Primaris

PRIMARIS RETAIL REIT Announces Strong Fourth Quarter Results, 35% increase in FFO per Unit

Toronto (Ontario) March 9, 2011 – Primaris Retail REIT (TSX:PMZ.UN) is pleased to report positive operating results for the fourth quarter of 2010.

President and CEO, John Morrison, commented "The financial results for the fourth quarter and the year are very positive. These are the result of strong property operating results and acquisitions, as well as cost savings in general and administrative expenses. Our leasing team continues to achieve rent growth on new and renewal activity and tenant demand has improved from a year ago. Properties acquired in late 2009 and in mid 2010 have been smoothly integrated into our management platform and are delivering the expected results. We qualified for the REIT Exemption by January 1 2011. We also recently enhanced our financial resources by obtaining a firm loan commitment for the refinancing of Dufferin Mall. This refinancing should generate a net $73 million dollars to treasury after repaying the existing debt. The new loan will bear interest at 5.01% and will have a term of ten years."

Highlights

Funds from Operations

- Funds from operations for the fourth quarter ended December 31, 2010 were $30.1 million, up $10.5 million from the $19.6 million reported for the fourth quarter of 2009. On a per unit diluted basis, funds from operations for the fourth quarter of 2010 were $0.419, up $0.109 or 35% from the $0.310 reported for the fourth quarter of 2009. The principal reasons for the improved financial results are 1) a decrease in general and administrative expenses during 2010, 2) contribution from property acquisitions made in 2009 and 2010, and 3) improved performance of existing properties. These improvements were sufficient to more than offset both increased interest costs from new acquisition debt arranged late in 2009 and in mid 2010, and the dilutive impact of an equity issue completed in June 2010.

- Funds from operations for the year ended December 31, 2010 were $100.0 million, up $18.6 million from the $81.4 million reported for 2009. On a per unit diluted basis, funds from operations for the 2010 year were $1.465, up $0.168 or 13% from the $1.297 reported for 2009.

Net Operating Income

- Net operating income for the fourth quarter ended December 31, 2010 was $50.2 million, an increase of $9.4 million from the $40.8 million recorded in the fourth quarter of 2009.

- Net operating income for the year ended December 31, 2010 was $184.5 million, an increase of $31.3 million from the $153.2 million recorded in 2009.

Same Property – Net Operating Income

- Net operating income for the fourth quarter ended December 31, 2010, for the properties held throughout the four quarters of 2009 and 2010, increased 1.7% or $0.7 million from the comparative three month period.

- Net operating income for the year ended December 31, 2010, on a same property basis, increased $2.4 million or 1.6% from 2009.

Net Income

- Net income for the fourth quarter ended December 31, 2010 was $54.4 million, an increase of $48.0 million from the $6.4 million recorded in the fourth quarter of 2009. Net income for the fourth quarter of 2010 was $0.79 per unit basic and $0.74 per unit diluted, a large increase from the $0.10 (basic and diluted) earned in the fourth quarter of 2009.

- Net income for the year ended December 31, 2010 was $65.5 million, an increase of $58.8 million from the $6.7 million recorded in 2009. Net income per unit (basic and diluted) for 2010 was $0.99, again a large increase from the $0.11 earned in 2009.

Operations

- Primaris renewed or leased 331,150 square feet of space during the fourth quarter. The weighted average new rent in these leases, on a cash basis, represented a 6.1% increase over the previous rent paid.

- Primaris renewed or leased 1,541,200 square feet of space during 2010, which includes the renewal of 19 major tenants. The weighted average new rent in these leases, on a cash basis, represented a 3.3% increase over the previous rent paid (6.8% increase if the majors are excluded).

- The portfolio occupancy rate remained stable during the fourth quarter. It was 97.1% at December 31, 2010, compared to 97.0% at September 30, 2010, and 97.2% at December 31, 2009.

- Same tenant sales per square foot, for the 15 properties owned during all of the 24 months ended December 31, 2010 was $443 as compared to $447 for the previous 12 months.

Liquidity

- At the end of the year, Primaris had $6.5 million of cash on hand and $10.0 million drawn on its $65.0 million credit facility. There are no commitments to fund mezzanine loans.

- There is one mortgage of $37 million maturing in March of 2011. Primaris has entered into a commitment to refinance this property for $110,000 at a fixed interest rate of 5.01% and a term of ten years.

