



Primaris REIT Announces Strong Q2/22 Results; Raises Guidance

Toronto, Ontario, August 3, 2022 – Primaris Real Estate Investment Trust (“Primaris” or “the Trust”) (TSX: PMZ.UN) announced today financial and operating results for the second quarter ended June 30, 2022.

Quarterly Financial and Operating Results Highlights

- 61.4% revenue growth over prior year, 2.8% revenue growth over the first quarter of 2022;
- 15.4% Same Properties Cash Net Operating Income ("Cash NOI")** growth comprised of:
 - 7.2% reflective of post pandemic recovery, higher rents, improving tenant sales; and
 - 8.2% from recoveries of prior years property tax and decrease in bad debt expense;
- 87.4% committed occupancy, representing significant opportunity for future internal growth;
- \$0.399 FFO** per unit, average diluted;
- 50.1% FFO Payout Ratio**;
- 28.8% Debt to Total Assets**;
- \$2.2 billion in unencumbered assets; and
- \$22.16 Net Asset Value** per unit outstanding.

Business Update Highlights

- Raised 2022 guidance for Net Income by 1.5% and Net Operating Income ("NOI")** by 2.8%, reflecting strong operational performance in Q2 2022 and prospects for the remainder of 2022;
- Purchased 1.4 million Units under the normal course issuer bid ("NCIB") for \$20.0 million at an average price of approximately \$14.04, or a discount to Net Asset Value (NAV)** of approximately 36.5%. Going forward, the NCIB activity will positively impact:
 - NAV** per unit by \$0.31, and
 - Funds from Operations (FFO)** per unit by \$0.005 per quarter, or \$0.02 annualized.
- Subsequent to quarter end, agreed on terms for a \$200 million, 3.5-year, unsecured, non-revolving, delayed-draw term loan, aligning to Primaris' unsecured debt strategy and enhancing financing flexibility and liquidity.

"Throughout 2022, enclosed malls across our portfolio are experiencing a significant rebound in tenant sales growth with several of our malls reporting all time highs in productivity," said Patrick Sullivan, President and Chief Operating Officer. "Our team is working hard to deliver on the business plan we have laid out, and our strong operating results reflect normalizing shopping behaviour, recovering tenant sales productivity, and the strength of our team."

Chief Financial Officer, Rags Davloor added, "We are committed to building out a best-in-class financial reporting package, providing the investment community with useful and insightful information. This quarter, new disclosure additions include details around tenant sales, leasing activity, and capital structure. In connection with financing activities, we agreed on terms for a \$200 million unsecured term loan with a syndicate of banks. This facility, along with our existing revolving facilities provides us with funds to refinance expiring mortgage debt for the current year at very attractive terms."

"Our second consecutive guidance increase signals the confidence we have in our ability to take advantage of the ongoing recovery in retail property," said Alex Avery, Chief Executive Officer. "Capital allocation is critical to the success of Primaris, and we continue to buy back units, contributing to both NAV per unit and FFO per unit growth. We are increasing our focus on the opportunities created by the recent market disruptions in both the capital and direct property markets."

