

Report to Unitholders 2022

Enclosed Malls. Open Opportunity.

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ABOUT PRIMARIS REIT

Primaris REIT is Canada's only enclosed shopping centre focused REIT, with ownership interests primarily in dominant enclosed shopping centres in growing markets. The portfolio totals 10.9 million square feet and is valued at approximately \$3.1 billion at Primaris' share. Economies of scale are achieved through its fully internal, vertically integrated, full-service national management platform. Primaris REIT is very well-capitalized and is exceptionally well positioned to take advantage of market opportunities at an extraordinary moment in the evolution of the Canadian retail landscape.

\$3.2B

Total Assets

10.9M^{SF}

Gross Leasable Area

91.5%

Committed Occupancy

FORWARD LOOKING DISCLAIMER: Certain statements contained in the document constitute forward-looking statements and information within the meaning of applicable securities law, including but not limited to statements concerning Primaris' objectives and strategies and management's beliefs, plans, estimates and intentions. Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "budget" or "continue" or similar expressions suggesting future outcomes or events. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on estimates and assumptions that are inherently subject to risks and uncertainties. For more information and a caution about using forward-looking information, see Section 2, "Forward-Looking Statements and Future-Oriented Financial Information" in the Management's Discussion and Analysis for the period ending December 31, 2022.

NON-GAAP FINANCIAL MEASURES: Certain financial measures in this document are not defined terms under GAAP and therefore are not a reliable way to compare Primaris REIT to other entities. Non-GAAP measures in this document are denoted by the suffix "****". See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures" in the Management's Discussion and Analysis for the period ending December 31, 2022.



Primaris stands uniquely in the property landscape with institutional scale, as the 3rd largest owner operator of enclosed shopping centres in Canada, a differentiated financial model and a mandate for growth.

BBB

Stable Investment
Grade Rating

\$2.9B

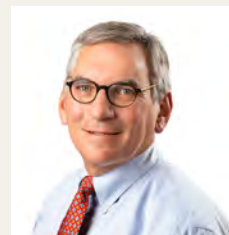
Unencumbered Assets

31.5%

Debt to Total Assets**

Letter from the Chair

Timothy Pire
Chair of the Board



Dear Unitholder,

2022 marked the beginning of a new era for Primaris REIT. Primaris combines a unique asset class with a purposefully built balance sheet designed for resiliency. The company unites 20-years of operational expertise with a Board of Trustees crafted to provide guidance on governance best practices and strategic direction.

Performance

Over a year ago, our Chief Executive Officer, Alex Avery, set out a clear strategy to focus our business on what Primaris does best – own and operate a portfolio of dominant enclosed shopping centres. Throughout 2022, the Primaris platform delivered very strong operational and financial results with

a full suite of operational capabilities including investments, tenant relations and leasing, property and asset management, and sustainability, enabled and supported by a disciplined capital allocation approach. These are strong competitive advantages.

Board Operations and Governance

Strong corporate governance was a key founding principal of Primaris. The Board of Trustees includes 5 independent members, who were purposefully assembled for their collective expertise and complementary skill sets suited to today's retail property market. Together, we provide a tremendous strategic resource for Primaris, with collective capabilities in institutional property brokerage, investment management, real estate operations, financial strategy, public company reporting, and experiential retailing and retail technology.

2022 was a year of firsts for Primaris in many important governance matters such as transparency in public reporting, compensation philosophy, ESG program, and the monitoring

“Our independent Board of Trustees is comprised of experienced members, that have been purposefully assembled for their collective expertise and complementary skill sets suited to today’s retail property market.”

and reporting of risks and controls. The Board of Trustees and the supporting Committees, acting under their respective Charters, provided management with direction and support to embed governance best practices throughout.

The Board is also entrusted with the strategic direction of the organization. The Trustees advise and work with management towards achieving key strategic objectives.

Our Committees meet regularly with management, focusing on human resources, succession planning, audit, investment, governance, ESG and risk management.

The Board has been focused on providing leadership and support to the management team throughout this year of 'firsts', as well as objective, independent and constructive views on strategy and the business. Our Trustees are a dedicated and committed group, and we are very proud of what Primaris REIT has achieved in its first year as a publicly traded company. Although uncertainties and volatility remain in the marketplace, we see Primaris as being well positioned to capitalize on growth opportunities.

Distribution

Given Primaris' low leverage financial model, sector outlook, ongoing strong financial and operating performance, and Primaris' free cash flow generation, the Board approved a 2.5% distribution increase in the fall.

Looking Forward

I thank all our Trustees for their commitment and dedication in 2022 and commend the management team for a successful year. On behalf of the Board, my fellow Trustees and I are very much looking forward to what the Primaris team can accomplish in the year to come, and are very excited to guide the team on this journey.

Sincerely,



Tim Pire
Chair of the Board

Independent Board of Trustees

Skills

	Alex Avery*	Avtar Bains	Anne Fitzgerald	Louis Forbes	Timothy Pire ★	Patrick Sullivan*	Deborah Weinswig
	●	●	● ●	● ●	●		● ●
Real estate industry	✓	✓	✓	✓	✓	✓	✓
Operations		✓		✓		✓	
Executive leadership	✓	✓	✓	✓	✓	✓	✓
Retail	✓	✓	✓		✓	✓	✓
Investment	✓	✓	✓	✓	✓	✓	✓
Strategy	✓	✓	✓	✓	✓	✓	✓
Finance/Equity market	✓	✓	✓	✓	✓		✓
Accounting				✓	✓		✓
Legal			✓				
Risk management	✓	✓	✓	✓	✓		
Environmental, Social and Governance	✓		✓	✓	✓	✓	✓

- Investment Committee
- Audit Committee
- Compensation, Governance, and Nominating Committee
- * Non-independents
- ★ Chairperson of the Board

To Our Unitholders

Fellow Unitholders,

This year Primaris celebrates 20-years of operating history. Although I myself joined the company only a short while ago, Pat Sullivan, the REIT's President and Chief Operating Officer, along with many, many other long tenured employees have built a team of professionals, who possess a unique and scarce management capability tailored specifically to enclosed shopping centres. It was evident to me, upon joining the team, that this was a unique, specialized, hardworking and fun group of people.

The people at this company are the core strength of Primaris. Operating a successful enclosed shopping centre management platform requires a specialized operational skill set, very specific industry experience and relationships to leverage economies of scale. It is this team that has produced our strong operating and financial results.

Notable Firsts and Significant Accomplishments

Our first full year as a stand-alone REIT was filled with notable firsts and significant accomplishments. It started with a bang, with the spin-out and our first acquisition, an \$800 million, six-shopping centre portfolio, both of which closed December 31, 2021. The acquisition entailed on-boarding 100 employees, and further hires to build out our public company financial analysis and reporting group.

Under the advice and oversight of our best-in-class Board of Trustees, we got off to a strong start in the first quarter of 2022, reporting our first set of (if somewhat unusual results due to the spin-out and acquisition) annual financial statements, being awarded a strong BBB investment grade credit rating from DBRS Morningstar, and completing our inaugural \$350 million two-tranche unsecured debenture offering.

Timeline

2003



6

properties in
3 provinces

2004



9

properties

2005

16
properties
Value over
\$1.1B

Name changes
to Primaris
Retail REIT

2006



20

properties in
7 provinces

2007



26

properties

2009

27
properties
\$2B

In the second quarter we reported our first full quarter of financial and operating results as a stand-alone entity, held our inaugural Annual General Meeting of Unitholders, toured our Trustees through several assets and completed our first strategy session with our Board, expanding on and confirming the elements and underlying logic for the strategy we outlined at the time of the spin-out announcement.

By the third quarter of 2022, our financial and operating results had begun to demonstrate a discernable trend of growth, with average Same-Property Cash NOI** growth trending above 10%, occupancy rising and positive leasing spreads. This demonstrated the resiliency and enduring value proposition of our business, in the face of scepticism about the mall property type.

During the fourth quarter of 2022, Primaris REIT announced an increase to its distribution by 2.5% to \$0.82 per unit per annum, establishing an annual distribution increase policy, supported by the REIT's differentiated financial model of low financial leverage and a low payout ratio, and robust growth throughout 2022.

Equity market participants spent much of the last 3 quarters of 2022 focused on central bank policy interest rates, leading to hesitancy to commit more capital to the REIT sector. Nevertheless, we continued to prioritize our "awareness

campaign" designed to educate investors and analysts about the opportunity at Primaris REIT. Our efforts proved fruitful, delivering a 22% total return to Unitholders during 2022, dramatically stronger than any of our Canadian REIT peers, while the S&P/TSX REIT Index delivered a -17% total return.

Significant Runway for Internal Growth

As we embark on our second year, we're excited by the opportunities ahead. We will continue to pursue our awareness campaign, including meetings with investors, growing our track record of financial and operating results, supporting expanded research coverage, property tours and investor events. We see significant Net Operating Income (NOI) growth potential through increasing occupancy to stabilized levels. In 2022, we made material progress, but the vast majority of the opportunity remains to be captured over the next few years. We're also focused on continuing to recapture pandemic lease concessions and return more leases to standard forms. While tenant sales in our portfolio have reached all time highs over the last 12 months, 2019 NOI was more than 10% higher than the NOI delivered in 2022, while 2019 average in-place occupancy was approximately 83%, suggesting substantial growth over the next few years supported by our tenant's success.

2010



2011



2012

35
properties
\$4.1B

2013



2021



28

properties
Management
internalized

31

properties
\$3.5B

Primaris
becomes a
subsidiary of
H&R REIT

Primaris REIT created by
spin-out transaction

Closed the acquisition of
six shopping centres for
\$800 million

Favourable Direct Property Market Environment

Direct property market transaction activity across all property types was subdued for most of 2022, as sharply higher financing costs and recession concerns weighed on investor appetite. These concerns manifested as a wide bid-ask spread in the transaction market. Interestingly, in contrast to many other property types, the mall business in Canada witnessed a widening of the bid-ask spread several years ago in the 2015-2016 period, and more recently we've begun to see that spread narrowing in, as more transactions have begun to take place. This makes sense, as the mall business in Canada faced a lot of uncertainty in the intervening years, with e-commerce and department store closures rippling through the market.

What has become very clear over the past two years is that 1) the retailer business model has transitioned from its original bricks & mortar model to a bricks & mortar + e-commerce model, and now an omni-channel model anchored by bricks and mortar locations; and 2) consumers want the convenience of an omni-channel retail offering with the convenience of local market physical locations.

The past year of operating and financial performance has only strengthened our commitment to and confidence in our clear and focused strategy of acquiring, owning and managing Canadian

enclosed shopping centres. We see a long runway of growth opportunities spanning occupancy improvement, increasing rental rates, reinvesting to enhance select shopping centres, recycling capital and growing our portfolio through acquisitions.

Primaris' Strategic Advantage

We enjoy several competitive advantages that should enhance our ability to take advantage of market opportunities. Our business is performing very well with significant runway for internal growth over the next few years. Our scale provides us with a competitive advantage as we partner with retailers on multiple location leasing plans, building deeper and more collaborative relations, gave us the size to be included in the S&P/TSX Capped REIT Index, as well as allowing us to achieve an investment grade credit rating and access the unsecured debenture market on attractive terms. Our differentiated, low leverage, low payout ratio financial model provides us with excellent access to capital and the financial flexibility to deliver growth per unit to our investors in the face of higher borrowing costs and many peers pursuing leverage reduction.

Our best-in-class governance profile and high-quality independent Board provide excellent oversight for our business and make us a preferred partner for institutions, investors and retailer partners alike. Our fully internal, comprehensive full

2022



January

Onboarded ~100
new employees

February

Built public company
reporting capabilities

March

Received a strong
BBB investment grade
credit rating from DBRS

Successfully issued
inaugural **\$350 million**
unsecured debentures



“The scale and strength of the Primaris platform combined with its unique financial model provides significant flexibility and capacity to both self-fund our strategy, and positions us well to pursue investment opportunities.”

scale management platform with a 20-year track record of success provides a particularly strong competitive advantage with very few competitive peers in Canada with comparable platforms and capabilities.

As we pursue our ambitions to add more shopping centres to our portfolio, these advantages grow with economies of scale and our relevance to our retailer partners. During our first year, Primaris' portfolio was unchanged throughout the year, providing a good baseline for investors to evaluate our business.

2023 Objectives

In our second year, we expect to complete significant acquisitions and dispose of at least one property, commencing a multi-faceted capital recycling program that we expect to be a continuous and on-going program. The program includes disposing of non-core income producing properties as well as monetizing excess land holdings and other non-income producing assets, reinvesting the proceeds into high-quality enclosed shopping centres to enhance the internal growth profile and overall quality of our portfolio, as well as increasing cash flow per unit and Net Asset Value per unit growth, our ultimate measurement of success.

Our goals for 2023 include the following: 1) Continue to raise awareness about Primaris REIT with investors through expanded research coverage, investor meetings and conferences, property tours and investor days; 2) demonstrate Primaris' ability to transact on acquisitions and dispositions that are consistent with the REIT's strategy and enhance the value of Primaris REIT units; 3) continue to execute on capturing the internal NOI growth opportunity through active management of our portfolio to increase occupancy, restore standard leasing terms among remaining pandemic amended leases, and through driving rental rates higher over time; and 4) achieve all of the above while acting in a manner consistent with the best-in-class profile we have created at Primaris, including ESG commitments, being a respected and sought after partner and transaction counterparty, and a preferred place for employees to work.

We're all very proud of what we accomplished in 2022, and very excited about what we think we can accomplish in 2023. We hope you'll join us.

Alex Avery
Chief Executive Officer

2023

20
years in Business

November

Announced distribution increase of **2.5%**

December

Throughout 2022, bought back **4 million** Primaris REIT Units under our Normal Course Issuer Bid (NCIB) at more than a 30% discount to NAV**, driving growth in NAV** per unit

** Denotes a non-GAAP measure, see section 12, "Non-GAAP Measures".

Primaris Advantage

Primaris REIT is exceptionally well positioned to take advantage of market opportunities at an extraordinary moment in the evolution of the Canadian retail property landscape.

Size and Scale

- \$3.1 billion national portfolio of enclosed shopping centres that are dominant in their trade areas.
- Economies of scale are achieved through its full-service, internal national management platform, which comprises over 400 dedicated team members.

Proper Capitalization

- Very low leverage reduces the REIT's reliance on external capital sources and allows the REIT to grow with an optimal cost of capital.
- Leverage is one of the lowest amongst our Canadian peers, reflecting a differentiated financial profile.



“Over the past decade, Primaris has built an in-house platform to oversee all operational requirements. Our people are the core strength of Primaris. We are experienced and excel at acquiring, integrating and operating enclosed shopping centres.”



Patrick Sullivan
President & Chief Operating Officer



A Rich Portfolio of Exceptionally Managed Properties

We actively manage costs to align with the core focus of Primaris, providing affordable space for our retail partners, increasing occupancy by leveraging our relationships with retailers, and the identification of development opportunities on excess lands.

Sunridge Mall

Calgary, Alberta

Last Renovation
2020

Gross Leasable Area at Share
803,000^{SF}

Approx. Site Coverage
28%

Trade Area Population
327,000

Avg. Household Income
\$101,000

Expected Trade Area Population Growth
8%



Dufferin Mall

Toronto, Ontario

Last Renovation
2016

Gross Leasable Area at Share
575,000^{SF}

Approx. Site Coverage
63%

Trade Area Population
510,000

Avg. Household Income
\$115,000

Expected Trade Area Population Growth
5%



Orchard Park

Kelowna, British Columbia

Last Renovation
2021

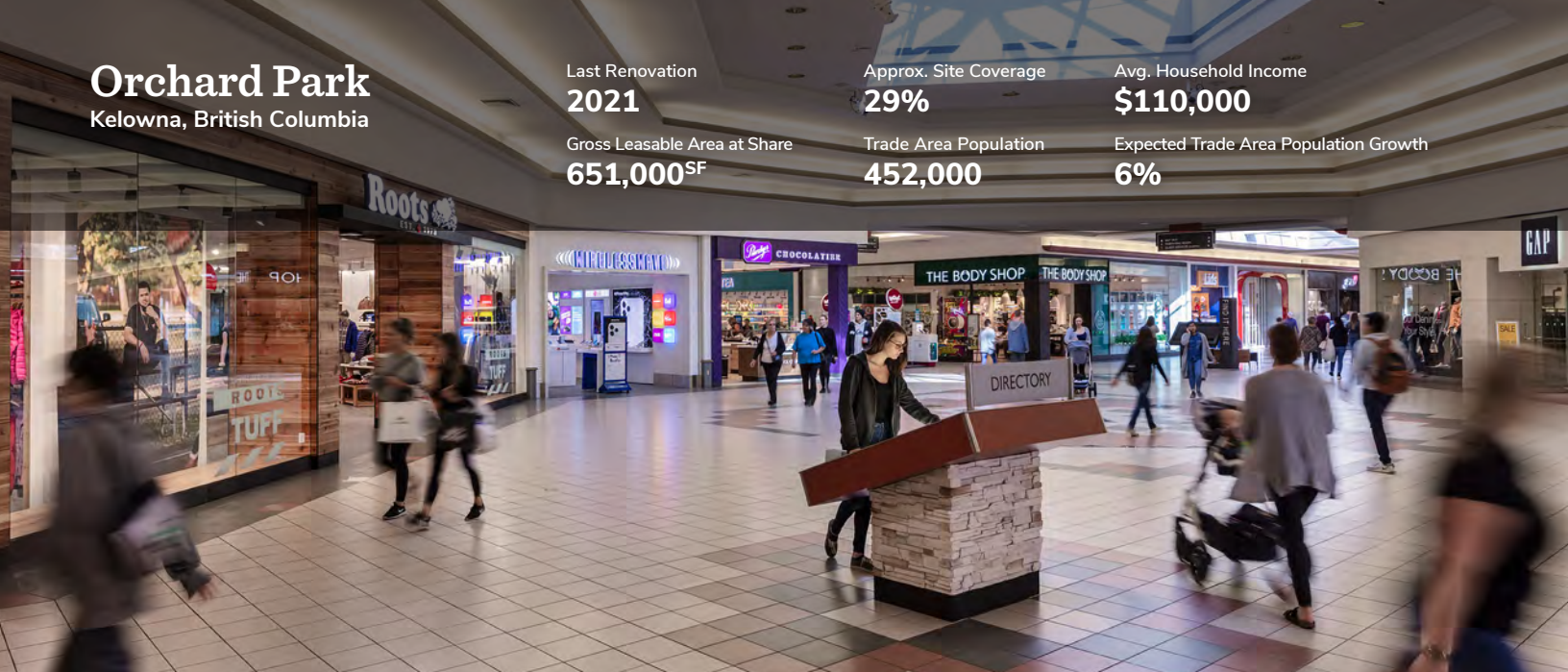
Gross Leasable Area at Share
651,000^{SF}

Approx. Site Coverage
29%

Trade Area Population
452,000

Avg. Household Income
\$110,000

Expected Trade Area Population Growth
6%



Stone Road Mall

Guelph, Ontario

Last Renovation
2021

Gross Leasable Area at Share
506,000^{SF}

Approx. Site Coverage
32%

Trade Area Population
215,000

Avg. Household Income
\$121,000

Expected Trade Area Population Growth
9%



Devonshire Mall

Windsor, Ontario

Last Renovation
2019

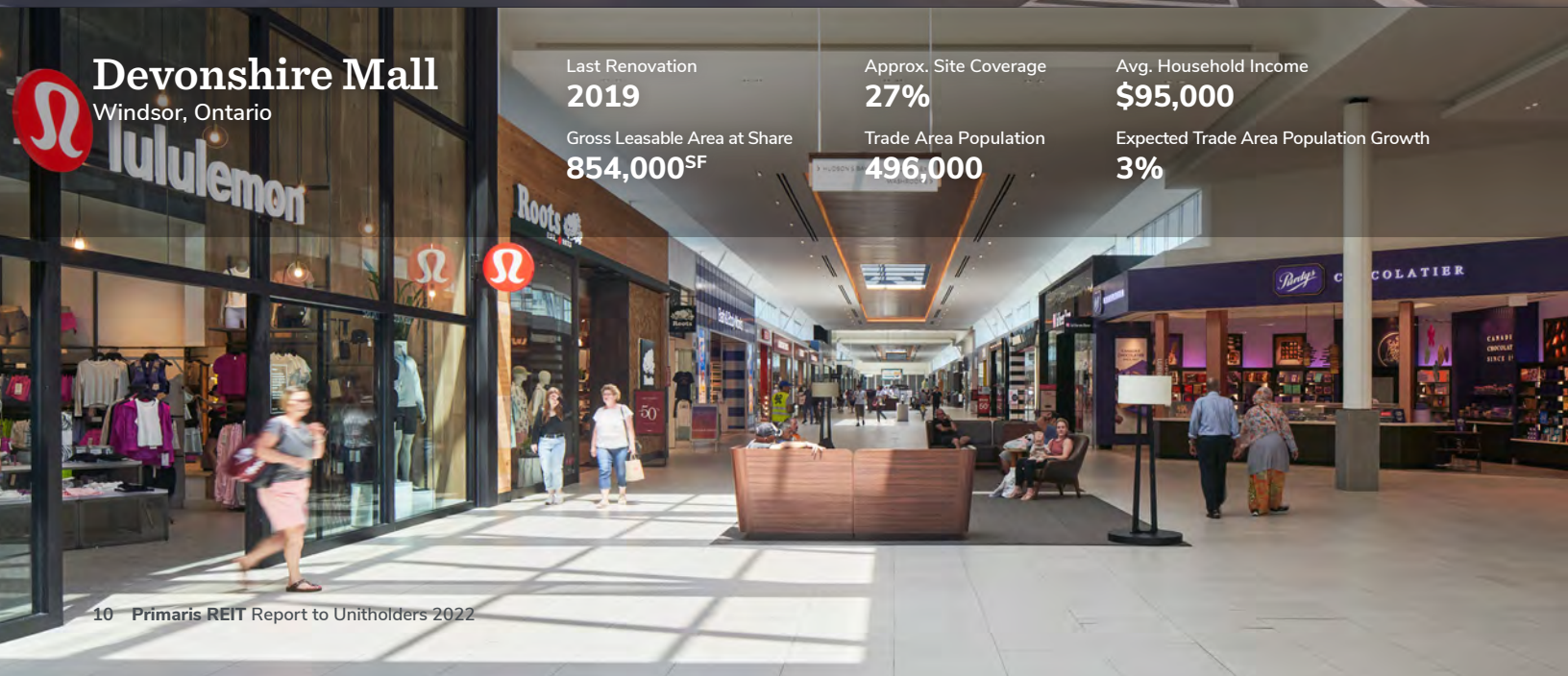
Gross Leasable Area at Share
854,000^{SF}

Approx. Site Coverage
27%

Trade Area Population
496,000

Avg. Household Income
\$95,000

Expected Trade Area Population Growth
3%



Strategic Pillars



Our size, scale, portfolio composition, and capital structure were designed to allow Primaris REIT to grow and thrive in the new retail landscape.

Primaris' strategy focuses on three key strategic pillars:



Focus on Retailer Affordability

Offering attractive and economic store locations. Primaris has a long-standing and disciplined approach to cost management, supported by economies of scale and a collaborative approach to its relationships with its tenant partners.



Scale and Consolidation Opportunity

There is significant opportunity for Primaris to be the consolidator in the enclosed shopping centre space, in a market with limited institutional competition for assets. Primaris is uniquely positioned as Canada's only REIT focused on owning and managing enclosed shopping centres, with an established, large, fully internal and scalable management platform, and balance sheet capacity for growth.



Disciplined Capital Allocation

Beginning with a properly capitalized balance sheet and a low payout ratio, Primaris judiciously allocates capital across internal investment alternatives including repurchasing units, increasing distributions, paying down debt and rezoning and entitling excess land for joint venture partnership or monetization.



“Our capital structure is designed to provide significant financial flexibility and create a differentiated investment profile among Canadian REITs.”

Rags Davloor
Chief Financial Officer

ESG Strategy Integration

We have developed a Board-led ESG Strategy Plan and Roadmap, integrating material Environment, Social and Governance factors into our corporate strategy.

Recognizing the growing importance of ESG as a key component of responsible governance, in 2022 Primaris developed a Board-led ESG Strategic Plan that fully integrates with our growth-oriented business strategy and supports long-term value creation.

The Compensation, Governance and Nominating Committee oversees Primaris' progress on integrating ESG into business strategy, decision-making, and ESG policy adoption. The Board reviews recommendations from the CG&N Committee. In early 2023, management and the Board approved our ESG Strategic Plan and 3-year Implementation Roadmap.



ESG Materiality Assessment

The ESG Materiality Assessment has identified the following material ESG factors relevant to Primaris.



See Section 5, "Environmental, Social and Governance" for more information on Primaris' ESG Strategy."

Dominant Enclosed Shopping Centre Portfolio

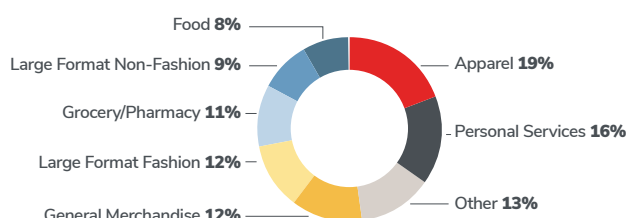
29.1%

of Canadians reside with a 30-minute drive of a Primaris mall

Own and operate dominant shopping centres in markets with growing primary populations

Our merchandise mix has evolved to reflect a higher concentration of creditworthy needs-based retailers, and is representative of the value-oriented Canadian consumer.

Tenant Mix (% Gross rent)



Top Tenants

	Top Tenants ¹	Sector	Annualized Minimum Rent (% of Total)	Store Count	WALT ² (yrs)	Credit Ratings (S&P/Moody's/DBRS)
1		Value Retail	6.0%	30	4.7	BBB/-/BBB
2		Value Retail	4.1%	8	7.5	AA/Aa2/AA
3		Grocery	3.6%	17	5.3	BBB/-/BBB(H)
4		Value Retail	3.1%	19	4.2	A/A2/-
5		Telecomm	2.4%	91	1.7	BBB+/Baa2/BBB
6		Entertainment	2.2%	9	6.9	-
7		Apparel	1.8%	16	2.1	BB/Ba2/-
8		Apparel	1.7%	35	2.7	-
9		Telecomm	1.7%	84	2.1	BBB+/Baa1/BBB(H)
10		Telecomm	1.5%	45	3.9	BBB+/Baa1/BBB(H)
Top 10			28.1%	354		

	Top Tenants ¹	Sector	Annualized Minimum Rent (% of Total)	Store Count	WALT ² (yrs)	Credit Ratings (S&P/Moody's/DBRS)
11		Value Retail	1.5%	17	5.2	BBB/Baa2/BBB
12		Other Retail	1.4%	14	4.1	BBB+/A3/-
13		Other Retail	1.4%	13	4.4	-
14		Dept Store	1.3%	6	6.8	-
15		Food	1.3%	45	3.4	-
16		Apparel	1.2%	15	2.9	-
17		Apparel	1.1%	56	2.7	-
18		Personal Care	1.1%	27	3.1	A/A2/-
19		Apparel	1.0%	11	4.1	BBB/-/-
20		Personal Care	1.0%	8	6.5	-/B2/-
Top 20			40.4%	566		

1. The names noted above may be the names of the parent entities and are not necessarily the covenants under the leases.

2. Weighted Average Lease Term.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

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PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

This Management Discussion and Analysis ("MD&A") of the results of operations and financial position of Primaris Real Estate Investment Trust ("Primaris" or the "Trust") for the three months and years ended December 31, 2022 and 2021, should be read in conjunction with the Trust's consolidated and combined carve-out financial statements and the accompanying notes for the years ended December 31, 2022 and 2021, (the "Financial Statements"). Additional information is available on the SEDAR website at www.sedar.com and on the Primaris website at www.primarisreit.com.

Primaris owns, manages, leases and develops retail properties in Canada. These properties are typically retail centres in major cities or major retail centres that are dominant in their primary trade areas. The properties are predominantly enclosed shopping centres.

1. BASIS OF PRESENTATION

On December 31, 2021, Primaris became a stand-alone entity following the successful completion of a spin-out transaction implemented by way of a plan of arrangement (the "Arrangement") pursuant to which 27 investment properties (the "Primaris Properties") formerly held by H&R Real Estate Investment Trust (the "Former Parent") were spun-out to Primaris. Immediately after the completion of the Arrangement, Primaris acquired an additional 8 investment properties (the "HOOPP Properties" or the "Acquisition Properties") from Healthcare of Ontario Pension Plan ("HOOPP"). Primaris' Series A trust units (the "Trust Units" or "Units") are listed on the Toronto Stock Exchange (the "TSX") and are traded under the symbol "PMZ.UN".

Prior to December 31, 2021, the Primaris Properties and their operations were held within certain subsidiaries of the Former Parent. Under the Arrangement, unitholders of Former Parent received one Unit for every four Former Parent units held immediately prior to closing of the Arrangement. For the year ended December 31, 2021, this MD&A and the Financial Statements have been prepared on a continuity-of-interests basis, based on the transfer of an existing business to an entity under common control, whereby the predecessor entity's historical accounting basis for the assets acquired and liabilities assumed continues to be used as the accounting basis in the successor's financial statements. The continuing operations include the operating results of the Primaris Properties, located throughout Canada, and the costs related with managing the properties which includes interest expense on debt, and general and administrative expenses. The combined carve-out statement of income and statement of cash flows in the Financial Statements and the operating results in this MD&A for the three months and year ended December 31, 2021 exclude the HOOPP Properties, and other adjustments unrelated to the ownership and operations of the Primaris Properties.

All references in this MD&A to the operating performance and results of operations for the business prior to December 31, 2021, refer to the operations, activities and results of the Primaris Properties prior to the closing of the Arrangement, under the previous ownership of the Former Parent. The combined carve-out statement of income, presented in the Financial Statements, for the year ended December 31, 2021, includes only the operations of the Primaris Properties.

All references in this MD&A for results as at or after December 31, 2021 include both the Primaris Properties and the HOOPP Properties. The consolidated statement of income for the year ended December 31, 2022, presented in the Financial Statements, includes the operations of both the Primaris Properties and the HOOPP Properties. The consolidated statements of financial position as at December 31, 2022 and December 31, 2021, in the Financial Statements, includes both the Primaris Properties and the HOOPP Properties.

All amounts in this MD&A are in thousands of Canadian dollars, except where otherwise stated. Historical results, including trends which might appear, should not be taken as indicative of future operations or results. The presentation of certain figures in the MD&A has been reclassified to align with the presentation in the Financial Statements. The information contained in this MD&A includes material information up to February 28, 2023.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Use of Non-GAAP Measures

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), however, in this MD&A, a number of measures are presented which do not have a standardized meaning prescribed under generally accepted accounting principals ("GAAP") in accordance with IFRS. These non-GAAP measures include non-GAAP financial measures and non-GAAP ratios, each as defined in National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112"). Non-GAAP measures in this MD&A are denoted by the suffix "***".

Management believes these non-GAAP measures are useful to assessing the Trust's performance period over period and its ability to meet its financial obligations. However, none of the non-GAAP measures should be construed as an alternative to financial measures calculated in accordance with GAAP. Furthermore, these non-GAAP measures may not be comparable to similar measures presented by other real estate entities and should not be construed as an alternative to financial measures determined in accordance with IFRS.

In Section 12, "Non-GAAP Measures", each of the non-GAAP measures and ratios used in this MD&A are defined and management's reasons as to why it believes the measures are useful to investors are described. Section 12 also provides a cross reference to the location of the applicable quantitative reconciliation for each non-GAAP measure to the most directly comparable GAAP financial measure in the Financial Statements.

Use of Operating Metrics

Primaris uses certain operating metrics to monitor and measure the operational performance of its portfolio. Operating metrics in this MD&A include, among others, investment property count, gross leasable area ("GLA"), in-place occupancy, committed occupancy, weighted average net rent per occupied square foot, all stores sales volume, same store sales volume, same store sales productivity and normalized average operating capital costs per square foot. Certain of these operating metrics, including weighted average net rent per occupied square foot and normalized average operating capital cost per square foot, may constitute supplementary financial measures as defined in NI 52-112. These supplementary measures are not derived from directly comparable measures contained in the Financial Statements but may be used by management and disclosed on a periodic basis to depict the historical or future expected financial performance, financial position or cash flow of the Trust. For an explanation of the composition of weighted average net rent per occupied square foot and normalized average operating capital costs per square foot see Section 8, "Operational Performance" - "Weighted Average Net Rent" and "Operating Capital Expenditures", respectively.

Other

Primaris holds 7 properties in co-ownerships (see Section 7.2, "Co-ownership Arrangements") and this MD&A includes only the Trust's proportionate ownership of the GLA of those co-owned properties (which amounts to Primaris having a total portfolio of 10.9 million square feet at Primaris' ownership interest as compared to 12.7 million square feet at a 100% ownership interest for all properties as at December 31, 2022).

In measuring performance, or allocating resources, management does not distinguish or group its operations into any sub-segments. As such, the Trust's operating results are presented as a single reportable segment which comprises the ownership, management and development of its investment properties located across Canada.