Financial Results

Funds from operations for the three months ended December 31, 2010 were $30.1 million, up $10.5 million from the $19.6 million reported for the three months ended December 31, 2009. On a per unit diluted basis, funds from operations for the fourth quarter of 2010 were $0.419, up $0.109 or 35% from the $0.310 reported for the fourth quarter of 2009. The principal reasons for the improved financial results are 1) a decrease in general and administrative expenses during 2010, 2) contribution from property acquisitions made in 2009 and 2010, and 3) improved performance of existing properties. These improvements were sufficient to more than offset increased interest costs from new acquisition debt arranged late in 2009 and in mid 2010, and the dilutive impact of an equity issue completed in June 2010.

Funds from operations for the year ended December 31, 2010 were $100.0 million or $1.513 per unit basic ($1.465 diluted). This compares to funds from operations of $81.4 million or $1.304 per unit basic ($1.297 diluted) earned during 2009.

Net income for the three months ended December 31, 2010 was $54.4 million or $0.79 per unit basic and $0.74 diluted. This compares to a net income of $6.4 million or $0.10 per unit (basic and diluted) earned during the three months ended December 31, 2009.

Net income for the year ended December 31, 2010 was $65.5 million or $0.99 per unit (basic and diluted). This compares to net income of $6.7 million or $0.11 per unit (basic and diluted) earned during 2009.

Net income was positively affected by the reversal of future tax liabilities previously recognized.

General and administrative expenses for the year decreased significantly by $6.5 million in 2010. During 2009 Primaris went through a transition to an internal management model and as a result incurred and expensed significant one-time related costs. This explains approximately $5.7 million of the year-over-year decrease.

In addition, during 2010 management overestimated certain accrued expenses. This estimation error led to year-to-date expenses, as at September 30, 2010, being higher than ultimately necessary. Therefore as a result of adjusting these estimates to actual, the fourth quarter of 2010 has a lower general and administrative expense than previous quarters.

The distribution payout ratio for the fourth quarter of 2010, calculated as distributions paid per diluted unit divided by diluted funds from operations per unit, was 72.7% as compared to a 98.2% payout ratio for the fourth quarter of 2009 and 88.5% for the previous quarter September 30, 2010. The payout ratios are sensitive to both seasonal operating results and financial leverage.

The distribution payout ratio for the 2010 year was 83.2% as compared to a 94.0% payout ratio for 2009.

At December 31, 2010, Primaris' total enterprise value was approximately $2.7 billion (based on the market closing price of Primaris' units on December 31, 2010 plus total debt outstanding). At December 31, 2010 Primaris had $1,350.7 million of outstanding debt, equating to a debt to total enterprise value ratio of 50.1%. Primaris' debt consisted of $1,172.3 million of fixed-rate senior debt with a weighted average interest rate of 5.7% and a weighted average term to maturity of 6.0 years, $3.8 million of 6.75% fixed-rate convertible debentures, $88.7 million of 5.85% fixed-rate

convertible debentures, $75.9 million of 6.30% fixed-rate convertible debentures and a $10.0 million credit facility. Primaris had a debt to gross book value ratio, as defined under the Declaration of Trust, of 53.3%. During the three months ended December 31, 2010, Primaris had an interest coverage ratio of 2.5 times as expressed by EBITDA divided by net interest expensed. Primaris defines EBITDA as net income increased by depreciation, amortization, interest expense and, if applicable, income tax expense. EBITDA is a non-GAAP measure and may not be comparable to similar measures used by other Trusts.

Operating Results
Net Operating Income – Same Properties
In thousands of dollars

	Unaudited Three months ended December 31, 2010	Unaudited Three months ended December 31, 2009	Variance to Comparable Period Favourable / (Unfavourable)
Operating revenue	$ 71,797	$ 71,050	$ 747
Operating expenses	31,305	31,226	(79)
Net operating income	$ 40,492	$ 39,824	$ 668

The same-property comparison consists of the 26 properties that were owned throughout both the current and comparative three month periods. Net operating income, on a same-property basis, increased $0.7 million, or 1.7%, in relation to the comparable three month period.

Liquidity

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

At the end of the quarter, Primaris had $6.5 million of cash on hand and $10.0 million drawn on its $65.0 million credit facility. Primaris has a mortgage payable maturing on March 30, 2011, secured by Dufferin Mall. The loan balance due on maturity to existing lenders will be $37 million dollars. Primaris has received a commitment for a new $110 million dollar mortgage loan. Proceeds of the new mortgage will be used to repay the maturing loan, reduce the amount of bank indebtedness and for general corporate purposes. The new loan has a ten year term and a fixed interest rate of 5.01%.

