124,307,808	107,925,609	16,382,199	15.2%
Northland Village	455	439	16	3.6%	46,248,516	41,089,015	5,159,501	12.6%
Orchard Park Shopping Centre	578	558	20	3.5%	148,406,537	131,427,763	16,978,774	12.9%
Park Place Shopping Centre	488	462	26	5.6%	80,196,144	72,904,796	7,291,348	10.0%
Place Fleur de Lys	300	298	3	0.9%	69,845,123	67,639,611	2,205,512	3.3%
Place du Royaume	392	375	17	4.6%	100,680,747	95,497,069	5,183,678	5.4%
Stone Road Mall	524	530	(5)	(1.0%)	115,086,146	106,037,539	9,048,607	8.5%
	$ 463	$ 445	$ 18	4.0%	$ 1,023,822,235	$ 951,535,507	$ 72,286,729	7.6%

The REIT's increase in sales per square foot of 4.0% 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 December 31, 2007. The REIT’s sales productivity of $463 is lower than the ICSC average of $547, 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 year to 97.4% at December 31, 2007, versus 97.2% at December 31, 2006. This increase is the result of the higher occupancies across the portfolio, particularly in Western Canada. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

The REIT leased 398,092 square feet of space during the fourth quarter of 2007. This represented 89 leases of generally smaller stores and the renewal of one anchor store of 143,211 square feet. Approximately 70% of the leased spaces during the fourth quarter of 2007 consisted of the renewal of existing tenants (54% excluding the anchor store). The weighted average new rent for renewals of existing tenants in the fourth quarter, on a cash basis, represented a 2.2% increase over the previous cash rent (2.6% excluding the anchor store).

The REIT leased 1,026,905 square feet of space during the year. This represented 317 leases for the year of generally smaller stores and the renewal of one anchor store of 143, 211 square feet. Approximately 59% of the leased spaces for the year was the renewal of existing tenants (52% excluding the anchor store) The weighted average new rent for renewals of existing tenants in the year, on a cash basis, represented an 8.7% increase over the previous cash rent (9.0% excluding the anchor store).

Development Activity

The REIT launched two new redevelopment projects in 2007 at Midtown Plaza and Place du Royaume. The project at Orchard Park Shopping Centre that commenced in 2006 as well as the Midtown Plaza project were both completed in 2007. Work on the remaining projects at Stone Road Mall, Dufferin Mall and Place du Royaume are all well underway and are 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 on June 6, 2007. Demolition of the interior of the store has been completed and the construction is underway. The plan is to reconstruct the existing space for use by other retailers. Conditional offers to lease are in place for approximately 63,030 square feet, or 86%, of the leaseable area of the project. The common area of the mall will be extended through the former department store and reconnect with the mall on the other side of the store, thereby improving customer circulation throughout the mall. As part of this new circulation plan a small part of existing common area will be backfilled by retail use. The budgeted cost of this project is approximately $14 million. To date $4.3 million has been incurred and capitalized. The REIT expects there will be 12 months of downtime in the former department store space and that there will then be 7 months of downtime while the backfill of existing common area occurs. The project is anticipated to generate a positive incremental return.

In early April 2007 the REIT demolished a 25,000 square foot single-storey office building that formed part of Midtown Plaza in Saskatoon. The previous tenant paid rent until March 31 and then vacated the premises. A new paid-parking lot opened in its place in mid July 2007. This $4.8 million redevelopment also includes the renovation of the existing food court, new washrooms for the food court and the conversion of a former theatre space to retail use. The conversion of the former theatre space and the renovation of the food court were concluded on time in October 2007. To date $4.0 million has been incurred and capitalized. The redevelopment is projected to have a positive financial impact on the property.

During 2006, the REIT commenced a $33.0 million redevelopment of Stone Road Mall. As at December 31, 2007, the second of two phases was well underway and $28.1 million has been incurred and capitalized. The first phase of the redevelopment included the re-demise of the former Zellers store, the conversion of a theatre space to retail use and the addition of a new food court. The second phase is an interior renovation of the remaining portion of the property, which commenced in April 2007. The re-demise of the Zellers store and the relocation of the food court were completed on time and on budget and the renovated areas opened to the public in November 2006. The former food court has been converted into retail space and tenants are in-place and operating. Management anticipates these enhancements will have a positive effect on profitability of the property. Leasing on the redevelopment is complete.