2. FORWARD-LOOKING STATEMENTS AND FUTURE-ORIENTED FINANCIAL INFORMATION

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, among others, statements made or implied relating to Primaris' future plans, including Primaris' ESG initiatives and objectives, significant development projects, Primaris' expectation with respect to the activities of its development properties, the timing of construction, the timing of occupancy, the timing of lease-up, and the expected total cost of development properties, management's expectations regarding future intensification opportunities including the timing of approvals for re-zoning and site plan applications, the impact of the

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COVID-19 pandemic on Primaris and its tenants, management's expectations regarding the growth of the markets in which its shopping centres are located, management's belief that bricks and mortar stores are and will continue to be essential to the omni-channel strategy of retailers, management's belief that the improving enclosed mall and retail environment will lead to rising rents for financially strong retailers and that there will be significant opportunities for growth and for attractive acquisitions, management's belief that Primaris can maintain financial stability and strength in a rising interest rate environment, Primaris' expected credit losses, expectations regarding tenant retention and closures, the expected rental revenues from leases with replacement tenants, including any offset of a reduction in gross revenues relating to store closures, the significant revenue opportunity represented by percentage rent participation, the state of the retail market, expected operating capital expenditures, discount rates, terminal capitalization rates and cash flow models used to estimate fair values, management's expectations regarding the Trust's leverage and portfolio quality, management's expectations regarding future distributions, management's belief that Primaris has sufficient funds and liquidity for future commitments, management's expectation to be able to meet all of its ongoing obligations, expected benefits from activities under the normal course issuer bid, and management's belief that Primaris satisfies certain prescribed conditions relating to the nature of its assets and revenue under the *Income Tax Act (Canada)* (the "Tax Act"). Forward-looking statements generally can be identified by words such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "project", "budget" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect Primaris' current beliefs and are based on information currently available to management.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and are based on estimates and assumptions that are inherently subject to risks and uncertainties. Primaris cautions that although it is believed that the assumptions are reasonable in the circumstances, actual results, performance or achievements of Primaris may differ materially from the forward-looking statements contained in this MD&A.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements include that the general economy is currently volatile; interest rates have risen and may continue to rise further in the near term as a result of persistent inflation; and debt markets will continue to provide access to capital at a reasonable cost, notwithstanding the recent interest rate hikes. Additional risks and uncertainties include, among other things, risks related to: owning and operating real property; real property valuations; geographic concentration of properties; credit risk and tenant concentration; reliance on anchor tenants and tenant bankruptcies; lease rollover risk; competition for real property investments; asset class concentration risk; construction risks; supply chain risks; development risks; capital expenditures risk; co-ownership interest in properties; financial markets and liquidity risk; cyber security risk; environmental and climate change risk; litigation risk; general uninsured losses; dependence on key personnel, talent management and succession planning; potential acquisition, investment and disposition opportunities and joint venture arrangements; potential undisclosed liabilities associated with acquisitions; Trust Unit price risk; availability of cash for distributions; ability to access capital markets; dilution; unitholder liability; redemption right risk; tax risk, and additional tax risk applicable to unitholders (the "Unitholders"). Certain of these risks, and others, are discussed in more detail under the Enterprise Risks and Risk Management section of this MD&A.

Primaris cautions that these lists of factors, risks and uncertainties are not exhaustive. Other risks and uncertainties not presently known to Primaris could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what Primaris believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

Certain forward-looking information included in this MD&A may also be considered "future-oriented financial information" or "financial outlook" for purposes of applicable securities laws (collectively, "FOFI"). FOFI about the Trust's

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prospective results of operations including, without limitation, anticipated net operating income** growth, impact on rental revenue of contractual rent-steps, anticipated general and administrative expense levels, and anticipated capital spending, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above and in the section entitled "Enterprise Risks and Risk Management" herein. The Trust and management believe that such FOFI have been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. FOFI contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Trust's prospective results of operations. Readers are cautioned that the FOFI contained herein should not be used for purposes other than for which it is disclosed herein.

Readers are also urged to examine the Trust's materials filed with the Canadian securities regulatory authorities from time to time as they may contain discussions on risks and uncertainties which could cause the actual results and performance of Primaris to differ materially from the forward-looking statements and FOFI contained in this MD&A. All forward-looking statements and FOFI in this MD&A are qualified by these cautionary statements. These forward-looking statements and FOFI are made as of February 28, 2023 and Primaris, except as required by applicable securities laws, assumes no obligation to update or revise them to reflect new information or the occurrence of future events or circumstances.

3. BUSINESS OVERVIEW AND STRATEGY

Business Overview

Primaris is Canada's only enclosed shopping centre focused REIT, with ownership interests primarily in enclosed shopping centres dominant in their markets. The portfolio totals 10.9 million square feet and economies of scale are achieved through its fully internal, vertically integrated, full-service national management platform. Primaris' scale, portfolio composition, and capital structure are designed to enable Primaris to grow and thrive in the new retail landscape.

Strategy

1. Retailer affordability through operational management

Primaris focuses on retailer affordability, offering attractive and economic store locations, through a disciplined approach to cost management, achieving economies of scale from the management platform, and collaborative relationship building with tenant partners. The resulting lower cost operating structure, versus the capital-intensive requirements of super-regional malls, significantly improves retailer profitability, and therefore, tenants' willingness to commit to the shopping centres.

Retailers continuously assess the number of stores they need in any given trade area to enhance profitability while maintaining strong brand awareness. They rightsize and adapt their business models to better serve the evolving needs of today's shoppers: in-store, online, click-and-collect, and return-to-store or return-by-mail. By maintaining a disciplined cost operating structure, Primaris provides attractive and affordable shopping centres for retailers.

2. Scale and consolidation opportunity

Management believes there is a significant opportunity for Primaris to leverage its scale and consolidate the enclosed shopping centre space, a market that currently has limited institutional competition for assets. Primaris is uniquely positioned, as Canada's only REIT focused on owning and managing enclosed shopping centres, with an established, fully internal and scalable management platform, and low leverage capital structure to support growth. The REIT plans to leverage its scale and management capability to deliver strong financial and operating performance from its existing portfolio and take advantage of acquisition opportunities as some of Canada's largest owners of enclosed shopping centres elect to sell some of these properties to reposition their portfolios to increase exposure to other property types.

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These assets are typically well-maintained and offer opportunities for Primaris to surface additional value through operating efficiencies, new leasing opportunities, and margin expansion.

3. Disciplined capital allocation

Primaris has a strong balance sheet with a conservative capital structure allowing it to maintain and upgrade its properties as needed and to take advantage of strategic acquisitions. The strength of Primaris' capital structure provides an attractive profile for public market investors and positions it as an ideal partner for institutional real estate owners. Primaris will continue to adhere to a disciplined capital allocation strategy, striving to minimize its cost of capital while maximizing value for its Unitholders.

Upon completion of the Arrangement and the acquisition of the HOOPP Properties, Primaris established certain targets for managing the Trust's financial condition. The table below depicts the Trust's performance relative to those established targets.

As at or for the year ended December 31, (unaudited)	2022	Targets
Debt to Total Assets** ¹	31.5%	25% - 35%
Average Debt** to Adjusted EBITDA** ¹	5.0x	4.0x – 6.0x
Funds from Operations Payout Ratio**	50.7 %	45% - 50%
Secured Debt as a Percentage of Total Debt**	21.4 %	<40%

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

¹ The debt ratios are non-GAAP ratios calculated on the basis described in the indentures for the Series A and Series B debentures (the "Trust Indentures"). See Section 10.4, "Capital Structure".

4. CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

Economic Environment

In its January 2023 Monetary Policy Report, the Bank of Canada noted that, although it had declined from its peak, inflation in Canada remains too high. Demand is still greater than the economy's ability to meet it. Supply chains are not yet back to normal in Canada and finding new workers continues to be challenging for businesses. Costs of construction remain high for both material and skilled labour.

To combat inflation, the Bank of Canada increased the benchmark interest rate by 425 basis points since the start of 2022, to 4.50%. At the announcement of the latest interest rate increase in January 2023, the Bank of Canada signaled that it intends to pause any further rate increase while it assesses the impact of the policy actions already taken. There remains, however, the potential for additional rate increases in the near term.

Business and consumer spending is anticipated to slow due to the impact of the interest rate hikes as household budgets are squeezed. Primaris' portfolio has a significant weighting to affordable necessity-based retailers and services that Canadians will continue to require to meet their everyday needs. The tenant mix includes investment grade retailers such as Canadian Tire, Walmart and Loblaws, which account for a significant portion of Primaris' cash flow.

The rising benchmark interest rate has resulted in higher prime rates at commercial banks and higher financing costs, which may put downward pressure on commercial property values and on the fair value of the Trust's investment properties. Rising interest rates increase the Trust's cost of borrowing by raising the interest rate payable on its borrowings under the credit facilities and the cost of refinancing existing indebtedness as it matures.

Primaris is in the enviable position of having no debt maturing in 2023. With \$261 million undrawn on its unsecured syndicated revolving term facility, \$2.7 billion of unencumbered assets, or \$2.0 billion of unencumbered assets in excess

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of unsecured debt, a 2022 FFO payout Ratio** of 50.7%, and a Debt to Total Asset** ratio of 31.5%, Primaris' conservative capital structure provides on-going financial stability and financial strength.

Impacts of the COVID-19 Pandemic

During 2021, operations and performance of enclosed malls were impacted by COVID-19 restrictions enacted by local governments. The chart below depicts, for each province in which Primaris operates, the particular days that enclosed malls were mandated to be closed during 2021 as a result of government restrictions. The impacts of government mandates on enclosed malls were not linear as restrictions ebbed and flowed leaving consumers uncertain during times of change.

	First Quarter 2021	Second Quarter 2021	Third Quarter 2021	Fourth Quarter 2021	Total Days Closed 2021
Ontario ¹	January 1 - February 15	April 8 - June 29		December 27 - 31 ²	129 Days
Alberta					
British Columbia					
Manitoba	January 1 - 22				22 Days
New Brunswick					
Quebec	January 1 - February 7				37 Days

¹ Different regions in Ontario were impacted by small variations from the dates above.

² 50% capacity restrictions

Although Ontario malls started 2022 with capacity restrictions that were effective between January 1st and March 14th, there were no new mandated closures in 2022. By the second quarter of 2022, most public health restrictions and mask mandates were lifted, essential and non-essential businesses were operating at full capacity, and the government programs to assist businesses were completed. Canadians have adapted to living with the COVID-19 virus, balancing concerns about new variants with the resumption of pre-pandemic lifestyles and activities.

The chart below compares the same store tenant sales by province for each month during the period from December 2021 to November 2022 as a percentage of the tenant sales by province for the same month in the year 2019, and the rolling twelve-months sales ended November 2022 as a percentage of the sales for the year ended December 31, 2019. Management compares recent tenant sales activity to the pre-pandemic sales activity, on a same store basis, to monitor recovery.

	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Rolling Twelve Months
Ontario	85 %	69 %	87 %	91 %	94 %	95 %	95 %	102 %	99 %	106 %	100 %	103 %	94 %
Alberta	92 %	85 %	98 %	94 %	99 %	103 %	103 %	114 %	108 %	106 %	105 %	112 %	101 %
Manitoba	91 %	83 %	99 %	98 %	95 %	111 %	108 %	114 %	114 %	118 %	116 %	118 %	105 %
New Brunswick	99 %	72 %	93 %	103 %	107 %	110 %	108 %	115 %	107 %	124 %	112 %	113 %	106 %
British Columbia	112 %	91 %	116 %	113 %	119 %	117 %	122 %	124 %	118 %	124 %	117 %	123 %	116 %
Quebec	84 %	68 %	94 %	95 %	101 %	106 %	109 %	106 %	104 %	104 %	102 %	113 %	99 %
Portfolio¹	93 %	78 %	97 %	97 %	101 %	104 %	105 %	111 %	107 %	111 %	107 %	111 %	102 %

¹ The above excludes Northland Village as the centre is under redevelopment, and excludes the HOOPP Properties acquired during the 24 months ended December 31, 2022.

Same store sales in January 2022 reflect closures and capacity restrictions in response to the COVID-19 pandemic. Otherwise, tenant sales were similar to pre-pandemic levels, and in some instances exceeded pre-pandemic levels.

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The Evolution of and Outlook for Canadian Enclosed Shopping Centres

Over the last two decades, the enclosed shopping centre space has been very dynamic. Beginning in 2005, there was significant income growth and investment interest in the enclosed shopping centre space supported by retailers increasing store counts, high occupancy, and rising rents. During this period, asset pricing was high. As 2015 approached, retail property began a significant transition. Target Canada declared bankruptcy and left the Canadian marketplace, with Sears following suit in 2018. Department store closures coincided with the onset of e-commerce headwinds, reducing retailer space demand, driving capitalization rates higher and investment property values lower.

The COVID-19 pandemic had a further profound negative impact on the Canadian enclosed shopping centre industry, with mandated closures in several jurisdictions, and capacity constraints in others. While the economic impacts and disruption of societal norms are beyond debate, management believes there were two significant ways in which the pandemic improved the outlook for the enclosed shopping centre industry.

Firstly, while retailer bankruptcies and store closures were costly for landlords, the resulting overall financial health of the remaining tenant base is strong.

Secondly, although the pandemic sharply accelerated e-commerce adoption and market penetration, the collective learned experience of the retailing industry concluded that bricks and mortar retail stores anchor a successful omni-channel retail platform. Consumer-centric, omni-channel retailing reveals a complementary relationship between bricks and mortar and e-commerce retailing, supported by clear data showing effective offerings in each channel support stronger total sales.

Primaris' shopping centres are often the largest property in their respective trade areas, providing tenants with a distribution hub for in-store pickup and/ or delivery.

Management believes that the Canadian shopping centre space is healthy, with significant opportunity for growth. Management views the current retail environment to be populated by retailers that are financially stronger than in the past, with significant adaptability and strong omni-channel platforms, and less dependent on anchor tenants. Management anticipates growth through acquisitions, as institutional shopping centre owners may be considering rebalancing their portfolios by selling assets that fit Primaris' profile.

The Canadian Advantage

Management believes that the Canadian retail property landscape is structurally different from that of the United States, resulting in a more stable investing and operating environment for enclosed malls in Canada.

- Canada's population distribution is significantly more concentrated relative to that of the U.S. and Canada has approximately one-third less retail square footage per capita, resulting in higher sales productivity that supports higher rents and higher values;
- The Government of Canada has set record high immigration targets for 2023, 2024 and 2025, which should contribute to the demand for goods and services of the Trust's tenant base;
- Canada's lending environment is predominantly a recourse debt market, resulting in more balance sheet lending and less securitization;
- No like-kind exchange mechanism exists in the Canadian tax legislation to defer capital gains recognition, substantially reducing speculative development activity;
- The landscape in Canada features fewer established retailers in each retail category, resulting in less competition and higher retailer profit margins;
- Canada's broad social safety net creates a larger consumer concentration in the lower and middle income categories, resulting in a very stable, value-oriented consumer profile;
- Canada's tenant base has a higher concentration of essential services and offerings; and
- Management believes that Canada has substantially completed its department store closure process.

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2023 Financial Outlook

Management discloses financial outlook statements for the purpose of providing further information about the Trust's prospective results of operations. These statements are based on factors and assumptions, such as historical trends, current conditions and expected developments. The Trust and management believe that such financial outlook statements have been prepared on a reasonable basis, reflecting management's best estimates and judgements. However, because these financial outlook statements are subjective and subject to numerous risks, they should not be relied on as necessarily indicative of future results.

Disciplined capital allocation is a key pillar to Primaris' strategy. To this end, Primaris established targets for managing the Trust's financial condition.

	Targets
Debt to Total Assets** ¹	25% - 35%
Average Debt** to Adjusted EBITDA** ¹	4.0x - 6.0x
Funds from Operations Payout Ratio**	45% - 50%
Secured Debt as a Percentage of Total Debt**	<40%

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

¹ The debt ratios are non-GAAP ratios calculated on the basis described in the indentures for the Series A and Series B debentures (the "Trust Indentures"). See Section 10.4, "Capital Structure".

In addition to its established targets above, Primaris has provided guidance for the full year of 2023 as follows:

Occupancy: Management anticipates portfolio occupancy to increase 0.8% to 1.0% in 2023.

Rental Revenue: A portion of the Trust's lease agreements include a term to establish future rent increases at stated intervals during a longer-term lease. Management anticipates the impact of such contractual rent-steps to be approximately \$2.1 million, or approximately 1.0% of base rent. See Section 9.1, "Components of Net Income (Loss)".

Rental Revenue: Straight-line rent, for the years ended December 31, 2022 and 2021, was higher than the anticipated future run rate due to the IFRS accounting treatment of short-term rental assistance, provided to tenants due to the pandemic, as lease modifications. Management anticipates straight-line rent to be in the range of \$1.8 to \$2.2 million. See Section 9.1, "Components of Net Income (Loss)".

Same Properties Cash NOI**: In 2023, Same Properties will include both the Primaris Properties and the HOOPP Properties. In total 34 properties will be classified as Same Properties**, with only Northland Village excluded as it is under redevelopment. Management anticipates growth in Same Properties Cash NOI** to be between 3.0% to 5.0%. This is lower than the Same Property Cash NOI** growth in 2022 which was the first year following the impacts of the pandemic.

General and Administrative Expenses: Management anticipates general and administrative expenses for the 2023 fiscal year to be approximately \$30 million. Expenses will be higher than the 2022 fiscal year due to the full year impact of personnel hired in 2022 and the expenses associated with the unit-based compensation program which will take three years to get to a steady run rate. See Section 9.1, "Components of Net Income (Loss)".

Operating Capital Expenditures: Based on historic performance, normalized average operating capital costs per square foot were approximately \$2.00 per square foot per year. Management estimates higher than historical average spending for the 2023 fiscal year driven by positive absorption as spaces vacated during the pandemic are leased, completion of previously delayed maintenance projects, and the impacts of inflation. 2023 operating capital expenditures are anticipated to be in the range of \$27.7 million to \$31.7 million, or \$2.55 to \$2.90 per square foot. See Section 8, "Operational Performance".

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Redevelopment Capital Expenditures: Management anticipates development spend for the 2023 fiscal year in the range of \$30 million to \$40 million. See Section 7.3, "Redevelopment and Development".

Impact of NCIB Activity: Primaris intends to renew its NCIB, subject to TSX review and approval. Primaris continues to believe that, from time to time, the market price for the Units may not fully reflect their intrinsic value, and in such circumstances, using the NCIB to repurchase Units is an attractive use of capital until other investment opportunities are available that meet our disciplined capital allocation approach. See Section 10.7, "Normal Course Issuer Bid".

Distributions: Primaris increased the distribution rate from \$0.80 to \$0.82 per unit per annum, or 2.5%. The rate increase was effective for the distribution declared on December 30, 2022, paid January 16, 2023. See Section 10.6, "Unit Equity and Distributions". Management intends to increase distributions annually.

Readers are cautioned that there is a significant risk that actual results for the year ending December 31, 2023 will vary from the financial outlook statements provided in this MD&A and that such variations may be material. See Section 2, "Forward-Looking Statements and Future-Oriented Financial Information" for further cautions on material factors, assumptions, risks and uncertainties that could impact the financial outlook statements.

5. ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In 2022 Primaris developed a Board-led ESG Strategic Plan that aligns to the Trust's mission, vision and strategy, and supports long-term value creation. The 2023-2025 ESG Strategic Plan ("ESG Strategy" or the "Plan") identifies Primaris' key ESG priorities, goals, actions, and performance measures. The ESG Strategy is a 'living document' that will evolve over time as Primaris progresses and adapts to the changing needs of operating and investing environments.

The Plan aligns to current investor focused ESG standards and frameworks:

- Sustainability Accounting Standards Board ("SASB") Real Estate Standard (IF-RE);
- recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD"); and
- GRESB, the global ESG benchmark for real assets.

Primaris' objective is to conform all elements of the ESG Strategic Plan within industry standard within 3 years, with a longer-term ambition of selectively developing a leading edge position in a number of areas. A detailed 3 years Implementation Roadmap has been created alongside the Plan to achieve the objectives.

ESG Governance Structure and Systems

The success of the ESG Strategy relies on commitment and oversight from the Board of Trustees. The Trustees are responsible for the oversight of the ESG Strategic Plan and initiatives developed by management. The Board of Trustees' Compensation, Governance and Nominating Committee oversees and monitors Primaris' performance against the ESG Strategy.

The Compensation, Governance and Nominating Committee is responsible for overseeing management's identification and assessment of social and sustainability matters, including, but not limited to, monitoring the Trust's progress on integrating environmental, social and governance factors into business strategy and decision making, and adopting ESG policies. The Compensation, Governance and Nominating Committee also reviews and approves periodic ESG reports and monitors ongoing compliance with the reported initiatives.

Two members of the Board attend management's regularly scheduled ESG Committee meetings to gain insight into implementation of ESG initiatives under the Plan and assess the potential for the advancement of the ESG Strategy, policies and practices. The Board's ability to provide effective oversight is supported by the governance structure and systems.

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Key aspects of ESG governance structure and systems include:

Board Composition * All Trustees joined the Institute of Corporate Directors, which provided ESG training * ESG included the Trustee skills matrix * Board-level diversity policy	Management Accountabilities * Chief Financial Officer is the senior executive accountable for ESG program oversight * Regular reporting to Board of Trustees
Board Structure and Practices * Lead Trustee for ESG program identified * Compensation, Governance and Nominating Committee Charter includes ESG * ESG risk review included in Audit Committee Charter * Establishment of ESG policies (on-going) * ESG Committee established including Trustee representation	Board Oversight of ESG-Related Risk Management * ESG materiality assessment updated every three years
	Board Oversight of ESG Reporting and Disclosure * ESG included in Management's Discussion and Analysis
	Integration of ESG into Corporate Strategy * ESG included in Management's Discussion and Analysis

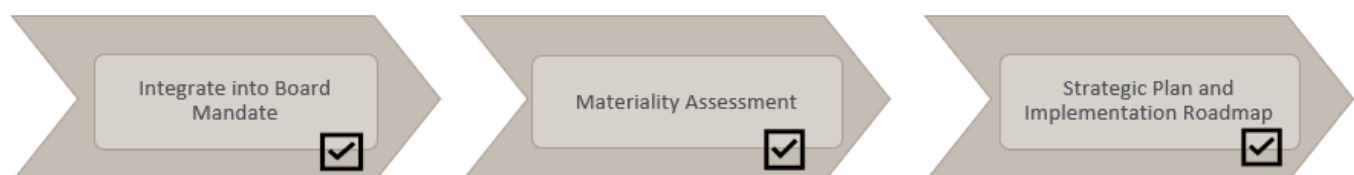
ESG Journey

Throughout its 20-year history, Primaris held itself socially accountable to its stakeholders and the public. By practicing corporate social responsibility ("CSR"), Primaris was conscious of the social, environmental and economic impacts of its operations and made concerted efforts to operate in ways that enhanced rather than degraded society and the environment.



While both CSR and ESG initiatives play a role in Primaris' public accountability, ESG incorporates quantifiable, recognized standards and frameworks. Through transparency and measurable action, the ESG Strategy is intended to safeguard financial success and reputation.

Primaris approached the development of its ESG Strategic Plan by first creating a strong governance foundation.



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Materiality Assessment and Material ESG Factors

The ESG Strategic Plan was developed based on the results of an ESG Materiality Assessment, that identified and prioritized the ESG-related risks and opportunities based on their potential impact to financial performance or the long term value of Primaris, and their importance to stakeholders. Below are Primaris' material ESG factors for each of its three ESG pillars.

Environment	Social	Governance
Reduce our environmental footprint and use resources efficiently	Be a landlord and employer of choice, and provide community gathering places	Integrate ESG into our strong governance and disclosure practices
Energy management	Tenant relations	Business ethics and transparency
GHG ¹ emissions and climate change	Human capital management	Diversity, equity and inclusion
Water and waste management	Community relations	Supply chain
Tenant sustainability Impacts		
Green buildings		

¹greenhouse gas ("GHG")

Environment: Primaris' material environmental factors relate to the operation and condition of its shopping centres. Primaris invests in its properties in order to maintain and drive asset value, reduce the environmental footprint, and improve operating efficiencies to drive tenant affordability. The key environmental objectives are:

Energy Management

- * Integrate energy considerations into property investment analysis and operational strategy
- * Reduce energy consumption
- * Increase energy efficiency
- * Increase renewable energy use

Water and Waste Management

- * Reduce water use and increase efficiency
- Reduce total waste, including construction waste materials,
- * generated and increase diversion rates

GHG Emissions and Climate Change

- * Determine capital expenditure requirements for management of climate-related transition and physical risks
- * Reduce total GHG emissions and emissions intensity
- * Develop GHG emissions reduction targets

Green Buildings

- * Integrate green building considerations into property investment analysis and operational strategy
- * Increase number of green building certificates

Tenant Sustainability Impacts

- * Increase tenant sub-metering

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Social: Primaris' culture is defined through its "REITA" values - Respect, Empowerment, Integrity, Teamwork and Accountability. These values are the foundation of Primaris' relationships and interactions with employees, tenants and the shopping centres' communities. Primaris seeks to be an employer and landlord of choice, and a trusted partner to its retail tenants with shopping centres that are the community gathering places. The key social objectives are:

Tenant Relations

- * Enhance existing tenant communication platforms and develop additional avenues of communication to reach all tenants
- * Continuous improvement of tenant relations

Community Relations

- * Support local economies through employment
- * Support and participate in local community causes

Human Capital Management

- * Continuous improvement of employee engagement and satisfaction survey scores
- * Maintain high standards of employee health, safety and well-being
- * Enhance employee training, including ESG-specific training
- * Support diversity, equity and inclusion at all levels
- * Promote supportive culture through REITA values

Governance: Corporate governance practices are evolving as regulators and investors seek better clarity and consistency. The following governance objectives have been identified as being material to the real estate sector and to Primaris:

Business Ethics and Transparency

- * Policies and processes for management of risks related to ethical business conduct
- * Policies and practices relating to collection, usage and retention of personal information
- * Systems and programs to identify and mitigate data security risks

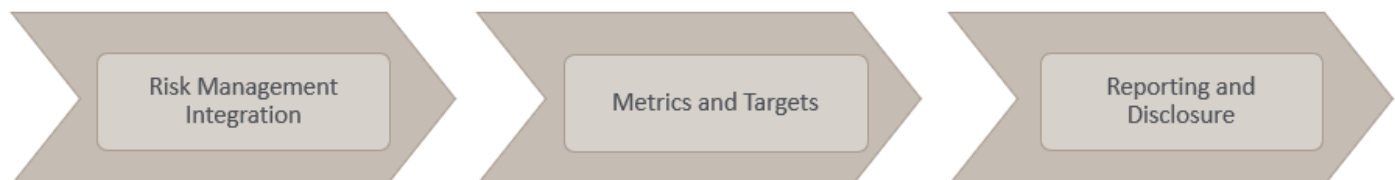
Diversity, Equity and Inclusion

- * Diversity Policy is reviewed annually and communicated to all employees

Supply Chain

- * Elements of ESG integrated into the tendering process

Next Steps



During 2023 Primaris will focus on:

- Collecting baseline environmental and social data sets;
- Developing targets for core environmental and social factors;
- Sourcing and implementing systems to collect and manage environmental and social data;
- Submitting the Trust's inaugural GRESB Real Estate Assessment;
- Establishing ESG monitoring and reporting requirements for the Board;
- Completing the development and implementation of the Enterprise Risk Management system, ensuring integration of ESG risks; and
- Preparing an inaugural ESG report.

ESG is an essential component in Primaris' overall strategy from both risk mitigation and opportunity optimization standpoints.

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6. SUMMARY OF SELECTED FINANCIAL AND OPERATIONAL INFORMATION

As at or for the years ended December 31, (in thousands of Canadian dollars unless otherwise indicated)(unaudited)	2022	2021 ¹	2020 ¹
Number of investment properties	35	35	27
Gross leasable area (in millions of square feet)	10.9	11.5	7.6
In-place occupancy	91.1 %	86.0%	88.2%
Committed occupancy	91.5 %	87.5%	—
Weighted average net rent per occupied square foot ²	\$ 24.23	\$ 24.14	—
Total assets	\$ 3,201,781	\$ 3,247,842	\$ 2,134,955
Total liabilities	\$ 1,114,152	\$ 1,056,516	\$ 1,133,255
Total rental revenue ¹	\$ 380,064	\$ 247,888	\$ 270,230
Cash flow from (used in) operating activities ¹	\$ 164,307	\$ (75,734)	\$ 278,846
Cash Net Operating Income** ("Cash NOI") ¹	\$ 206,057	\$ 135,113	\$ 123,749
Same Properties Cash NOI** growth	10.7 %	—	—
Net income (loss) ¹	\$ (12,080)	\$ 340,989	\$ (574,478)
Net income (loss) per unit ¹	\$ (0.124)	—	—
Funds from Operations** ("FFO") per unit - average diluted	\$ 1.580	—	—
FFO Payout Ratio**	50.7 %	—	—
Adjusted Funds from Operations** ("AFFO") per unit - average diluted	\$ 1.226	—	—
AFFO Payout Ratio**	65.4 %	—	—
Distributions declared per unit	\$ 0.802	—	—
Weighted average Units outstanding - diluted (in thousands)	100,597	—	—
Net Asset Value** per unit outstanding	\$ 21.49	\$ 22.11	—
Debt to Total Assets** ³	31.5%	28.4%	—
Average Debt** to Adjusted EBITDA** ³	5.0x	—	—
Interest Coverage** ³	5.3x	—	—
Liquidity	\$ 175,954	\$ 22,636	—
Unencumbered assets	\$ 2,863,844	\$ 1,879,788	—
Secured debt as a percent of Total Debt**	21.4 %	—	—
Fixed rate debt as a percent of Total Debt**	70.9 %	—	—
Weighted average term to debt maturity - Total Debt** (in years)	3.2	1.7	—
Weighted average effective interest rate - Total Debt**	4.87 %	2.73 %	—

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

¹ As net income for the years ended December 31, 2021 and 2020 was calculated on the continuity-of-interests basis for the Primaris Properties only and does not reflect the capital structure of the newly created Trust, calculations on a per unit basis and debt ratios would not be relevant. See Section 1, "Basis of Presentation".

² Supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics".

³ The debt ratios are non-GAAP ratios calculated on the basis described in the Trust indentures. See Section 10.4, "Capital Structure".

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Year End Highlights

As at the year end December 31, 2022, Primaris:

- Ended the year with in-place occupancy of 91.1%, compared to 90.7% as at September 30, 2022 and 86.0% as at December 31, 2021;
- Achieved a \$24.23 weighted average net rent per occupied square foot, compared to \$24.18 at September 30, 2022 and \$24.14 at December 31, 2021;
- Ended the year with a Debt to Total Assets** ratio of 31.5% and a ratio of secured debt to total debt of 21.4%; and
- Ended the year with a NAV** per unit outstanding of \$21.49.

During the year ended December 31, 2022, Primaris:

- Achieved 10.7% Same Properties Cash NOI** growth (8.8% for the fourth quarter);
- Reported FFO** per unit (average diluted) of \$1.580 and a 50.7% FFO Payout Ratio**;
- Received final zoning approval from the City of Toronto to develop 4 acres at Dufferin Mall;
- Received an investment grade credit rating of BBB and a stable trend;
- Issued \$350.0 million aggregate principal amount of senior unsecured debentures at a weighted average interest rate of 4.46%;
- Increased the distribution rate from \$0.80 to \$0.82 per unit per annum effective December 30, 2022; and
- Purchased for cancellation 3,885,700 Units under the NCIB at an average price per unit of approximately \$13.89, representing a discount to NAV** of approximately 35.4% (cancelled 1,212,800 Units at an average price of approximately \$14.26, or a discount to NAV** of approximately 33.6%, in the quarter). The NCIB activity increased NAV** per unit outstanding at December 31, 2022 by \$0.82. Considering the change in Units outstanding due to NCIB activity as the only variable, the full year impact to FFO** would be \$0.062 per unit outstanding, before considering the cost of capital.

Subsequent to December 31, 2022, Primaris:

- Entered into an \$85.0 million interest only mortgage with an annual interest rate of 5.516% and an eight-year term improving liquidity and extending the debt maturity profile; and
- Purchased an additional 814,400 Units under the automatic share purchase plan ("ASPP") for consideration of \$12.3 million as of February 28, 2023, for total NCIB purchases since inception of 4,700,100 Units at an average price of \$14.10, or a discount to NAV** of approximately 34.4%.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

7. INVESTMENT PROPERTIES

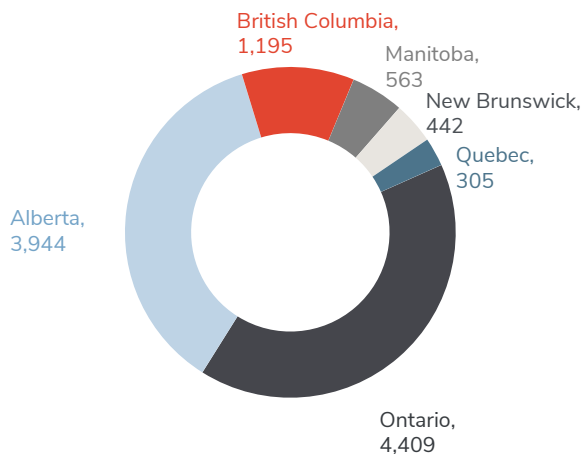
Primaris owns, manages, leases, and develops retail properties in Canada. On December 31, 2022, the portfolio consisted of 35 properties, which are geographically diversified across Canada to reduce concentration risk and to enhance the long-term reliability of its revenue stream.