Tenant Sales

For the 15 reporting properties owned throughout both the years ended December 31, 2010 and 2009, sales per square foot, on a same-tenant basis, have decreased to $443 from $447 per square foot. For the same 15 properties the total tenant sales volume has decreased 0.6%.

	Same Tenant Sales per Square Foot		Variance		All Tenant Total Sales Volume		Variance	
	2010	2009	$	%	2010	2009	$	%
Dufferin Mall	533	524	9	1.7%	90,458,959	85,767,581	4,691,378	5.5%
Eglinton Square	325	311	14	4.4%	27,636,629	27,898,113	(261,484)	-0.9%
Heritage Place	295	299	(4)	-1.5%	25,608,749	25,751,696	(142,947)	-0.6%
Lambton Mall	357	356	1	0.2%	47,928,699	48,404,264	(475,565)	-1.0%
Place d'Orleans	450	447	3	0.6%	108,552,347	107,864,303	688,044	0.6%
Place Du Royaume	401	391	10	2.6%	113,151,624	107,300,955	5,850,669	5.5%
Place Fleur De Lys	318	322	(4)	-1.1%	71,940,297	74,260,175	(2,319,878)	-3.1%
Stone Road Mall	506	516	(10)	-1.9%	112,197,804	113,653,855	(1,456,051)	-1.3%
Aberdeen Mall	364	375	(11)	-2.9%	47,835,774	48,135,650	(299,876)	-0.6%
Cornwall Centre	539	531	8	1.4%	80,960,941	78,047,840	2,913,101	3.7%
Grant Park	437	452	(15)	-3.4%	26,547,919	27,951,284	(1,403,365)	-5.0%
Midtown Plaza	550	564	(14)	-2.5%	131,747,391	135,316,054	(3,568,663)	-2.6%
Northland Village	449	461	(12)	-2.6%	44,465,555	46,478,343	(2,012,788)	-4.3%
Orchard Park	457	469	(12)	-2.6%	130,025,150	139,732,794	(9,707,644)	-6.9%
Park Place Mall	505	519	(14)	-2.7%	76,711,842	76,081,117	630,725	0.8%
	443	**447**	**(4)**	**-0.8%**	**1,135,769,680**	**1,142,644,024**	**(6,874,344)**	**-0.6%**

The tenants' sales decreased 0.8% per square foot, while the national average tenant sales as reported by the International Council of Shopping Centers ("ICSC") for the 12-month period ended December 31, 2010, increased 3.9%. Primaris' sales productivity of $443 is lower than the ICSC average of $563, largely because the ICSC includes sales from super regional malls that have the highest sales per square foot in the country.

Leasing Activity

Primaris Retail REIT's property portfolio remains well leased.

The portfolio occupancy rate increased slightly during the fourth quarter of 2010 and was 97.1% at December 31, 2010, compared to 97.0% at September 30, 2010, but down from 97.2% at December 31, 2009. These percentages include space for which signed leases are in place but where the tenant may not yet be in occupancy.

Primaris renewed or leased 331,150 square feet of space during the fourth quarter of 2010. Approximately 70.5% of the leased spaces during the fourth quarter of 2010 consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 6.1% increase over the previous rent.

Primaris renewed or leased 1,541,200 square feet of space during 2010. Approximately 74.6% of the leased spaces during the year consisted of the renewal of existing tenants. The weighted average new rent in these leases, on a cash basis, represented a 3.3% increase over the previous rent paid (6.8% increase when renewals of major tenants are excluded).

At December 31, 2010, Primaris had a weighted average term to maturity of leases of 5.7 years.

Development Activity

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

With an anticipated construction commencement of spring 2011, a second phase will introduce a food court to improve the centre's amenities. This improvement will significantly reinforce the Mall's market presence. The food court is expected to cost approximately $4.75 million and be completed by fall 2011. Discussions continue on finalizing the deal with a replacement anchor tenant.

A second development project at Orchard Park Shopping Centre in Kelowna, British Columbia started in the summer of 2010 and will be completed by November of 2011. This project includes the construction of approximately 25,000 square feet of new retail space and redevelopment of about 10,000 square feet of existing area to bring Best Buy, a dynamic first-to-market tenant, to the centre. The project is on budget and expected to cost $7.7 million and will increase the centre's market dominance.