Select Financial and Operational Metrics

As at or for the three months ended, (in thousands of Canadian dollars unless otherwise indicated)(unaudited)	June 30, 2022	March 31, 2022	June 30, 2021 ¹
Number of investment properties	35	35	27
Gross leasable area (in millions of square feet)	11.3	11.3	7.6
In-place occupancy	86.5 %	85.9 %	87.3 %
Committed occupancy	87.4 %	87.5 %	90.1 %
Weighted average net rent per occupied square foot ²	\$ 24.10	\$ 24.32	\$ 23.16
Total assets	\$ 3,219,667	\$ 3,257,792	\$ 2,231,428
Total liabilities	\$ 1,006,149	\$ 1,004,279	\$ 1,125,772
Total revenue	\$ 94,337	\$ 91,772	\$ 58,460
Cash flow from (used in) operating activities	\$ 29,118	\$ 36,341	\$ (169,148)
Cash Net Operating Income** ("Cash NOI")	\$ 52,463	\$ 46,898	\$ 32,975
Same Properties Cash NOI** growth	15.4 %	8.2 %	—
Net income (loss)	\$ 4,157	\$ 30,031	\$ 16,930
Net income (loss) per unit	\$ 0.041	\$ 0.296	—
Funds from Operations** ("FFO") per unit - average diluted	\$ 0.399	\$ 0.381	—
FFO Payout Ratio**	50.1 %	52.5 %	—
Adjusted Funds from Operations** ("AFFO") per unit - average diluted	\$ 0.332	\$ 0.303	—
AFFO Payout Ratio**	60.2 %	66.1 %	—
Distributions declared per unit	\$ 0.200	\$ 0.200	—
Weighted average Units outstanding - diluted ('000s)	101,447	102,198	—
Net Asset Value** per unit outstanding	\$ 22.16	\$ 22.05	—
Debt to Total Assets** ³	28.8 %	28.4 %	—
Average Debt to Adjusted EBITDA** ³	4.9x	5.3x	—
Interest Coverage** ³	5.5x	6.6x	—
Unencumbered Assets	\$ 2,185,310	\$ 1,860,326	—
Secured debt as a percent of total debt	51.2 %	62.2 %	—
Fixed rate debt as a percent of total debt	89.0 %	100.0 %	—
Weighted average term to debt maturity ⁴ (in years)	2.8	2.7	—
Weighted average effective interest rate ⁴	3.87 %	3.68 %	—

** Denotes a non-GAAP measure. See "Non-GAAP Measures".

1 As net income (loss) for the three months ended June 30, 2021 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.

2 Supplementary financial measure. The value as at March 31, 2022 was restated to align with the revised calculation method, creating more consistency of measurement.

3 The debt ratios are non-GAAP ratios calculated based on the Trust Indenture.

4 Results for mortgages payable and unsecured debentures only.

Operating Results

Same Properties Cash NOI** was \$4.9 million, or 15.4%, higher than the same period in 2021. The increase in Same Properties Cash NOI** included \$2.6 million, or 8.2%, from recovery of prior year's property tax and change in bad debt expense. The remaining increase of \$2.3 million, or 7.2%, was driven by higher revenues from base rent, percent rent and percent rent in lieu, and specialty leasing revenue. The revenue growth over the prior period reflects the completion of a portion of the lease abatement arrangements entered into during the pandemic and improving tenant sales.

The below table compares the composition of FFO** and AFFO** for the three months ended June 30, 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	June 30, 2022	March 31, 2022	Change	Change per unit	
NOI** from:					
Same Properties	\$ 38,079	\$ 34,718	\$ 3,361	\$	0.033
Property under redevelopment	1,241	1,320	(79)	\$	(0.001)
Acquisitions	14,715	12,449	2,266	\$	0.022
Financing expenses (net of other income)	(7,426)	(5,072)	(2,354)	\$	(0.023)
General and administrative expenses	(5,924)	(4,295)	(1,629)	\$	(0.016)
Amortization	(197)	(196)	(1)	\$	—
Impact of variance in outstanding units				\$	0.003
FFO**	\$ 40,488	\$ 38,924	\$ 1,564	\$	0.018
Internal expenses for leases	(1,490)	(1,416)	(74)	\$	(0.001)
Straight-line rent	(1,331)	(1,431)	100	\$	0.001
Recoverable and non-recoverable costs	(1,324)	(1,868)	544	\$	0.005
Tenant allowances and leasing costs	(2,652)	(3,291)	639	\$	0.006
AFFO**	\$ 33,691	\$ 30,918	\$ 2,773	\$	0.029

** Denotes a non-GAAP measure. See "Non-GAAP Measures".

¹ Properties owned throughout the entire 18 months ended June 30, 2022, excluding properties under development or major redevelopment, are referred to as "Same Properties". Properties acquired during the 18 months ended June 30, 2022 are referred to as "Acquisitions". As at June 30, 2022 the HOOPP Properties are the only acquired properties.