The shopping centre portion of the portfolio comprises 23 assets nationwide (21 enclosed malls) and is situated on approximately 900 acres of land. The properties are located close to major transportation nodes and public transit, with broad zoning permitting a wide range of uses beyond retail, enabling potential future value creation. Primaris' 5 largest properties represent approximately 46% of the portfolio value (10 largest properties approximately 60%).

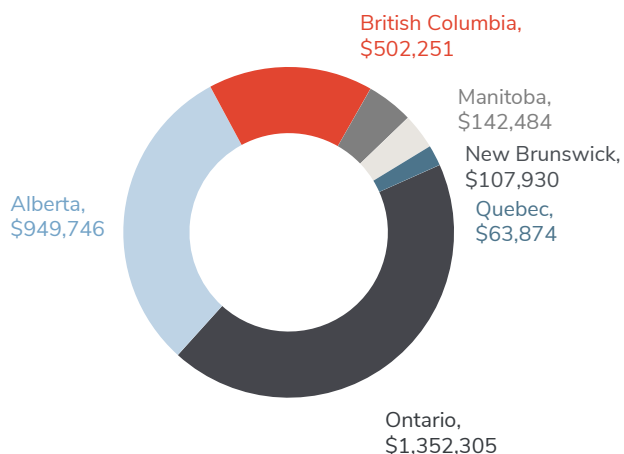
Management is currently reviewing the Trust's portfolio of investment properties to identify potential non-core asset dispositions to provide capital to recycle into enclosed mall acquisitions.

As at December 31, 2022 (\$ thousand and '000 square feet, unless otherwise indicated)		Total Portfolio		Primaris Properties		Acquisition Properties	
	Fair Value	GLA	In-place Occupancy	GLA	In-place Occupancy	GLA	In-place Occupancy
Ontario	\$ 1,352,305	4,409	88.5 %	1,838	90.0 %	2,571	87.4 %
Alberta	949,746	3,944	91.1 %	3,351	91.0 %	593	91.4 %
British Columbia	502,251	1,195	94.9 %	651	98.8 %	544	90.3 %
Manitoba	142,484	563	93.9 %	563	93.9 %	—	— %
New Brunswick	107,930	442	98.9 %	442	98.9 %	—	— %
Quebec	63,874	305	97.3 %	305	97.3 %	—	— %
Portfolio	\$ 3,118,590	10,858	91.1 %	7,150	92.4 %	3,708	88.4 %

Total Portfolio GLA by Province (square feet)



Total Portfolio Value by Province



PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

7.1 Valuation

The fair value of Primaris' investment property portfolio as at December 31, 2022 and December 31, 2021 was as follows:

As at (\$ thousands) (unaudited)	December 31, 2022	December 31, 2021
Income producing properties	\$ 2,934,590	\$ 3,023,188
Land held for development	184,000	181,000
Investment properties	\$ 3,118,590	\$ 3,204,188

The value of investment properties as at December 31, 2022 reflected the sale of 2 acres of land for net proceeds of \$5.5 million.

The value attributed to land held for development relates to Dufferin Mall. In the year ended December 31, 2021, Primaris received conditional municipal approvals for the Dufferin Grove project and recognized the increase in value for the highest and best use of the property. On August 10, 2022, final approval was received from the City of Toronto.

Income producing properties are measured at fair value, primarily determined using the discounted cash flow method. Under this methodology, discount rates are applied to projected annual operating cash flows, generally over a minimum of 10 years, including a terminal value based on a capitalization rate applied to the estimated NOI** in the terminal year. The fair value of income producing properties reflects, among other things, rental income from current leases, and assumptions about rental income from future leases in light of current market conditions. The portfolio is valued internally.

Land held for development is valued either by direct comparison to land sales or, when possible, based on commercial and residential sale prices from comparable multi-residential developments net of total project costs and developer's profits.

As part of management's internal valuation program, the Trust considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Trust's portfolio. In the year ended December 31, 2021, and in connection with the Arrangement, external valuations were obtained from an independent nationally recognized valuations firm for all of the Trust's investment properties and were one of the inputs management considered in determining the year end values of the investment properties.

The following table discloses the investment properties which were externally appraised in 2022, detailing the fair value as at the end of the quarter in which the property was externally appraised and management's updates to those values, if any, as at December 31, 2022.

As at (\$ thousands) (unaudited)	Number of Properties	Value of Properties	
		As at Quarter End Appraised	As at December 31, 2022
March 31, 2022	3	\$ 517,000	\$ 494,124
June 30, 2022	5	\$ 836,650	798,324
September 30, 2022	3	\$ 341,289	328,009
December 31, 2022	10	\$ 865,797	865,797
Year-to-date total	21		\$ 2,486,254
Percentage of total portfolio	60.0%		79.7 %

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Valuations are most sensitive to changes in discount and terminal capitalization rates. Primaris' valuation inputs are supported by market data and reports from independent nationally recognized valuations firms. Below is a summary of the key rates used in the valuation process for Primaris' income producing properties for the quarters ended:

(unaudited) As at	Going-in Year-one Capitalization Rate	Discount Rate	Terminal Capitalization Rate
December 31, 2022	6.91 %	8.22 %	7.19 %
September 30, 2022	6.77 %	8.04 %	6.98 %
June 30, 2022	6.52 %	7.84 %	6.57 %
March 31, 2022	6.33 %	7.63 %	6.57 %
December 31, 2021	n/a	7.63 %	6.57 %

Primaris recorded unfavourable adjustments to the fair value of investment properties of \$61.3 million and \$165.7 million for the three months and year ended December 31, 2022, respectively. The drivers of the fair value adjustments are described below.

(\$ millions) (unaudited)			
For the periods ended December 31, 2022		Three months	Year
Impact of updates in valuation models:			
Discount and terminal capitalization rates	\$	(86.6)	\$ (227.2)
Cash flow inputs		55.4	147.0
		(31.2)	(80.1)
Impact of activities in the period:			
Capital spending		(29.5)	(81.2)
Amortization of straight-line rent and tenant incentives		(0.6)	(4.4)
		(30.1)	(85.6)
Adjustment to fair value of investment properties	\$	(61.3)	\$ (165.7)

7.2 Co-ownership Arrangements

Primaris has co-ownership interests in several properties, as listed below, that are subject to joint control and are accounted for as joint operations. This MD&A includes Primaris' proportionate share of the GLA, fair value of investment properties, debt, and NOI** of these properties. Primaris performs the management services on behalf of the co-owners of these properties for which it earns fee income (see Section 9.1, "Components of Net Income (Loss)").

Property	Location	Ownership interest as at	
		December 31, 2022	December 31, 2021
McAllister Place	Saint John, NB	50%	50%
Regent Mall	Fredericton, NB	50%	50%
Place Du Royaume	Chicoutimi, QC	50%	50%
Place D'Orleans Shopping Centre	Ottawa, ON	50%	50%
Cataraqui Town Centre	Kingston, ON	50%	50%
Grant Park	Winnipeg, MB	50%	50%
Kildonan Place	Winnipeg, MB	50%	50%

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

7.3 Redevelopment and Development

Capital expenditures were \$51.1 million in the year ended December 31, 2022 for redevelopment projects, including projects to re-demise space vacated by former anchor tenants and for the project to de-mall Northland Village.

As shown in the table below, Primaris is in various stages of construction on several properties to re-demise space vacated by former anchor tenants. The leasing is completed for the spaces vacated by former anchor tenants.

Property	Construction Start	Estimated Completion	Tenants	Rent Commencement or Estimated Commencement
Orchard Park Mall	Completed	Q3 2022	Planet Fitness, Structube	Q2/Q3 2022
Lansdowne Place	Completed	Q3 2022	Sport Chek	Q4 2022
Kildonan Place	Completed	Q3 2022	Cineplex	Q4 2022
Cataraqui Town Centre	Completed	Q4 2022	LL Bean	Q4 2022
Medicine Hat Mall	In progress	Q2 2023	FreshCo	Q4 2023
Quinte Mall	In progress	Q2 2023	Winners	Q3 2023

The redevelopment program for space vacated by former anchor tenants is nearing completion. In 2022, projects were completed at four properties:

- Cineplex (35,000 square feet in December 2022) opened at Kildonan Place in Winnipeg, Manitoba;
- Planet Fitness (22,400 square feet in May 2022) and Structube (9,400 square feet in July 2022) opened at Orchard Park Mall in Kelowna, British Columbia;
- LL Bean (15,100 square feet in November 2022) opened at Cataraqui Centre in Kingston, Ontario; and
- Sport Chek (24,800 square feet in November 2022) opened at Lansdowne Place in Peterborough, Ontario.

Redevelopment projects underway include Quinte Mall, in Belleville, Ontario where 60,000 square feet of the former Sears space was demolished in favour of future intensification opportunities and the remaining 30,000 square feet will be converted to a Winners store with an anticipated opening in spring 2023. Projects also include finalizing the construction of a 35,000 square foot Freshco grocery store at Medicine Hat Mall, in Medicine Hat, Alberta, and the commencement of construction on a 16,000 square foot bank pad at Lansdowne Place.

Two former Sears spaces remain to be addressed: Park Place Mall in Lethbridge, Alberta, where management is reviewing various options; and Devonshire Mall in Windsor, Ontario where the vacated Sears space plus the adjoining lands comprise approximately 18 acres. Given the significant opportunity at Devonshire Mall, Primaris is designing plans for the entire area which will likely include the demolition of the former Sears space.

Northland Village, an enclosed shopping centre with a gross leasable area of approximately 521,000 square feet situated on 32 acres in northwest Calgary, is being redeveloped into a mixed-use development including 380,000 square feet of retail and office space. Walmart, Best Buy and Winners will remain as anchors of the retail development. Approximately 2 acres were sold in 2022 to a third-party residential developer that has commenced construction on 219 rental residential units. In the summer of 2022, the interior portion of Northland Village was demolished, Walmart completed a renovation to their store, and Primaris commenced construction of a fully pre-leased outparcel building. The project will be completed over multiple phases with an estimated completion date of Q4 2025. Projected redevelopment costs for the project are in the range of \$75 to \$80 million, with spending in the year ended December 31, 2022 of approximately \$22.5 million. The remaining redevelopment costs primarily relate to the cost of building new pads over the next few years as new leases are signed.

Management anticipates spending for its redevelopment projects during the 2023 fiscal year to be in the range of \$30 million to \$40 million.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Dufferin Mall is located on Dufferin Street just south of Bloor Street West in a high-density urban neighbourhood in central Toronto, Ontario. Within 250 meters of the Dufferin subway station, Dufferin Mall is a 575,000 square foot enclosed shopping centre, situated on 21 acres, and anchored by Walmart, No Frills, Marshalls, Winners, City of Toronto, Toys "R" Us, Urban Planet and H&M. In 2022, Primaris received city approvals to redevelop approximately 4 acres of underutilized land, primarily parking lot, into a mixed use centre that builds on the success of Dufferin Mall by adding more than 1,100 residential units, a public park and the additional new retail uses - "Dufferin Grove". Management is considering alternative plans to monetize the value of the land such as through a sale or a development project in partnership with a residential developer.

Management's current estimates and assumptions, as discussed throughout this section of this MD&A, are subject to change. Such change may be material to the Trust. Although the estimated expenditures are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these projections and expenditures may, therefore, materially differ from management's current estimates. In addition, there is no assurance that all of these projects will be undertaken, and if they are, there is no assurances as to the costs or completion timelines.

8. OPERATIONAL PERFORMANCE

Primaris' leasing activities are focused on driving value by actively managing the tenant and merchandising mix at its investment properties. The future performance of income-producing properties is a function of a number of factors. The principal factors include occupancy rates, trends in rental rates achieved on leasing or renewing space currently leased, retail sales performance, and the contractual increases in rent over the life of the leases.

Occupancy

	Leasable Area (in thousands of square feet)	Occupied Area (in thousands of square feet)	In-place Occupancy
December 31, 2021	11,499	9,889	86.0 %
Tenant departures:			
Net rent tenants		(104)	
Gross rent tenants		(124)	
Percent rent in lieu tenants		(104)	
		(332)	
Tenant possessions:			
Net rent tenants		215	
Gross rent tenants		179	
Percent rent in lieu tenants		123	
		517	
Other activity including remeasurements ¹	(641)	(184)	
December 31, 2022	10,858	9,890	91.1 %
Tenant renewals:			
Square footage renewed (in thousands)		1,622	
Renewal rate		72.3 %	

¹ Includes adjustments for demolition of vacant space and adjustments to remove storage units from leasable and occupied area.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

As at December 31, 2022, the portfolio had an in-place occupancy rate of 91.1%, and a committed occupancy rate of 91.5%. The committed occupancy rate includes executed lease agreements where the tenants have not yet taken possession of the space.

Average in-place occupancy is calculated using the occupied square feet and total GLA for each month in the measurement period. Average in-place occupancy for the three months and year ended December 31, 2022 was 91.0% and 88.3%, respectively.

The in-place occupancy rate of the Acquisition Properties of 88.4% (as defined in the following chart) has risen during 2022, but remains below the portfolio average of 91.1% and represents an opportunity for further organic growth. Of the 5.2% increase in the in-place occupancy rate for the Acquisition Properties during the year ended December 31, 2022, 1.5% can be attributed to leasing activities and 3.7% can be attributed to GLA taken offline as part of re-demising activities. Similarly, the increase to the in-place occupancy rate during the year ended December 31, 2022 for the property under redevelopment (Northland Village) can be attributed to unoccupied GLA from the mall's interior being taken offline at the start of demolition.

As at	Count	Committed occupancy	In-place occupancy		
		December 31, 2022	December 31, 2022	September 30, 2022	December 31, 2021
Same Properties ¹	26	92.6%	92.3%	91.5%	90.0%
Acquisition Properties ¹	8	89.2%	88.4%	88.7%	83.2%
	34	91.5%	90.5%	90.5%	87.6%
Property under redevelopment	1	96.3%	96.3%	96.3%	52.9%
Portfolio occupancy	35	91.5%	91.1%	90.7%	86.0%
Portfolio average in-place occupancy					
Three months ended	35		91.0%	90.0%	—
Year to date	35		88.3%	87.3%	—

¹ Properties owned throughout the entire 24 months ended December 31, 2022, excluding properties under development or major redevelopment, are referred to as "Same Properties". Properties acquired during the 24 months ended December 31, 2022 are referred to as "Acquisition Properties". As at December 31, 2022 the HOOPP Properties are the only acquired properties.

Weighted Average Net Rent

Weighted average net rent per occupied square foot is a supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics". Primaris calculates the weighted average net rent per occupied square foot to understand the impact of period-over-period change in occupancy and the realization of contractual rental rate changes embedded in lease agreements. The calculation excludes specialty leasing tenants and rent free periods which are short term in nature. Tenants paying percent rent in lieu of base rent are also excluded from the calculation to avoid estimating rental revenue amounts. The resulting calculation captures approximately 90% of the occupied GLA.

As at	December 31, 2022	Change in Weighted Average Net Rent	Change in Occupied GLA (in thousands of square feet)	December 31, 2021 ²
CRU tenants	\$ 42.22	\$ 0.71	(7)	\$ 41.51
Large format tenants	\$ 14.18	\$ 0.16	221	\$ 14.02
Weighted average net rent¹	\$ 24.23	\$ 0.09	214	\$ 24.14

¹ Supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics".

² The prior year weighted average net rent per occupied square foot was recalculated to remove the impact of rent free periods in the Acquisition Properties.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Leasing Activity

Primaris contracts with different types of tenants including:

- Commercial retail unit ("CRU") tenants that lease units up to 15,000 square feet and include food court and kiosk tenants;
- Large format tenants that lease units in excess of 15,000 square feet; and
- Office tenants that are ancillary to the retail mix of tenants.

During the three months ended December 31, 2022, Primaris completed 132 leasing deals totaling 0.4 million square feet. This leasing activity impacts the committed occupancy rate as, for the most part, the lease agreements have future commencement dates.

(unaudited)							Tenant Allowances and Leasing Costs	
For the three months ended December 31, 2022	Count	GLA (in thousands of square feet)	Weighted Average Lease term (in years)	Weighted Average Net Rent per occupied square foot ¹	Weighted Average Spread on Renewing Rents		Count	Costs per square foot
CRU								
New tenants	14	18	6.2	\$ 50.40				
Renewing tenants	76	144	3.2	\$ 46.60	2.3%			
	90	162		\$ 47.00		7	\$	65
Large format								
New tenants	2	30	12.5	\$ 26.50				
Renewing tenants	5	104	4.6	\$ 15.80	7.3%			
	7	134		\$ 18.20		2	\$	118
Office								
New tenants	1	4	10.0	\$ 10.00				
Renewing tenants	2	5	3.5	\$ 29.40	10.5%			
	3	9		\$ 20.50		1	\$	80
Short term and percent rent in lieu	32	91	N/A	N/A				
Total leasing	132	396			3.5%			

¹ Supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics" and as described below.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

During the year ended December 31, 2022, Primaris completed 538 leasing deals totaling 1.8 million square feet.

(unaudited)							Tenant Allowances and Leasing Costs	
For the year ended December 31, 2022	Count	GLA (in thousands of square feet)	Weighted Average Lease term (in years)	Weighted Average Net Rent per occupied square foot ¹	Weighted Average Spread on Renewing Rents		Count	Costs per square foot
CRU								
New tenants	65	136	7.8	\$ 37.10				
Renewing tenants	230	403	3.5	\$ 45.40	(0.4)%			
	295	539		\$ 43.30			47	\$ 65
Large format								
New tenants	2	30	12.5	\$ 26.50				
Renewing tenants	13	619	6.5	\$ 10.10	7.5%			
	15	649		\$ 10.90			3	\$ 113
Office								
New tenants	5	18	6.2	\$ 15.50				
Renewing tenants	19	40	4.3	\$ 16.80	3.1%			
	24	58		\$ 16.40			3	\$ 46
Short term and percent rent in lieu	204	584	N/A	N/A				
Total leasing	538	1,830			1.8%			

¹ Supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics" and as described below.

Included in CRU renewing tenants are a number of lease agreements that provide lower than expiring rental rates due in part to tenant sales operating at below pre-pandemic levels. These renewals at reduced rental rates are for shorter terms, deferring longer term lease commitments as tenant sales continue to recover, enhancing Primaris' negotiating leverage.

Leasing spreads rose over the course of 2022, reflecting rising tenant demand for space and the recovery in tenant sales performance.

Included in the leasing activity for the three months and year ended December 31, 2022, are 32 and 204, respectively, new leases that were for a lease term of less than one year, or for percentage rent in lieu of base rent. While these lease structures have always been a tool to manage tenant relocations and the timing of development plans, during the pandemic leases structured as percentage rent in lieu of base rent were more prevalent to assist tenants and to maintain occupancy rates. As these leases mature, management anticipates moving tenants back to traditional lease structures.

Percentage Rent in Lieu of Base Rent Leases

As at	Number of Leases	Portion of Leases by Count ¹
March 31, 2022	184	8.5 %
June 30, 2022	181	8.3 %
September 30, 2022	177	8.1 %
December 31, 2022	169	7.7 %

¹ Lease count excludes short term leases.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Tenant Sales

Tenant sales are important metrics for Primaris and are typically only collected from commercial retail unit tenants operating in enclosed malls (tenants that lease up to 15,000 square feet). Analysis of tenant sales enables proactive management of merchandising, the identification of trends, and potential tenant failures in advance of any formal corporate disclosures.

All stores sales volume, same store sales, and same store sales productivity are supplementary financial measures, see Section 1, "Basis of Presentation" - "Use of Operating Metrics". All stores sales volume is the total of sales during the twelve-month period for all CRU tenants operating during that time period, whether the tenant was in operation for the entire period or not. Same store sales includes only sales from CRU tenants that were operating continually for a 24-month period. Same store sales productivity is a per square foot figure calculated as the sales from the same store CRU tenants over the GLA contributing to the sales volume. Management uses same store sales productivity to assess the period-over-period performance of the enclosed malls and monitor tenant health.

No comparative information has been presented for the rolling twelve-months ended December 31, 2021 due to the impact of the COVID-19 pandemic on the enclosed mall portfolio. Operations and performance of enclosed malls were impacted by COVID-19 restrictions enacted by local governments.

Tenant sales for enclosed malls owned and operated in the rolling twelve-month period ended December 31, 2022 were as follows:

(\$ thousand and \$ thousand per square foot) (unaudited)	All Stores Sales Volume ¹	Same Store Sales Productivity ¹
Cataraqui Town Centre	\$ 80,660	\$ 594
Devonshire Mall	157,866	643
Dufferin Mall	93,902	615
Grant Park Shopping Centre	24,155	484
Kildonan Place	83,586	585
Lansdowne Place	72,837	647
Marlborough Mall	40,430	379
McAllister Place	58,248	493
Medicine Hat Mall	43,027	460
New Sudbury Centre	101,003	719
Orchard Park Shopping Centre	186,469	788
Park Place Shopping Centre	87,207	687
Peter Pond Mall	66,258	729
Place D'Orleans Shopping Centre	73,962	445
Place du Royaume	84,883	492
Quinte Mall	75,837	568
Regent Mall	83,217	647
Sherwood Park Mall	37,792	477
St. Albert Centre	29,467	495
Stone Road Mall	102,421	602
Sunridge Mall	86,713	492
Total enclosed malls - rolling twelve-month period ended December 31, 2022	\$ 1,669,940	\$ 589

¹ Supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics" and as described above.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Lease Maturities

As at December 31, 2022, the weighted average lease term for the portfolio was 4.5 years (December 31, 2021 – 4.9 years) with the following lease maturity profile. As at December 31, 2022, the weighted average lease term for CRU tenants was 3.3 years and for large format tenants was 6.5 years. The following table sets out the lease maturity profile for the Trust's portfolios.

	Number of leases	Occupied GLA (in thousands of square feet)	% of Occupied GLA	Weighted average net rent per square foot ²
Portfolio:				
Short-term ¹	100	155	1.6%	\$ 38.55
2023	520	1,205	12.2%	\$ 29.94
2024	391	1,032	10.4%	\$ 32.04
2025	297	909	9.2%	\$ 29.71
2026	193	817	8.2%	\$ 26.41
2027	172	950	9.6%	\$ 24.58
Thereafter	494	4,822	48.8%	\$ 21.95
Total portfolio	2,167	9,890	100.0%	\$ 25.57
CRU tenants only:				
Short-term ¹	98	131	1.3%	\$ 42.18
2023	504	768	7.8%	\$ 42.38
2024	374	633	6.4%	\$ 42.09
2025	287	517	5.2%	\$ 43.31
2026	176	311	3.1%	\$ 47.12
2027	141	229	2.3%	\$ 48.55
Thereafter	396	1,570	15.9%	\$ 44.01
Total CRU tenants	1,976	4,159	42.0%	\$ 43.76
Large format tenants only				
Short-term ¹	2	24	0.3%	\$ 19.00
2023	16	437	4.4%	\$ 14.17
2024	17	399	4.0%	\$ 16.26
2025	10	392	4.0%	\$ 11.82
2026	17	506	5.1%	\$ 13.68
2027	31	721	7.3%	\$ 16.98
Thereafter	98	3,252	32.9%	\$ 15.97
Total large format tenants	191	5,731	58.0%	\$ 15.49

¹ Includes month-to-month leases and leases on overhold

² Supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics" and as described below. Based on rental rates in the last term of the lease

While CRU tenants comprise approximately 42% of the portfolio's occupied GLA, they represent approximately 72% of the average minimum rent (based on the weighted average net rental rates in the last term of the expiring leases).

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Management's Discussion and Analysis

Top 30 Tenants

As at December 31, 2022, 48.9% of Primaris' annualized minimum rent came from a group of 30 tenants. Primaris top 10 tenants represent many of Canada's leading national retailers.

	Top Tenants ¹	Tenant Sector	Annualized Minimum Rent (% of Total)	Store Count (all banners)	Total GLA	% of occupied GLA	WALT ² (in years)	Credit Ratings (S&P/ Moody's/ DBRS)
1	Canadian Tire	Value Retail	6.0%	30	708,486	7.2%	4.7	BBB / - / BBB
2	Walmart	Value Retail	4.1%	8	908,076	9.2%	7.5	AA / Aa2 / AA
3	Loblaws	Grocery	3.6%	17	354,805	3.6%	5.3	BBB / - / BBB(H)
4	TJX	Value Retail	3.1%	19	452,617	4.6%	4.2	A / A2 / -
5	Bell Canada	Telecom	2.4%	91	65,892	0.7%	1.7	BBB+ / Baa2 / BBB
6	Cineplex	Entertainment	2.2%	9	296,215	3.0%	6.9	-
7	Gap	Apparel	1.8%	16	200,021	2.0%	2.1	BB / Ba2 / -
8	Comark	Apparel	1.7%	35	112,561	1.1%	2.7	-
9	Rogers	Telecom	1.7%	84	31,759	0.3%	2.1	BBB+ / Baa1 / BBB(H)
10	Telus	Telecom	1.5%	45	34,023	0.3%	3.9	BBB+ / Baa1 / BBB(H)
Top 10 tenants			28.1%	354	3,164,455	32.0%		
11	Dollarama	Value Retail	1.5%	17	165,145	1.7%	5.2	BBB / Baa2 / BBB
12	Best Buy	Other Retail	1.4%	14	151,122	1.5%	4.1	BBB+ / A3 / -
13	Indigo Books & Music	Other Retail	1.4%	13	154,364	1.6%	4.4	-
14	HBC	Dept Store	1.3%	6	589,428	6.0%	6.8	-
15	MTY Group	Food	1.3%	45	23,144	0.2%	3.4	-
16	American Eagle Outfitters	Apparel	1.2%	15	74,652	0.8%	2.9	-
17	YM	Apparel	1.1%	56	308,531	3.1%	2.7	-
18	Luxottica Retail	Personal Care	1.1%	27	53,248	0.5%	3.1	A / A2 / -
19	H&M	Apparel	1.0%	11	162,461	1.6%	4.1	BBB / - / -
20	Goodlife	Personal Care	1.0%	8	151,257	1.5%	6.5	- / B2 / -
21	Foot Locker	Apparel	1.0%	14	52,529	0.5%	3.6	BB+ / Ba1 / -
22	Ardene	Apparel	0.9%	18	138,417	1.4%	5.0	-
23	Zale Canada	Apparel	0.9%	15	22,304	0.2%	1.3	-
24	La Vie en Rose	Apparel	0.9%	23	56,476	0.6%	5.4	-
25	Sobeys	Grocery	0.9%	7	100,981	1.0%	11.6	BBB- / - / BBB(L)
26	Recipe Unlimited	Food	0.8%	22	37,602	0.4%	4.7	-
27	CIBC	Financial Services	0.8%	9	48,496	0.5%	3.9	A+ / Aa2 / AA
28	Michael Hill Jewellers	Other Retail	0.8%	18	16,152	0.2%	3.6	-
29	Limited Brands	Apparel	0.8%	23	54,539	0.6%	2.2	BB / Ba2 / -
30	London Drugs	Other Retail	0.7%	2	74,519	0.8%	8.3	-
Top 30 tenants			48.9%	717	5,599,822	56.7%		

¹ The names noted above may be the names of the parent entities and are not necessarily the tenant covenants under the leases.

² Weighted average lease term ("WALT")

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Management's Discussion and Analysis

Operating Capital Expenditures

Primaris' expenditures on investment properties fall into two categories: (i) revenue enhancing capital expenditures that add to the overall earnings capacity of the property portfolio; and (ii) operating capital expenditures that are necessary to maintain the existing productive capacity of the property portfolio. Primaris endeavours to fund operating capital expenditures from its operating cash flows in order to manage the Trust on a sustainable basis.

Operating capital includes:

Recoverable and non-recoverable costs: Expenditures incurred pursuant to a capital plan to maintain the productive capacity of the properties, such as parking lot resurfacing and roof replacements. Tenant leases generally provide for the ability to recover a significant portion of such costs over time.

Tenant allowances and leasing costs: The Trust's portfolio requires ongoing investments of capital related to leasing activity. These expenditures include the Trust's obligation under various leases for the build out of tenant space, and costs such as commissions and legal fees incurred in negotiating tenant leases. Leasing capital varies with tenant demand and the merchandising mix strategies of a property. Primaris actively manages its merchandising mix and leasing activities to achieve a balance of new and renewal leasing. This enables management to increase retail sales and grow rental revenue. Included in general and administrative expenses are costs associated with Primaris' internal leasing team, which might otherwise have been capitalized if the costs were incurred from a third-party service provider (see Section 9.1, "Components of Net Income (Loss)" - "General and Administrative Expenses").

Total operating capital and total capital expenditures for the three months and year ended December 31, 2022 and 2021 were as follows:

(\$ thousands) (unaudited)	Three months ¹		Year end ¹	
For the periods ended December 31,	2022	2021	2022	2021
Recoverable and non-recoverable costs	\$ 5,934	\$ 4,499	\$ 11,496	\$ 11,617
Tenant allowances and leasing costs	3,347	3,392	13,741	9,603
Total operating capital expenditures	9,281	7,891	25,237	21,220
Building improvements	261	—	921	—
Redevelopment	18,754	4,571	51,091	24,870
Capitalized interest	1,182	639	3,926	2,528
Total capital expenditures	\$ 29,478	\$ 13,101	\$ 81,175	\$ 48,618

¹ The capital expenditures for the three months and year ended December 31, 2021 are for the Primaris Properties only and excludes the acquisition of the HOOPP Properties.

The normalized average operating capital costs per square foot is a supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics". Primaris calculated the normalized average operating capital costs per square foot based on 8 years of historical spending for properties under continuous management, adjusted to exclude the impact of Target and Sears exits. The calculation also excludes expenditures at Northland Village, currently under redevelopment, and at the newly acquired HOOPP Properties. Management calculates the normalized average operating capital costs per square foot to manage future cash flow requirements.

Based on historic performance, normalized average operating capital costs per square foot were approximately \$2.00 per square foot per year. These historical costs may not be indicative of future expenditures. For the 2022 fiscal year, annual spending was higher than the historical average driven by positive absorption as spaces vacated during the pandemic were leased, completion of previously delayed maintenance projects, and the impacts of inflation. Management estimates similar impacts for the 2023 fiscal year with operating capital expenditures anticipated in the range of \$27.7 million to \$31.7 million, or \$2.55 to \$2.90 per square foot.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

9. RESULTS FROM OPERATIONS

The results of operations for Primaris for the three months and year ended December 31, 2021, were calculated under the continuity-of-interests basis (see Section 1, "Basis of Presentation") and include the operating activities of the Primaris Properties, and the costs related with managing such properties, which include interest expense on debt and general and administrative costs. The numbers exclude the impacts of the HOOPP Properties and other adjustments unrelated to the ownership and operations of the Primaris Properties.

(\$ thousands) (unaudited)	Three months ¹		Year end ¹	
For the periods ended December 31,	2022	2021	2022	2021
Rental Revenue				
Base rent	\$ 52,607	\$ 34,717	\$ 210,466	\$ 140,785
Percent rent in lieu of base rent	6,265	3,582	17,028	8,331
Property tax and insurance recoveries	13,401	8,531	58,832	33,963
Operating cost recoveries	19,134	14,244	68,479	47,753
Percentage rent	1,204	486	3,372	1,023
Straight-line rent	639	869	4,492	3,133
Lease surrender revenue	826	73	1,238	3,348
Specialty leasing revenue	5,283	3,130	13,767	7,752
Parking and other sundry revenue	445	482	2,390	1,800
	99,804	66,114	380,064	247,888
Property Operating Costs				
Property tax and insurance expense	(20,159)	(13,941)	(80,765)	(48,104)
Recoverable operating costs	(21,141)	(14,081)	(79,287)	(52,566)
Non-recoverable operating costs	(2,730)	(1,099)	(6,241)	(3,985)
Ground rent	(716)	(414)	(1,984)	(1,639)
	(44,746)	(29,535)	(168,277)	(106,294)
Net Operating Income **	55,058	36,579	211,787	141,594
Other Income and Expenses				
Interest and other income	1,002	461	3,657	2,510
Net interest and other financing charges	(10,518)	(4,367)	(33,400)	(18,881)
General and administrative expenses	(8,465)	(5,901)	(27,826)	(13,272)
Amortization of other assets	(375)	(65)	(1,142)	(260)
Net Income before adjustments to fair value and transactions costs	36,702	26,707	153,076	111,691
Transaction costs	—	(3,211)	—	(4,711)
Adjustments to fair value of derivative instruments	(240)	—	(240)	—
Adjustments to fair value of exchangeable units	—	—	—	(4,532)
Adjustments to fair value of unit-based compensation	(890)	—	827	—
Adjustments to fair value of investment properties	(61,342)	(25,237)	(165,743)	238,541
Net income (loss)	\$ (25,770)	\$ (1,741)	\$ (12,080)	\$ 340,989

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

¹ The results of operations for Primaris for the three months and year ended December 31, 2021, were calculated under the continuity-of-interests basis (see Section 1, "Basis of Presentation").