Comparison to Prior Period Financial Results – in thousands of dollars

	Unaudited Three Months Ended December 31, 2010	Unaudited Three Months Ended December 31, 2009	Comparative Period Favourable/ (Unfavourable)
Revenue			
Minimum rent	$ 53,266	$ 43,838	$ 9,428
Recoveries from tenants	30,977	25,650	5,327
Percent rent	918	1,038	(120)
Parking	1,920	1,873	47
Interest & other income	445	157	288
Total revenue	87,526	72,556	14,970
Expenses			
Property operating	22,241	18,846	(3,395)
Property tax	14,698	12,603	(2,095)
Depreciation & amortization	20,514	15,337	(5,177)
Interest	20,252	16,529	(3,723)
Ground rent	312	312	-
	78,017	63,627	(14,390)
Income from operations	9,509	8,929	580
General & administrative	(192)	(4,892)	4,700
Future income taxes	45,100	2,400	42,700
Gain on sale of land	-	-	-
Net income	**$ 54,417**	**$ 6,437**	**$ 47,980**
Depreciation of income producing properties	17,342	13,301	4,041
Amortization of leasing costs	2,889	1,712	1,177
Accretion of convertible debentures	514	555	(41)
Future income taxes	(45,100)	(2,400)	(42,700)
Funds from operations	**$ 30,062**	**$ 19,605**	**$ 10,457**
Funds from operations per unit - basic	$ 0.437	$ 0.314	$ 0.123
Funds from operations per unit - diluted	$ 0.419	$ 0.310	$ 0.109
Funds from operations - payout ratio	72.7%	98.2%	-25.5%
Distributions per unit	$ 0.305	$ 0.305	$ -
Weighted average units outstanding - basic	68,720,843	62,507,282	6,213,561
Weighted average units outstanding - diluted	78,316,679	72,042,469	6,274,210
Units outstanding, end of period	68,794,679	62,534,594	6,260,085

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, 2010 were $10.5 million ($0.109 per unit diluted) more than the comparative period.

International Financial Reporting Standards ("IFRS")

IFRS reporting will commence with the March 31, 2011 interim statements. These statements will include 2010 comparative results restated to IFRS and a reconciliation to the previously reported Canadian GAAP statements. To this end, Primaris continues to execute its plan to convert its Consolidated Financial Statements to IFRS by that date and senior management is a committed part of the conversion team. The IFRS Steering Committee provides periodic updates of the status and effectiveness of the IFRS conversion plan to Primaris' senior executives, Audit Committee and Board of Trustees. To date, the implementation underway is progressing in accordance with the plan such that all the financial reporting requirements will be met and Primaris will be IFRS compliant for the 2011 first quarter reporting deadline.

Supplemental Information

Primaris' audited consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2010 and 2009 are available on Primaris' website at www.primarisreit.com.

Forward-Looking Information

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

In particular, certain statements in this document discuss Primaris' anticipated outlook of future events. These statements include, but are not limited to:

(i) the development of properties which could be impacted by real estate market cycles, the availability of labour and general economic conditions;

(ii) reinvesting to make improvements and maintenance to existing properties, which could be impacted by the availability of labour and capital resource allocation decisions;

(iii) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Primaris' properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Primaris locations;

(iv) overall indebtedness levels, which could be impacted by the level of acquisition activity Primaris is able to achieve and future financing opportunities;

(v) anticipated distributions and payout ratios, which could be impacted by seasonality of capital expenditures, results of operations and capital resource allocation decisions;

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

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

Although the forward-looking statements contained in this document are based on what management of Primaris believes are reasonable assumptions, forward-looking statements involve significant risks and uncertainties. They should not be read as guarantees of future performance or results and will not necessarily be an accurate indicator of whether or not such results will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results to differ from targets, expectations or estimates expressed in the forward-looking statements. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include: a less robust retail environment than has been seen for the last several years; relatively stable interest costs; access to equity and debt capital markets to fund, at acceptable costs, the future growth program and to enable the Trust to refinance debts as they mature, and the availability of purchase opportunities for growth.

