Primaris

PRIMARIS RETAIL REIT Announces Third Quarter Financial Results

Toronto (Ontario) November 1, 2007 - Primaris Retail REIT (TSX:PMZ.UN) is pleased to report a 1.8% increase in funds from operations per unit for the third quarter of 2007, as compared to the third quarter of 2006.

President and CEO, Michael Latimer, commented “this quarter was very productive for Primaris. The growth in same property net operating income highlights the success of our redevelopment projects, and we expect the contribution from these redevelopments to grow as planned over the next few quarters. In addition, the REIT has had a very active acquisition pipeline as we continue to build a meaningful retail platform in Canada.”

Highlights

Funds From Operations

- Funds from operations for the third quarter ended September 30, 2007 was $21.1 million or $0.347 per unit fully diluted, up 1.8% on a per unit basis from the $17.6 million, or $0.341 reported for the third quarter of 2006.
- Results in the third quarter of 2007 were negatively affected by the expensing of $445 of purchase investigation costs for transactions not completed. There was no similar charge in the comparable 2006 quarter.

Net Operating Income

- Net operating income for the third quarter ended September 30, 2007 was $35.7 million, substantially higher than the $28.2 million recorded in the third quarter of 2006. The large increase was driven by acquisitions and by improved results from assets owned during both periods.

Same Property – Net Operating Income

- Net operating income for the third quarter ended September 30, 2007, on a same property basis, increased 9.0% over the comparative three-month period. Excluding the positive contribution in 2007 of the redevelopments at three properties, the increase in same-property NOI would have been 3.5%.

Operations

- The REIT renewed or leased 280,656 square feet of space during the third quarter. The weighted average new rent in these leases, on a cash basis, represented a 10.6% increase over the previous rent paid.

- Overall occupancy was 97.0% at September 30, 2007 as compared to 97.2% at September 30, 2006 and 96.6% at June 30, 2007. The occupancy rate has increased slightly from June 30, 2007 due to higher occupancy rates throughout the portfolio, most notably in Western Canada.
- Same-tenant sales, for the 11 reporting properties owned during all of the 24 months ended August 31, 2007 increased 4.8% to $467 per square foot as compared to the previous 12 months. This absolute level of tenants' sales productivity has changed this period because the "same property" sample size has increased to 11 assets from the nine assets reported in previous quarters.
- The third quarter results include seasonal revenues of $2.1 million, an increase over the $1.9 million recorded in the third quarter of 2006.

Financial Results

Funds from operations for the three months ended September 30, 2007 was $21.1 million, or $0.349 per unit basic ($0.347 fully diluted). This compares to funds from operations of $17.6 million or $0.344 per unit basic ($0.341 fully diluted) earned during the three months ended September 30, 2006.

Net income for the three months ended September 30, 2007 was $1.4 million or $0.02 per unit (basic and fully diluted). This compares to net income of $2.3 million or $0.04 per unit (basic and fully diluted) earned during the three months ended September 30, 2006. The change in net income reflects the positive impact of acquisitions and operations, offset by the negative impact of accounting policies requiring the accelerated depreciation of acquired assets.

The REIT acquired six properties during the first three quarters of 2007. In addition, the REIT increased its ownership interest in one of its properties during the fourth quarter of 2006. These seven assets and the related debt and equity financings explain a significant amount of the difference between the results for the current period and the comparative period. These acquisitions contributed to the financial results in 2007, but made no contribution to results for the comparative period.

The distribution payout ratio for the third quarter of 2007, expressed on a per unit basis as distributions paid divided by fully diluted funds from operations was, 85.0%, as compared to an 83.5% payout ratio for the third quarter of 2006.