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Management's Discussion and Analysis

9.1 Components of Net Income (Loss)

Rental Revenue

(\$ thousands) (unaudited)	Three months		Year end	
For the periods ended December 31,	2022	2021	2022	2021
Same Properties ¹	\$ 66,704	\$ 64,073	\$ 253,667	\$ 239,837
Property under redevelopment	1,843	2,041	6,832	8,051
Primaris Properties	68,547	66,114	260,499	247,888
Acquisition Properties ¹	31,257	—	119,565	—
Property rental revenue	\$ 99,804	\$ 66,114	\$ 380,064	\$ 247,888

¹ Properties owned throughout the entire 24 months ended December 31, 2022, excluding properties under development or major redevelopment, are referred to as "Same Properties". Properties acquired during the 24 months ended December 31, 2022 are referred to as "Acquisition Properties". As at December 31, 2022, the HOOPP Properties are the only acquired properties.

Three Months

The \$33.7 million increase in property rental revenue was attributable to the \$31.3 million revenue from the Acquisition Properties and a \$2.6 million increase from Same Properties operations, partially offset by a \$0.2 million decline from the property under redevelopment, Northland Village.

Year end

The \$132.2 million increase in property rental revenue was attributable to the \$119.6 million revenue from the Acquisition Properties and a \$13.8 million increase from Same Properties operations, partially offset by a \$1.3 million decline from the property under redevelopment, Northland Village.

Revenue for Same Properties included a \$1.9 million increase from the recovery of prior years' property tax.

Lease surrender revenue is earned when a tenant returns space to Primaris before the completion of their lease term. These amounts are not earned evenly over any calendar year and are not predictable.

Rental revenue includes certain non-cash amounts. Base rent is recorded on a straight-line basis over the full term of the lease, which results in a difference between cash rent received and revenue recognized for accounting purposes. Straight-line rent, for the years ended December 31, 2022 and 2021, was higher than the anticipated future run rate due to the IFRS accounting treatment of short-term rental assistance, provided to tenants due to the pandemic, as lease modifications. Straight-line rent for the year ending December 31, 2023 is anticipated to be in the range of \$1.8 to \$2.2 million.

A portion of the Trust's lease agreements include a term to establish future rent increases at stated intervals during a longer-term lease. Management anticipates the impact of such rent-steps to be approximately \$2.1 million, or approximately 1.0% of base rent, in the year ending December 31, 2023.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Property Operating Costs

(\$ thousands) (unaudited)	Three months		Year end	
For the periods ended December 31,	2022	2021	2022	2021
Same Properties	\$ 27,705	\$ 28,303	\$ 103,887	\$ 101,449
Property under redevelopment	719	1,232	2,033	4,845
Primaris Properties	28,424	29,535	105,920	106,294
Acquisition Properties	16,322	—	62,357	—
Property operating costs	\$ 44,746	\$ 29,535	\$ 168,277	\$ 106,294

Three Months

The \$15.2 million increase in property operating costs was attributable to the \$16.3 million expenditures from the Acquisition Properties, partially offset by a \$0.6 million decline from Same Properties operations and a \$0.5 million decline from the property under redevelopment, Northland Village.

Property operating costs are lower for the property under development, Northland Village, as costs are being capitalized to the redevelopment project.

Property operating costs included bad debt expense of \$1.1 million for the three months ended December 31, 2022 (2021 - expense \$0.5 million).

Year end

The \$62.0 million increase in property operating costs was attributable to the \$62.4 million expenditures from the Acquisition Properties and a \$2.4 million from Same Properties operations, partially offset by a \$2.8 million decline from the property under redevelopment, Northland Village.

Property operating costs are lower for the property under development, Northland Village, as costs are being capitalized to the redevelopment project.

Property operating costs included bad debt expense, net of recoveries, of \$2.0 million for the year ended December 31, 2022 (2021 - expense \$1.1 million). The increase is primarily related to the Acquisition Properties.

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Management's Discussion and Analysis

Cash Net Operating Income**

Cash Net Operating Income** ("Cash NOI") is calculated as rental revenue as calculated in accordance with IFRS, excluding straight-line rent and lease surrender revenue, less property operating costs as calculated in accordance with IFRS. Cash NOI** is not a measure defined by GAAP and, as such, results may not be comparable to other real estate entities (see Section 12, "Non-GAAP Measures"). Management calculates and analyzes Cash NOI** to monitor the performance of its income producing investment properties; in particular, the period over period Cash NOI** results for properties continuously in operation for the duration of the measurement period ("Same Properties").

The Cash NOI ** for the three months and year ended December 31, 2021, was calculated under the continuity-of-interests basis (see Section 1, "Basis of Presentation") and includes the operating activities of only the Primaris Properties.

(\$ thousands) (unaudited)	Three months		Year end	
For the periods ended December 31,	2022	2021	2022	2021
Rental Revenue	\$ 99,804	\$ 66,114	\$ 380,064	\$ 247,888
Property operating costs	(44,746)	(29,535)	(168,277)	(106,294)
Net Operating Income**	55,058	36,579	211,787	141,594
Exclude:				
Straight-line rent	(639)	(869)	(4,492)	(3,133)
Lease surrender revenue	(826)	(73)	(1,238)	(3,348)
Cash Net Operating Income**	\$ 53,593	\$ 35,637	\$ 206,057	\$ 135,113
Cash NOI Margin**	54.5 %	54.7 %	55.0 %	56.0 %

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

The Cash NOI Margin** for the year ended December 31, 2022 is lower than that of the year ended December 31, 2021 due to the impact of the Acquisition Properties.

The Cash NOI Margins** for the three months and years ended December 31, 2022 and 2021 were impacted by gross rent and percent rent in lieu leases. These lease structures have always been a tool to manage tenant relocations, the timing of development plans, and to work in partnership with tenants.

Cash NOI** was higher for the three months and year ended December 31, 2022 than for the same periods in 2021 primarily due to the contribution from the Acquisition Properties.

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Management's Discussion and Analysis

Cash NOI** and Same Properties Cash NOI**

(\$ thousands) (unaudited)		Three months		Year end	
For the periods ended December 31,		2022	2021	2022	2021
Same Properties NOI**	\$	38,999	\$ 35,770	\$ 149,780	\$ 138,388
Exclude variances from:					
Straight-line rent		(331)	(874)	(2,597)	(3,103)
Lease surrender revenue		(776)	(73)	(1,188)	(3,348)
Same Properties Cash NOI**		37,892	34,823	145,995	131,937
Same Property Growth		8.8 %		10.7 %	
Cash NOI** from:					
Property under redevelopment		1,140	814	4,861	3,176
Acquisition Properties		14,561	—	55,201	—
Cash NOI**	\$	53,593	\$ 35,637	\$ 206,057	\$ 135,113

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

Three Months

The \$17.9 million increase in Cash NOI** was primarily due to the contributions from Acquisition Properties.

Same Properties Cash NOI** was \$3.1 million, or 8.8%, higher.

The increase was driven by higher Same Properties' revenues from base rent, percent rent and percent rent in lieu, specialty leasing revenue and net recoveries. The revenue growth over the same period in the prior year reflects the completion of a portion of the lease abatement arrangements entered into during the pandemic and improving tenant sales and increased occupancy.

Year end

The \$70.9 million increase in Cash NOI** was primarily due to the contributions from the Acquisition Properties.

Same Properties Cash NOI** was \$14.1 million, or 10.7%, higher. The increase in Same Properties Cash NOI** included \$3.4 million, or 2.6%, from recovery of prior years' property tax and change in bad debt expense.

The remaining increase of \$10.7 million, or 8.1%, was driven by higher Same Properties' revenues from base rent, percent rent and percent rent in lieu, specialty leasing revenue and net recoveries. The revenue growth over the prior year reflects the completion of a portion of the lease abatement arrangements entered into during the pandemic and improving tenant sales and increased occupancy.

Interest and Other Income

(\$ thousands) (unaudited)		Three months		Year end	
For the periods ended December 31,		2022	2021	2022	2021
Interest income	\$	277	\$ 5	\$ 319	\$ 17
Property management fees		725	456	3,338	2,493
Interest and other income	\$	1,002	\$ 461	\$ 3,657	\$ 2,510

Primaris has co-ownership interests in several properties and performs the management services on behalf of the co-owners for which it earns fee income (see Section 7.2, "Co-ownership Arrangements"). The increase in other income was due to higher development fees earned from managing the co-owned properties.

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Management's Discussion and Analysis

Net Interest and Other Financing Charges

(\$ thousands) (unaudited)	Three months		Year end	
For the periods ended December 31,	2022	2021	2022	2021
Interest on mortgages payable	\$ 2,375	\$ 4,369	\$ 14,924	\$ 19,569
Interest on senior unsecured debentures	3,906	—	11,804	—
Bank interest and charges on credit facilities	4,934	529	8,940	1,692
Distributions on exchangeable units	—	—	—	500
Subtotal (for use in financial condition calculations) ¹	11,215	4,898	35,668	21,761
Finance charge - lease liability	104	—	306	—
Amortization of financing costs	418	202	1,661	544
Amortization of mark-to-market adjustments	(37)	(94)	(309)	(896)
Less capitalized interest	(1,182)	(639)	(3,926)	(2,528)
Net interest and other financing charges	\$ 10,518	\$ 4,367	\$ 33,400	\$ 18,881

¹ See Section 10.4, "Capital Structure".

Three Months

The \$6.2 million increase in net interest and other financing charges was primarily attributable to the issuance of debentures on March 30, 2022. The proceeds of the debentures were used to pay off the debt incurred from the acquisition of the HOOPP Properties. Interest expense in 2022 is also impacted by the higher rates on the credit facilities and the higher balance carried on the credit facilities as mortgages matured.

Year end

The \$14.5 million increase in net interest and other financing charges was primarily attributable to the issuance of debentures on March 30, 2022 which bear a higher interest rate than the revolving credit facility. The proceeds of the debentures were used to pay off the debt incurred from the acquisition of the HOOPP Properties. Interest expense in 2022 is also impacted by the higher rates on the credit facilities and the higher balance carried on the credit facilities as mortgages matured.

General and Administrative Expenses

(\$ thousands) (unaudited)	Three months		Year end	
For the periods ended December 31,	2022	2021	2022	2021
Salaries, benefits and employee costs	\$ 7,776	\$ 4,982	\$ 26,342	\$ 14,081
Professional fees	764	104	2,753	1,024
Information technology costs	608	606	1,996	1,576
Investor relations and other public entity costs	520	598	2,242	598
Other	1,098	1,163	3,461	2,520
	10,766	7,453	36,794	19,799
Less: Allocations to recoverable operating costs	(2,301)	(1,552)	(8,968)	(6,527)
General and administrative expenses	\$ 8,465	\$ 5,901	\$ 27,826	\$ 13,272

On December 31, 2021, Primaris became a stand-alone, publicly traded entity following the successful completion of the Arrangement (see Section 1, "Basis of Presentation"). The creation of Primaris as a stand-alone public entity necessitated the addition of certain personnel, including key employees such as a Chief Executive Officer and Chief Financial Officer,

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Management's Discussion and Analysis

and certain additional costs related to becoming a stand-alone public entity. As such, Primaris has incurred public entity costs in the year ended December 31, 2022 which were not incurred in the year ended December 31, 2021. Also, salaries and benefits costs for certain management positions, which were historically paid by the Former Parent, are now costs of the Trust.

Spending related to travel and conferences, included in other general and administrative expenses, was far below expected in 2021 due to the impacts of the COVID-19 pandemic. Other general and administrative expenses for the year ended December 31, 2022 also included higher costs for branding and promotion, in particular start-up costs related to the formation of Primaris.

Furthermore, the general and administrative expenses incurred in the year ended December 31, 2022, may not be indicative of the expenses that will be incurred in future years. Management anticipates general and administrative expenses for the 2023 fiscal year to be approximately \$30 million. Expenses will be higher than the 2022 fiscal year due to the full year impact of personnel hired in 2022 and the expenses associated with the unit-based compensation program will take three years to get to a steady run rate.

Three Months

For the three months ended December 31, 2022, general and administrative expenses were higher by \$2.6 million than for the same period in 2021. The increase includes new personnel and other costs associated with becoming a stand-alone publicly traded entity, and staffing changes related to the growth in the portfolio.

Included in the general and administrative expenses are costs relating to full-time leasing staff that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources. During the three months ended December 31, 2022, these internal leasing costs totaled \$1.6 million (2021 - \$1.1 million).

Year end

For the year ended December 31, 2022, general and administrative expenses were higher by \$14.6 million than for the same period in 2021. The increase includes new personnel and other costs associated with becoming a stand-alone publicly traded entity, and staffing changes related to the growth in the portfolio.

Included in the general and administrative expenses are costs relating to full-time leasing staff that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources. During the year ended December 31, 2022, these internal leasing costs totaled \$5.9 million (2021 - \$4.2 million).

Amortization of Other Assets

(\$ thousands) (unaudited) For the periods ended December 31,	Three months		Year end	
	2022	2021	2022	2021
Amortization of other assets	\$ 375	\$ 65	\$ 1,142	\$ 260

Amortization increased for the three months and year months ended December 31, 2022 over the comparable periods in 2021 due to the amortization of the Dropit digital marketing platform.

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Adjustments to Fair Value

(\$ thousands) (unaudited)	Three months		Year end	
For the periods ended December 31,	2022	2021	2022	2021
Adjustments to fair value of derivative instruments	\$ (240)	\$ —	\$ (240)	\$ —
Adjustments to fair value of exchangeable units	\$ —	\$ —	\$ —	\$ (4,532)
Adjustments to fair value of unit-based compensation	\$ (890)	\$ —	\$ 827	\$ —
Adjustments to fair value of investment properties	\$ (61,342)	\$ (25,237)	\$ (165,743)	\$ 238,541

Primaris is an open-ended trust which requires certain financial instruments to be recorded as liabilities and adjusted to fair value based on the closing value of the Trust Units, with the adjustment impacting net income. When the value of the Trust Units increases, there is a corresponding increase to the liability and an expense is recorded against net income. The value of the Trust Units is impacted by a number of risk factors (see Section 13, "Enterprise Risks and Risk Management"), and as such the adjustments to fair value incurred in the past are not predictors of future adjustments.

Primaris values its investment properties at fair value. Refer to Section 7.1, "Valuation" for a discussion of the valuation techniques employed and the key assumptions that drive the amounts recorded to net income for adjustments to the fair value of investment properties.

Net Income (Loss)

(\$ thousands) (unaudited)	Three months		Year end	
For the periods ended December 31,	2022	2021	2022	2021
Net income before adjustments to fair value and transaction costs	\$ 36,702	\$ 26,707	\$ 153,076	\$ 111,691
Transaction costs	—	(3,211)	—	(4,711)
Adjustments to fair value of derivative instruments	(240)	—	(240)	—
Adjustments to fair value of exchangeable units	—	—	—	(4,532)
Adjustments to fair value of unit-based compensation	(890)	—	827	—
Adjustments to fair value of investment properties	(61,342)	(25,237)	(165,743)	238,541
Net income (loss)	\$ (25,770)	\$ (1,741)	\$ (12,080)	\$ 340,989

Net income for the year ended December 31, 2021 was impacted by costs associated with the Arrangement.

Three Months

For the three months ended December 31, 2022, the net income was \$24.0 million lower than for the same period in 2021. The decrease was primarily due to the impact of the change to the fair value of investment properties. Excluding adjustments to fair value and transaction costs, net income was \$10.0 million higher than the same period in 2021 due to a \$18.5 million increase in NOI** primarily driven by the Acquisition Properties and the Same Properties, partially offset by a \$6.2 increase in net interest and other financing charges driven by the Acquisition Properties and a \$2.6 million increase in general and administrative expenses.

Year end

For the year ended December 31, 2022, the net income was \$353.1 million lower than for the same period in 2021. The decrease was primarily due to the impact of the change to the fair value of investment properties. Excluding adjustments to fair value and transaction costs, net income was \$41.4 million higher than the same period in 2021 due to a \$70.2 million increase in NOI** primarily driven by the Acquisition Properties and the Same Properties, partially offset by a \$14.5 increase in net interest and other financing charges driven by the Acquisition Properties and a \$14.6 million increase in general and administrative expenses.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Performance Against Previous Financial Forecast

On November 2, 2022, Primaris included in its third quarter Report to Unitholders a financial forecast of net income before adjustments to fair value for the year ending December 31, 2022. The financial forecast was prepared applying the same accounting policies, assessments of estimates and judgements, and methods of computation as were used in the preparation of the Trust's Financial Statements for the year ended December 31, 2022.

The below chart compares the 2022 annual results with the financial forecast previously published November 2, 2022.

(\$ millions) (unaudited)				
For the year ended December 31, 2022	Annual Results		Financial Forecast	
				Variance
Rental revenue	\$	380.1	\$ 376.5	\$ 3.6
Property operating costs		(168.3)	(164.9)	(3.4)
Net Operating Income**		211.8	211.6	0.2
Interest and other income		3.6	3.3	0.3
Net interest and other financing charges		(33.4)	(33.4)	—
General and administrative expenses		(27.8)	(27.3)	(0.5)
Amortization of other assets		(1.1)	(1.1)	—
Net Income before adjustments to fair value	\$	153.1	\$ 153.1	\$ —

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

9.2 FFO and AFFO

FFO** and AFFO** are non-GAAP measures (see Section 12, "Non-GAAP Measures") calculated in accordance with the definition provided by the Real Property Association of Canada ("REALPAC") in its January 2022 publication *Funds From Operations and Adjusted Funds From Operations for IFRS*. No meaningful comparatives exist for the combined carve-out results of the three months and year ended December 31, 2021. The following table reconciles net income, as determined in accordance with GAAP, to FFO** and subsequently to AFFO**.

(\$ thousands except per unit amounts) (unaudited)			
For the periods ended December 31, 2022		Three months	Year end
Net income (loss)	\$	(25,770)	\$ (12,080)
Reverse:			
Adjustments to fair value of derivative instruments		240	240
Adjustments to fair value of unit-based compensation		890	(827)
Adjustments to fair value of investment properties		61,342	165,743
Internal expenses for leases		1,606	5,861
Funds from Operations**	\$	38,308	\$ 158,937
FFO** per unit - average basic	\$	0.390	\$ 1.589
FFO** per unit - average diluted	\$	0.387	\$ 1.580
FFO Payout Ratio** - Target 45% - 50%		52.1 %	50.7 %
Funds from Operations**	\$	38,308	\$ 158,937
Reverse:			
Internal expenses for leases		(1,606)	(5,861)
Straight-line rent		(639)	(4,492)
Deduct:			
Recoverable and non-recoverable costs		(5,934)	(11,496)
Tenant allowances and external leasing costs		(3,347)	(13,741)
Adjusted Funds from Operations**	\$	26,782	\$ 123,347
AFFO** per unit - average basic	\$	0.272	\$ 1.233
AFFO** per unit - average diluted	\$	0.271	\$ 1.226
AFFO Payout Ratio**		74.5 %	65.4 %
Distributions declared per unit	\$	0.202	\$ 0.802
Weighted average Units outstanding - basic (in thousands)		98,296	100,047
Weighted average Units outstanding - diluted (in thousands)		98,945	100,597
Number of Units outstanding - end of period (in thousands)		97,713	97,713

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

To capitalize on the Unit price trading below NAV**, the Trust purchased units for cancellation, on a leverage neutral basis (see Section 10.7, "Normal Course Issuer Bid"). By purchasing Units at a discount, management crystallized the opportunity to increase Unitholders' value with low risk and positively impact FFO** and AFFO** per unit on a weighted average diluted basis (see Section 10.4, "Capital Structure", for the impact of the purchase of Units on NAV**).

To illustrate the positive impact of the NCIB activity on future results, on a stand-alone basis before considering the cost of capital, the below chart calculates the increase to FFO** and AFFO** per unit as if the Units purchased under the NCIB were cancelled for the entire 2022 year. The number of Units outstanding was the only variable changed in the analysis.

(\$ thousands except per unit amounts) (unaudited) For the year ended		December 31, 2022
FFO**	\$	158,937
AFFO**	\$	123,347
Units cancelled under NCIB (in thousands)		3,886
Estimated impact of NCIB cancellations on a stand alone basis:		
FFO** per unit cancelled	\$	0.062
AFFO** per unit cancelled	\$	0.048

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

On a stand-alone basis, the positive impact of the NCIB Unit cancellations reflects the return on the capital spent to repurchase the Units. If instead the same \$54.1 million had been used to retire debt at the Trust's weighted average cost of debt at December 31, 2022, the positive impact on FFO** would have been approximately \$0.030 per unit outstanding.

The composition of FFO** and AFFO** for the three months and year ended December 31, 2022 is detailed below.

(\$ thousands except per unit amounts) (unaudited) For the periods ended December 31, 2022		Three months		Year end	
		Contribution	per unit	Contribution	per unit
NOI** from:					
Same Properties	\$	38,999	\$ 0.394	\$ 149,780	\$ 1.489
Property under redevelopment		1,124	0.011	4,799	0.048
Acquisition Properties		14,935	0.151	57,208	0.569
Interest and other income		1,002	0.010	3,657	0.036
Net interest and other financing charges		(10,518)	(0.106)	(33,400)	(0.332)
General and administrative expenses (net of internal expenses for leases)		(6,859)	(0.069)	(21,965)	(0.218)
Amortization		(375)	(0.004)	(1,142)	(0.012)
FFO** and FFO** per unit - average diluted	\$	38,308	\$ 0.387	\$ 158,937	\$ 1.580
Internal expenses for leases		(1,606)	(0.016)	(5,861)	(0.058)
Straight-line rent		(639)	(0.006)	(4,492)	(0.045)
Recoverable and non-recoverable costs		(5,934)	(0.060)	(11,496)	(0.114)
Tenant allowances and leasing costs		(3,347)	(0.034)	(13,741)	(0.137)
AFFO** and AFFO** per unit - average diluted	\$	26,782	\$ 0.271	\$ 123,347	\$ 1.226

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

The calculation of AFFO** considers the impact of operating capital expenditures that are necessary to maintain the productive capacity of the portfolio properties. Expenditures for recoverable and non-recoverable capital projects are impacted by seasonality. Leasing costs and tenant allowances are not impacted by seasonality but do vary from quarter to quarter depending on the underlying terms of lease agreements completed during the quarter. In addition, during years of positive absorption, leasing costs will be higher. The results from the three months and year ended December 31, 2022 are not necessarily indicative of the subsequent quarters.

For the 2022 fiscal year, AFFO** was impacted by operating capital expenditures higher than the historical average driven by positive absorption as spaces vacated during the pandemic were leased, completion of previously delayed maintenance projects, and the impacts of inflation.

The below table compares the composition of FFO** and AFFO** for the three months ended December 31, 2022 to the prior quarter and calculates the drivers of the quarter over quarter changes.

(\$ thousands except per unit amounts) (unaudited)					
For the three months ended	December 31, 2022	September 30, 2022	Change	Change per unit ¹	
NOI** from:					
Same Properties	\$ 38,999	\$ 37,984	\$ 1,015	\$	0.010
Property under redevelopment	1,124	1,114	10		—
Acquisition Properties	14,935	15,109	(174)		(0.001)
Interest and other income	1,002	890	112		0.001
Net interest and other financing charges	(10,518)	(8,619)	(1,899)		(0.019)
General and administrative expenses (net of internal expenses for leases)	(6,859)	(4,887)	(1,972)		(0.020)
Amortization	(375)	(374)	(1)		—
Impact of variance in weighted average units					0.005
FFO**	\$ 38,308	\$ 41,217	\$ (2,909)	\$	(0.024)
Internal expenses for leases	(1,606)	(1,349)	(257)		(0.003)
Straight-line rent	(639)	(1,091)	452	\$	0.004
Recoverable and non-recoverable costs	(5,934)	(2,370)	(3,564)	\$	(0.036)
Tenant allowances and leasing costs	(3,347)	(4,451)	1,104	\$	0.011
AFFO**	\$ 26,782	\$ 31,956	\$ (5,174)	\$	(0.048)

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

¹ Per weighted average diluted unit

FFO**

The \$0.024 decrease in quarter over quarter FFO** per unit was driven by \$0.020 from timing of general and administrative expenses and additional bonus accruals, and \$0.019 from net interest and other financing charges, partially offset by \$0.009 from NOI** growth and \$0.005 from the contribution due to the change in Units outstanding, as a result of NCIB activity.

AFFO**

The \$0.048 decrease in quarter over quarter AFFO** per unit is driven by the seasonality of recoverable capital projects.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

10. LIQUIDITY AND CAPITAL RESOURCES

10.1 Major Cash Flow Components

The cash flows for Primaris for the three months and year ended December 31, 2021 were calculated under the continuity-of-interests basis (see Section 1, "Basis of Presentation") and include the operating activities of the Primaris Properties, and the costs related with managing the properties, which include interest expense on debt and general and administrative costs. The numbers exclude the impacts of the HOOPP Properties and other adjustments unrelated to the ownership and operations of the Primaris Properties.

(\$ thousands) (unaudited) For the periods ended December 31,	Three months		Year end	
	2022	2021	2022	2021
Cash and cash equivalents, beginning of period	\$ 14	\$ 2,518	\$ 5,636	\$ 15,008
Cash flows from (used in) operating activities	47,948	76,620	164,307	(75,734)
Cash flows from (used in) financing activities	32,128	(61,040)	(46,381)	112,452
Cash flows from (used in) investing activities	(69,136)	(12,462)	(112,608)	(46,090)
Cash and cash equivalents, end of the period	\$ 10,954	\$ 5,636	\$ 10,954	\$ 5,636

Cash flows from (used in) operating activities

Three Months

The decrease in cash flows from operating activities was primarily due to the change in non-cash operating items; partially offset by the growth in property operations. As the Financial Statements for the three months ended December 31, 2021 were prepared on a basis of continuing operations, the year-over-year change in non-cash operating items is not indicative of future activity.

Year end

The year-over-year increase in cash flows from operating activities was primarily due to growth in property operations and the change in non-cash operating items. As the Financial Statements for the year ended December 31, 2021 were prepared on a basis of continuing operations, the year-over-year change in non-cash operating items is not indicative of future activity.

Management anticipates utilizing cash flows from operating activities to fund ongoing operations and expenditures for operating capital.

Cash flows from (used in) financing activities

Three Months

The year-over-year increase in cash flows from financing activities was primarily due to net borrowing activity of \$69.1 million compared to net repayment activity of \$61.0 million in 2022. Partially offset by cash outflows in 2022 for NCIB activity and distributions totaling \$37.0 million.

Year end

The year-over-year increase in cash flows used in financing activities was primarily due to lower net borrowing activity of \$81.2 million compared to net borrowing activity of \$112.7 million in 2022. In 2022, Primaris also had cash outflows for NCIB activity and distributions totaling \$127.5 million.

Cash flows from (used in) investing activities

Three Months

The increase in cash flows used in investing activities was due to advancing \$40.8 million for a note receivable from it co-ownership partner and increased capital spending.

Year end

The year-over-year increase in cash flows used in investing activities was due to advancing \$40.8 million for a note receivable from it co-ownership partner and increased capital spending.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

10.2 Liquidity and Unencumbered Assets

Primaris manages its liquidity in order to fund its ongoing operations, finance future growth, and refinance or meet maturing payment obligations. Sources of liquidity primarily consist of cash flows from operations, cash and cash equivalents, and available capacity under Primaris' credit facilities. Refinancing encumbered assets is another source of liquidity. There is also the potential to refinance low leverage assets at higher levels to access additional liquidity from the encumbered assets. If necessary, Primaris is also able to obtain financing on its unencumbered assets. The cash and cash equivalents, and the undrawn balances on Primaris' various credit facilities at December 31, 2022 were as follows:

(\$ thousands) (unaudited)		Liquidity	Liquidity
As at		December 31, 2022	December 31, 2021
Cash and cash equivalents		\$ 10,954	\$ 5,636
Credit facilities:	Facility Limit:		
Unsecured syndicated revolving term ¹	\$400,000	155,000	n/a
Unsecured syndicated non-revolving term	\$200,000	—	n/a
Unsecured revolving demand	\$10,000	10,000	n/a
Secured revolving term	\$150,000	n/a	7,000
Liquidity		\$ 175,954	\$ 12,636

¹ Amount drawn includes outstanding letters of credit.

The following table summarizes Primaris' unencumbered assets and unsecured debt.

(\$ thousands) (unaudited)				
As at	Target Ratio	December 31, 2022	December 31, 2021	
Unencumbered assets - number		30	26	
Unencumbered assets - value		\$ 2,863,844	\$ 1,879,788	
Unencumbered assets as a percentage of the investment properties		91.8%	58.7%	
Unsecured Debt to Total Debt**	>60%	78.6%	—	
Unencumbered assets to unsecured debt		3.6x	—	
Unencumbered assets in excess of unsecured debt		\$ 2,069,844	—	
Percent of Cash NOI** generated by unencumbered assets		90.2%	55.5%	

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

Proforma liquidity

On February 27, 2023, Primaris entered into a \$85.0 million mortgage on Stone Road Mall in Guelph, Ontario. The funds were used to repay outstanding amounts on the revolving credit facility. The proforma impacts on liquidity and unencumbered assets are:

- liquidity increases to \$261 million from \$176 million;
- the percentage of fixed rate debt of Total Debt** increases to 79.3% from 70.9%;
- the ratio of secured debt as a percent of Total Debt** increases to approximately 29.8%, still well within the Trust's target of below 40%;
- unencumbered assets decreases to \$2.7 billion, or 86.3% of the investment properties;
- unencumbered assets in excess of unsecured debt becomes \$2.0 billion; and
- the ratio of unencumbered assets to unsecured debt becomes 3.8x.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

10.3 Components of Total Debt

The weighted average term to maturity for the Total Debt** outstanding is 3.2 years. Future principal repayments of Primaris' outstanding debt for the years ended December 31 are as follows:

(\$ thousands) (unaudited)	Senior Unsecured Debentures	Rate ¹	Mortgages Payable	Rate ¹	Credit Facilities	Rate ²	Total Debt	Rate ¹
2023	\$ —		\$ 6,877	3.37%	\$ —		\$ 6,877	3.37%
2024	—		91,177	3.04%	—		91,177	3.04%
2025	200,000	4.27%	3,975	3.66%	—		203,975	4.26%
2026	—		4,120	3.66%	444,000	5.90%	448,120	5.88%
2027	150,000	4.73%	64,810	3.83%	—		214,810	4.46%
Thereafter	—		44,721	3.46%	—		44,721	3.46%
Total Debt**	\$ 350,000	4.46%	\$ 215,680	3.40%	\$ 444,000	5.90%	\$ 1,009,680	4.87%
Unamortized financing costs and mark-to-market adjustments	(1,693)		(472)		—		(2,165)	
Net debt	\$ 348,307		\$ 215,208		\$ 444,000		\$ 1,007,515	

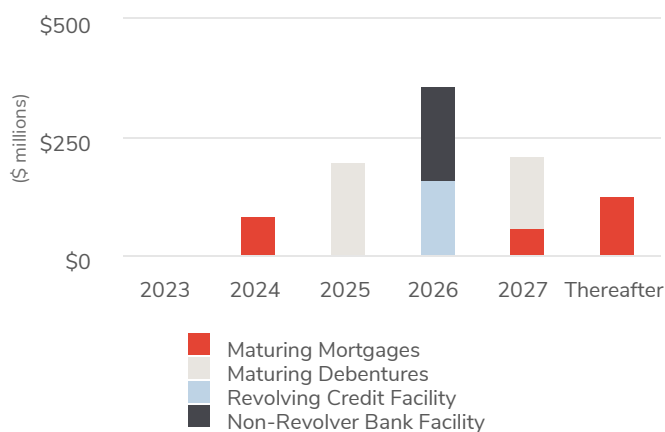
¹ Weighted average effective interest rate

² Draws on the unsecured credit facilities bear interest at variable rates. Underlying rate for \$150.0 million drawn was economically hedged at 3.75%. (The \$150.0 million hedged draw is included as fixed rate debt in the chart below.) The interest rate on the remaining draws was estimated at 1-month CDOR at December 31, 2022 for the purpose of this analysis.