Except as required by applicable law, Primaris undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Non-GAAP Measures

Funds from operations ("FFO"), net operating income ("NOI") and earnings before interest, taxes, depreciation and amortization ("EBITDA") are widely used supplemental measures of a Canadian real estate investment trust's performance and are not defined under Canadian generally accepted accounting principles ("GAAP"). Management uses these measures when comparing itself to industry data or others in the marketplace. Primaris' MD&A describes FFO, NOI and EBITDA and provides a reconciliation to net income as defined under GAAP. Reconciliations of FFO and NOI to net income, as defined by Canadian GAP, also appear at the end of the press release. 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, March 10, 2011 at 9am EST to discuss these results. Senior management will speak to the results and provide a brief corporate update. The telephone numbers for the conference call are: 416-340-8018 (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 March 23, 2011. The replay will be accessible by dialing 905-694-9451 or 1-800-408-3053 and using the pass code 6388714.

Primaris is a TSX listed real estate investment trust (TSX:PMZ.UN). Primaris owns 29 income-producing properties comprising approximately 11.1 million square feet located in Canada. As of February 28, 2011, Primaris had 69,032,670 units issued and outstanding.

INFORMATION

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PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets
(in thousands of dollars)

December 31, 2010 and December 31, 2009

	December 31, 2010	December 31, 2009
Assets		
Income-producing properties	$ 1,882,421	$ 1,763,426
Leasing costs	41,494	41,209
Rents receivable	6,096	4,907
Other assets and receivables	31,323	31,023
Cash and cash equivalents	6,500	15,452
	$ 1,967,834	$ 1,856,017
Liabilities and Unitholders' Equity		
Liabilities:		
Mortgages payable	$ 1,167,226	$ 1,089,966
Convertible debentures	163,899	166,461
Bank indebtedness	10,000	15,000
Accounts payable and other liabilities	59,093	63,815
Distribution payable	6,809	6,358
Future income taxes	–	43,000
	1,407,027	1,384,600
Unitholders' equity	560,807	471,417
	$ 1,967,834	$ 1,856,017

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three months ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
	(Unaudited)			
Revenue:				
Minimum rent	$ 53,266	$ 43,838	$ 198,057	$166,284
Recoveries from tenants	30,977	25,650	114,607	97,083
Percentage rent	918	1,038	2,658	2,966
Parking	1,920	1,873	6,308	6,267
Interest and other	445	157	1,357	1,798
	87,526	72,556	322,987	274,398
Expenses:				
Property operating	22,241	18,846	80,727	68,647
Property taxes	14,698	12,603	56,469	50,046
Depreciation	17,625	13,625	68,253	64,897
Amortization	2,889	1,712	8,007	6,898
Interest	20,252	16,529	77,898	60,244
Ground rent	312	312	1,247	1,241
General and administrative	192	4,892	7,100	13,559
	78,209	68,519	299,701	265,532
Income before gain on sale of land and income taxes	9,317	4,037	23,286	8,866
Gain on sale of land	–	–	74	–
Income before income taxes	9,317	4,037	23,360	8,866
Future income taxes recovery (expense)	45,100	2,400	42,100	(2,200)
Net income	$ 54,417	$ 6,437	$ 65,460	$ 6,666
Basic net income per unit	$ 0.79	$ 0.10	$ 0.99	$ 0.11
Diluted net income per unit	$ 0.74	$ 0.10	$ 0.99	$ 0.11

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of dollars)
Years ended December 31, 2010 and 2009

	2010	2009
Cash provided by (used in):		
Operating:		
Net income	$ 65,460	$ 6,666
Items not involving cash:		
Depreciation of income producing properties	62,786	60,827
Amortization of recoverable improvements	4,034	3,432
Amortization of leasing commissions and tenant improvements	8,007	6,898
Accretion of convertible debt	1,902	1,376
Gain on sale of land	(74)	–
Future income taxes	(42,100)	2,200
	100,015	81,399
Change in non-cash operating items:		
Gain on purchase of convertible debentures under normal course issuer bid	–	(727)
Depreciation of fixtures and equipment	1,433	638
Amortization of above- and below-market leases	(2,422)	(1,918)
Amortization of tenant inducements	235	146
Amortization of financing costs	2,351	1,665
Other	(7,059)	12,914
Leasing commissions	(519)	(978)
Tenant inducements	(1,000)	(53)
	93,034	93,086
Financing:		
Mortgage principal repayments	(22,748)	(18,622)
Proceeds of new financing	105,000	153,000
Repayment of financing	(3,685)	–
Bank indebtedness	(5,000)	15,000
Financing costs	(1,021)	(1,011)
Distributions to Unitholders	(80,092)	(76,158)
Issuance of units	101,722	2,739
Unit issue costs	(4,472)	–
Issuance of convertible debentures	–	86,250
Convertible debenture issue costs	–	(3,799)
Purchase of convertible debentures under normal course issuer bid	–	(5,127)
Purchase of units under normal course issuer bid	(1,130)	–
	88,574	152,272
Investing:		
Acquisition of income-producing properties	(169,322)	(300,135)
Additions to buildings and building improvements	(7,936)	(6,117)
Additions to tenant improvements	(7,008)	(9,022)
Additions to recoverable improvements	(6,248)	(5,620)
Additions to fixtures and equipment	(134)	(6,436)
Proceeds on sale of land	88	–
	(190,560)	(327,330)
Decrease in cash and cash equivalents	(8,952)	(81,972)
Cash and cash equivalents, beginning of year	15,452	97,424
Cash and cash equivalents, end of year	$ 6,500	$ 15,452
Supplemental cash flow information:		
Interest paid	$ (76,683)	$ (58,470)
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued under asset management agreement	–	57
Value of units issued under equity incentive plan	1,556	75
Value of units issued from conversion of convertible debentures	6,225	353
Financing costs transferred to equity upon conversion of convertible debentures	(253)	(15)
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	117	7
Mortgages payable, issued on acquisition of income producing properties	–	66,800
Impact of reversing future tax liability on deferred cash flow hedges	900	-