The \$0.018 increase in quarter over quarter FFO** per weighted average unit was primarily driven by \$0.054 from NOI**, which included \$0.019 of revenue from recovery of prior years property tax. The increase in quarter over quarter AFFO** per weighted unit was positively impacted by lower operating capital expenditures.

To illustrate the positive impact of the NCIB activity on future quarters, 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 period.

For the periods ended June 30, 2022	Three months	Six months	Annualized
Units cancelled under NCIB (in thousands)	1,256	1,417	1,417
Impact of NCIB cancellations on future quarters:			
FFO** per unit cancelled	\$ 0.005	\$ 0.011	\$ 0.022
AFFO** per unit cancelled	\$ 0.004	\$ 0.009	\$ 0.018

** Denotes a non-GAAP measure. See "Non-GAAP Measures".

Occupancy and Leasing Results

As at June 30, 2022, the portfolio had an in-place occupancy rate of 86.5%, and a committed occupancy rate of 87.4%. The in-place occupancy rate of the HOOPP Properties is tracking lower at 83.7% and represents an opportunity for future organic growth.

	Count	Committed Occupancy ¹		In-place occupancy
		June 30, 2022	June 30, 2022	December 31, 2021
Same Properties	26	92.0%	90.6%	90.0%
Property under redevelopment	1	52.2%	52.2%	52.9%
Acquisitions (HOOPP Properties)	8	84.1%	83.7%	83.2%
	35	87.4%	86.5%	86.0%

¹ Excluding the property under redevelopment, committed occupancy for the portfolio would be 88.1%.

In the quarter, Primaris completed 150 leasing deals totaling 0.6 million square feet including commercial retail unit (“CRU”) and large format tenant lease renewals. Overall renewal rents were up 0.2% comprised of CRU renewals of 0.8%, and flat large format renewals. Included in CRU renewals 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 our negotiating leverage.

Robust Liquidity and Differentiated Balance Sheet

Primaris’ differentiated financial model is core to its overall strategy, providing a best-in-class capital structure upon which to build the business. Management has targeted to reduce its secured debt as a percent of total debt to 40%. The ratio was 51.2% as at June 30, 2022, and management anticipates lowering this ratio towards the target as existing mortgages payable mature, market conditions permitting.

Liquidity at June 30, 2022 was \$307.5 million. Primaris has \$2.2 billion of unencumbered assets and a calculated Net Asset Value** per unit outstanding of \$22.16.

Conference Call and Webcast

Webcast details:

Date: August 4th, 2022, at 10:00 a.m. (ET)

Link: Please go to the Investor Relations section on Primaris’ website or click [here](#).

Conference call details:

Dial: For Canada please dial: 1-833-950-0062

For International please dial: 1-929-526-1599

Passcode: 700941

The call will be accessible for replay until August 18, 2022, by dialing 1-226-828-7578 with access code 513208, or on the Investor Relations section of the website.

About Primaris Real Estate Investment Trust

Primaris is Canada's only enclosed shopping centre focused REIT, with ownership interests primarily in dominant enclosed shopping centres in growing markets. The portfolio totals 11.3 million square feet and is valued at approximately \$3.2 billion at Primaris' share. Economies of scale are achieved through its fully internal, vertically integrated, full-service national management platform. Primaris 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 property landscape.

Forward-Looking Statements Disclaimer

Certain statements included in this news release constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable securities laws. The words "will", "expects", "plans", "estimates", "intends" and similar expressions are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Specific forward-looking statements made or implied in this news release include but are not limited to statements regarding: statements with respect to expected future distributions, the Trust's development activities, the expected benefits from the integration of the HOOPP properties and the normal course issuer bid. These statements are based on factors or assumptions that were applied in drawing a conclusion or making a forecast or projection, including assumptions based on historical trends, current conditions and expected future developments. Since forward-looking statements relate to future events and conditions, by their very nature they require making assumptions and involve inherent risks and uncertainties. Primaris cautions that although it is believed that the assumptions are reasonable in the circumstances, these risks and uncertainties give rise to the possibility that actual results may differ materially from the expectations set out in the forward-looking statements. Material risk factors and assumptions include those set out in the MD&A which will be available on SEDAR, and in Primaris' other materials filed with the Canadian securities regulatory authorities from time to time. Given these risks, undue reliance should not be placed on these forward-looking statements, which apply only as of their dates. Other than as specifically required by law, Primaris undertakes no obligation to update any forward-looking statements to reflect new information, subsequent or otherwise.

