



Primaris REIT Announces Strong Q3/22 Results; Raises Guidance and Increases Distribution

Toronto, Ontario, November 2, 2022 – Primaris Real Estate Investment Trust (“Primaris” or “the Trust”) (TSX: PMZ.UN) announced today financial and operating results for the third quarter ended September 30, 2022.

Quarterly Financial and Operating Results Highlights

- +10.3% Same Properties Cash Net Operating Income** ("Cash NOI") growth;
- 91.7% committed occupancy, up 430 bps from Q2/22 due to leasing and redemising activities;
- \$0.411 Fund from Operations** ("FFO") per average diluted unit;
- 48.6% FFO Payout Ratio**;
- 29.6% Debt to Total Assets**;
- \$364.0 million in liquidity;
- \$2.6 billion in unencumbered assets; and
- \$21.86 Net Asset Value** ("NAV") per unit outstanding.

Business Update Highlights

- As a result of strong operational performance year to date and prospects for the remainder of 2022, Primaris:
 - Raised 2022 guidance for Net Income by +6.5% and Net Operating Income** ("NOI") by +4.9%, reflecting Q3/22 results and prospects for the remainder of 2022; and
 - Announced the approval of a distribution increase in 2023 of +2.5%, from \$0.80 to \$0.82 per unit per annum.
- As of November 2, 2022 total NCIB purchases were 3,171,300 Units at an average price of \$13.65, or a discount to NAV** of approximately 38%.
- NCIB activity in 2022 through September 30 has positively impacted:
 - NAV** per unit by \$0.57, and
 - Annualized FFO** run rate by \$0.043 per unit.
- On August 10, 2022, Dufferin Mall received final approval from the City of Toronto with regards to the development of the 4 acres of land, Dufferin Grove.

"Throughout 2022, enclosed malls across our portfolio have been experiencing a significant rebound in tenant sales, with Q2 and Q3 sales exceeding 2019 comparable levels," said Patrick Sullivan, President and Chief Operating Officer. "Our team is working hard to deliver on our business plan, 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, "Our differentiated financial model, including very low leverage, a low payout ratio and significant retained free cash flow is a significant strategic advantage for Primaris REIT. Unsecured financing arranged during the quarter funded repayment of a maturing secured mortgage, with secured debt as a percentage of total debt dropping from 51.2% at June 30 to 36.7% at September 30. The REIT's unencumbered asset pool increased to \$2.6 billion, or 83% of our investment properties."

"Our third consecutive quarter of strong results, and third consecutive and most significant guidance increase to date reflects the strong recovery potential in our business, and our team's ability to capitalize on that opportunity faster than previously expected," said Alex Avery, Chief Executive Officer. "Our inaugural distribution increase is the first in a planned program of annual distribution increases, supported by our differentiated financial model and strong year to date operating and financial performance. Disciplined capital allocation is critical to the success of Primaris, and we continue to be active on our leverage neutral NCIB, driving significant growth in per unit NAV and FFO."