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of dollars)
Three months ended December 31, 2010 and 2009
(Unaudited)

	2010	2009
Cash provided by (used in):		
Operating:		
Net income	$ 54,417	$ 6,437
Items not involving cash:		
Depreciation of income producing properties	16,296	12,386
Amortization of recoverable improvements	1,046	915
Amortization of leasing commissions and tenant improvements	2,889	1,712
Accretion of convertible debt	514	555
Future income taxes	(45,100)	(2,400)
	30,062	19,605
Change in non-cash operating items:		
Depreciation of fixtures and equipment	283	329
Amortization of above- and below-market leases	(610)	(435)
Amortization of tenant inducements	124	37
Amortization of financing costs	621	541
Other	10,810	23,233
Leasing commissions	(132)	(247)
	41,158	43,063
Financing:		
Mortgage principal repayments	(6,238)	(4,757)
Proceeds of new financing	–	153,000
Bank indebtedness	(5,000)	15,000
Financing costs	(33)	(997)
Distributions to Unitholders	(20,985)	(19,069)
Issuance of units	2,458	646
New unit issue costs	(1,011)	–
Issuance of convertible debentures	–	86,250
Convertible debenture issue costs	–	(3,799)
Purchase of units under normal course issuer bid	(1,130)	–
	(31,939)	226,274
Investing:		
Acquisition of income-producing properties	–	(296,541)
Additions to buildings and building improvements	(3,151)	(1,145)
Additions to tenant improvements	(2,179)	(1,325)
Additions to recoverable improvements	(3,051)	(1,299)
Additions to fixtures and equipment	(6)	(1,543)
	(8,387)	(301,853)
Increase (decrease) in cash and cash equivalents	832	(32,516)
Cash and cash equivalents, beginning of year	5,668	47,968
Cash and cash equivalents, end of year	$ 6,500	$ 15,452
Supplemental cash flow information:		
Interest paid	$ (16,405)	$ (14,290)
Supplemental disclosure of non-cash operating, financing and investing activities:		
Value of units issued under equity incentive plan	153	21
Value of units issued from conversion of convertible debentures	3,495	191
Financing costs transferred to equity upon conversion of convertible debentures	(154)	(8)
Financing accumulated amortization transferred to equity upon conversion of convertible debentures	77	4
Mortgages payable; issued on acquisition of income producing properties	–	66,800
Impact on reversing the future tax liability arising from the cost of issuance of units	(1,000)	-
Impact of reversing future tax liability on deferred cash flow hedges	900	–

PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Net income	$ 54,417	$ 6,437
Depreciation of income producing properties	17,342	13,301
Amortization of leasing costs	2,889	1,712
Accretion of convertible debentures	514	555
Future income taxes	(45,100)	(2,400)
Funds from operations	**$ 30,062**	**$ 19,605**

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 All Properties
(In thousands of dollars)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Revenue	$87,526	$72,556
Less: Corporate interest and other income	(18)	47
Property operating expenses	(22,241)	(18,846)
Property tax expense	(14,698)	(12,603)
Ground Rent	(312)	(312)
Net operating income	**$ 50,257**	**$ 40,842**