In early 2006, the REIT commenced a $23.0 million redevelopment at Orchard Park Shopping Centre. As at December 31, 2007, $19.2 million has been incurred and capitalized. This redevelopment included an expansion and the re-demise of the former Wal-Mart store, which resulted in 60,000 square feet of in-line tenant space and a 42,000 square foot SportChek store. The redevelopment was completed on time and under budget. The majority of the stores in the expansion area opened in the third quarter of 2007, and the project was fully leased by the end of 2007. Management expects the positive impact of this project will continue to materialize through the first quarter of 2008. Leasing on the redevelopment is complete.

The REIT commenced an $11.0 million capital program at Dufferin Mall in the third quarter of 2006. The first phase of work included interior flooring, ceilings, lighting, washrooms and improved communications and electrical distribution. As at December 31, 2007, $9.4 million has been incurred and capitalized. The remaining phase is a refurbishment of the exterior of the property, including landscaping and refurbished entrances, which commenced in April 2007 and expected to be complete in the spring of 2008.

Financing Activity

Acquisitions during the year included the purchase of two properties for $232,700. These purchases were initially funded by a combination of cash and the use of both an interim credit facility and draws on the revolving credit facility. During the fourth quarter of 2007 the REIT placed secured debt on each property. A mortgage of $32,000 was placed against Heritage Place at a rate of 6.09% with a 15 year term. The other mortgage, in the amount of $121,000, secured by Place d'Orleans has a 10 year term, a face rate of 5.31% and an effective rate of 5.74%. There is a difference between the face and effective rates as a result of hedging activities undertaken by the REIT earlier in 2007 to fix the rate on the anticipated financing.

Comparison to Prior Period Financial Results

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Variance to Comparative Period Favourable / (Unfavourable)
Revenue			
Minimum rent	$ 40,942	$ 33,528	$ 7,414
Recoveries from tenants	25,252	18,644	6,608
Percentage rent	1,081	654	427
Parking	1,755	1,618	137
Interest and other income	566	407	159
	$ 69,596	$ 54,851	$ 14,745
Expenses			
Operating	30,701	23,048	(7,653)
Interest	12,935	10,151	(2,784)
Depreciation and amortization	21,376	15,361	(6,015)
Ground rent	418	320	(98)
	$ 65,430	$ 48,880	$ (16,550)
Income from operations	4,166	5,971	(1,805)
General and administrative	2,333	1,789	(544)
Future income taxes	(6,000)	-	6,000
Net income	$ 7,833	$ 4,182	$ 3,651
Depreciation of income-producing properties	19,922	14,779	5,143
Amortization of leasing costs	1,454	582	872
Amortization of acquired deferred recoverable costs	296	193	103
Accretion of convertible debentures	249	(5)	254
Future income taxes	(6,000)	-	(6,000)
Funds from operations [1]	$ 23,754	$ 19,731	$ 4,023
Funds from operations per unit - basic [1]	$ 0.384	$ 0.376	$ 0.008
Funds from operations per unit - fully diluted [1]	$ 0.379	$ 0.373	$ 0.006
Funds from operations - payout ratio [1]	78.7%	77.1%	1.6%
Distributions per unit	$ 0.298	$ 0.288	$ 0.010
Weighted average units outstanding - basic	61,883,305	52,480,652	9,402,653
Weighted average units outstanding - fully diluted	66,890,934	53,292,044	13,598,890
Units outstanding, end of period	61,937,650	58,323,578	3,614,072

Notes:

(1) 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, 2007 was $4.0 million ($0.006 more per unit, fully diluted) greater than the comparative period.

Management Contracts

On January 15, 2008 the REIT announced the extension of its two external management contracts by an additional 18 months. Details of the extension and amended terms are contained in that release.

Supplemental Information

The REIT's consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2007 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 Friday, March 7 at 8.30am 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: 416-641-6114 (within Toronto), and 1-866-226-1798 (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 March 14, 2008. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 3248373#.

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 29, 2008, the REIT had 61,970,884 units issued and outstanding.