Select Financial and Operational Metrics

As at or for the three months ended, (in thousands of Canadian dollars unless otherwise indicated) (unaudited)	September 30, 2022	June 30, 2022	September 30, 2021 ¹
Number of investment properties	35	35	27
Gross leasable area ("GLA") (in millions of square feet)	10.9	11.3	7.6
In-place occupancy	90.7 %	86.5 %	87.9 %
Committed occupancy	91.7 %	87.4 %	90.7 %
Weighted average net rent per occupied square foot ²	\$ 24.18	\$ 24.10	\$ 24.43
Total assets	\$ 3,181,312	\$ 3,219,667	\$ 2,422,523
Total liabilities	\$ 1,024,988	\$ 1,006,149	\$ 1,072,421
Total revenue	\$ 94,151	\$ 94,337	\$ 62,218
Cash flow from (used in) operating activities	\$ 50,900	\$ 29,118	\$ 12,758
Cash Net Operating Income** ("Cash NOI")	\$ 53,103	\$ 52,463	\$ 34,278
Same Properties Cash NOI** growth	10.3 %	15.4 %	—
Net income (loss)	\$ (20,498)	\$ 4,157	\$ 209,127
Net income (loss) per unit	\$ (0.207)	\$ 0.041	—
Funds from Operations** ("FFO") per unit - average diluted	\$ 0.411	\$ 0.399	—
FFO Payout Ratio**	48.6 %	50.1 %	—
Adjusted Funds from Operations** ("AFFO") per unit - average diluted	\$ 0.319	\$ 0.332	—
AFFO Payout Ratio**	62.7 %	60.2 %	—
Distributions declared per unit	\$ 0.200	\$ 0.200	—
Weighted average Units outstanding - diluted ('000s)	100,183	101,447	—
Net Asset Value** ("NAV") per unit outstanding	\$ 21.86	\$ 22.16	—
Debt to Total Assets** ³	29.6 %	28.8 %	—
Average Debt to Adjusted EBITDA** ³	4.8x	4.9x	—
Interest Coverage** ³	5.3x	5.5x	—
Liquidity	\$ 364,014	\$ 307,471	—
Unencumbered Assets	\$ 2,645,293	\$ 2,185,310	—
Secured debt as a percent of total debt	36.7 %	51.2 %	—
Fixed rate debt as a percent of total debt	73.9 %	89.0 %	—
Weighted average term to debt maturity - fixed rate debt ⁴ (in years)	2.6	2.8	—
Weighted average effective interest rate - fixed rate debt ⁴	3.67 %	3.87 %	—

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures" in the Management's Discussion and Analysis ("MD&A").

¹ As net income for the three months ended September 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, see Section 1, "Basis of Presentation" - "Use of Operating Metrics" in the MD&A.

³ The debt ratios are non-GAAP ratios calculated based on the indentures for the Series A and Series B debentures (the "Trusts Indentures"). See Section 9.4, "Capital Structure" in the MD&A.

⁴ Results for mortgages payable and unsecured debentures only.

Operating Results

Same Properties Cash NOI** was \$3.5 million, or +10.3%, higher than the same period in 2021. The increase was driven by higher revenues from base rent, net recoveries, 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 September 30, 2022 to the prior quarter and calculates the drivers of the quarter over quarter changes.

For the three months ended (\$ thousands except per unit amounts) (unaudited)	September 30, 2022	June 30, 2022	Change	Change per unit
NOI** from:				
Same Properties ¹	\$ 37,984	\$ 38,079	\$ (95)	\$ (0.001)
Property under redevelopment	1,114	1,241	(127)	(0.001)
Acquisition Properties ¹	15,109	14,715	394	0.004
Interest and other income	890	782	108	0.001
Net interest and other financing charges	(8,619)	(8,208)	(411)	(0.004)
General and administrative expenses (net of internal expenses for leases)	(4,887)	(5,924)	1,037	0.010
Amortization	(374)	(197)	(177)	(0.002)
Impact of variance in outstanding units				0.005
FFO**	\$ 41,217	\$ 40,488	\$ 729	\$ 0.012
Internal expenses for leases	(1,349)	(1,490)	141	0.001
Straight-line rent	(1,091)	(1,331)	240	0.002
Recoverable and non-recoverable costs	(2,370)	(1,324)	(1,046)	(0.010)
Tenant allowances and leasing costs	(4,451)	(2,652)	(1,799)	(0.018)
AFFO**	\$ 31,956	\$ 33,691	\$ (1,735)	\$ (0.013)

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures" in the MD&A.

¹ Properties owned throughout the entire 21 months ended September 30, 2022, excluding properties under development or major redevelopment, are referred to as "Same Properties". Properties acquired during the 21 months ended September 30, 2022 are referred to as "Acquisition Properties". As at September 30, 2022, the HOOPP Properties are the only acquired properties.

The \$0.012 increase in quarter over quarter FFO** per weighted average unit was primarily driven by \$0.002 from NOI** and \$0.010 due to the timing of general and administrative expenses, and \$0.005 from the impact of NCIB activity. The \$0.013 decrease in quarter over quarter AFFO** per unit is driven by the seasonality of recoverable capital projects and timing of leasing capital spending.