At September 30, 2007, the REIT's total enterprise value was approximately $2.0 billion (based on the market closing price of Primaris' units on September 30, 2007, plus total debt outstanding). At September 30, 2007 the REIT had $856.7 million of outstanding debt equating to a debt to total enterprise value ratio of 42.8%. The REIT's debt consisted of $712.7 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 8.1 years, $87.8 million of 5.85% fixed rate convertible debentures, $6.7 million of 6.75% fixed-rate convertible debentures and a $50.0 million draw on the REIT's operating facility. The REIT had a debt to gross book value ratio, as defined under the Declaration of Trust, of 44.8%. During the three months ended September 30, 2007, the REIT had an interest coverage ratio of 2.6 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 September 30, 2007	Three Months Ended September 30, 2006	Variance to Comparative Period Favourable / (Unfavourable)
Operating revenue	$ 53,244	$ 49,419	$ 3,825
Operating expenses	22,506	21,231	(1,275)
Net operating income	$ 30,738	$ 28,188	$ 2,550

The same property comparison includes the 20 properties that were owned throughout both the current and comparative three-month periods. Net operating income, on a same property basis, increased $2,550, or 9.0%, over the comparative three-month period.

Excluding three assets that have undergone redevelopment activity, net operating income, on a same property basis, would have increased 3.5%.

Tenant sales

Tenant sales per square foot, on a same-tenant basis, have increased 4.8% to $467 in the 12 months ended August 31, 2007. Total tenant volume has increased by 8.7% when comparing sales for the same properties.

	Same-Tenant Sales per Square Foot 2007	Same-Tenant Sales per Square Foot 2006	Variance $	Variance %	All-Tenant Total Sales Volume 2007	All-Tenant Total Sales Volume 2006	Variance $	Variance %
Aberdeen Mall	$ 438	$ 434	$ 4	0.9%	$ 54,291,809	$ 54,514,367	$ (222,558)	-0.4%
Cornwall Centre	472	443	29	6.6%	70,424,092	65,900,110	4,523,982	6.9%
Dufferin Mall	554	532	22	4.2%	88,155,084	85,394,525	2,760,559	3.2%
Grant Park	384	375	9	2.3%	28,384,688	25,932,857	2,451,831	9.5%
Midtown Plaza	545	494	50	10.2%	117,033,138	104,194,590	12,838,548	12.3%
Northland Village	447	418	29	7.0%	44,369,601	39,353,729	5,015,872	12.7%
Orchard Park	563	541	22	4.1%	143,560,265	124,753,773	18,806,492	15.1%
Park Place Mall	479	454	25	5.6%	77,398,012	70,063,300	7,334,712	10.5%
Place Fleur de Lys	315	302	13	4.4%	70,713,950	65,957,250	4,756,700	7.2%
Place du Royaume	385	368	17	4.6%	99,536,304	92,369,509	7,166,795	7.8%
Stone Road Mall	524	522	2	0.4%	112,748,477	105,641,492	7,106,985	6.7%
	$ 467	$ 446	$ 21	4.8%	$ 906,615,420	$ 834,075,502	$ 72,539,918	8.7%

The REIT's increase in sales per square foot of 4.8% is more favourable than the 3.9% national average tenant sales increase for the same period, as reported by the International Council of Shopping Centers for the 12 months ended August 31, 2007. The REIT's sales productivity of $467 is lower than the ICSC average of $552, 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 third quarter to 97.0% at September 30, 2007, compared to the 96.6% at June 30, 2007, and decreased slightly from the 97.2% at September 30, 2006. The small decrease in occupancy year over year is the result of the early termination of an anchor store's lease at Place du Royaume to facilitate a redevelopment project. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

The REIT leased 280,656 square feet of space during the third quarter. This represents 87 leases of generally smaller stores. Approximately 53% of these were renewals of existing tenants with weighted average new rents, on a cash basis, representing a 10.6% increase over the previous rent paid.

Development Activity

The REIT has launched two new redevelopment projects in 2007 and continues the planned execution of three redevelopment projects started in 2006.

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 the Saguenay, Quebec. The store closed on June 6, 2007. Demolition of the interior of the store has been completed and 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 53,300 square feet, or 76%, 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 $3.0 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 commenced during the third quarter of 2007 and should be ready for tenants in the beginning of the fourth quarter of 2007. To date $3.7 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 $30.0 million redevelopment of Stone Road Mall. As at September 30, 2007, the second of two phases was well underway and $22.9 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 98% complete.