INFORMATION:

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(In thousands of dollars)

December 31, 2007 and 2006

	2007	2006
Assets		
Income-producing properties	$1,471,637	$1,220,618
Deferred costs	46,242	37,432
Rents receivable	6,366	5,115
Other assets and receivables	24,588	39,700
Cash and cash equivalents	94,202	99,328
	$1,643,035	$1,402,193
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 861,623	$ 718,119
Convertible debentures	94,543	8,955
Accounts payable and other liabilities	49,678	47,680
Distribution payable	6,299	5,739
Future income taxes	40,000	–
	1,052,143	780,493
Unitholders' equity	590,892	621,700
	$1,643,035	$1,402,193

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended December 31, 2007	Three months ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2006
	(Unaudited)			
Revenue:				
Minimum rent	$ 40,942	$ 33,528	$ 145,745	$ 122,128
Recoveries from tenants	25,252	18,644	85,089	68,144
Percentage rent	1,081	654	2,948	2,056
Parking	1,755	1,618	5,771	5,101
Interest and other	566	407	3,592	3,027
	69,596	54,851	243,145	200,456
Expenses:				
Property operating	19,144	14,071	59,667	49,639
Property taxes	11,557	8,977	43,770	35,495
Depreciation	19,922	14,779	71,328	56,021
Amortization	1,454	582	4,294	1,896
Interest	12,935	10,151	46,118	37,469
Ground rent	418	320	1,301	1,223
General and administrative	2,333	1,789	8,222	6,413
	67,763	50,669	234,700	188,156
Income before income taxes	1,833	4,182	8,445	12,300
Future income taxes	(6,000)	–	39,100	–
Net income/(loss)	$ 7,833	$ 4,182	$ (30,655)	$ 12,300
Basic and fully-diluted net income/(loss) per unit	$ 0.127	$ 0.080	$ (0.513)	$ 0.239

Primaris Retail Real Estate Investment Trust

Consolidated Statements of Cash Flows
(In thousands of dollars)

Three months ended December 31, 2007 and 2006

	2007	2006
		(unaudited)
Cash provided by (used in):		
Operations:		
Net income	$ 7,833	$ 4,182
Items not involving cash:		
Depreciation	19,922	14,779
Amortization of deferred leasing commissions and tenant improvements	1,454	582
Accretion of convertible debt	249	(5)
Amortization of acquired deferred recoverable costs	296	193
Future income taxes	(6,000)	–
	23,754	19,731
Change in non-cash operating items:		
Amortization of above- and below-market leases	(701)	(244)
Deferred leasing commissions	(460)	4,709
Tenant inducements	(200)	–
Amortization of tenant inducements	24	–
Deferred recoverable operating costs	(3,941)	(2,661)
Amortization of deferred recoverable operating costs	1619	688
Amortization of deferred financing costs	351	400
Other non-cash operating items	9,621	5,251
	30,067	30,874
Financing:		
Mortgage principal repayments	(3,642)	89,676
Proceeds of new financing	103,000	1,524
Repayment of financing	(9,212)	(94,639)
Settlement of hedging contracts	(1,714)	–
Distributions to unitholders	(18,263)	(14,720)
Deferred financing costs	(1,180)	(311)
Bank indebtedness	-	(57)
Issuance of units, net of costs	600	106,003
	69,589	87,476
Investments:		
Acquisition of income-producing properties	(1,385)	(234)
Additions to buildings and building improvements	(2,954)	(4,624)
Additions to tenant improvements	(2,928)	(14,164)
	(7,267)	(19,022)
(Decrease) increase in cash and cash equivalents	92,389	99,328
Cash and cash equivalents, beginning of year	1,813	-
Cash and cash equivalents, end of year	$ 94,202	$ 99,328

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006
Net income	$ 7,833	$ 4,182
Depreciation of income producing properties	19,922	14,779
Amortization of acquired deferred recoverable costs	296	193
Amortization of leasing costs	1,454	582
Accretion of convertible debentures	249	(5)
Future income taxes	(6,000)	-
Funds from operations	$ 23,754	$ 19,731

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, 2007	Three Months Ended December 31, 2006
Revenue	$69,596	$54,851
Less: Corporate interest and other income	(209)	(275)
Property operating expenses	(19,144)	(14,071)
Property tax expense	(11,557)	(8,977)
Ground rent	(418)	(320)
Net operating income	$ 38,268	$ 31,208