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 period ended September 30, 2022 (\$ thousands except per unit amounts) (unaudited)	Nine months		Annualized	
FFO**	\$	120,629	\$	161,846
AFFO**	\$	96,565	\$	128,521
Units cancelled under NCIB (in thousands)		2,673		2,673
Impact of NCIB cancellations on future quarters:				
FFO** per unit cancelled	\$	0.032	\$	0.043
AFFO** per unit cancelled	\$	0.026	\$	0.034

** Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures" in the MD&A.

Occupancy and Leasing Results

As at September 30, 2022, the portfolio had an in-place occupancy rate of 90.7%, and a committed occupancy rate of 91.7%. The in-place occupancy rate of the Acquisition Properties has risen during 2022, but remains below portfolio average at 88.7% and represents an opportunity for further organic growth. The increase in Acquisition Properties in-place occupancy from June 30, 2022 to September 30, 2022, of 5.0% was attributable as 1.3% from leasing activities and 3.7% from GLA taken offline as part of redemising activities.

As at	Count	Committed Occupancy		In-place occupancy	
		September 30, 2022	September 30, 2022	June 30, 2022	December 31, 2021
Same Properties	26	92.5%	91.5%	90.6%	90.0%
Acquisition Properties	8	89.7%	88.7%	83.7%	83.2%
	34	91.5%	90.5%	88.1%	87.6%
Property under redevelopment ¹	1	96.3%	96.3%	52.2%	52.9%
Portfolio occupancy	35	91.7%	90.7%	86.5%	86.0%

¹ The occupancy rate, at September 30, 2022, for the property under redevelopment reflected GLA taken offline as part of the redevelopment plans.

In the quarter, Primaris completed 134 leasing deals totaling 0.4 million square feet including commercial retail unit ("CRU") and large format tenant lease renewals. Overall renewal rents were up +2.5% comprised of CRU renewals of (1.6%), and large format renewals of +6.5%. 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.

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, providing on-going financial stability and strength. Management's target is for secured debt to be less than 40% of total. The ratio was 36.7% as at September 30, 2022.

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%, in 2023.

Liquidity at September 30, 2022 was \$364.0 million. Primaris has \$2.6 billion of unencumbered assets and a Net Asset Value** per unit outstanding of \$21.86.

On August 8, 2022, Primaris entered into a \$200.0 million unsecured syndicated non-revolving delayed draw term facility maturing February 5, 2026. The syndicated non-revolving credit facility bears interest at variable rates of BA plus 1.50%, and contains certain financial covenants. As at September 30, 2022, Primaris was drawn \$125.0 million on this facility.

Subsequent to September 30, 2022, Primaris hedged the underlying BA rate at 3.77% for \$100.0 million drawn on the unsecured non-revolving credit facility for a five year term.

On November 1, 2022, Primaris repaid a \$86.3 million maturing mortgage utilizing the credit facilities resulting in an updated proforma liquidity of \$278.7 million. Unencumbered assets increased to \$2.8 billion and the ratio of secured debt as a percent of total debt reduced to approximately 27.6%. As a result, the REIT's unencumbered asset pool increased to 89% of the investment properties.

Conference Call and Webcast

Date: November 3rd, 2022, at 10:00 a.m. (ET)

Webcast details:

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: 946425

The call will be accessible for replay until November 17th, 2022, by dialing 1-226-828-7578 with access code 334681, 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 10.9 million square feet with total assets of 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: 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 the Trust’s unaudited interim condensed consolidated and combined carve-out financial statements and the accompanying notes (together the “Financial Statements”) for the three and nine months ended September 30, 2022 and 2021.

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. An explanation of each of the non-GAAP measures used herein can be found in the section entitled “Non-GAAP Measures” in the MD&A, which section is incorporated by reference into this news release, and a reconciliation to the most directly comparable financial measure in the Financial Statements, in each case, can be found below. The MD&A is available on the Trust’s profile on SEDAR at www.sedar.com.