Proforma Total Debt**

Subsequent to December 31, 2022, Primaris entered into an \$85.0 million interest only mortgage with an annual interest rate of 5.516% and an eight-year term on Stone Road Mall in Guelph, Ontario. The funds were used to repay outstanding amounts on the revolving credit facility. The resulting proforma Total Debt** will bear interest at fixed rates with a weighted average effective interest rate of 4.81% and a weighted term to maturity of 3.6 years. The proforma impacts are reflected in the graphs below:

Proforma Debt Maturity Profile



Proforma Fixed vs. Floating Rate Debt



PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Senior unsecured debentures

On March 30, 2022, Primaris issued \$150 million and \$200 million aggregate principal amount of Series A and Series B senior unsecured debentures due March 30, 2027 and March 30, 2025, respectively (the "Series A Debentures" and "Series B Debentures", respectively). The Series A Debentures and Series B Debentures bear interest at a fixed annual rate of 4.727% and 4.267%, respectively, with semi-annual installments of interest due on March 30th and September 30th in each year, commencing on September 30, 2022 until maturity, unless redeemed at an earlier date. The debenture offering was conducted on a private placement basis.

As at December 31, 2022, the senior unsecured debentures had a weighted average interest rate of 4.46% and a weighted average term to maturity of 3.1 years.

Mortgages payable

At December 31, 2022, Primaris had \$215.7 million (December 31, 2021 - \$580.0 million) mortgages payable bearing interest at fixed rates with a weighted average effective interest rate of 3.40% (December 31, 2021 - 3.05%) and a weighted term to maturity of 3.8 years (December 31, 2021 - 2.2 years).

(\$ thousands) unaudited)				As at December 31,	
Property	Location	Maturity	Contractual Interest	2022	2021
Dufferin Mall	Toronto, ON	April 2022	2.03%	\$ —	\$ 129,380
Orchard Park Shopping Centre	Kelowna, BC	June 2022	2.10%	—	96,000
Stone Road Mall	Guelph, ON	November 2022	4.13%	—	89,670
Regent Mall	Fredericton, MB	December 2022	4.03%	—	42,617
Cataraqui Town Centre	Kingston, ON	January 2024	3.16%	39,018	53,009
Place d'Orleans Shopping Centre	Ottawa, ON	August 2024	2.85%	51,502	40,596
Place du Royaume	Chicoutimi, QC	November 2027	3.80%	71,319	73,242
Edinburgh Market Place	Guelph, ON	March 2029	3.45%	21,571	22,250
McAllister Place	Saint John, NB	January 2030	3.41%	32,270	33,236
				\$ 215,680	\$ 580,000

Credit facilities

As at December 31, 2021, Primaris had a \$150.0 million revolving secured line of credit provided by a national Canadian lender with \$143.0 million drawn.

On January 4, 2022, this facility was repaid and cancelled when Primaris entered into a \$700.0 million unsecured syndicated revolving term facility. The syndicated credit facility bears interest at variable rates of either: (i) Prime plus 0.45% or (ii) Canadian Dollar Offered Rate ("CDOR") plus 1.45%; and contains certain financial covenants. On March 30, 2022, as a result of the debenture issuance, the commitment under the credit facility reduced from \$700.0 million to \$400.0 million. In December 2022, Primaris exercised the option to extend the maturity of the facility by one-year to January 4, 2026. \$244.0 million was drawn on this facility at December 31, 2022.

On August 8, 2022, Primaris entered into a \$200.0 million unsecured syndicated non-revolving delayed draw term facility maturing February 5, 2026. The non-revolving credit facility bears interest at variable rates of CDOR plus 1.50%, and contains certain financial covenants. As at December 31, 2022, Primaris was fully drawn on this facility. All proceeds were used to repay maturing mortgages. Primaris economically hedged \$150.0 million drawn on the credit facilities, swapping the underlying variable rate for a fixed rate of 3.75% for a five year term.

Primaris also has a \$10.0 million unsecured revolving demand facility to finance temporary overdraft positions bearing interest at Prime plus 0.50%. Nothing was drawn on this facility at December 31, 2022 (December 31, 2021 – nil).

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

10.4 Capital Structure

(\$ thousands) (unaudited)					
As at	December 31, 2022	December 31, 2021	Change	Change per unit	
Investment Properties	\$ 3,118,590	\$ 3,204,188	\$ (85,598)	\$ (0.84)	
Other assets	83,191	43,654	39,537	0.39	
Total assets	3,201,781	3,247,842	(46,061)	(0.45)	
Mortgages payable	(215,680)	(580,000)	364,320	3.59	
Senior unsecured debentures	(350,000)	—	(350,000)	(3.45)	
Unsecured credit facilities	(444,000)	—	(444,000)	(4.37)	
Secured credit facilities	—	(143,000)	143,000	1.41	
Note payable ¹	—	(200,210)	200,210	1.97	
Total Debt**	(1,009,680)	(923,210)	(86,470)	(0.85)	
Other liabilities, excluding exchangeable units	(104,472)	(78,328)	(26,144)	(0.26)	
Reverse: Obligation for purchase of Units under automatic share purchase plan ²	12,508	—	12,508	0.12	
Impact of variance in outstanding Units				0.82	
Net Asset Value**	\$ 2,100,137	\$ 2,246,304	\$ (146,167)	\$ (0.62)	
Net Asset Value** per unit outstanding	\$ 21.49	\$ 22.11			
Debt to Total Assets** ³ - Target 25% - 35%	31.5%	28.4%			
Number of Units outstanding - end of period (in thousands)	97,713	101,588			

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

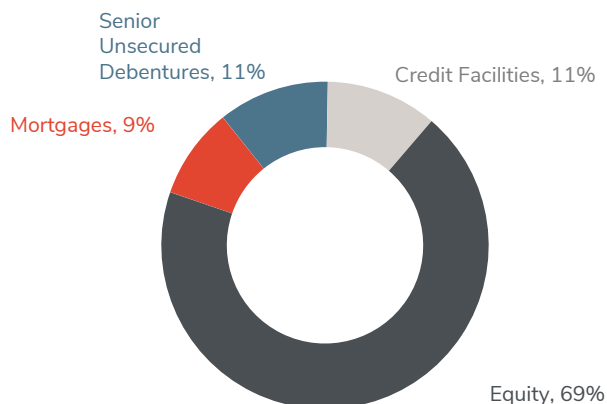
¹ The note payable amount outstanding on December 31, 2021 was repaid on January 5, 2022 through a draw on Primaris' unsecured credit facility.

² Liability recorded for the obligation to purchase Units during the blackout period after December 31, 2022 under the automatic share purchase plan, but respective Units not yet cancelled.

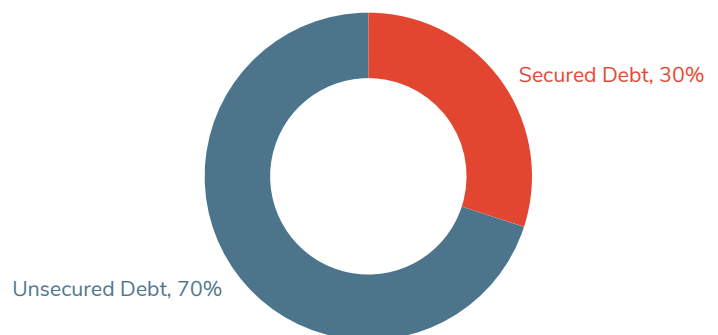
³ The debt ratios are non-GAAP ratios calculated on the basis described in the Trust Indentures, as supplemented.

Subsequent to December 31, 2022, Primaris entered into a \$85.0 million mortgage on Stone Road Mall in Guelph, Ontario. The funds were used to repay outstanding amounts on the revolving credit facility. The proforma impacts are reflected in the graphs below:

Proforma Capital Structure



Profoma Secured vs. Unsecured Debt



PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

NAV per unit** of \$21.49 as at December 31, 2022 was \$0.62 lower than as at December 31, 2021. The decline in NAV per unit** was driven by a \$0.84 decrease due to the net decline in the value of the investment properties and a \$0.85 decrease due to increased debt, partially offset by the \$0.82 increase from the impact of the NCIB activity.

To capitalize on the Unit price trading below NAV**, the Trust purchased units for cancellation. As at December 31, 2022, Primaris had purchased 3,885,700 Units for cancellation at an average value per unit of \$13.89 representing a discount of 35.4% of NAV** (or 37.2% from the NAV** of \$22.11 as at December 31, 2021).

The Trust is subject to certain financial and non-financial covenants under its senior unsecured debentures and credit facilities that include maintaining certain leverage and debt service ratios. As at December 31, 2022, Primaris is compliant with all of its applicable financial covenants. Management has also identified maintaining a highly differentiated financial model with a strong balance sheet with a conservative capital structure as a strategic objective.

(\$ thousands) (unaudited)			
For the periods ended December 31, 2022		Three months	Year end
Net income (loss)	\$	(25,770)	\$ (12,080)
Interest income		(277)	(319)
Net interest and other financing charges		10,518	33,400
Amortization		375	1,142
Adjustments to fair value of derivative instruments		240	240
Adjustments to fair value of unit-based compensation		890	(827)
Adjustments to fair value of investment properties		61,342	165,743
Adjusted EBITDA**	\$	47,318	\$ 187,299
Adjusted EBITDA** ¹ - annualized	\$	189,272	\$ 187,299
Average of Total Debt**	\$	974,919	\$ 944,830
Average Debt** to Adjusted EBITDA** ¹ - Target 4.0x - 6.0x		5.1x	5.0x
Interest expense ²	\$	11,215	\$ 35,668
Interest Coverage** ¹		4.2x	5.3x
Principal repayments	\$	2,866	\$ 16,106
Interest expense ²	\$	11,215	\$ 35,668
Debt Service Coverage** ¹		3.4x	3.6x

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

¹ The debt ratios are non-GAAP ratios calculated on the basis described in the Trust Indentures, as supplemented.

² Interest expense includes interest on senior unsecured debentures, mortgages, and credit facilities. See Section 9.1, "Components of Net Income (Loss)".

10.5 Credit Rating

The Trust and its Series A Debentures and Series B Debentures are rated by DBRS Morningstar, an independent credit rating agency which provides credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from the highest credit quality (generally "AAA") to default in payment (generally "D").

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The following table sets out the Trust's issuer and senior unsecured debenture investment grade credit ratings:

	DBRS Morningstar	
	Credit Rating	Trend
Issuer rating	BBB	Stable
Senior unsecured debentures rating	BBB	Stable

10.6 Unit Equity and Distributions

As at February 28, 2023, there were 96,938 thousand Units outstanding and no exchangeable units outstanding (and therefore no Special Voting Units outstanding, which are only issued concurrently with or in relation to the issuance of exchangeable units).

Distributions

The Board retains full discretion with respect to the timing and quantum of distributions. However, the total income distributed will not be less than the amount necessary to ensure that the Trust will not be liable to pay income taxes under Part I of the Tax Act.

In the year ended December 31, 2022, Primaris declared \$80,119 in distributions (2021 - nil). The monthly distributions, reflect an annualized distribution of \$0.802 per unit.

On November 2, 2022, the Board of Trustees approved management's recommendation to increase the distribution rate from \$0.80 to \$0.82 per unit per annum, or 2.5%. The rate increase was effective for the distribution declared on December 30, 2022, paid January 16, 2023.

In determining the amount of distributions to be made to Unitholders, the Board considers many factors, including provisions in its Declaration of Trust, macro-economic and industry specific environments, the overall financial condition of the Trust, future capital requirements, debt covenants, and taxable income. The Board and management regularly review Primaris' rate of distributions to assess the stability of cash distributions.

The tables below summarize the excess of certain GAAP and non-GAAP measures over distribution declared for the three months and year ended December 31, 2022.

(\$ thousands) (unaudited)				
For the periods ended December 31, 2022		Three months		Year end
Cash flows provided operating activities	\$	47,948	\$	164,307
Distributions declared		(19,793)		(80,119)
Excess of cash flows provided by operating activities over distributions declared	\$	28,155	\$	84,188

(\$ thousands) (unaudited)				
For the periods ended December 31, 2022		Three months		Year end
AFFO**	\$	26,782	\$	123,347
Distributions declared		(19,793)		(80,119)
Excess of AFFO** over distributions declared	\$	6,989	\$	43,228

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

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Taxation of Distributions

The Trust is taxed as a “mutual fund trust” and a real estate investment trust under the Tax Act. The Board intends to distribute all of the Trust’s taxable income to the Unitholders and accordingly, the Trust will not be taxed on its Canadian investment property income.

10.7 Normal Course Issuer Bid

On February 28, 2022, Primaris received approval from the TSX for a NCIB which enables the Trust to purchase for cancellation up to a maximum of 7,498,679 of its Units on the open market. The NCIB commenced on March 9, 2022 and remains in effect until the earlier of March 8, 2023 and the date on which Primaris has purchased the maximum number of Units permitted under the NCIB. A copy of the Trust’s notice of intention to make a normal course issuer bid may be obtained, free of charge, by contacting info@primarisreit.com. Primaris intends to renew its NCIB, subject to TSX review and approval.

On March 31, 2022, Primaris established an automatic securities purchase plan ("ASPP") in respect of the NCIB permitting the Trust's broker to purchase Units in accordance with certain prearranged trading parameters, during periods when Primaris would not ordinarily be active in the market because of internal trading blackout periods insider trading rules or otherwise.

During the year ended December 31, 2022, Primaris purchased for cancellation 3,885,700 Units under the NCIB at an average value per unit of approximately \$13.89, or \$54.1 million.

(Unaudited)						
For the periods ended,	Units Repurchased for Cancellation	Average Price per Unit	Impact on FFO** per unit outstanding ¹		Impact on NAV** per unit outstanding	
Quarter ended March 31, 2022	161,000	\$ 15.49				
Quarter ended June 30, 2022	1,256,500	\$ 13.85				
Quarter ended September 30, 2022	1,255,400	\$ 13.36				
Quarter ended December 31, 2022	1,212,800	\$ 14.26				
Total repurchased for the year ended December 31, 2022	3,885,700	\$ 13.89	\$	0.062	\$	0.820
Repurchased subsequent to December 31, 2022	814,400	\$ 15.08				
Total repurchases under the NCIB to February 28, 2023	4,700,100	\$ 14.10				

¹ The number of Units outstanding was the only variable changed in the calculation, before considering the cost of capital.

At December 31, 2022, Primaris recorded an obligation in liabilities of \$12,508 for the commitment to purchase Units under the ASPP. As at February 28, 2023, Primaris purchased an additional 814,400 Units under the ASPP at an average per unit price of \$15.08.

Primaris intends to renew its NCIB, subject to TSX review and approval. Primaris continues to believe that, from time to time, the market price for the Units may not fully reflect their intrinsic value, and in such circumstances, using the NCIB to repurchase Units is an attractive use of capital until other investment opportunities are available that meet our disciplined capital allocation approach.

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10.8 Off-Balance Sheet Arrangements

In the normal course of operations, Primaris has issued letters of credit in connection with developments, financings, operations and acquisitions. As at December 31, 2022, Primaris had outstanding letters of credit totaling \$892 (December 31, 2021 - \$929).

Primaris has co-owners on various properties. As a rule, Primaris does not provide guarantees or indemnities for these co-owners because should such guarantees be provided, recourse would be available against the Trust in the event of a default of the co-owners. In such case, Primaris would have a claim against the underlying real estate investment. However, in certain circumstances, subject to compliance with the Trust's amended and restated declaration of trust dated December 15, 2021 (the "Declaration of Trust") and the determination of management that the fair value of the co-owner's investment is greater than the mortgages payable which require Primaris' guarantee, such guarantees will be provided. As at December 31, 2022, Primaris had issued guarantees relating to co-owners' share of mortgage liabilities amounting to \$91,319 (December 31, 2021 - \$111,120), which expire between 2024 and 2027 (December 31, 2021 - 2022 and 2027).

10.9 Contractual Obligations

The undiscounted future repayments on Primaris' debt instruments, and other contractual obligations, as at December 31, 2022 were as follows:

(\$ thousands) (unaudited)	2023	2024	2025	2026	2027	Thereafter	Total
Senior unsecured debentures	\$ 15,625	\$ 15,625	\$ 209,224	\$ 7,090	\$ 151,773	\$ —	\$ 399,337
Mortgages payable - principal and interest	13,983	96,538	8,162	8,162	68,509	47,279	242,633
Unsecured credit facilities ¹	244,000	—	—	200,000	—	—	444,000
Other ²	31,696	952	955	955	955	7,544	43,057
Total obligation	\$ 305,304	\$ 113,115	\$ 218,341	\$ 216,207	\$ 221,237	\$ 54,823	\$ 1,129,027

¹ Excludes interest on credit facilities.

² Includes commitments on short term regional office leases, land leases, and capital projects.

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11. QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected consolidated financial information and operating metrics for each of the eight most recently completed quarters.

(in thousands of Canadian dollars unless otherwise indicated)	Fourth Quarter 2022	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Primaris Properties Only		
						Third Quarter 2021	Second Quarter 2021	First Quarter 2021
Number of investment properties	35	35	35	35	35	27	27	27
GLA (in millions of sq. ft.)	10.9	10.9	11.3	11.3	11.5	7.6	7.6	7.6
In-place occupancy	91.1%	90.7%	86.5%	85.9%	86.0%	87.9%	87.3%	87.3%
Committed occupancy	91.5%	91.7%	87.4%	87.5%	87.5%	90.7%	90.1%	89.7%
Total assets (in millions)	\$ 3,202	\$ 3,181	\$ 3,220	\$ 3,258	\$ 3,248	\$ 2,423	\$ 2,233	\$ 2,231
Total liabilities (in millions)	\$ 1,114	\$ 1,025	\$ 1,006	\$ 1,004	\$ 1,057	\$ 1,067	\$ 1,086	\$ 1,126
Rental revenue	\$ 99,804	\$ 94,151	\$ 94,337	\$ 91,772	\$ 66,114 ^{PP}	\$ 62,218	\$ 58,460	\$ 61,096
Cash NOI**	\$ 53,593	\$ 53,103	\$ 52,463	\$ 46,898	\$ 35,637 ^{PP}	\$ 34,259	\$ 32,994	\$ 32,223
Net income (loss)	\$(25,770)	\$(20,498)	\$ 4,157	\$ 30,031	\$ (1,741) ^{PP}	\$ 209,110	\$ 16,947	\$ 116,673
Units outstanding (in thousands)	97,713	98,926	100,181	101,437	101,588	—	—	—
Cash provided by operating activities	\$ 47,948	\$ 50,900	\$ 29,118	\$ 36,341	\$ 76,620 ^{PP}	\$ 12,758	\$(169,148)	\$ 4,036
Operating capital expenditures	\$ 9,281	\$ 6,821	\$ 3,976	\$ 5,159	\$ 4,494 ^{PP}	\$ 2,909	\$ 3,070	\$ 1,145
Distribution declared per unit	\$ 0.202	\$ 0.200	\$ 0.200	\$ 0.200	—	—	—	—
FFO**	\$ 38,308	\$ 41,217	\$ 40,488	\$ 38,924	—	—	—	—
FFO** per unit - average diluted	\$ 0.387	\$ 0.411	\$ 0.399	\$ 0.381	—	—	—	—
FFO Payout Ratio**	52.1%	48.6%	50.1%	52.5%	—	—	—	—
AFFO**	\$ 26,782	\$ 31,956	\$ 33,691	\$ 30,918	—	—	—	—
AFFO** per unit - average diluted	\$ 0.271	\$ 0.319	\$ 0.332	\$ 0.303	—	—	—	—
Debt to Total Assets**	31.5%	29.6%	28.8%	28.4%	28.4%	—	—	—
Average Debt** to Adjusted EBITDA**	5.1x	4.8x	4.9x	5.3x	—	—	—	—
Secured debt to Total Debt**	21.4%	36.7%	51.2%	62.2%	—	—	—	—
NAV** per unit outstanding	\$ 21.49	\$ 21.86	\$ 22.16	\$ 22.44	\$ 22.11	—	—	—
Unit market price - closing	\$ 14.64	\$ 12.79	\$ 12.23	\$ 15.49	—	—	—	—

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 12, "Non-GAAP Measures".

^{PP} Denotes values which do not include operating results of the HOOPP Properties for the three months ended December 31, 2021.

The results for Primaris for the year ended December 31, 2021, were calculated under the continuity-of-interests basis (see Section 1, "Basis of Presentation") and include the operating activities of the Primaris Properties, and the costs related with managing such properties which includes interest expense on debt and general and administrative costs. Values as at December 31, 2021 include the impact on the Trust's financial position of the HOOPP Properties.

Primaris' quarterly results shown above were impacted by the COVID-19 pandemic, particularly in 2021 when there was greater uncertainty than in 2022.

Seasonality: Rental revenue in fourth quarters is positively impacted by seasonality.

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Third quarter of 2022: GLA drops due to demolition of enclosed mall space for the Northland Village redevelopment and re-demising of former Sears anchor spaces.

Third quarter 2022: Ratio of secured debt to Total Debt** drops below Primaris' target of 40%. Ratio drops further in the fourth quarter of 2022 as additional mortgages are repaid.

First quarter 2022: Rental revenue and Cash NOI** were positively impacted in 2022 by the acquisition of the HOOPP Properties which contributed \$119.6 million and \$55.2 million, respectively during 2022 (2021 - nil).

Fourth quarter 2021: In-place and committed occupancy were negatively impacted by the acquisition of the HOOPP Properties. In-place occupancy for the HOOPP Properties at December 31, 2021 was 83.2%, and has improved to 88.4% at December 31, 2022

Third quarter 2021: Primaris received the required conditional municipal approvals for the Dufferin Grove development (see Section 7.3, "Redevelopment and Development") impacting net income favourably due to the positive adjustment to the fair value of the property.

12. NON-GAAP MEASURES

The Financial Statements were prepared in accordance with IFRS. However, certain measures are included in this MD&A that do not have a standardized meaning under GAAP in accordance with IFRS. These non-GAAP measures include non-GAAP financial measures and non-GAAP ratios, each as defined in NI 52-112.

Management believes these non-GAAP measures are useful to assessing the Trust's performance period over period and the Trust's ability to meet its financial obligations. However, none of the non-GAAP measures should be construed as an alternative to financial measures calculated in accordance with GAAP. Furthermore, these non-GAAP measures may not be comparable to similar measures presented by other real estate entities and should not be construed as an alternative to financial measures determined in accordance with IFRS. These non-GAAP financial measures are defined below and are cross referenced, as applicable, to a quantitative reconciliation contained within this MD&A to the most directly comparable GAAP financial measure in the Financial Statements.

Non-GAAP Measure	Description	Reconciliation
Net Operating Income (NOI)	Defined as rental revenue, as calculated under GAAP, less property operating costs, as calculated under GAAP. The calculation excludes certain expenses such as interest in order to reflect properties' operations regardless of how they are financed. Management believes that NOI is an important measure of the income generated from the income-producing properties and is used by the Trust in evaluating the performance of the portfolio. It is also a key input in determining the value of the income-producing portfolio.	Section 9.1, "Components of Net Income (Loss)"
Cash NOI	Defined as NOI net of revenue from straight-line rent and lease surrender revenue. Straight-line rent results from the difference between cash rent received and revenue recognized on a straight-line basis over the full term of the lease for accounting purposes. This is a non-cash amount. Lease surrender revenue is earned when a tenant returns space to Primaris before the completion of the lease term. These amounts are not earned evenly over any calendar year and are not predictable. Management believes excluding non-cash revenue from straight-line rent and inconsistently earned lease surrender revenue from the Cash NOI calculation provides further insights to the operations of the income-producing property portfolio.	Section 9.1, "Components of Net Income (Loss)"

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Non-GAAP Measure	Description	Reconciliation
Cash NOI Margin	Cash NOI Margin is a ratio calculated based on Cash NOI as a percentage of rental revenue excluding the impact of straight-line rent and lease surrender revenue. Management believes that Cash NOI Margin is an important measure of the percentage of income generated from the income producing properties and is used to evaluate the performance of the portfolio.	Section 9.1, "Components of Net Income (Loss)"
Same Properties NOI / Cash NOI	Same Properties NOI / Cash NOI is used to assess the period-over-period performance of those income-producing properties owned and operated by Primaris in both periods, excluding properties under development or major redevelopment. NOI / Cash NOI from properties that have been acquired, disposed or are subject to significant change as a results of new development, redevelopment, expansion or demolition are excluded from the determination of Same Properties NOI / Cash NOI. Management believes Same Properties NOI / Cash NOI is useful in evaluating the realization of contractual rental rate changes embedded in lease agreements, and understanding the impact of period-over-period changes in occupancy, rental rates and operating costs on income-producing property performance.	Section 9.1, "Components of Net Income (Loss)"
Funds from Operations (FFO) / FFO per unit	Primaris calculates FFO as defined by REALPAC. In calculating FFO, net income (or loss) is adjusted for items that do not arise from operating activities. Management believes that FFO is a useful measure of operating performance that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental rates, acquisition activity, and financing costs. FFO per unit is a non-GAAP ratio calculated by dividing FFO by the weighted average units, basic or diluted, outstanding during the period.	Section 9.2, "FFO and AFFO"
Adjusted Funds from Operations (AFFO) / FFO per unit	Primaris calculates AFFO as defined by REALPAC. In calculating AFFO, FFO is adjusted for capital expenditures incurred to maintain the existing productive capacity of the property portfolio and eliminates the impact of straight-line rent. AFFO is impacted by the seasonality inherent in the timing of executing operating capital projects. Management believes that AFFO is a useful measure of operating performance. AFFO per unit is a non-GAAP ratio calculated by dividing AFFO by the weighted average units, basic or diluted, outstanding during the period.	Section 9.2, "FFO and AFFO"
FFO and AFFO Payout Ratios	FFO and AFFO Payout Ratios are supplementary measures calculated as cash distributions declared by the Trust divided by FFO and AFFO. Primaris uses these ratios to assess the sustainability of the Trust's distribution payments.	Section 9.2, "FFO and AFFO"
Unsecured Debt to Total Debt	Unsecured Debt to Total Debt is a non-GAAP ratio calculated as total unsecured debt divided by total debt. This ratio is a useful measure of the Trust's relative exposure to secured and unsecured debt in relation to total debt.	Section 10.2, "Liquidity and Unencumbered Assets "
Unencumbered Assets to Unsecured Debt	Unencumbered Assets to Unsecured Debt is a non-GAAP ratio calculated as the carrying value of all investment properties that have not been pledged as security for debt divided by total unsecured indebtedness. This ratio is a useful measure of the investment properties available to satisfy unsecured debt obligations.	Section 10.2, "Liquidity and Unencumbered Assets "
Debt or Total Debt	Debt, as defined for use in certain financial ratios, is calculated as total outstanding debt from senior unsecured debentures, mortgages payable and credit facilities, excluding deferred financing costs and mark-to-market adjustments.	Section 10.4, "Capital Structure"

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Non-GAAP Measure	Description	Reconciliation
Average Debt or Average Total Debt	The average of Total Debt outstanding at each quarter end during the period.	Section 10.4, "Capital Structure"
Debt to Total Assets	Debt to Total Assets is determined by dividing Debt as defined above by total assets as presented on the consolidated statement of financial position. Management believes this ratio is useful in evaluating the Trust's flexibility to incur additional financial leverage.	Section 10.4, "Capital Structure"
Net Asset Value (NAV) / NAV per unit	NAV is calculated as total assets less total liabilities as calculated under IFRS with the exception of excluding any outstanding exchangeable units from total liabilities. NAV per unit is a non-GAAP ratio calculated by dividing NAV by the Units outstanding at end of the period.	Section 10.4, "Capital Structure"
Adjusted Earnings before Income, Tax, Depreciation and Amortization (Adjusted EBITDA)	Adjusted EBITDA is calculated as net income (loss) reversing, where applicable, interest expense, income taxes, depreciation expense, amortization expense and adjustments to fair value. Adjusted EBITDA is used by management as an input in several debt metrics and financial ratios to assess the Trust's ability to satisfy obligations, including servicing debt, financing capital expenditures and providing distributions to Unitholders.	Section 10.4, "Capital Structure"
Average Debt to Adjusted EBITDA	This ratio which is useful to measure the Trust's ability to satisfy debt obligations is calculated as Average Debt divided by rolling four-quarters Adjusted EBITDA. Until the Trust has established historical performance to calculate Adjusted EBITDA for a rolling four-quarters, the year-to-date Adjusted EBITDA is prorated to represent an annual value for use in debt metric calculations.	Section 10.4, "Capital Structure"
Interest Coverage	Interest Coverage, defined in the Trust Indenture, is calculated as Adjusted EBITDA divided by interest expense on Total Debt. This excludes amortization of deferred financing costs and mark-to-market adjustments. Management calculates Interest Coverage to assess the Trust's ability to service the interest requirements of the outstanding debt.	Section 10.4, "Capital Structure"
Debt Service Coverage	Debt Service Coverage, defined in the Trust Indenture, is calculated as Adjusted EBITDA divided by the sum of interest expense and regularly scheduled principal payments on Total Debt. Interest expense excludes amortization of deferred financing costs and mark-to-market adjustments and principal payments exclude balloon, bullet or similar principal payments at maturity. Management calculates Debt Service Coverage to assess the Trust's ability to meet obligations of the outstanding debt.	Section 10.4, "Capital Structure"

13. ENTERPRISE RISKS AND RISK MANAGEMENT

Primaris is exposed to various risks and uncertainties, many of which are beyond its control, the occurrence of which could materially and adversely affect the Trust's investments, prospects, cash flows, results of operations or financial condition and the ability to make cash distributions to Unitholders and negatively affect the value of the Units. Management believes the risk factors described below and in Primaris' Annual Information Form are the most material risks that are faced by Primaris; however, they are not the only ones. Additional risk factors not presently known to management, or that management currently believes are immaterial could also materially and adversely affect the Trust's investments, prospects, cash flows, results of operations or financial condition, ability to make cash distributions to Unitholders and negatively affect the value of the Units.

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Risks Associated with the COVID-19 Pandemic

Through the successful application of vaccinations and other disease control measures, Canada, and most countries around the world, continues to adapt to living with the virus that causes COVID-19 and the variants that emerge from time to time.

It is not currently possible to ascertain the long-term impact of COVID-19 on the Trust's business and operations. Certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, tenant inducements, future demand for space and market rents, changes in the preferences of tenants and prospective tenants, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on domestic and global supply chains, increased risks to IT systems and networks, impairments and/or write-downs of assets, and the deterioration of worldwide credit and financial markets that could limit the Trust's ability to access capital and financing on acceptable terms or at all.

13.1 Risks Associated with Owning and Operating Real Property

All real property investments are subject to a degree of risk and uncertainty. Such investments are affected by various factors including general economic conditions, local real estate markets, demand for leased premises, competition from other available premises, and various other factors.

The value of real property, and any improvements thereto, may also depend on the credit and financial stability of the tenants. Distributable cash and the Trust's income would be adversely affected if one or more key tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties, in which the Trust has an interest, is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Trust's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the Trust has an interest may seek the protection of bankruptcy, insolvency, or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the Trust.

The Trust may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by the Trust have early termination provisions which, if exercised, would reduce the average lease term. However, such termination rights are generally exercisable only at a cost to the tenant and the amount of space in the portfolio of properties currently held by the Trust which could be affected is not significant.

The ability to rent unleased space in the properties in which the Trust has an interest will be affected by many factors and costs may be incurred in making improvements or repairs to property required by a new tenant. A prolonged deterioration in economic conditions could increase and exacerbate the foregoing risks. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the Trust's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

A mortgage on any one property may, from time to time, exceed the estimated current market value of the related property. The cash flow from such a property may not be sufficient to cover debt servicing for that property. The cash flow from the portfolio of properties currently held by the Trust is, however, expected by management to be sufficient to cover any cash flow shortfalls on such a property.

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Current economic environment

The Trust will be subject to risks involving the economy in general, including inflation, deflation or stagflation, recession, depression, rising interest rates, unemployment, geopolitical issues and a local, regional, national or international outbreak of a contagious disease, including the outbreak of COVID-19. Poor economic conditions could adversely affect the Trust's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the Trust to maintain occupancy rates which could harm the Trust's financial condition. In weak economic environments, the Trust's tenants may be unable to meet their rental payments and other obligations due to the Trust, which could have a material and adverse effect on the Trust. In addition, fluctuation in interest rates or other financial market volatility may adversely affect the Trust's ability to refinance existing indebtedness on its maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on the Trust's performance, may restrict the availability of financing for future prospective purchasers of the Trust's investments, and could potentially reduce the value of such investments, or may adversely affect the ability of the Trust to complete acquisitions on financially desirable terms. With respect to the COVID-19 pandemic, refer to "Risks Associated with the COVID-19 Pandemic" above.

Real property valuations

Valuations of real property reflect an assessment of value based on the facts and circumstances as of the date the valuations were made. Such valuations may not have incorporated all relevant facts or may have relied on incorrect assumptions which may have been too optimistic or not sufficiently optimistic. Furthermore, valuations conducted at one point in time may not be reflective of value at another point in time, nor may the valuation be reflective of the value that could be obtained on a sale or other transaction.

Land leases

To the extent that the properties in which the Trust has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets that may fluctuate. This may result in significant rental rate adjustments and therefore have a potential negative effect on the cash flow of the Trust.