In early 2006, the REIT commenced a $23.0 million redevelopment at Orchard Park. As at September 30, 2007, $18.7 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 on budget. The majority of the stores in the expansion area opened in the third quarter of 2007, with the last couple anticipated to be open in fourth quarter of 2007. The majority of the new commercial retail unit spaces and the SportChek store in the re-demised space opened in the beginning of November 2006. Management expects the positive impact of this project will continue to materialize through the first quarter of 2008. Leasing on the redevelopment is currently 99% 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 September 30, 2007, $7.6 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.

Acquisitions

The REIT completed two previously announced acquisitions during August 2007, bringing total acquisition activity for 2007 to $303.7 million including acquisition costs.

Heritage Place, located in Owen Sound, Ontario, is a 310,000 square foot enclosed regional shopping centre with three anchor tenants, Zellers, Sears, Food Basics, and a large tenant SportChek. It was acquired at a cost of $46.6 million, including transaction costs.

Westbank Shopping Centre is 74,000 square feet and is a grocery anchored strip centre. It is located in the retail hub of Westbank, British Columbia. The shopping centre also benefits from adjacent Zellers and Extra Foods shadow anchors. This asset cost $19.3 million including transaction costs.

The REIT had previously announced the potential acquisition of two enclosed malls comprising 675,000 square feet for a purchase price of $137 million. During September the REIT decided not to waive conditions in these purchase agreements and to cease pursuing these two assets.

Financing Activity

During the three months ended September 30 the REIT offered 3.134 million units and $100.0 million convertible unsecured subordinated debentures for sale. This offering was made pursuant to a prospectus and closed on August 13, 2007.

During the second quarter Primaris had arranged and drew on an interim credit facility in the amount of $130 million to fund the purchase of Place d'Orleans in June 2007. This loan was scheduled to mature on October 1, 2007. The loan was repaid in August from the proceeds of the unit and debenture offering. The REIT is arranging permanent financing for this acquisition and expects this new loan to be funded before year end. The funds from this new loan will be used to repay the operating credit facility, to fund capital expenditures, and for general purposes. The REIT entered into an interest rate hedge contract in order to mitigate the risk of volatile bond yields while arranging the permanent financing. The hedge was booked at a rate of 4.43 %. This rate does not include the credit spread that a lender will charge on the permanent loan. The REIT has negotiated a credit spread of 135 basis points on this new loan.

Primaris has entered into a firm commitment to borrow $32 million to be secured by the recently purchased Heritage Place Shopping Centre. There is currently no debt on Heritage Place. This new loan should be funded in early November. The loan will have a 15 year term and bear interest at 6.09%.

Comparison to Prior Period Financial Results

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Variance to Comparative Period Favourable / (Unfavourable)
Revenue			
Miniumum rent	$ 38,104	$ 31,117	$ 6,987
Recoveries from tenants	21,477	16,438	5,039
Percentage rent	632	483	149
Parking	1,256	1,104	152
Interest and other income	359	560	(201)
	$ 61,828	$ 49,702	$ 12,126
Expenses			
Operating	25,606	20,943	(4,663)
Interest	12,894	9,603	(3,291)
Depreciation and amortization	19,206	14,792	(4,414)
Ground rent	298	291	(7)
	$ 58,004	$ 45,629	$ (12,375)
Income from operations	3,824	4,073	(249)
General and administrative	2,305	1,775	(530)
Future income taxes	100	-	(100)
Net income	$ 1,419	$ 2,298	$ (879)
Depreciation of income-producing properties	18,286	14,277	4,009
Amortization of acquired deferred recoverable costs	167	564	(397)
Amortization of leasing costs	920	515	405
Accretion of convertible debentures	164	(8)	172
Future income taxes	100	-	100
Funds from operations [i]	$ 21,056	$ 17,646	$ 3,410
Funds from operations per unit - basic [i]	$ 0.349	$ 0.344	$ 0.005
Funds from operations per unit - fully diluted [i]	$ 0.347	$ 0.341	$ 0.006
Funds from operations - payout ratio [i]	85.0%	83.5%	1.5%
Distributions per unit	$ 0.295	$ 0.285	$ 0.010
Weighted average units outstanding - basic	60,311,541	51,305,745	9,005,796
Weighted average units outstanding - fully diluted	63,272,559	52,274,797	10,997,762
Units outstanding, end of period	61,817,264	51,418,783	10,398,481