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 September 30, (\$ thousands) (unaudited)	2022	2021
Rental Revenue	\$ 94,151	\$ 62,218
Property operating costs	(39,944)	(25,166)
Net Operating Income**	54,207	37,052
Exclude variances from:		
Straight-line rent	(1,091)	(1,659)
Lease surrender revenue	(13)	(1,115)
Cash Net Operating Income**	\$ 53,103	\$ 34,278
Cash NOI Margin**	57.1 %	57.7 %

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

For the three months ended September 30, (\$ thousands) (unaudited)	2022	2021
Same Properties NOI**	\$ 37,984	\$ 36,481
Exclude variances from:		
Straight-line rent	(764)	(1,646)
Lease surrender revenue	(13)	(1,115)
Same Properties Cash NOI**	37,207	33,720
	Same Property Growth + 10.3 %	
Cash NOI** from:		
Property under redevelopment	1,147	558
Acquisitions	14,749	—
Cash NOI**	\$ 53,103	\$ 34,278

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

For the three months ended September 30, (\$ thousands except per unit amounts) (unaudited)	2022
Net income (loss)	\$ (20,498)
Reverse:	
Adjustments to fair value of unit-based compensation	31
Adjustments to fair value of investment properties	60,335
Internal expenses for leases	1,349
Funds from Operations**	41,217
FFO** per unit - average basic	\$ 0.414
FFO** per unit - average diluted	\$ 0.411
FFO Payout Ratio** - Target 45% - 50%	48.6 %
Distributions declared per unit	\$ 0.200
Weighted average Units outstanding - basic (in thousands)	99,453
Weighted average Units outstanding - diluted (in thousands)	100,183
Number of Units outstanding - end of period (in thousands)	98,926

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

For the three months ended September 30, (\$ thousands except per unit amounts) (unaudited)	2022
Funds from Operations**	\$ 41,217
Reverse:	
Internal expenses for leases	(1,349)
Straight-line rent	(1,091)
Deduct:	
Recoverable and non-recoverable costs	(2,370)
Tenant allowances and external leasing costs	(4,451)
Adjusted Funds from Operations**	31,956
AFFO** per unit - average basic	\$ 0.321
AFFO** per unit - average diluted	\$ 0.319
AFFO Payout Ratio**	62.7 %
Distributions declared per unit	\$ 0.200
Weighted average Units outstanding - basic (in thousands)	99,453
Weighted average Units outstanding - diluted (in thousands)	100,183
Number of Units outstanding - end of period (in thousands)	98,926

The following table calculates NAV** per unit outstanding.

As at (\$ thousands) (unaudited)	September 30, 2022
Investment Properties	\$ 3,149,838
Other assets	31,474
Total assets	3,181,312
Mortgages payable	(345,158)
Senior unsecured debentures	(350,000)
Credit facilities	(245,000)
Debt	(940,158)
Other liabilities, excluding exchangeable units	(84,830)
Reverse: Obligation for purchase of Units under automatic share purchase plan ¹	6,637
Net Asset Value**	\$ 2,162,961
Net Asset Value** per unit outstanding	\$ 21.86
Debt to Total Assets** ² - Target 25% - 35%	29.6%
Number of Units outstanding - end of period (in thousands)	\$ 98,926

¹ Liability recorded for the obligation to purchase Units during the blackout period after September 30, 2022 under the automatic share purchase plan, but respective Units not yet cancelled.

² The debt ratios are non-GAAP ratios calculated based on the Trust Indentures, as supplemented.

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

For the three months ended September 30, (\$ thousands) (unaudited)		2022
Net income (loss)	\$	(20,498)
Net interest and other financing charges		8,619
Amortization		374
Adjustments to fair value of unit-based compensation		31
Adjustments to fair value of investment properties		60,335
Adjusted EBITDA**	\$	48,861
Adjusted EBITDA** ¹ - annualized	\$	195,444
Average debt	\$	933,168
Debt to Adjusted EBITDA** - Target 4.0x - 6.0x		4.8x
Interest expense ²	\$	9,292
Interest coverage** ¹		5.3x
Principal repayments	\$	3,889
Interest expense ²	\$	9,292
Debt service coverage** ¹		3.7x

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

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

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