Geographic concentration

The Trust's portfolio of properties is limited to Canadian retail properties, the majority of which are located in Ontario, British Columbia, and Alberta. As a result, the Trust's performance, the market value of the properties and the income generated by the Trust are particularly sensitive to changes in the economic condition and regulatory environment of Ontario, British Columbia, and Alberta. Adverse changes in the economic condition or regulatory environment of Ontario, British Columbia, and Alberta may have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Credit risk and tenant concentration

The Trust will be exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. In addition, management ensures that no tenant or related group of tenants, other than investment grade tenants, account for a significant portion of the cash flow.

In that regard, the Declaration of Trust restricts the leasing or subleasing of real property, premises or space to any person where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of Total Assets (as defined in the Declaration of Trust), unless the lessee or sublessee is, or the lease or sublease is guaranteed by, the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any

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municipality or city in Canada or the United States, or any agency or crown corporation thereof and certain issuers, the securities of which meet stated investment criteria or are investment grade.

Reliance on anchor tenants and tenant bankruptcies

Retail shopping centres have traditionally relied on anchor tenants (department stores, discount department stores, and grocery stores), and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. Anchor tenants generally occupy large amounts of leasable area, pay a significant portion of the total rents at a property, and contribute to the success of other tenants by drawing significant numbers of customers to a property. Certain of the anchor tenants are permitted to cease operating from their leased premises at any time at their option, however they remain liable to pay all remaining rent in accordance with their leases. Other anchor tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. The exercise of such rights by an anchor tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

The Trust's profit could be adversely affected in the event of a downturn in the business or the bankruptcy, or insolvency of any anchor tenant. The closing of one or more anchor stores at a multi-tenant property could have an adverse effect on that property. At a multi-tenant property, vacated anchor tenant space tends to adversely affect the entire shopping centre because of the loss of the departed anchor tenant's power to draw customers to the centre, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. Moreover, a lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises may entitle other tenants of the centre to cease operating from their premises, to a reduction of rent payable under their leases, and/or to terminate their leases. No assurance can be given that the Trust will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. If any anchor tenant were to leave a property, the property could be negatively affected, which could have an adverse effect on the Trust's financial condition and results of operations, and could decrease the amount of cash available to pay distributions to Unitholders.

Bankruptcy filings by retailers occur periodically in the normal course of operations for reasons such as increased competition, out-dated business models, internet sales, changing demographics, poor economic conditions, rising costs, and changing shopping trends. The Trust continually seeks to re-lease vacant space resulting from any tenant bankruptcies.

Lease rollover risk

Lease rollover risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire, or in re-leasing space vacated by tenants upon lease expiry, or that the Trust may not achieve rental rate increases upon such renewals. Management's strategy is to sign creditworthy tenants to leases that are long-term in nature, and to mitigate the risk by having staggered lease maturities and using built-in rental escalations which assists in the Trust's attempt to fulfill its primary goal of maintaining a predictable cash flow. The ability to rent unleased space in the properties in which the Trust has an interest will be affected by many factors. The failure to rent unleased space on a timely basis, or at all, or to achieve rental rate increases would likely have an adverse effect on the Trust's financial condition, and cash available for distributions may be adversely affected.

Competition

The real estate business is competitive. Numerous other developers, managers, and owners of properties compete with the Trust in seeking tenants. Some of the properties located in the same markets as the Trust's properties may be newer, better located, less levered, or have stronger anchor tenants than the Trust's properties. Some property owners with properties located in the same markets as the Trust's properties may be better capitalized and may be stronger financially, and hence better able to withstand an economic downturn. Competitive pressures in such markets could have a negative effect on the Trust's ability to lease space in its properties, and on the rents charged or concessions granted,

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which could have an adverse effect on the Trust's financial condition and results of operation and decrease the amount of cash available for distribution.

The Trust competes for suitable real property investments with individuals, corporations, other real estate investment trusts, and institutions (both Canadian and foreign) which are presently seeking, or which may seek in the future, real property investments similar to those desired by the Trust. Many of these investors have greater financial resources than those of the Trust, or operate without the Trust's investment restrictions, or according to more flexible conditions. An increase in the availability of investment funds and an increase in interest in real property investments, would tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yields thereon.

Asset class concentration

The Trust's portfolio of retail properties is primarily comprised of dominant enclosed shopping centre properties, with the remainder of the properties being unenclosed shopping centres and mixed-use properties and one industrial centre. Significant deterioration of the retail shopping centre market in general, or the financial health of key tenants in particular, could have an adverse effect on the Trust's business, financial condition or results of operations. As well, shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. The failure of the Trust to adapt to changes in the retail landscape, including finding new tenants to replace any lost income stream from existing tenants that reduce the amount of physical space they lease from the Trust could adversely affect the Trust's financial performance.

Construction risks

It is likely that the Trust will be involved in various development projects. The Trust's obligations in respect of properties under construction, or which are to be constructed, are subject to risks which include (i) the potential insolvency of a third-party developer (where the Trust is not the developer); (ii) a third-party developer's failure to use advanced funds in payment of construction costs; (iii) construction or other unforeseeable delays; (iv) cost overruns; (v) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (vi) the incurring of construction costs before ensuring rental revenues will be earned from the project; and (vii) increases in interest rates during the period of the development. Management strives to mitigate these risks where possible by entering into fixed price construction contracts with general contractors (and, to the extent possible, on a bonded basis) and by attempting to obtain long-term financing as early as possible during construction.

Operating capital expenditures

Operating capital expenditures are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. The Trust may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Operating capital outlays for recoverable improvements may exceed recovery of amounts from tenants.

Co-ownership interest in properties

In certain situations, the Trust may be adversely affected by a default by a co-owner of a property under the terms of a mortgage, lease, or other agreement. Although all co-owners' agreements, to which the Trust is or may in the future become a party, provide for remedies to the Trust in such circumstances, such remedies may not be exercisable in all circumstances, or may be insufficient or delayed, and may not cure a default in the event that such default by a co-owner is deemed to be a default of the Trust.

Potential acquisition, investment and disposition opportunities and joint venture arrangements

The Trust will evaluate business and growth opportunities and is expected to consider a number of acquisition, investment and disposition opportunities and joint venture arrangements to achieve its business and growth strategies. In the normal course, the Trust may have outstanding non-binding letters of intent and/or conditional agreements or may

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otherwise be engaged in discussions with respect to potential acquisitions and financing of new assets, the refinancing of existing assets, potential dispositions, establishment of new joint venture arrangements, the viability and status of its joint venture arrangements, and changes to its capital structure, each of which, individually or in the aggregate, may or may not be material if they were to progress. However, there can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any acquisition, investment or disposition would be or that such acquisition, investment, or disposition will be completed by the Trust. Similarly, there can be no assurance that the Trust will enter into new joint venture arrangements or continue any existing joint venture arrangements. If the Trust does complete such transactions, the Trust cannot provide assurance that they will ultimately strengthen its competitive position or that they will not be viewed negatively by customers, securities analysts, or investors. Such transactions may also involve significant commitments of the Trust's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to the Trust, and the resources committed to such activities will not be available to the Trust for other purposes.

Acquisitions of properties by the Trust are subject to the normal commercial risks and satisfaction of closing conditions that may include, among other things, lender approval, Competition Act (Canada) approval, receipt of estoppel certificates, and obtaining title insurance. Such acquisitions may not be completed or, if completed, may not be on terms that are exactly the same as initially negotiated. In the event that the Trust does not complete an acquisition, it may have an adverse effect on the operations and results of the Trust in the future and its cash available for distributions to Unitholders.

Potential undisclosed liabilities associated with acquisitions

The Trust is expected to acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the Trust may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), and accrued but unpaid liabilities incurred in the ordinary course of business. Representations and warranties given by third parties to the Trust regarding acquired properties may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. While in some instances the Trust may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the Trust may not have recourse for all of these liabilities.

Cyber security risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use, or disrupting business operations. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of the Trust's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data, or steal confidential information. As the Trust's reliance on technology has increased, so have the risks posed to its systems. The Trust's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation, damage to the Trust's business relationships with its tenants, disclosure of confidential information regarding its tenants, employees and third parties with whom the Trust interacts, and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, and litigation. The Trust implemented processes, procedures, and controls to help mitigate these risks, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

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Data governance and decision support

Primaris depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase, data accuracy, quality, and governance are required for effective decision making. Failure by Primaris to leverage data in a timely manner may adversely affect its ability to execute its strategy and therefore impact its financial performance.

Environmental and climate change risk

As an owner of interests in real property in Canada, the Trust is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws impose a liability for the cost of removal and remediation of certain hazardous materials released or deposited on properties owned by the Trust or adjacent properties.

In accordance with best management practices, Phase I audits will be completed on all properties prior to acquisition. Further investigation will be conducted if Phase I tests indicate a potential problem. The Trust will have operating policies to monitor and manage risk. In addition, the standard lease requires compliance with environmental laws and regulations and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site.

Natural disasters and severe weather such as floods, ice storms, blizzards, and rising temperatures may result in damage to the Trust's properties. The extent of the Trust's casualty losses and loss in property operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. The Trust is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of the Trust's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on the Trust's business by increasing the cost to recover and repair properties and by increasing property insurance costs to insure a property against natural disasters and severe weather events.

The Trust will take proactive steps to mitigate the risk of climate change on its business and its properties and to address the Trust's environmental impact.

Dependence on key personnel, talent management and succession planning

Primaris' continued growth is dependent on its ability to hire, retain and develop its leaders and other key personnel. Any failure to effectively attract and retain talented and experienced employees and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could erode the Trust's competitive position or result in increased costs and competition for, or high turn-over of, employees. Any of the foregoing could have an adverse effect on the Trust.

Potential conflicts of interest

The Trust may be subject to various conflicts of interest because of the fact that members of management and the Trustees may be engaged in a wide range of real estate and other business activities and the Trust may become involved in transactions which conflict with the interests of the foregoing.

Management of the Trust and the Trustees may from time-to-time deal with persons, firms, institutions, or corporations with which the Trust may be dealing, or which may be seeking investments similar to those desired by the Trust. The interests of these persons could conflict with those of the Trust. In addition, from time to time, these persons may be competing with the Trust for available investment opportunities.

Any decisions regarding the enforcement by the Trust of the terms of any agreement entered into by the Trust with a non-independent Trustee or with an associate of a non-independent Trustee may be made by a majority of the independent Trustees. There is a risk that non-independent Trustees may attempt to influence the independent Trustees in this regard.

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Litigation

Primaris' operations are subject to a wide variety of laws and regulations across all of its operating jurisdictions and Primaris faces risks associated with legal and regulatory changes and litigation. In the normal course of operations, Primaris may become involved in various legal actions, including claims relating to personal injury, property damage, property taxes, land rights, and contractual and other commercial disputes and the resolution of such actions may have an adverse effect on our financial position or results of operations. Primaris retains external legal consultants to assist it in remaining current and compliant with legal and regulatory changes and to respond to litigation.

Uninsured losses

Primaris carries comprehensive general liability, environmental, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (including, but not limited to, environmental contamination or catastrophic events such as war, insurrection, rebellion, revolution, civil war, usurped power, or action taken by a government authority in hindering, combating or defending against such an event, nuclear reaction or nuclear radiation or radioactive contamination or acts of terrorism) which are either uninsurable, in whole or in part, or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and the Trust would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

13.2 Risks Relating to Financial Markets and Liquidity

Interest rate and other debt-related risks

The Trust will be exposed to financing risk on maturing debt and interest rate risk on its borrowings. It will minimize this risk by negotiating fixed rate term debt with staggered maturities targeting less than 20% of total debt maturing in any one year. Consistent with a debt strategy employing significant unsecured financings, the Trust will strive to maintain undrawn credit facility capacity to accommodate 18-24 months of forward debt maturities.

If the Trust indebtedness is replaced by new debt that has less favourable terms or the Trust is unable to secure adequate funding, distributions by the Trust to Unitholders may be adversely impacted. In addition, failure by the Trust to comply with its obligations under the documents governing such indebtedness (including in the case of the credit facilities, the failure to meet certain financial ratios and financial conditions tests) may adversely impact cash distributions on the Units. A reversal of the low interest rate environment that the Canadian economy has experienced in recent years may lead to the Trust's debt being refinanced at higher rates, thereby reducing net income and cash flows which could ultimately affect the level of distributions.

Liquidity risk

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If, for whatever reason, liquidation of assets is required, there is a risk that sale proceeds realized might be less than the previously estimated market value of the Trust's investments or that market conditions, and geopolitical events such as the conflict between Russia and Ukraine, would prevent prompt disposition of assets.

Ability to access capital markets

As the Trust will distribute a portion of its income to Unitholders, the Trust may need to obtain additional capital through capital markets and the Trust's ability to access the capital markets through equity issues and forms of secured or unsecured debt financing may affect the operations of the Trust as such financing may be available only on

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disadvantageous terms, if at all. If financing is not available on acceptable terms, acquisitions or ongoing development projects may be curtailed and cash available for distributions or to fund future commitments may be adversely affected.

13.3 Risks Relating to Securities of the Trust

Prices of Primaris securities

Publicly traded Units will not necessarily trade at values determined solely by reference to the underlying value of Trust assets. Accordingly, Units may trade at a premium or a discount to the underlying value of the assets of the Trust.

One of the factors that may influence the quoted price of Units is the annual yield on Units. Accordingly, an increase in market interest rates may lead investors in Units to demand a higher annual yield which could adversely affect the quoted price of Units. In addition, the quoted price of Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Trust.

Challenging market conditions, the health of the economy as a whole and numerous other factors beyond the control of the Trust, including geopolitical events as the conflict between Russia and Ukraine, may have a material effect on the business, financial condition, liquidity, and results of operations of the Trust. Financial markets have previously experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have often been unrelated to the operating performance, underlying asset values, or the prospects of such issuers. There can be no assurance that such fluctuations in price and volume will not occur again. Accordingly, the market price of Units may decline even if the Trust's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil occur, the Trust's operations could be adversely impacted, and the trading price of Units may be adversely affected.

Availability of cash for distributions

Although the Trust intends to make distributions of its available cash to Unitholders in accordance with its distribution policy, these cash distributions may be reduced or suspended. The actual amount distributed by the Trust will depend on numerous factors including capital market conditions, the financial performance of the Trust's properties, the Trust's debt covenants and obligations, its working capital requirements, its future capital requirements, its development commitments, and fluctuations in interest rates. Cash available to the Trust for distributions may be reduced from time to time because of items such as principal repayments on debt, tenant allowances, leasing commissions, capital expenditures, or any other business needs that Trustees deem reasonable. The Trust may be required to use part of its debt capacity in order to accommodate any or all of the above items. The market value of Units may decline significantly if the Trust suspends or reduces distributions. Trustees retain the right to re-evaluate the distribution policy from time to time as they consider appropriate.

Tax risk

The Tax Act includes rules (referred to herein as the "SIFT Rules") which effectively tax certain income of a publicly traded trust that is distributed to its investors or of a publicly traded partnership on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. The SIFT Rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors. A trust that qualifies as a "real estate investment trust" (as defined in the Tax Act) for a taxation year will not be considered to be a SIFT trust in that year (the "REIT Exemption").

Based on a review of the Trust's assets and revenues, management believes that the Trust will satisfy the tests to qualify for the REIT Exemption for its current taxation year and intends to conduct the affairs of the Trust so that it will continue to qualify for the REIT Exemption at all future times. However, as the REIT Exemption includes complex revenue and

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asset tests, no assurances can be provided that the Trust will qualify for the REIT Exemption for the current taxation year or any subsequent taxation year.

The Trust currently qualifies as a mutual fund trust for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency, including in respect of the treatment of mutual fund trusts or SIFT trusts will not be changed in a manner which adversely affects the Trust or holders of Units. If the Trust does not qualify as a “mutual fund trust” under the Tax Act or were to cease to so qualify, the income tax considerations applicable to the Trust and an investment in Units of the Trust would be materially and adversely different. In particular, if the Trust were to cease to qualify as a mutual fund trust and Units cease to be listed on a designated stock exchange (which currently includes the TSX), Units would cease to be qualified investments for registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plans, deferred profit sharing plans, tax free savings accounts, and first home savings accounts (“FHSA”), each as defined in the Tax Act (collectively, “Exempt Plans”).

On November 3, 2022, the Minister of Finance released revised proposals to amend the Tax Act (the “EIFEL Proposals”) that are intended, where applicable, to limit the deductibility of interest and other financing-related expenses by an entity to the extent that such expenses, net of interest and other financing-related income, exceed a fixed ratio of the entity’s tax EBITDA. The Trust does not expect the EIFEL Proposals to have an adverse impact on the Trust or its Unitholders, but there can be no assurances in this regard. If these rules were to apply to restrict deductions otherwise available to the Trust, the taxable component of distributions paid by the Trust to Unitholders may be increased, which could reduce the after-tax return associated with an investment in Units. The EIFEL Proposals are proposed to be effective for taxation years beginning on or after October 1, 2023.

If the Trust experiences a “loss restriction event”, as defined in the Tax Act, (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to Unitholders to the extent necessary to ensure that the Trust is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward unused losses to future taxation years. Generally, the Trust will be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Trust, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.

Dilution

The number of Units the Trust is authorized to issue is unlimited. The Trustees have the discretion to issue additional Units in certain circumstances, including under the Trust’s Unit Option Plan and Incentive Unit Plan. In addition, the Trust may issue Units pursuant to any distribution reinvestment plan and/or unit purchase plan adopted in the future. Any issuance of Units may have a dilutive effect on the investors of Units.

Unitholder liability

The Declaration of Trust provides that no unitholder, special voting unitholder, or annuitant under a plan of which a unitholder or special voting unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any unitholder, special voting unitholder, or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with property of the Trust or the affairs of the Trust including, without limitation, for satisfaction of any obligation or claim

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arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a unitholder, special voting unitholder, or annuitant would otherwise have to indemnify the Trustee for any personal liability incurred by the Trustee as such. Only assets of the Trust are intended to be liable and subject to levy or execution for satisfaction of such liability.

Notwithstanding the foregoing, personal liability may arise in respect of claims against the Trust, including claims in contract tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered remote as the nature of the Trust's activities are such that most of its obligations arise by contract and non-contractual risks are largely insurable. However, the insurance policies maintained by the Trust have exclusions for certain environmental liabilities. In the event that payments of the Trust's obligations were to be made by a unitholder or special voting unitholder, such holder would be entitled to reimbursement from the available assets of the Trust.

The Trustees will cause the activities of the Trust to be conducted with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their fiduciary duty to act in the best interests of the Unitholders and special voting Unitholders, any material risk of liability on the Unitholders and special voting Unitholders for claims against the Trust.

Legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide Unitholders in those provinces with limited liability. The *Trust Beneficiaries' Liability Act, 2004* (Ontario) provides that Unitholders of a trust that is a reporting issuer and governed by the laws of Ontario are not liable, as beneficiaries, for any act, default, obligation, or liability of the trust or any of its trustees that arise after the legislation came into force. A trust is considered governed by the laws of Ontario if its declaration of trust or other constating instrument contains the customary provision to that effect. Primaris' Declaration of Trust contains such a provision, and accordingly, the Unitholders and special voting Unitholders are protected by this legislation. However, there remains a risk, which the Trust considers to be remote in the circumstances, that a Unitholder and special voting Unitholder could be held personally liable for the Trust's obligations to the extent that claims are not satisfied out of the Trust's assets. It is intended that the Trust's affairs will be conducted to seek to minimize such risk wherever possible.

Redemption right

Unitholders are entitled to have their Units redeemed at any time on demand. It is anticipated that this redemption right will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of those Units and all other Units tendered for redemption in the same calendar month does not exceed \$50,000 (subject to certain adjustments and provided that the Trustees may waive this limitation at their sole discretion); (ii) at the time such Units are tendered for redemption, the outstanding Series A Units shall be listed for trading or quoted on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which Units are listed (or, if not so listed, on any market on which Units are quoted for trading) on the Redemption Date (as defined in the "Declaration of Trust" available on SEDAR) or for more than five trading days during the ten-day trading period commencing immediately prior to such date. In certain circumstances, the Declaration of Trust provides for the *in specie* distribution of property of the Trust and/or Redemption Notes (as defined in the "Declaration of Trust" available on SEDAR), in the event of a redemption of Units. The Redemption Notes which may be distributed *in specie* to Unitholders in connection with a redemption will not be listed on any stock exchange and are not expected to be qualified investments for Exempt Plans (as defined in the "Declaration of Trust" available on SEDAR), no established market is expected to develop for such notes, and they may be subject to resale restrictions under applicable securities laws.

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Investment eligibility

The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments (as defined in the Tax Act) by certain Exempt Plans. The Trust will endeavour to ensure that Units continue to be qualified investments for Exempt Plans, but there can be no assurances in this regard. Holders, annuitants, and subscribers of Exempt Plans should consult their own tax advisors with respect to whether Units would be prohibited investments having regard to their particular circumstances.

Based on the current provisions of the Tax Act, a trust governed by a FHSA will generally be subject to the qualified investment rules in the Tax Act applicable to other Exempt Plans. In addition, the rules in respect of a "prohibited investment" will also apply to FHSAs and the holders thereof. The rules in the Tax Act applicable to FHSAs come into force on April 1, 2023.

Statutory remedies

The Trust is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* and, in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of the Trust were necessary, the Trust would not be able to access the remedies available thereunder.

The rights granted in the Declaration of Trust are granted as contractual rights afforded to security holders of the Trust ("Securityholders"). Similar to other existing rights contained in the Declaration of Trust (e.g. take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the *Canada Business Corporations Act*. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Security holder will be able to enforce the rights and remedies in the manner contemplated by the Declaration of Trust. Furthermore, how the courts will treat these rights, remedies and procedures will be at the discretion of the court, and a court may choose to not accept jurisdiction to consider any claim contemplated in the Declaration of the Trust.

14. OTHER DISCLOSURES

14.1 Future Changes in Accounting Standards

Primaris monitors the changes proposed by the International Accounting Standards Board ("IASB") and analyzes the effect that changes in the standards may have on disclosures. Standards issued, but not effective up to the date of issuance of the Financial Statements, which Primaris reasonably expects to be applicable to its operations, are described below. Primaris intends to adopt these standards when they become effective.

Amendment to IAS 1, "Presentation of Financial Statements"

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management anticipates no impact on disclosures on the adoption of this amendment.

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Amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021, the IASB issued amendments to IAS 8, introducing a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates, and changes in accounting policies, and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. Management anticipates no impact on disclosures on the adoption of this amendment.

Amendments to IAS 1 and IFRS Practice Statement 2, "Making Materiality Judgements"

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, with the aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. Management anticipates no impact on disclosures on the adoption of this amendment.

14.2 Critical Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires management to make significant judgments in the process of applying Primaris' accounting policies that affect the carrying amounts of assets and liabilities, and the reported amounts of revenues and expenses. In addition, estimates and assumptions are used, mainly in determining the measurement of balances recognized or disclosed in the Financial Statements, that are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions, and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

In the process of applying Primaris' accounting policies, management was required to apply judgment in the areas discussed below.

Investment Properties

Judgements made in application of accounting policy

Judgement is required in determining whether certain costs represent additions to the carrying amount of the investment properties and in distinguishing whether amounts expended under leasing obligations are tenant allowances or incentives. Primaris also applied judgement in determining whether the investment properties it acquires are considered to be asset acquisitions or business combinations.

Use of estimates and assumptions

The fair value of income producing properties is dependent on significant assumptions including future cash flows over the holding period and terminal capitalization rates and discount rates applicable to those assets. The review of future cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing future cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. A change to any of these inputs may significantly alter the fair value of an investment property.

It is not possible to forecast with certainty the duration and scope of impacts from macroeconomic factors such as inflation, changes in interest rates, or the COVID-19 pandemic on the Trust's business and operations. Certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, future demand for space and market rents, which all ultimately impact the underlying valuation of its investment properties.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

Joint operations

Judgements made in application of accounting policy

Primaris makes judgments in determining the appropriate accounting for investments in other entities. Such judgments include assessing the level of control or influence Primaris has and determining whether Primaris' rights and obligations are directly related to the assets and liabilities of the arrangement or to the net assets of the arrangement. In determining that Primaris has rights and obligations directly related to the assets and liabilities of the arrangement, Primaris will record its proportionate share of assets, liabilities, revenues, expenses and cash flows.

Leases

Judgements made in application of accounting policy

Primaris makes judgements in determining whether certain leases, in particular tenant leases where the Trust is the lessor, are either operating or finance leases. When Primaris determines, based on an evaluation of terms and conditions of the lease, that the Trust retains all the significant risks and rewards of ownership of the property under the lease agreement the lease will be recorded as an operating lease.

Income taxes

Judgements made in application of accounting policy

Primaris uses judgement to interpret income tax rules and regulations and in determining that it meets all the conditions prescribed under the Tax Act to qualify as a "real estate investment trust" (as defined in the Tax Act). Primaris has determined that it qualifies as a REIT for the current year and expects to continue to qualify. However, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would therefore be subject to income tax.

Expected credit loss

Use of estimates and assumptions

Primaris assesses, on a tenant-by-tenant basis, expected losses with its rent receivables. In determining the provision for doubtful accounts, Primaris considers the payment history, and future expectations of potential abatements to be granted through negotiation or tenant default events. Primaris' assessment is subjective due to its forward-looking nature. As a result, the provision for credit loss is subject to a degree of uncertainty which is compounded by macroeconomic factors such as inflation, changes in interest rates and the COVID-19 pandemic.

Liability for unit-based compensation

Use of estimates and assumptions

The fair value of the liability for Trust Unit options is valued using a Black-Scholes model which includes assumptions on the expected distribution yield; the expected Trust Unit price volatility; the weighted average expected life of the options; and the risk-free interest rate for the expected life of the options. A change to any of these inputs may impact the fair value of the liability.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

14.3 Internal Control Over Financial Reporting and Disclosure Controls and Procedures

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

As required by National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"), the Chief Executive Office and Chief Financial Officer have caused the effectiveness of internal controls over financial reporting to be evaluated using the framework established in "Internal Control - Integrated Framework" (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, they have concluded that the design and operation of the Trust's internal control over financial reporting were effective as at December 31, 2022.

In designing such controls, it should be recognized that due to inherent limitation, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgement in evaluating controls and reporting.

Disclosure Controls and Procedures

Management is also responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Trust is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosures.

As required by NI 52-109, the Chief Executive Office and Chief Financial Officer have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2022.

14.4 Related Party Transactions

Prior to December 31, 2021, the Primaris Properties and their operations were held within certain subsidiaries of Former Parent. After completion of the Arrangement, Former Parent was no longer a related party.

As at December 31, 2021, as a result of the acquisition of the HOOPP Properties, HOOPP was Primaris' largest unitholder holding approximately 26% of the issued and outstanding Trust Units. HOOPP is under no ownership requirements or restrictions with respect to its Trust Units. At the same time, a non-interest-bearing note payable of \$200,210 was issued to HOOPP and subsequently repaid on January 5, 2022. On December 31, 2021, Primaris also entered into a registration rights agreement with HOOPP providing HOOPP with demand registration rights and piggy-back registration rights, provided in each case, that HOOPP owns at least 10% of the Trust Units. At December 31, 2022, HOOPP continued to own in excess of 10% of the Trust Units.

14.5 Subsequent Events

Subsequent to December 31, 2022, Primaris entered into an \$85.0 million 8-year interest only mortgage with interest calculated at 5.516%.

Primaris purchased an additional 814,400 Units under the automatic share purchase plan ("ASPP") for consideration of \$12.3 million as of February 28, 2023, for total NCIB purchases since inception of 4,700,100 Units at an average price of \$14.10, or a discount to NAV** of approximately 34.4%.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Financial Results

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PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Responsibility for Financial Reporting

The management of Primaris Real Estate Investment Trust ("Primaris" or the "Trust") is responsible for the preparation and fair presentation of the accompanying consolidated and combined carve-out financial statements (the "Financial Statements") and Management's Discussion and Analysis ("MD&A"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All financial information in the MD&A is consistent with the Financial Statements.

The Financial Statements and information in the MD&A necessarily include amounts based on best estimates and judgments by management of the expected effects of current events and transactions with the appropriate consideration to materiality. In addition, in preparing this financial information, management must make determinations about the relevancy of information to be included, and estimates and assumptions that affect the reported information. The MD&A also includes information regarding the impact of current transaction and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from management's present assessment of this information because future events and circumstances may not occur as expected.

Management is also responsible for providing reasonable assurance that assets are safeguarded, and that relevant and reliable financial information is produced. Management meets these objective of internal accounting control on a cost effective basis through the prudent selection and training of personnel and third-party consultants, adoption and communication of appropriate policies, and employment of a controls testing program. Management is required to certify, under National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" ("52-109"), as to the design and operating effectiveness of internal controls over financial reporting.

As a result of the year ended December 31, 2021 being the first financial reporting period for Primaris, the Chief Executive Officer and Chief Financial Officer filed the alternative form of the annual certificate under 52-109. Under such certificate, the certifying officers did not make any representations to the design and operating effectiveness of (i) controls and other procedures designed to provide reasonable assurance on the recording, summarizing and reporting of information required to be disclosed by Primaris in its annual filing or other reports filed under security legislation, (ii) processes to provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

There were no limitations to the scope of certification under 52-109 for the year ended December 31, 2022.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of independent Trustees. The Audit Committee reviews Primaris' Financial Statements and MD&A with management before such statements are approved by the Board of Trustees. Other responsibilities of the Audit Committee include selecting Primaris' independent auditor, approving the auditor's remuneration and terms of the engagement, and monitoring Primaris' existing systems of internal controls. The Audit Committee also meets with the independent auditors without the presence of management. The independent auditors have unrestricted access to the Audit Committee, as do the personnel and third-party consultants performing controls testing.

KPMG LLP, the independent auditors of Primaris, have audited the consolidated and combined carve-out financial statements for the years ending December 31, 2022 and 2021 and have expressed their opinion upon the completion of such examination in the following report to Unitholders.

Alex Avery

Alex Avery

Chief Executive Officer

Rags Davloor

Rags Davloor

Chief Financial Officer

Toronto, Ontario
February 28, 2023

PRIMARIS REAL ESTATE INVESTMENT TRUST

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Primaris Real Estate Investment Trust

Opinion

We have audited the consolidated and combined carve-out financial statements of Primaris Real Estate Investment Trust ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021;
- the consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2022 and the combined carve-out statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2021;
- the consolidated statement of changes in unitholders' equity for the year ended December 31, 2022 and the combined carve-out statement of changes in owner's net assets for the year ended December 31, 2021;
- the consolidated statement of cash flows for the year ended December 31, 2022 and the combined carve-out statement of cash flows for the year ended December 31, 2021;
- and notes to the consolidated and combined carve-out financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of the fair value of income-producing properties

Description of the matter

We draw attention to Notes 2 (c), 3 (a) and 5 of the financial statements. Investment properties include income-producing properties and land held for development. The Entity has recorded income-producing properties for an amount of \$2,934,590 thousand. Income-producing properties are recorded at fair value, determined based on available market evidence at each reporting date. The fair value of income-producing properties is dependent on significant assumptions including future cash flows over the holding period, terminal capitalization rates and discount rates applicable to those assets.

Why the matter is a key audit matter

We identified the evaluation of the fair value of income-producing properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the fair value of income-producing properties and the high degree of estimation uncertainty in determining the fair value of income-producing properties. In addition, significant auditor judgment and specialized skills and knowledge were required in performing, and evaluating the results of, our audit procedures due to the sensitivity of the fair value of income-producing properties to minor changes in significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of income-producing properties, we assessed the Entity's ability to accurately forecast cash flows by comparing the Entity's future cash flows to be generated by the income-producing properties used in the prior year's estimate of the fair value of income-producing properties to actual results.

For a selection of income-producing properties, we compared the future cash flows used by Entity's internal valuation team and external independent appraisers to the actual historical cash flows. We considered changes in conditions and events affecting the income-producing properties to assess the fair value adjustments, or lack of fair value adjustments, made by the Entity's internal valuation team and external independent appraisers in arriving at those future cash flows.

We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the terminal capitalization rates and discount rates selected by the Entity's internal valuation team and external independent appraisers. These rates were stratified by asset class and evaluated by comparing them to published reports of real estate industry commentators, and where available recent sales of similar properties while considering the attributes of the specific income-producing properties.

We evaluated the competence, capabilities and objectivity of the external independent appraisers by:

- Inspecting evidence that the appraisers are in good standing with the Appraisal Institute of Canada
- Considering whether the appraisers have appropriate knowledge in relation to the specific type of income-producing properties

PRIMARIS REAL ESTATE INVESTMENT TRUST

Independent Auditor's Report

- Reading the reports of the external independent appraisers which refers to their independence.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditor's report thereon, included in a document entitled "2022 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information other than the financial statements and the auditor's report thereon, included in a document entitled "2022 Annual Report" as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Independent Auditor's Report

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Farah Bundeali, Toronto, Canada

February 28, 2023

PRIMARIS REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)		As at	
	Note	December 31, 2022	December 31, 2021
Assets			
Investment properties	5	\$ 3,118,590	\$ 3,204,188
Rent receivables and other assets	8	31,397	38,018
Note receivable	7	40,840	—
Cash and cash equivalents		10,954	5,636
Total assets		\$ 3,201,781	\$ 3,247,842
Liabilities and Equity			
Liabilities			
Senior unsecured debentures	9	\$ 348,307	\$ —
Mortgages payable	9	215,208	579,434
Credit facilities	10	444,000	143,000
Note payable	11	—	200,210
Exchangeable units	13	—	54,978
Trade payables and other liabilities	12	106,637	78,894
Total liabilities		1,114,152	1,056,516
Equity			
Unitholders' equity		2,087,629	2,191,326
Total liabilities and equity		\$ 3,201,781	\$ 3,247,842

Contingencies and commitments (Note 24)

Subsequent events (Note 28)

See accompanying notes to the consolidated and combined carve-out financial statements.