Non-GAAP Measures

Information in this press release is a select summary of results. This press release should be read in conjunction with the Trust's Management Discussion and Analysis and Interim Condensed Consolidated Statements of Financial Position and the accompanying notes for the three and six months ended June 30, 2022 and 2021 (together the "Financial Statements").

Primaris' Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). However, Primaris also uses a number of measures which do not have a standardized meaning prescribed under generally accepted accounting principles ("GAAP") in accordance with IFRS. These non-GAAP measures, which are denoted in this press release by the suffix "***" may include non-GAAP financial measures and/or non-GAAP ratios, each as defined in National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. None of these 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.

Non-GAAP Measure	Description
Net Operating Income (NOI)	<p>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.</p> <p>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.</p>
Cash Net Operating Income (Cash NOI)	<p>Defined as NOI net of revenue from straight-line rent and lease surrender revenue.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Cash NOI Margin	<p>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.</p> <p>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.</p>
Same Properties NOI / Cash NOI	<p>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. 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.</p> <p>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.</p>

Non-GAAP Measure	Description
Funds from Operations (FFO) / FFO per unit	<p>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.</p> <p>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.</p> <p>FFO per unit is a non-GAAP ratio calculated by dividing FFO by the weighted average units, basic or diluted, outstanding during the period.</p>
Adjusted Funds from Operations (AFFO) / FFO per unit	<p>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.</p> <p>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.</p>
FFO and AFFO Payout Ratios	<p>FFO and AFFO Payout Ratios are supplementary measures calculated as cash distributions declared by the Trust divided by FFO and AFFO.</p> <p>Primaris uses these ratios to assess the sustainability of the Trust's distribution payments.</p>
Debt or Total Debt	<p>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.</p>
Debt to Total Assets	<p>Debt to Total Assets is determined by dividing Debt as defined above by total assets as presented on the consolidated statement of financial position.</p> <p>Management believes this ratio is useful in evaluating the Trust's flexibility to incur additional financial leverage.</p>
Net Asset Value (NAV) / NAV per unit	<p>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.</p> <p>NAV per unit is a non-GAAP ratio calculated by dividing NAV by the Units outstanding at the end of the period.</p>
Adjusted Earnings before Income, Tax, Depreciation and Amortization (Adjusted EBITDA)	<p>Adjusted EBITDA is calculated as net income reversing, where applicable, interest expense, income taxes, depreciation expense, amortization expense and adjustments to fair value.</p> <p>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.</p>
Average Debt to Adjusted EBITDA	<p>This ratio which is useful to measure the Trust's ability to satisfy debt obligations is calculated as average quarterly Debt divided by rolling four-quarters adjusted EBITDA.</p> <p>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.</p>
Interest Coverage	<p>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.</p> <p>Management calculates Interest Coverage to assess the Trust's ability to service the interest requirements of the outstanding debt.</p>
Debt Service Coverage	<p>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 excludes balloon, bullet or similar principal payments at maturity.</p> <p>Management calculates Debt Service Coverage to assess the Trust's ability to meet obligations of the outstanding debt.</p>

The following table reconciles NOI** to rental revenue and property operating costs as presented in the unaudited interim period financial statements.

For the three months ended June 30, (\$ thousands) (unaudited)		2022	2021
Rental Revenue	\$	94,337	\$ 58,460
Property operating costs		(40,302)	(24,094)
Net Operating Income**		54,035	34,366
Exclude variances from:			
Straight-line rent		(1,331)	658
Lease surrender revenue		(241)	(2,049)
Cash Net Operating Income**	\$	52,463	\$ 32,975
Cash NOI Margin**		56.6 %	57.8 %

The following table is a further analysis of Cash NOI** above.