Notes:

[i] *Certain 2006 figures have been re-stated*

Management Contracts

A special committee comprised of independent Trustees has been established to review the performance of the Property and Asset Managers and to consider future arrangements for the REIT with respect to property and asset management. Roland Cardy, Chairman of the Board commented "The special committee and the managers continue their discussions. We expect a conclusion before the end of the year".

Supplemental Information

The REIT's consolidated financial statements and Management's Discussion and Analysis for the quarter ended September 30, 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, November 2 at 1:30 pm EDT 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 November 9, 2007. The replay will be accessible by dialing 416-695-5800 or 1-800-408-3053 and using the pass code 3238759#.

Primaris owns 26 income-producing properties comprising approximately 9.3 million square feet located in Canada. As of October 31, 2007, the REIT had 61,836,376 units issued and outstanding.

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(In thousands of dollars)

September 30, 2007 and December 31, 2006

	September 30, 2007	December 31, 2006
	(Unaudited)	
Assets		
Income-producing properties	$ 1,493,020	$ 1,220,618
Deferred costs	42,106	37,432
Rents receivable	5,122	5,115
Other assets and receivables	28,922	39,700
Cash and cash equivalents	1,813	99,328
	$ 1,570,983	$ 1,402,193
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 722,694	$ 718,119
Convertible debentures	94,525	8,955
Bank indebtedness	50,000	-
Accounts payable and other liabilities	48,168	47,680
Distribution payable	6,083	5,739
Future income taxes	45,100	-
	966,570	780,493
Unitholders' equity	604,413	621,700
Commitments and contingencies		
	$ 1,570,983	$ 1,402,193

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

Three and nine months ended September 30, 2007 and 2006

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
	(Unaudited)		(Unaudited)	
Revenue:				
Minimum rent	$ 38,104	$ 31,117	$ 104,803	$ 88,600
Recoveries from tenants	21,477	16,438	59,837	49,500
Percentage rent	632	483	1,867	1,402
Parking	1,256	1,104	4,016	3,483
Interest and other	359	560	3,026	2,620
	61,828	49,702	173,549	145,605
Expenses:				
Property operating	14,233	12,131	40,523	35,568
Property taxes	11,373	8,812	32,213	26,518
Depreciation	18,286	14,277	51,406	41,242
Amortization	920	515	2,840	1,314
Interest	12,894	9,603	33,183	27,318
Ground rent	298	291	883	903
General and administrative	2,305	1,775	5,889	4,624
	60,309	47,404	166,937	137,487
Income before income taxes	1,519	2,298	6,612	8,118
Future income taxes	100	–	45,100	–
Net income (loss)	$ 1,419	$ 2,298	$ (38,488)	$ 8,118
Basic and fully-diluted net income (loss) per unit	$ 0.02	$ 0.04	$ (0.65)	$ 0.16

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006
Net income	$ 1,419	$ 2,298
Depreciation of income producing properties	18,286	14,277
Amortization of acquired deferred recoverable costs	167	564
Amortization of leasing costs	920	515
Accretion of convertible debentures	164	(8)
Future income taxes	100	-
Funds from operations	$ 21,056	$ 17,646

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, amortization of leasing costs, accretion of convertible debentures and taxes. Funds from Operations may not be comparable to similar measures used by other entities.

Reconciliation of Net Income to Distributable Income
(In thousands of dollars)

Calculation of Net Operating Income
(In thousands of dollars)

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006
Revenue	$61,828	$ 49,702
Less: Corporate interest and other income	(204)	(281)
Property operating expenses	(14,233)	(12,131)
Property tax expense	(11,373)	(8,813)
Ground rent	(298)	(291)
Net operating income	$ 35,719	$ 28,186