On behalf of the Board of Trustees:

Louis Forbes

Louis Forbes

Trustee

Alex Avery

Alex Avery

Trustee

PRIMARIS REAL ESTATE INVESTMENT TRUST

Consolidated and Combined Carve-Out Statements of Income (Loss) and Comprehensive Income (Loss)

(in thousands of Canadian dollars)		Year ended December 31, 2022		Year ended December 31, 2021	
	Note				
Net property income					
Rental revenue	17	\$	380,064	\$	247,888
Property operating costs	17		(168,277)		(106,294)
			211,787		141,594
Other income and expenses					
Interest and other income	18		3,657		2,510
Net interest and other financing charges	19		(33,400)		(18,881)
General and administrative	20		(27,826)		(13,272)
Amortization of other assets			(1,142)		(260)
Adjustment to fair value of derivative instruments	21		(240)		—
Adjustments to fair value of exchangeable units	13		—		(4,532)
Adjustments to fair value of unit-based compensation	15		827		—
Adjustments to fair value of investment properties	5		(165,743)		238,541
Transaction costs			—		(4,711)
			(223,867)		199,395
Net income (loss) and comprehensive income (loss)		\$	(12,080)	\$	340,989
Net income (loss) and comprehensive income (loss) attributable to:					
Trust Unitholders		\$	(12,080)	\$	(13,582)
Owner's net investment			—		354,571
		\$	(12,080)	\$	340,989

See accompanying notes to the consolidated and combined carve-out financial statements.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Consolidated Statement of Changes in Unitholders' Equity

(in thousands of Canadian dollars)	Note	2022
Unitholders' Equity		
Balance, December 31, 2021		\$ 2,191,326
Net income (loss) attributable to Unitholders		(12,080)
Distributions		(80,119)
Units cancelled under normal course issuer bid	14	(54,127)
Obligation for purchase of Units under automatic share purchase plan	14	(12,508)
Settlement of vested restricted trust units	14	159
Conversion of exchangeable units	14	54,978
Balance, December 31, 2022		\$ 2,087,629

(in thousands of Canadian dollars)	Note	2021
Owner's Net Investment		
Balance, December 31, 2020		\$ 1,001,700
Net income (loss) attributable to Owner		354,571
Former Parent intercompany balance converted to net equity		300,310
Distribution of net assets from Former Parent		(1,656,581)
Balance, December 31, 2021		\$ —

(in thousands of Canadian dollars)	Note	2021
Unitholders' Equity		
Balance, December 31, 2020		\$ —
Net income (loss) attributable to Unitholders		(13,582)
Issuance of Trust Units under the Arrangement	4	1,607,254
Issuance of Trust Units for HOOPP asset acquisition	4	600,628
Re-classification of unit-based compensation liability	14	(2,443)
Re-classification of right-of-use assets and lease liability	14	(531)
Balance, December 31, 2021		\$ 2,191,326

See accompanying notes to the consolidated and combined carve-out financial statements.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Consolidated and Combined Carve-Out Statements of Cash Flows

(in thousands of Canadian dollars)		Year ended December 31, 2022	Year ended December 31, 2021
	Note		
Cash provided by (used in):			
Operating activities:			
Net income (loss)		\$ (12,080)	\$ 340,989
Net interest and other financing charges	19	33,400	18,881
Interest paid		(32,527)	(22,212)
Items not affecting cash	27	166,132	(236,882)
Change in non-cash operating items		9,382	(176,510)
		164,307	(75,734)
Financing activities:			
Senior unsecured debentures:			
Borrowings, net of financing costs	9	347,876	—
Mortgages payable:			
Borrowings, net of deferred financing costs	9	(55)	284,090
Principal repayments	9	(364,320)	(314,204)
Credit Facilities			
Net advances (repayments)	10	301,000	143,000
Financing costs		(3,103)	(160)
Note payable	11	(200,210)	—
Units cancelled under normal course issuer bid	14	(54,127)	—
Distributions paid		(73,442)	(274)
		(46,381)	112,452
Investing activities:			
Investment properties:			
Redevelopment activities	5	(51,091)	(24,870)
Building improvements	5	(921)	—
Recoverable and non-recoverable costs	5	(11,496)	(11,617)
Tenant allowances and leasing costs	5	(13,741)	(9,603)
Proceeds on disposition	5	5,481	—
Note receivable	7	(40,840)	—
		(112,608)	(46,090)
Increase (decrease) in cash and cash equivalents		5,318	(9,372)
Cash and cash equivalents, beginning of year		5,636	15,008
Cash and cash equivalents, end of year		\$ 10,954	\$ 5,636

See accompanying notes to the consolidated and combined carve-out financial statements.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements

(in thousands of Canadian dollars)

Primaris Real Estate Investment Trust and its consolidated subsidiaries (collectively "Primaris" or the "Trust") own, develop, and operate a national retail portfolio focused on enclosed shopping centres located primarily in secondary Canadian markets. Primaris is an unincorporated, open-ended mutual fund trust governed by the laws of the Province of Ontario and established pursuant to a declaration of trust dated November 12, 2021, as amended and restated on December 15, 2021 (the "Declaration of Trust"). The Trust's principal, registered, and head office is located at 26 Wellington Street East, Suite 400, Toronto, Ontario, M5E 1S2.

On December 31, 2021, Primaris became a stand-alone entity following the successful completion of a spin-out transaction implemented by way of a plan of arrangement (the "Arrangement") pursuant to which 27 investment properties (the "Primaris Properties") formerly held by H&R Real Estate Investment Trust (the "Former Parent") were spun-out to Primaris. Immediately after the completion of the Arrangement, Primaris acquired an additional 8 investment properties (the "HOOPP Properties") from Healthcare of Ontario Pension Plan ("HOOPP"). Primaris' Series A trust units (the "Trust Units" or "Units") are listed on the Toronto Stock Exchange (the "TSX") and are traded under the symbol "PMZ.UN".

1. Statement of Compliance and Basis of Preparation

(a) Statement of compliance

The consolidated and combined carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein. These consolidated and combined carve-out financial statements were authorized by the Primaris Board of Trustees (the "Board") on February 28, 2023.

(b) Basis of preparation

Under the Arrangement, unitholders of Former Parent received one Trust Unit for every four Former Parent units held immediately prior to closing of the Arrangement. These combined carve-out financial statements have been prepared on a continuity-of-interests basis, based on the transfer of an existing business to an entity under common control, whereby the predecessor entity's historical accounting basis for the assets acquired and liabilities assumed continues to be used as the accounting basis in the successor's financial statements.

Accordingly, these combined carve-out financial statements include the results of operations, change in owner's net investment, and cash flows based on the historical accounting records of the predecessor entity for the year ended December 31, 2021. The combined carve-out statements include the operating results of the Primaris Properties, located throughout Canada, and the costs related with managing the properties which include interest expense on debt, and general and administrative expenses. The combined carve-out statements exclude the HOOPP Properties, properties sold prior to December 31, 2020, and other adjustments unrelated to the ownership and operations of the Primaris Properties.

The consolidated and combined carve-out financial statements are prepared on a going concern basis using the historical cost method except for investment properties (Note 5), certain units of limited partnerships that are exchangeable for publicly traded REIT units at the option of the holder (Note 13), and liabilities for unit-based compensation plans (Note 15), that have all been measured at fair value.

The consolidated and combined carve-out financial statements are presented in Canadian dollars, the Trust's functional currency.

The Trust presents its consolidated statements of financial position based on the liquidity method, whereby all assets and liabilities are presented in ascending order of liquidity, while the notes to the consolidated and

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

combined carve-out financial statements distinguish between current and non-current assets and liabilities. Primaris considers this presentation to be reliable and more relevant to the Trust's business.

In measuring performance, or allocating resources, management does not distinguish or group its operations into any sub-segments. As such, the Trust's operating results are presented as a single reportable segment which comprises the ownership, management and development of its investment properties located across Canada.

Presentation of certain figures in the combined carve-out statements has been reclassified.

(c) COVID-19 pandemic

The preparation of Primaris' consolidated and combined carve-out financial statements, required management to consider the impacts of the COVID-19 pandemic on estimates and assumptions that affect the carrying values of its assets and liabilities, particularly for the year ended December 31, 2021 when there were greater uncertainties. It was not possible to forecast with any certainty the duration and full scope of the economic impact of the pandemic on the Trust's business and operations, or on global capital and equity markets. The estimates and assumptions that the Trust considered critical and/or that could be impacted by the pandemic include those underlying the valuation of investment properties, the estimation of expected credit losses on its accounts receivable, and the determination of the values of financial instruments for disclosure purposes.

2. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of all entities in which Primaris holds a controlling interest. Control is achieved when the Trust has power over the entity, has exposure, or rights, to variable returns from its involvement with the entity, and can use its power to affect its returns. All material intercompany transactions and balances have been eliminated upon consolidation.

Joint operation

Primaris carries out a portion of its activities through joint operations and records its proportionate share of assets, liabilities, revenues, expenses, and cash flows of all joint operations in which it participates. A joint operation is a type of joint arrangement where the Trust makes operating, financial, and strategic decisions over one or more investment properties jointly with another party, and has direct, not net, rights to the assets and obligations for the liabilities relating to the arrangement.

(b) Business combinations

When an investment is acquired, the Trust considers the substance of the assets and activities of the acquisition in determining whether the transaction represents an asset acquisition or a business combination. The transaction is classified as a business combination if the acquired investment meets the definition of a business, in accordance with IFRS 3, "Business Combinations", being an integrated set of activities and assets that are capable of being managed for the purposes of providing a return to Unitholders.

The acquisition of a business is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at fair value on the date of acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at fair value at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Transaction costs related to the acquisition are expensed as incurred.

If the acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets acquired, liabilities and contingent

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liabilities assumed based on their relative fair values at the acquisition date, and no goodwill is recognized. Transaction costs related to the acquisition are capitalized to the investment.

(c) Investment properties

Primaris' investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business. The Trust accounts for its investment properties in accordance with International Accounting Standard ("IAS") 40, "Investment Properties". Investment properties include income-producing properties and land held for development.

Upon acquisition, investment properties are initially recorded at cost, comprised of the purchase price and any directly attributable expenditures. Subsequent to initial recognition, Primaris uses the fair value model to account for investment properties. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date in accordance with the valuation policy discussed in Note 5. The related gain or loss arising from the change in fair value is recognized in net income in the period in which it arises.

Subsequent capital expenditures are capitalized to investment properties only when it is probable that future economic benefits of the expenditure will flow to the Trust and the cost can be measured reliably. These costs include revenue enhancing capital expenditures that result in additional gross leasable area and operating capital expenditures which maintain or improve the existing productive capacity of an income-producing property.

Operating capital includes:

- Maintenance capital: Expenditures incurred pursuant to a capital plan to maintain the productive capacity of the properties, such as parking lot resurfacing and roof replacements. Tenant leases generally provide for the ability to recover a significant portion of such costs over time.
- Tenant allowances: Amounts expended to meet the Trust's lease obligations which are determined to primarily benefit and/or are owned by the Trust. In such circumstances, the Trust is considered to have acquired an asset which is recorded as an addition to income-producing properties. If benefit of the payment primarily confers to the tenant, the amount is considered a tenant inducement which is amortized on a straight-line basis over the term of the lease as a reduction of revenue.
- Leasing costs: Costs, such as commissions, incurred in negotiating tenant leases are recorded as additions to investment properties.

All other costs are expensed to repairs and maintenance when incurred.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the investment property and are recognized in net income in the period of disposal.

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(d) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Trust becomes a party to the contractual provisions of a financial instrument.

Classification and measurement

IFRS 9, "Financial Instruments", requires financial assets to be classified, at the time of recognition, based on the business model in which they are managed and the characteristics of their contractual cash flows. Financial assets are classified and measured based on three categories: (i) amortized cost, (ii) fair value through other comprehensive income ("FVOCI"), or (iii) fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: (i) amortized cost, or (ii) FVTPL.

All financial instruments are measured at fair value on initial recognition. Transaction costs attributable to the acquisition or issuance of financial assets and financial liabilities, other than those classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs attributable to the acquisition or issuance of financial assets and financial liabilities classified as FVTPL are recognized immediately in net income. Subsequent measurement for financial assets and financial liabilities is based on either fair value, or amortized cost using the effective interest method, based upon their classification.

The classification and measurement of financial assets is based on the Trust's business model for managing these financial assets and their contractual cash flow characteristics:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and/or interest ("SPPI") are measured at amortized cost;
- Assets held within a business model where assets are held for both the purpose of collecting contractual cash flows and selling financial assets prior to maturity, and the contractual cash flows represent solely payments of principal and interest, are measured at FVOCI;
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are SPPI are measured at FVTPL.

Financial derivative instruments

The Trust does not use derivative instruments for speculative purposes. Any embedded derivative instruments that may be identified are separated from their host contract and recorded on the consolidated statement of financial position at fair value. All changes in the fair values of derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship. Primaris has derivative instruments in place which are used to manage exposure to fluctuations in interest rates.

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The following summarizes the classification and measurement of financial assets and liabilities:

Financial Asset / Liability	Classification and Measurement
Note receivable	Amortized cost
Rent receivables	Amortized cost
Cash and cash equivalents	Amortized cost
Mortgages payable	Amortized cost
Credit facilities	Amortized cost
Exchangeable units	FVTPL
Liability for unit-based compensation plans	FVTPL
Trade payables and other liabilities	Amortized cost
Derivative liabilities	FVTPL

Impairment and derecognition

An allowance for expected credit losses is recognized for all financial assets measured at amortized cost or FVOCI. Impairment losses, if incurred, would be recorded as expenses in net income.

Financial assets are derecognized when the contractual rights to receive cash flows and benefits expire or when a transfer of the asset occurs that qualifies for derecognition. The difference between an asset's carrying value and the sum of the consideration received or receivable is recorded in net income. Financial liabilities are derecognized when obligations under the contract expire, are discharged, or cancelled. The difference between a liability's carrying value and the sum of the consideration paid or payable is recorded in net income.

(e) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in absence of a principal market, in the most advantageous market for the asset or liability that is accessible by Primaris. The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated and combined carve-out financial statements, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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Valuation process

The following table describes the valuation techniques used by Primaris in the determination of fair value of assets and liabilities:

Asset / Liability	Valuation Approach
Investment properties	Valuation method described in Note 5
Rents receivable, cash and cash equivalents	The carrying amount approximates fair value due to the short-term maturity of these assets
Note Receivable	The carrying amount approximates fair value due to the short-term maturity of the note
Long-term debt	Present value of contractual cash flows, discounted at Primaris' current incremental borrowing rate for similar types of borrowing or, where applicable, quoted market prices
Credit facilities and note payable	The carrying amount approximates fair value due to the short-term maturity of these assets
Exchangeable units, and Units granted under unit-based compensation plans	Closing market trading price of underlying Units
Trade payables and other liabilities	The carrying amount approximates fair value due to the short-term maturity of these liabilities
Derivative liabilities	The carrying amount represents estimates at a specific point in time using financial models, based on interest rates that reflect current market conditions, the credit quality of counterparties and interest rate curves.

(f) Rents receivable

Rent receivables are recognized initially at fair value, subsequently at amortized cost and, where relevant, adjusted for the time value of money. The Trust assesses on a forward-looking basis the expected credit losses associated with its rent receivables. A recognition of a loss allowance is made for the lifetime expected credit losses on initial recognition of the receivable. In determining the expected credit losses, the Trust considers any recent payment behaviours and future expectations of likely default events. These assessments are made on a tenant-by-tenant basis.

(g) Cash and cash equivalents

Cash and cash equivalents consist of unrestricted cash on hand and marketable investments with an original maturity date of three months or less.

(h) Trust Units

With certain restrictions, the Trust Units are redeemable at the option of the holder, and, therefore, are considered puttable instruments in accordance with IAS 32, "Financial Instruments – Presentation". Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) above must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the

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profit or loss of the entity or change in fair value of the instrument. The Trust Units meet the conditions of IAS 32 and, accordingly, are presented as equity in the consolidated financial statements.

(i) Exchangeable units

Certain Class B limited partnership units of certain subsidiaries of Primaris are, or may in the future be, exchangeable into publicly Trust Units at the option of the holder (the "exchangeable units"). Exchangeable units are considered puttable instruments and are required to be classified as financial liabilities at FVTPL. Distributions paid on exchangeable units are accounted for as interest expense.

(j) Unit-based compensation

Primaris has three unit-based compensation plans: the Trust Unit Option ("Option"), Restricted Trust Unit ("RTU"), and Performance Trust Unit ("PTU") plans. The plans are accounted for as cash-settled awards, as the Trust is an open-ended trust making its Trust Units redeemable, and thus requiring its unit-based compensation plans to be recognized as a liability carried at fair value. The RTU and PTU plans provide for the crediting of additional RTUs and PTUs in respect of distributions paid on Units for the period when a RTU or PTU is outstanding. Compensation expense is recognized in net income over the vesting periods of each plan.

(k) Leases

Primaris as a lessee

Leases are recognized as a right-of-use ("ROU") asset and corresponding liability at the commencement date, except for short-term leases of twelve months or less, or low value leases or right-of-use assets which are expensed in net income on a straight-line basis over the lease term.

At the inception of the lease, the ROU asset is measured at cost, comprising initial lease liability, initial direct costs, and any future restoration or refurbishment costs, less any incentives granted by the lessors. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term of the underlying asset on a straight-line basis. The ROU asset is subject to testing for impairment if there is an indicator for impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if not determinable, Primaris' incremental borrowing rate, specific to the term of the lease. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

Primaris as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. To make this assessment, the Trust considers certain indicators including whether the lease is for the major part of the economic life of the asset or the present value of lease payments is substantially all of the fair value of an underlying asset. Primaris has determined that all its leases with its tenants are operating leases. Revenue is recorded in accordance with Primaris' revenue recognition policy.

(l) Revenue recognition

Primaris has not transferred substantially all the risks and benefits of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset, which is typically when the space is turned over to the tenant to begin fixturing. Where the Trust is required to make additions to the property in the form of tenant

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improvements that enhance the value of the property, revenue recognition begins upon substantial completion of those improvements.

Revenue earned from tenants under lease agreements includes both a lease component and a non-lease component.

Minimum base rent, straight-line rent, recovery of realty taxes and insurance, lease surrender revenue and percentage rent are considered lease components in the scope of IFRS 16, "Leases". Certain leases have minimum base rental payments that change over the term of the lease. The total amount of contractual base rent to be received is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual amount of minimum base rent received or receivable. Lease surrender revenue is earned from tenants in connection with the cancellation or early termination of their remaining lease obligations and is recognized when a lease surrender agreement is signed, and collection is reasonably assured. Percentage rents are recognized when the sales thresholds, set out in the leases, have been met.

Lease agreements allow for the recovery from tenants of costs to maintain and operate the property, and other support services. The property management services are considered to be one performance obligation, meeting the criteria for over time recognition in IFRS 15, "Revenue from Contracts with Customers", and are recognized in the period that recoverable costs are incurred, or services are performed.

Primaris also recognizes revenue from its property management services in connection with co-ownership operations. Fees are generally recognized as revenue over the period of performance of those services and amounts are determined based on agreements in place.

(m) Income tax

Primaris qualifies as a "mutual fund trust" and a real estate investment trust under the *Income Tax Act (Canada)* (the "Tax Act"). Certain legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

Under the SIFT rules, the taxation regime will not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions") and distributions may be deducted against the REIT's taxable income. Primaris has reviewed the SIFT rules and has assessed its interpretation and application to its assets and revenue and has determined that it meets the REIT Conditions. The Board intends to distribute annually all taxable income directly earned by Primaris to Unitholders and to deduct such distributions for income tax purposes. Accordingly, except for transactions of a subsidiary of the Trust, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated and combined carve-out financial statements.

(n) Future changes in accounting standards

Standards issued but not yet effective up to the date of issuance of these consolidated and combined carve-out financial statements, which the Trust reasonably expects to be applicable at a future date, are described below.

Amendment to IAS 1, "Presentation of Financial Statements"

In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also

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clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management anticipates no impact on disclosures on the adoption of this amendment.

Amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021, the IASB issued amendments to IAS 8, introducing a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates, and changes in accounting policies, and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. Management anticipates no impact on disclosures on the adoption of this amendment.

Amendments to IAS 1 and IFRS Practice Statement 2, "Making Materiality Judgements"

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, with the aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. Management anticipates no impact on disclosures on the adoption of this amendment.

3. Critical judgments, estimates and assumptions

The preparation of Primaris' consolidated and combined carve-out financial statements requires management to make significant judgments in the process of applying Primaris' accounting policies (as disclosed in Note 2) that affect the carrying amounts of assets and liabilities, and the reported amounts of revenues and expenses. In addition, estimates and assumptions are used, mainly in determining the measurement of balances recognized or disclosed in the financial statements, that are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions, and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

In the process of applying Primaris' accounting policies, management was required to apply judgement in the areas discussed below.

(a) Investment properties

Judgments made in application of accounting policy

Judgment is required in determining whether certain costs represent additions to the carrying amount of the investment properties and in distinguishing whether amounts expended under leasing obligations are tenant allowances or incentives. Primaris also applied judgement in determining whether the investment properties it acquires are considered to be asset acquisitions or business combinations.

Use of estimates and assumptions

The fair value of income-producing properties is dependent on future significant assumptions including future cash flows over the holding period and terminal capitalization rates and discount rates applicable to those assets. The review of future cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing future cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. A change to any of these inputs may significantly alter the fair value of an investment property.

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It is not possible to forecast with certainty the duration and scope of impacts from macroeconomic factors such as inflation, changes in interest rates, or the COVID-19 pandemic on the Trust's business and operations. Certain aspects of the Trust's business and operations that could potentially be impacted include rental income, occupancy, future demand for space and market rents, which all ultimately impact the underlying valuation of its investment properties.

(b) Joint operations

Judgements made in application of accounting policy

Primaris makes judgments in determining the appropriate accounting for investments in other entities. Such judgments include assessing the level of control or influence Primaris has and determining whether Primaris' rights and obligations are directly related to the assets and liabilities of the arrangement or to the net assets of the arrangement. In determining that Primaris has rights and obligations directly related to the assets and liabilities of the arrangement, Primaris will record its proportionate share of assets, liabilities, revenues, expenses and cash flows.

(c) Leases

Judgements made in application of accounting policy

Primaris makes judgements in determining whether certain leases, in particular tenant leases where the Trust is the lessor, are either operating or finance leases. When Primaris determines, based on an evaluation of terms and conditions of the lease, that the Trust retains all the significant risks and rewards of ownership of the property under the lease agreement with a tenant, the lease will be recorded as an operating lease.

(d) Income taxes

Judgments made in application of accounting policy

Primaris uses judgement to interpret income tax rules and regulations and in determining that it meets all the REIT Conditions prescribed under the Tax Act. Primaris has determined that it qualifies as a REIT for the current year and expects to continue to qualify. However, should it no longer qualify, it would not be able to flow through its taxable income to Unitholders and would therefore be subject to income tax.

(e) Expected credit loss

Use of estimates and assumptions

Primaris assesses, on a tenant-by-tenant basis, expected losses with its rent receivables. In determining the provision for credit loss, Primaris considers the payment history, and future expectations of potential abatements to be granted through negotiation or tenant default events. Primaris' assessment is subjective due to its forward-looking nature. As a result, the provision for credit loss is subject to a degree of uncertainty which is compounded by macroeconomic factors such as inflation, changes in interest rates and the COVID-19 pandemic.

(f) Liability for unit-based compensation

Use of estimates and assumptions

The fair value of the liability for Trust Unit Options is valued using the Black-Scholes model which includes assumptions on the expected distribution yield; the expected Trust Unit price volatility; the weighted average expected life of the Options; and the risk-free interest rate for the expected life of the Options. A change to any of these inputs may impact the fair value of the liability.

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4. Arrangement and Acquisition of HOOPP Properties

(a) Arrangement

Under the Arrangement, unitholders of Former Parent received one Trust Unit of Primaris for every four Former Parent units held immediately prior to closing of the Arrangement. The “qualifying disposition” (as defined in the Tax Act) under the Arrangement included the Primaris Properties, located throughout Canada, and the working capital and mortgages payable related to those operations which were held within certain subsidiaries of Former Parent. No value was attributed to the existing management platform. The values transacted under the Arrangement on December 31, 2021 were as follows:

Fair value of qualifying disposition from Former Parent	\$	1,662,232
72,109,761 Trust Units	\$	1,607,254
3,336,016 exchangeable units		54,978
Total consideration	\$	1,662,232

On January 4, 2022, all the exchangeable units were exchanged for Trust Units.

Primaris incurred costs relating to the 2021 year end and the Arrangement of \$4,711.

(b) Acquisition of HOOPP Properties

On December 31, 2021, immediately after the completion of the Arrangement, Primaris acquired the HOOPP Properties. The fair value of consideration has been allocated, to the identifiable assets acquired and liabilities assumed at their fair values at the date of acquisition, as follows:

Investment properties (including acquisition costs of \$1,908) ⁱ	\$	802,746
Net working capital		(17,123)
Net assets acquired	\$	785,623

Consideration provided for the acquisition and related acquisition costs was as follows:

26,142,129 Trust Units	\$	600,628
Note payable, non-interest-bearing ⁱⁱ		200,210
Cash consideration ⁱⁱⁱ		(15,215)
Net consideration	\$	785,623

- i. Primaris also incurred land transfer tax costs of \$7,475 which were paid in January 2022.
- ii. The note payable was settled on January 5, 2022, through a draw on Primaris' credit facility.
- iii. The cash consideration was received in January 2022 and applied to Primaris' credit facility.

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5. Investment Properties

	Note	Year ended December 31,	
		2022	2021
Balance, beginning of year		\$ 3,204,188	\$ 2,103,675
Acquisitions		—	810,221
Building improvements		921	—
Operating capital:			
Recoverable and non-recoverable costs		11,496	11,617
Tenant allowances and leasing costs		13,741	9,603
Development capital:			
Redevelopment		51,091	24,870
Capitalized interest	19	3,926	2,528
Amortization of straight-line rent and tenant incentives		4,451	3,133
Proceeds from disposition		(5,481)	—
Adjustment to fair value of investment properties		(165,743)	238,541
Balance, end of year		\$ 3,118,590	\$ 3,204,188
Income-producing properties		\$ 2,934,590	\$ 3,023,188
Land held for development		184,000	181,000
		\$ 3,118,590	\$ 3,204,188

At December 31, 2022, five investment properties with fair values totaling \$254,772 were pledged as security for mortgages payable (December 31, 2021 – nine and \$1,324,166, respectively).

Disposition

In January 2022, Primaris sold 2 acres of land for net proceeds of \$5,481 (2021 - nil).

Valuation methodology

Investment properties are measured at fair value using valuations prepared by the Trust's internal valuations team. The internal valuations team utilizes appraisal methodologies consistent with the practices employed by third party appraisers. The team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations and report directly to a senior member of the Trust's management. The valuation processes and results are reviewed by management at least once every quarter. The valuations exclude any portfolio premium or value attributed to the management platform and reflect the highest and best use for each of the Trust's investment properties.

On a quarterly basis, the valuations team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to significant assumptions related to terminal capitalization rates, discount rates, and future cash flow assumptions such as market rents as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

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As part of management's internal valuation program, the Trust considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Trust's portfolio. The internal valuations team also verifies all major inputs used by the external valuers in preparing the valuation report and holds discussions with the external valuers on the reasonableness of their assumptions. Where warranted, adjustments will be made to internal valuations to reflect the assumptions contained in external valuations. Primaris will record the internal value in its consolidated financial statements.

Below is the aggregate fair value of properties externally appraised for the quarters ending:

As at	2022		2021	
	Number of Properties	Value of Properties	Number of Properties	Value of Properties
March 31	3	\$ 517,000	—	\$ —
June 30	5	836,650	—	—
September 30	3	341,289	27	2,403,350
December 31	10	865,797	8	800,838
Total	21	\$ 2,560,736	35	\$ 3,204,188

(a) Income-producing properties

Income-producing properties are valued using the discounted cash flow method. Under this methodology, discount rates are applied to the forecasted cash flows that the property can reasonably be expected to produce over its remaining economic life. This method involves the projection of future cash flows for the specific asset. The future cash flows, along with an estimate of the terminal value at the end of the projection period, are then discounted to establish the present value of the income stream associated with the asset.

Primaris will engage independent third-party appraisers to validate valuations on a portion of the Trust's portfolio on a regular, on-going basis to anchor the Trust's valuation process.

(b) Land held for development

Land held for development is valued either by direct comparison to land sales or, when possible, based on commercial and residential sale prices from comparable multi-residential developments net of total project costs and developer's profits.

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The following table highlights the weighted average of the significant assumptions used in determining the fair value of Primaris' income producing properties:

As at	December 31, 2022	December 31, 2021
Discount rate	8.22%	7.63%
Terminal capitalization rate	7.19%	6.57%

The Trust's income producing properties are classified as level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. Valuations are most sensitive to change in discount rates and terminal capitalization rates. The following table summarizes the rate sensitivity:

Rate sensitivity increase (decreases)	Weighted Average		Fair value of income producing properties (\$ millions)	Fair value variance (\$ millions)	Change (%)
	Discount rate (%)	Terminal Capitalization rate (%)			
(0.75)%	7.47	6.44	3,299.3	364.7	12.4
(0.50)%	7.72	6.69	3,168.5	233.9	8.0
(0.25)%	7.97	6.94	3,047.3	112.7	3.8
December 31, 2022	8.22	7.19	2,934.6	—	—
0.25%	8.47	7.44	2,829.5	(105.1)	(3.6)
0.50%	8.72	7.69	2,731.4	(203.2)	(6.9)
0.75%	8.97	7.94	2,639.5	(295.1)	(10.1)

6. Joint Operations

Primaris has co-ownership interests in several properties, as listed below, that are subject to joint control and Primaris recognizes its proportionate share of the direct rights to the assets, liabilities, revenues and expenses of these properties in the consolidated and combined carve-out financial statements.

Property	Location	Ownership interest as at	
		December 31, 2022	December 31, 2021
McAllister Place	Saint John, NB	50%	50%
Regent Mall	Fredericton, NB	50%	50%
Place Du Royaume	Chicoutimi, QC	50%	50%
Place D'Orleans Shopping Centre	Ottawa, ON	50%	50%
Cataraqui Town Centre	Kingston, ON	50%	50%
Grant Park	Winnipeg, MB	50%	50%
Kildonan Place	Winnipeg, MB	50%	50%

Primaris is the managing partner of these co-ownership interests and recognizes fee income from the services it performs (Note 18).

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

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7. Note Receivable

On December 1, 2022, Primaris advanced \$40,840 to its co-ownership partner. The sole use of funds was the repayment of the co-ownership partner's 50% share of the mortgage maturing on Regent Mall and the note is secured by a cross charge on the property. The note receivable matures at the earlier of (i) the date of refinancing the property; and (ii) December 1, 2023; and (iii) disposition of the co-ownership partner's interest in the property. Interest is payable monthly at the one-month Canadian Dollar Offered Rate plus 2.50%. Interest income earned on the note receivable for the year ended December 31, 2022 was \$242 (Note 18).

8. Rent Receivables and Other Assets

As at	Note	December 31, 2022	December 31, 2021
Rent receivables		\$ 7,499	\$ 10,195
Allowance for expected credit loss		(5,249)	(7,797)
Rent receivable, net		2,250	2,398
Other tenant receivables		8,172	4,764
Acquisition proceeds ⁱ	4	—	15,215
Right-of-use asset		10,404	8,059
Prepaid expense and other sundry assets		10,571	7,582
		\$ 31,397	\$ 38,018
Classified as:			
Non-current		\$ 12,764	\$ 9,722
Current		18,633	28,296
		\$ 31,397	\$ 38,018

- i. In January 2022, Primaris received funds with respect to the statement of adjustments relating to the acquisition of the HOOPP Properties.