For the three months ended June 30, (\$ thousands) (unaudited)		2022	2021
Same Properties NOI**	\$	38,079	\$ 33,520
Exclude variances from:			
Straight-line rent		(764)	656
Lease surrender revenue		(241)	(2,049)
Same Properties Cash NOI**	Growth 15.4 %	37,074	32,127
Cash NOI** from:			
Property under redevelopment		1,249	848
Acquisitions		14,140	—
Cash NOI**	\$	52,463	\$ 32,975

The following table reconciles net income, as determined in accordance with GAAP, to FFO**.

For the three months ended June 30, (\$ thousands) (unaudited)		2022
Net income (loss)	\$	4,157
Reverse:		
Adjustments to fair value of unit-based compensation		(1,429)
Adjustments to fair value of investment properties		36,270
Internal expenses for leases		1,490
Funds from Operations**		40,488
FFO** per unit - average diluted	\$	0.399
FFO Payout Ratio** - Target 45% - 50%		50.1 %
Distributions declared per unit	\$	0.200
Weighted average Units outstanding - diluted in thousands		101,447

The following table reconciles FFO** to AFFO**.

For the three months ended June 30, (\$ thousands) (unaudited)	2022
Funds from Operations**	\$ 40,488
Reverse:	
Internal expenses for leases	(1,490)
Straight-line rent	(1,331)
Deduct:	
Recoverable and non-recoverable costs	(1,324)
Tenant allowances and external leasing costs	(2,652)
Adjusted Funds from Operations**	33,691
AFFO** per unit - average diluted	\$ 0.332
AFFO Payout Ratio**	60.2 %
Distributions declared per unit	\$ 0.200
Weighted average Units outstanding - diluted in thousands	101,447

The following table calculates NAV** per unit outstanding.

As at (\$ thousands) (unaudited)	June 30, 2022
Investment Properties	\$ 3,182,595
Other assets	37,072
Total assets	3,219,667
Mortgages payable	(474,649)
Senior unsecured debentures	(350,000)
Credit facilities	(101,529)
Total Debt**	(926,178)
Other liabilities, excluding exchangeable units	(79,971)
Reverse: Obligation for purchase of Units under automatic share purchase plan ²	6,621
Net Asset Value**	\$ 2,220,139
Net Asset Value** per unit outstanding	\$ 22.16
Debt to Total Assets** ¹ - Target 25% - 35%	28.8%
Number of Units outstanding - end of period (in thousands)	\$ 100,181

** The debt ratios are non-GAAP ratios calculated based on the Trust Indentures, as supplemented. See Section 9.4, "Capital Structure" of the MD&A.

¹ The debt ratios are non-GAAP ratios calculated based on the Trust Indentures, as supplemented. See Section 9.4, "Capital Structure".

² Liability recorded for committed Unit purchases made during the blackout period after June 30, 2022 under the automatic share repurchase plan, but respective Units not yet cancelled.

The following table calculates financial ratios for debt to Adjusted EBITDA**, Interest Coverage and Debt Service.

For the three months ended June 30, (\$ thousands) (unaudited)		2022
Net income (loss)	\$	4,157
Net interest and other financing charges		8,208
Amortization		197
Adjustments to fair value of unit-based compensation		(1,429)
Adjustments to fair value of investment properties		36,270
Adjusted EBITDA**	\$	47,403
Adjusted EBITDA** ¹ - annualized	\$	189,612
Average debt	\$	925,551
Debt to Adjusted EBITDA** - Target 4.0x - 6.0x		4.9x
Interest expense ²	\$	8,577
Interest coverage** ¹		5.5x
Principal repayments	\$	4,275
Interest expense ²	\$	8,577
Debt service coverage** ¹		3.7x

1 The debt ratios are non-GAAP ratios calculated based on the Trust Indentures, as supplemented. See Section 9.4, "Capital Structure" of the MD&A.

2 Interest expense includes interest on senior unsecured debentures, mortgages, and credit facilities. See Section 8.1, "Components of Net Income (Loss)" of the MD&A.

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