Primaris determines its allowance for expected credit losses on a tenant-by-tenant basis considering lease terms, credit risk, industry conditions, the status of the tenant's account, and the impact of COVID-19 on the tenant's ability to pay any trade receivables outstanding. Movements in the allowance for expected credit losses are detailed below:

		Year ended December 31,	
	Note	2022	2021
Balance, beginning of year		\$ 7,797	\$ 12,945
Bad debt expense (recovery)	17	2,044	1,133
Accounts receivable write-off ⁱ		(4,592)	(6,281)
Balance, end of year		\$ 5,249	\$ 7,797

- i. Included in accounts receivable written-off are amounts adjusted to rental revenue as the result of rental abatement agreements.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

9. Long Term Debt

As at	December 31, 2022	December 31, 2021
Senior unsecured debentures	\$ 348,307	\$ —
Mortgages payable	215,208	579,434
	\$ 563,515	\$ 579,434
Classified as:		
Non-current	\$ 557,384	\$ 215,208
Current	6,131	364,226
	\$ 563,515	\$ 579,434

Senior unsecured debentures

Series	Issuance Date	Maturity Date	Interest Rate	As at December 31, 2022
A	March 30, 2022	March 30, 2027	4.727%	\$ 150,000
B	March 30, 2022	March 30, 2025	4.267%	200,000
Total principal outstanding				350,000
Deferred financing costs - net of accumulated amortization				(1,693)
				\$ 348,307

On March 30, 2022, Primaris issued \$150,000 and \$200,000 aggregate principal amount of Series A and B senior unsecured debentures due March 30, 2027 and March 30, 2025, respectively. The Series A and Series B unsecured debentures bear interest at a fixed annual rate of 4.727% and 4.267%, respectively, with semi-annual installments of interest due on March 30th and September 30th in each year, commencing on September 30, 2022 until maturity, unless redeemed at an earlier date. The debenture offering was conducted on a private placement basis.

As at December 31, 2022, the senior unsecured debentures had a weighted average interest rate of 4.46% and a weighted average term to maturity of 3.1 years.

Mortgages payable

As at	December 31, 2022	December 31, 2021
Mortgage principal	\$ 215,680	\$ 580,000
Deferred financing costs and mark-to-market adjustments - net of accumulated amortization	(472)	(566)
	\$ 215,208	\$ 579,434

As at December 31, 2022, the mortgages were secured by five investment properties with an aggregate fair value of \$254,772, bear interest at fixed rates with a weighted average effective interest rate of 3.40% and a weighted average term to maturity of 3.8 years.

As at December 31, 2021, the mortgages were secured by nine investment properties with an aggregate fair value of \$1,324,166, bear interest at fixed rates with a weighted average effective interest rate of 3.05% and a weighted average term to maturity of 2.2 years.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

Schedules of repayment and cash flow activities

Future principal mortgage payments for the years ended December 31 are as follows:

	2023	2024	2025	2026	2027	Thereafter	Total
Senior unsecured debentures	\$ —	\$ —	\$ 200,000	\$ —	\$ 150,000	\$ —	\$ 350,000
Mortgages payable	6,877	91,177	3,975	4,120	64,810	44,721	215,680
	\$ 6,877	\$ 91,177	\$ 203,975	\$ 4,120	\$ 214,810	\$ 44,721	\$ 565,680

The following is a summary of the changes in long term debt, excluding credit facilities:

	Year ended			Year ended
	Senior unsecured debentures	Mortgages payable	December 31, 2022	December 31, 2021
Balance, beginning of year	\$ —	\$ 579,434	\$ 579,434	\$ 609,900
Issuances	350,000	—	350,000	284,845
Maturity repayments	—	(348,214)	(348,214)	(292,958)
Principal repayments	—	(16,106)	(16,106)	(21,246)
Deferred financing costs	(2,124)	(55)	(2,179)	(755)
Total cash flow activities	347,876	(364,375)	(16,499)	(30,114)
Amortization of financing costs	431	458	889	544
Amortization of mark-to-market adjustments	—	(309)	(309)	(896)
Total non-cash activities	431	149	580	(352)
Balance, end of year	\$ 348,307	\$ 215,208	\$ 563,515	\$ 579,434

10. Credit Facilities

The following is a summary of the changes in the credit facilities:

	Year ended December 31,	
	2022	2021
Balance, beginning of year	\$ 143,000	\$ —
Net advances (repayments)	301,000	143,000
Balance, end of year	\$ 444,000	\$ 143,000

As at December 31, 2022, Primaris had drawn \$244,000 on its \$400,000 unsecured syndicated revolving term facility. In December 2022, Primaris exercised the option to extend the maturity of the facility by one-year to January 4, 2026. The syndicated revolving credit facility bears interest at variable rates of either: (i) Prime plus 0.45%, or (ii) Canadian Dollar Offered Rate ("CDOR") plus 1.45%, and contains certain financial covenants.

As at December 31, 2022, Primaris was fully drawn on its \$200,000 unsecured syndicated non-revolving term facility maturing February 5, 2026. The syndicated non-revolving credit facility bears interest at variable rates of CDOR plus 1.50%, and contains certain financial covenants.

Primaris economically hedged \$150.0 million drawn on the credit facilities, swapping the underlying variable rate for a fixed rate of 3.75% for a five year term.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

As at December 31, 2021, Primaris had a \$150,000 revolving secured line of credit provided by a national Canadian lender with \$143,000 drawn. This credit facility was repaid and cancelled on January 4, 2022 utilizing a draw on the syndicated credit facility.

Primaris also has an unsecured \$10,000 revolving demand facility to finance temporary overdraft positions bearing interest at Prime plus 0.50%. The amount drawn at December 31, 2022 was nil (December 31, 2021 – nil).

Costs incurred to contract the facilities are recorded in other assets and amortized to net income over the life of the facility. Amortization of costs for the year ended December 31, 2022 was \$772 (2021 - nil).

11. Note Payable

As partial consideration for the acquisition of the HOOPP Properties, on December 31, 2021, Primaris issued a non-interest-bearing note to HOOPP for 25% of the purchase price, or \$200,210 (Note 4). This note was repaid through a draw on Primaris' syndicated credit facility on January 5, 2022.

12. Trade Payables and Other Liabilities

As at	Note	December 31, 2022	December 31, 2021
Trade payables and accrued liabilities		\$ 49,553	\$ 56,883
Accrued distribution payable		6,677	—
Accrued interest expense		4,593	1,452
Unit-based compensation plans ⁱ	15	7,198	2,443
Obligation for purchase of Units under automatic share purchase plan	14	12,508	—
Derivative liabilities ⁱⁱ	21	240	—
Lease liabilities		11,176	8,590
Deferred revenue		10,732	6,140
Tenant deposits		3,960	3,386
		\$ 106,637	\$ 78,894
Classified as:			
Non-current		\$ 16,099	\$ 12,132
Current		90,538	66,762
		\$ 106,637	\$ 78,894

- i. Prior to the completion of the Arrangement, the liability for unit-based compensation programs was recorded by Former Parent. The Arrangement converted, on an equivalent fair value basis, outstanding awards granted under Former Parent's unit-based compensation plans to new unit-based compensation plans under Primaris for individuals who became employees of Primaris. The liability assumed was recorded at its fair value on December 31, 2021 with the difference recorded through Unitholders' equity.
- ii. Primaris has derivative instruments which are used to manage exposure to fluctuations in cash flows attributable to changes in interest rates. All changes in the fair values of derivative instruments are recorded in net earnings.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

13. Exchangeable Units

Legacy exchangeable units

Certain subsidiary legal entities of Former Parent had a class of limited partnership units which were exchangeable for trust units of the Former Parent (the "Legacy Exchangeable Units"). As Former Parent is an open-ended trust, these Legacy Exchangeable Units were puttable instruments and therefore under IFRS classified as liabilities and measured at the fair value of the Former Parent units which, on December 31, 2020, was \$13.29. Holders of Legacy Exchangeable Units were entitled to receive the economic equivalence of distributions on a per unit amount equal to a per unit amount provided to holders of Former Parent's units.

Plan of Arrangement exchangeable units

Under the Arrangement, Former Parent subscribed for exchangeable units of a Primaris subsidiary limited partnership equal to the aggregate number of Trust Units which would have been required to be delivered to the holder of a Former Parent exchangeable unit on the exchange of such units for Former Parent units and Trust Units. These exchangeable units are non-transferable, but are exchangeable into Trust Units at the option of the holder. Prior to such exchange, exchangeable units will, in all material respects, be economically equivalent to Trust Units. On January 4, 2022, all the exchangeable units were exchanged for Trust Units.

	Note	Year ended December 31, 2022		Year ended December 31, 2021	
		Units	Value	Units	Value
Legacy exchangeable units					
Balance, beginning of year		—	\$ —	1,447,994	\$ 19,244
Exchanged for units of Former Parent		—	—	(1,447,994)	(23,776)
Adjustment to fair value		—	—	—	4,532
Balance, end of year		—	\$ —	—	\$ —
Exchangeable units:					
Balance, beginning of year		3,336,016	\$ 54,978	—	\$ —
Issued under the Arrangement	4	—	—	3,336,016	54,978
Exchanged for Trust Units		(3,336,016)	(54,978)	—	—
Balance, end of year		—	\$ —	3,336,016	\$ 54,978

14. Unitholders' Equity

Trust Units (authorized - unlimited)

Each Trust Unit represents an equal, undivided beneficial interest in the Trust and any distributions from the Trust and represents a single vote at any meeting of Unitholders. With certain restrictions, a unitholder has the right to require Primaris to redeem its Units on demand. Upon receipt of a redemption notice by Primaris, all rights to and under the Units are tendered for redemption and shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

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Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

Trust Units outstanding

	Note	Year ended December 31, 2022		Year ended December 31, 2021	
		Units	Value	Units	Value
Balance, beginning of year		98,251,890	\$ 2,204,908	—	\$ —
Issuance to Trust Units under the Arrangement	4	—	—	72,109,761	1,607,254
Issuance to Trust Units for HOOPP asset acquisition	4	—	—	26,142,129	600,628
Reclassification of unit-based compensation liability under the Arrangement		—	—	—	(2,443)
Reclassification of right-of-use asset and lease liability		—	—	—	(531)
Conversion of exchangeable units	13	3,336,016	54,978	—	—
Purchase of units under normal course issuer bid		(3,885,700)	(54,127)	—	—
Obligation for purchase of units under automatic share purchase plan	12	—	(12,508)	—	—
Settlement of restricted trust units		10,511	159	—	—
Balance, end of year		97,712,717	\$ 2,193,410	98,251,890	\$ 2,204,908

Trust Units issued under the Arrangement

Prior to December 31, 2021, the Primaris Properties and their operations were held within certain subsidiaries of Former Parent. Under the Arrangement, Unitholders of Former Parent received one Trust Unit for every four Former Parent units held immediately prior to closing of the Arrangement.

Reclassifications under the Arrangement

As the Trust is an open-ended trust with redeemable Trust Units, the unit-based compensation plans are accounted for as cash-settled awards and recognized as a liability under IFRS. The Arrangement converted, on an equivalent fair value basis, outstanding awards granted under Former Parent's unit-based compensation plans to new unit-based compensation plans under Primaris for individuals who became employees of Primaris. The liability assumed was recorded at its fair value on December 31, 2021 with the difference recorded through Unitholders' equity (Note 15).

Prior to the completion of the Arrangement, the lease for the Primaris head office was recorded as an operating lease as Former Parent is the lessor. On December 31, 2021, Primaris recognized a right-of-use asset of \$8,059 (Note 8) and a lease liability of \$8,590 (Note 12), with the difference recorded through Unitholders' equity.

Purchase of units under normal course issuer bid ("NCIB")

Primaris may from time to time purchase Units in accordance with the rules prescribed under applicable stock exchange or regulatory policies. On February 28, 2022, Primaris received approval from the TSX to purchase for cancellation up to a maximum of 7,498,679 of its Units on the open market. The NCIB commenced on March 9, 2022 and remains in effect until the earlier of March 8, 2023 and the date on which Primaris has purchased the maximum number of Units permitted under the NCIB. During the year ended December 31, 2022, Primaris purchased for cancellation 3,885,700 Units for consideration of \$54,127. Primaris intends to renew its NCIB, subject to TSX review and approval.

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Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

Purchase of units under automatic share purchase plan ("ASPP")

On March 31, 2022, Primaris established an ASPP in respect of its NCIB permitting the Trust's broker to purchase Units, in accordance with certain prearranged trading parameters, during periods when Primaris would not ordinarily be active in the market because of internal trading blackout periods, insider trading rules or otherwise. As at December 31, 2022, Primaris recognized an obligation of \$12,508 (Note 12) for the commitment to purchase Units under the ASPP.

Distributions

The Board retains full discretion with respect to the timing and quantum of distributions, however the total income distributed will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under the Tax Act.

For the year ended December 31, 2022, Primaris declared monthly distributions totaling \$0.802 per unit. Primaris did not declare any distributions for the year ended December 31, 2021.

On November 2, 2022, the Board of Trustees approved management's recommendation to increase the distribution rate from \$0.80 to \$0.82 per unit per annum, or 2.5%. The rate increase was effective for the distribution declared December 30, 2022, paid January 16, 2023.

Owner's net investment

Prior to December 31, 2021, the Primaris Properties and their operations were held within certain subsidiaries of Former Parent. Owner's net investment represented accumulated net earnings of the operations calculated on a combined carve-out basis.

15. Unit-based Compensation

Primaris recorded expenses associated with grants under its unit-based compensation plans as follows:

	Year ended December 31,	
	2022	2021
Trust Unit Options ("Options")	\$ (398)	\$ —
Restricted Trust Units ("RTU")	2,528	—
Performance Trust Units ("PTU")	69	—
Deferred Trust Units ("DTU")	540	—
	\$ 2,739	\$ —
Recorded in:		
General and administrative expense	\$ 3,566	\$ —
Adjustment to fair value of unit-based compensation	(827)	—
	\$ 2,739	\$ —

As at December 31, 2022, the carrying value of the unit-based compensation liability was \$7,198 (Note 12).

On December 31, 2021, as part of the Arrangement, awards outstanding under the Former Parent's unit-based compensation plans were exchanged, on an equivalent fair value basis, to awards under Primaris' unit-based compensation plans for individuals who became Primaris employees. The carrying value of the unit-based compensation liability at December 31, 2021 was \$2,443 (Note 12).

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Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

Trust Unit Options granted

Primaris may grant Options totaling up to 3,000,000 Units. The Options vest in tranches over a period of three years and all outstanding Options were vested and exercisable on December 31, 2022 (December 31, 2021 - all).

The assumptions used to measure the fair value of the Options, as at December 31, 2022 under the Black-Scholes model (level 2) were as follows:

As at December 31,	2022
Expected average distribution yield	5.47%
Expected average Unit price volatility	23.33% – 34.11%
Average risk-free interest rate	3.72% - 4.48%
Expected average life of options	0.5 – 3.2 years

The following table details the Options outstanding as at December 31, 2022:

Exercise price	Expiry date	Number outstanding and exercisable	Remaining weighted average life (in years)
\$23.28	2023	69,444	0.5
\$23.96	2024	204,235	1.2
\$23.72	2025	117,941	2.0
\$20.52	2026	328,425	3.2
\$22.29 average		720,045	2.2

As at December 31, 2021, 720,045 Options were outstanding and exercisable with a weighted average exercise price of \$22.29 and the remaining weighted average life was 3.4 years.

Restricted Trust Units

RTUs entitle certain employees to receive the value of the RTU award in cash or Units, at the end of the applicable vesting period. RTUs granted prior to December 31, 2021 vest at the end of the third calendar year following the grant and RTUs granted after December 31, 2021 vest one-third on each of the first three annual anniversaries. Additional RTUs are credited in respect of distributions paid on Units for the period when a RTU is outstanding. The fair value of each RTU granted is measured based on the market value of a Trust Unit at the reporting date. Primaris may grant up to a total of 1,250,000 RTUs, PTUs and DTUs.

	Year ended December 31,	
	2022	2021
Number outstanding, beginning of year	182,927	—
Grants assumed as part of the Arrangement	—	182,927
Granted	277,068	—
Granted on reinvestment of distributions	20,456	—
Settled	(36,251)	—
Number outstanding, end of year	444,200	182,927

During the year ended December 31, 2022, the Trust granted 277,068 RTUs under the Incentive Unit Plan with an aggregate fair value of \$4,189 at the time of granting. The weighted average grant date price was \$15.12 per unit, with each grant price based on the average of the daily average of the high and low board lot trading prices of Units on the

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

TSX for the five consecutive trading days immediately preceding the grant date. No RTUs have vested as at December 31, 2022.

Performance Trust Units

PTUs entitle certain employees to receive the value of the PTU award in cash or Units, at the end of the applicable performance period, which is typically three years in length, based on the Trust achieving certain performance conditions. Additional PTUs are credited in respect of distributions paid on Units for the period when a PTU is outstanding. The fair value of each PTU granted is measured based on the market value of a Trust Unit at the reporting date and the probability of the Trust achieving certain performance conditions.

	Year ended December 31,	
	2022	2021
Number outstanding, beginning of year	13,434	—
Grants assumed as part of the Arrangement	—	13,434
Granted on reinvestment of distributions	722	—
Number outstanding, end of year	14,156	13,434

During the year ended December 31, 2022, no PTUs were granted under the Incentive Unit Plan. No PTUs have vested as at December 31, 2022.

Deferred Trust Units

DTUs entitle Trustees to receive the value of the DTU award in cash or Units subject to the award term which is no longer than one year in length. Additional DTUs are credited in respect of distributions paid on Units for the period when a DTU is outstanding. The fair value of each DTU granted is measured based on the market value of a Trust Unit at the reporting date. Vested DTUs credited to a participant cannot be redeemed while such participant is a member of the Board.

	Year ended December 31,	
	2022	2021
Number outstanding, beginning of year	—	—
Granted	186,841	—
Granted on reinvestment of distributions	8,247	—
Number outstanding, end of year	195,088	—

During the year ended December 31, 2022, the Trust granted 186,841 DTUs under the Incentive Unit Plan with an aggregate fair value of \$2,825 at the time of granting, of which \$2,250 was granted to satisfy 2021 compensation commitments. The weighted average grant date price was \$15.12 per unit, with each grant price based on the average of the daily average of the high and low board lot trading prices of Units on the TSX for the five consecutive trading days immediately preceding the grant date. As at December 31, 2022, 190,610 DTUs have vested.

16. Income Taxes

The Trust is taxed as a “mutual fund trust” and a real estate investment trust under the Tax Act. The Board intends to distribute all of the Trust’s taxable income to the Unitholders and accordingly, the Trust will not be taxed on its Canadian investment property income. The Trust is subject to taxation on certain taxable subsidiaries.

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Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

17. Net Property Income

	Year ended December 31,	
	2022	2021
Rental revenue:		
Base rent	\$ 210,466	\$ 140,785
Percent rent in lieu of base rent	17,028	8,331
Property tax and insurance recoveries	58,832	33,963
Operating cost recoveries	68,479	47,753
Percentage rent	3,372	1,023
Straight-line rent	4,492	3,133
Lease surrender revenue	1,238	3,348
Specialty leasing revenue	13,767	7,752
Parking and other sundry	2,390	1,800
	380,064	247,888
Property operating costs:		
Property tax and insurance expense	(80,765)	(48,104)
Recoverable operating costs	(79,287)	(52,566)
Non-recoverable operating costs ⁱ	(6,241)	(3,985)
Ground rent	(1,984)	(1,639)
	(168,277)	(106,294)
	\$ 211,787	\$ 141,594

- i. Non-recoverable operating costs included bad debt expense of \$2,044 for the year ended December 31, 2022 (2021 - expense \$1,133). The presentation of non-recoverable costs for the year ended December 31, 2021 was updated to eliminate an internal management fee charge of \$7,457.

Contractual future base rent revenue, excluding adjustments for straight-line rent, for the years ended December 31 is as follows:

2023	\$ 202,681
2024	171,746
2025	143,656
2026	121,233
2027	97,742
Thereafter	343,431
	\$ 1,080,489

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Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

18. Interest and Other Income

	Year ended December 31,	
	2022	2021
Interest income	\$ 319	\$ 17
Property management fees	3,338	2,493
	\$ 3,657	\$ 2,510

19. Net Interest Expense and Other Financing Charges

	Note	Year ended December 31,	
		2022	2021
Interest on mortgages payable		\$ 14,924	\$ 19,569
Interest on senior unsecured debentures		11,804	—
Bank interest and charges on credit facilities		8,940	1,692
Finance charge - lease liability		306	—
Distributions on exchangeable units		—	500
Amortization of deferred financing costs	9,10	1,661	544
Amortization of mark-to-market adjustments	9	(309)	(896)
		37,326	21,409
Less: Capitalized interest		(3,926)	(2,528)
		\$ 33,400	\$ 18,881

20. General and Administrative Expenses

	Year ended December 31,	
	2022	2021
Salaries, benefits and employee costs	\$ 26,342	\$ 14,081
Professional fees	2,753	1,024
Information technology costs	1,996	1,576
Investor relations and other public entity costs ⁱ	2,242	598
Other ⁱⁱ	3,461	2,520
	36,794	19,799
Less: Recoverable operating cost allocations ⁱⁱⁱ	(8,968)	(6,527)
	\$ 27,826	\$ 13,272

- i. Primaris incurred public entity costs in the year ended December 31, 2022, which were not incurred in the year ended December 31, 2021.
- ii. Property management fees earned from co-owners during the year ended December 31, 2021 have been reclassified to other income (Note 18).
- iii. Prior year presentation included a reduction related to non-recoverable internal management fees which have been eliminated on consolidation of the carve-out entity (Note 17).

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Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

21. Financial Instruments

The following table presents the fair value hierarchy of financial assets and liabilities, excluding those classified as amortized cost that are short term in nature such that carrying amounts approximate fair values.

As at	December 31, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
Fair value through profit and loss:						
Exchangeable units	\$ —	\$ —	\$ —	\$ 54,978	\$ —	\$ —
Unit-based compensation	—	7,198	—	—	2,443	—
Amortized cost:						
Senior unsecured debentures		350,000		—	—	—
Mortgages payable	—	198,864	—	—	582,662	—
Credit facilities	—	444,000	—	—	143,000	—
Derivative liabilities	—	240	—	—	—	—

The carrying value of the Trust's financial assets and liabilities approximated fair value except for long term debt. There were no transfers between levels of the fair value hierarchy during the years.

Derivative Instruments

Derivative instruments consist of interest rate swaps to economically hedge the variable interest rate associated with advances on the credit facilities.

	Maturity date	Notional Amount	Interest Rate	Year ended December 31, 2022
Derivative liabilities				
Interest rate swaps	October 18, 2027	\$150,000	5.253%	\$ 240

During the year ended December 31, 2022, the Trust recorded a fair value loss on the derivative instruments of \$240.

22. Financial Risk Management

In the normal course of business, Primaris has exposure to risks from its use of financial instruments. The following is a description of those risks and how the exposures are managed:

(a) Credit risk

Credit risk is the risk of financial loss to Primaris arising from the possibility that its tenants may experience financial difficulty and be unable to fulfill their lease commitments or tenants fail to occupy and pay rent in accordance with the lease agreements. Credit risk also includes the possibility that co-owners default on the repayment of debt where Primaris has provided guarantees.

The Trust mitigates tenant credit risk through geographical diversification, staggered lease maturities, avoiding reliance on any single tenant by having a large diverse tenant base, ensuring a considerable portion of the Trust's revenue is earned from national and anchor tenants, and conducting credit assessments for new tenants. Furthermore, Primaris holds security deposits or letters of credit from a number of tenants which can serve to offset rents owed in the event of a tenant's default.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

Management reviews rents receivable on a tenant-by tenant basis and reduces carrying amounts through an allowance for expected losses (Note 8). Expected losses and bad debt expenses are recognized in non-recoverable operating expenses.

(b) Market risk

(i) Interest rate risk

Interest rate risk is the risk of financial loss to Primaris arising from increases in interest rates. Owning and operating real property is a capital-intensive undertaking. Successful implementation of Primaris' strategic plans will require access to cost-effective financing.

Primaris' mortgages payable are at fixed rates mitigating its exposure to interest rate fluctuations. Primaris has exposure to variable interest rates through borrowings under its credit facilities. As at December 31, 2022 Primaris had \$444,000 (2021 - \$143,000) outstanding under its credit facilities. To mitigate the exposure to interest rate fluctuations, Primaris entered into interest rate swaps with notional amounts totaling \$150,000.

(ii) Unit price risk

Primaris is exposed to Unit price risk as a result of the issuance of unit-based compensation. The resulting liability is recorded at fair value based on market trading of the underlying Trust Units. An increase in the value of the Trust Units of \$1.00 will increase the value of the liability, and negatively impact net income and equity, by \$505.

(c) Liquidity and capital availability risk

Liquidity risk is the risk that Primaris cannot fund its obligations as they become due. Real estate investments are relatively illiquid which tends to limit Primaris' ability to sell components of its portfolio promptly to meet liquidity needs and cash flows from operating activities may not always be sufficient to fund operating and strategic plans. The Trust mitigates its liquidity and capital availability risks by utilizing undrawn capacity on its credit facilities, maintaining a large number of unencumbered properties, forecasting cash flow needs and actively monitoring market conditions. It also mitigates this risk by negotiating fixed rate term debt with staggered maturities targeting less than 20% of total debt maturing in any one year. Consistent with a debt strategy employing significant unsecured financings, the Trust will strive to maintain undrawn credit facility capacity to accommodate 18-24 months of forward debt maturities.

Maturity analysis

The undiscounted future principal and interest payments on Primaris' debt Instruments for the years ended December 31 are as follows:

	2023	2024	2025	2026	2027	Thereafter	Total
Senior unsecured debentures	\$ 15,625	\$ 15,625	\$ 209,224	\$ 7,090	\$ 151,773	\$ —	\$ 399,337
Mortgages payable	13,983	96,538	8,162	8,162	68,509	47,279	242,633
Credit facilities ¹	—	—	—	444,000	—	—	444,000
	\$ 29,608	\$ 112,163	\$ 217,386	\$ 459,252	\$ 220,282	\$ 47,279	\$ 1,085,970

¹Excludes interest on credit facilities

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

23. Capital Management

The Trust's capital management framework is designed to maintain a level of capital that complies with the investment and debt restrictions pursuant to the Declaration of Trust and with existing debt covenants, and that enables the Trust to implement its business strategies and build long-term Unitholder value. In order to maintain or adjust its capital structure, Primaris may issue new Units, repay debt, or adjust the amount of distributions paid to Unitholders.

The Declaration of Trust provides for maximum debt levels of up to 65% of Total Assets (as defined in the Declaration of Trust). The Trust is in compliance with this restriction. Additionally, the Declaration of Trust contains provisions limiting the capital that can be expended by the Trust as follows:

- the cost, net of debt incurred or assumed, of any single property acquired by the Trust will not exceed 20% of Total Assets;
- investment in raw land, excluding land under development, will not exceed 20% of Total Assets;
- investment in securities of other entities, unless effecting a merger or acquisition of control, will not exceed 10% of the issuer's securities;
- investment in mortgages will not exceed 20% of Total Assets; and
- fair market value of space leased or subleased to any one tenant, with certain exceptions, will not exceed 20% of Total Assets.

The Trust was in compliance with each of the above noted restrictions as at December 31, 2022.

Primaris is subject to financial covenants in agreements governing its credit facilities. As at December 31, 2022, Primaris is compliant with all of its applicable financial covenants.

Capitalization

The following chart details the capitalization of Primaris:

As at	December 31, 2022	December 31, 2021
Liabilities:		
Senior unsecured debentures	\$ 350,000	\$ —
Mortgages payable	215,680	580,000
Credit facilities	444,000	143,000
Note Payable	—	200,210
Exchangeable units	—	54,978
Equity:		
Unitholders' equity	2,087,629	2,191,326
	\$ 3,097,309	\$ 3,169,514

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

24. Contingencies and Commitments

- (a) Primaris is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements.
- (b) In the normal course of operations, Primaris has issued letters of credit in connection with developments, financings, operations and acquisitions. As at December 31, 2022, Primaris had outstanding letters of credit totaling \$892 (December 31, 2021 - \$929).
- (c) Primaris is obligated, under certain contract terms, to construct and develop investment properties. As at December 31, 2022, Primaris has entered into contracts for capital projects and is committed to future payments of approximately \$30,660 (December 31, 2021 - \$17,326).
- (d) Primaris provides guarantees on behalf of third parties, including co-owners. As at December 31, 2022, Primaris had issued guarantees relating to co-owners' share of mortgage liabilities amounting to \$91,319 (December 31, 2021 - \$111,120), which expire between 2024 and 2027 (December 31, 2021 - 2022 and 2027).

Future lease payments for short term regional office leases and land leases for the years ended December 31 are as follows:

2023	\$	1,035
2024		952
2025		955
2026		955
2027		955
Thereafter		7,544
	\$	12,396

25. Related Party Transactions

Prior to December 31, 2021, the Primaris Properties and their operations were held within certain subsidiaries of Former Parent. After completion of the Arrangement, Former Parent was no longer a related party.

As at December 31, 2021, as a result of the acquisition of the HOOPP Properties, HOOPP was Primaris' largest unitholder holding approximately 26% of the issued and outstanding Trust Units. HOOPP is under no ownership requirements or restrictions with respect to its Trust Units. At the same time, a non-interest-bearing note payable of \$200,210 was issued to HOOPP and subsequently repaid on January 5, 2022. On December 31, 2021, Primaris also entered into a registration rights agreement with HOOPP providing HOOPP with demand registration rights and piggy-back registration rights, provided in each case, that HOOPP owns at least 10% of the Trust Units. At December 31, 2022, HOOPP continued to own in excess of 10% of the Trust Units.

Transactions with Key Personnel

Individuals that have the authority and responsibility for planning, directing and controlling the Trust's activities, directly or indirectly are considered key management personnel. Prior to December 31, 2021, most of these functions were performed by personnel of Former Parent. Key personnel are comprised of Independent Trustees and certain members of the executive team of Primaris.

PRIMARIS REAL ESTATE INVESTMENT TRUST

Notes to the Consolidated and Combined Carve-out Financial Statements continued

(in thousands of Canadian dollars)

Compensation of key personnel was as follows:

	Year ended December 31, 2022
Salaries, trustee fees, and short-term employee benefits	\$ 4,238
Unit-based compensation recorded in:	
General and administrative expenses	2,794
Adjustments to fair value of unit-based compensation	(591)
	\$ 6,441

26. Employee Benefit

Primaris has a defined contribution pension plan available to all of its employees. Primaris' contributions are based on a percentage of an employee's annual earnings. For the year ended December 31, 2022, Primaris' contributions to the defined contribution plan were \$1,411 (2021 - \$1,037).

27. Supplemental Cash Flow Information

		Year ended December 31,	
	Note	2022	2021
Amortization of straight-line rent and tenant incentives	5	\$ (4,451)	\$ (3,133)
Unit-based compensation expense recorded in general and administrative expenses	15	3,566	—
Amortization of other assets		1,142	260
Amortization of right-of-use asset		719	—
Adjustment to the fair value of derivative instruments	21	240	—
Adjustment to fair value of exchangeable units	13	—	4,532
Adjustment to fair value of unit-based compensation	15	(827)	—
Adjustment to fair value of investment properties	5	165,743	(238,541)
Items not affecting cash		\$ 166,132	\$ (236,882)

28. Subsequent Events

Subsequent to December 31, 2022, Primaris entered into an \$85.0 million 8-year interest only mortgage with interest calculated at 5.516%.

UNITHOLDERS' INFORMATION

AUDITORS: KPMG LLP

LEGAL COUNSEL: Blake, Cassels & Graydon LLP

PLAN ELIGIBILITY: RRSP, RRIF, DPSP, RESP, RDSP, TFSA

STOCK EXCHANGE LISTING: Units of PRIMARIS are listed on the Toronto Stock Exchange under the trading symbol PMZ.UN.

REGISTRAR AND TRANSFER AGENT: TSX Trust Company (Canada), P.O. Box 4229, Station A, Toronto, Ontario, Canada, M5W 0G1, Telephone: 1-800-387-0825 (or for callers outside North America 416-682-3860), Fax: 1-888-488-1416, Email: sagikor@tsxtrust.com, Website: www.tsxtrust.com.

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MANAGEMENT TEAM

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Chief Executive Officer

Patrick Sullivan

President & Chief Operating Officer

Rags Davloor

Chief Financial Officer

Mordecai Bobrowsky

Senior Vice President, Legal

Leslie Buist

Senior Vice President, Finance

Graham Procter

Senior Vice President, Asset Management

Brenda Huggins

Senior Vice President, Human Resources

Leigh Murray

Vice President, Leasing (East)

Laurel Adamson

Vice President, Leasing (West)

BOARD OF TRUSTEES

Avtar Bains¹, Independent Trustee

President, Premise Properties

Anne Fitzgerald^{1,2}, Independent Trustee

Corporate Director

Louis Forbes^{2,3}, Independent Trustee

Corporate Director

Tim Pire³, Independent Trustee

Corporate Director & Lecturer, University of Wisconsin

Deborah Weinswig^{2,3}, Independent Trustee

Founder & CEO, Coresight Research

Alex Avery¹

Chief Executive Officer, Primaris REIT

Patrick Sullivan

President & Chief Operating Officer, Primaris REIT

1. Investment Committee

2. Compensation, Governance and Nominating Committee

3. Audit Committee



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