

# **MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRIMARIS REAL ESTATE INVESTMENT TRUST**

**For the three and nine months ended September 30, 2022**

Dated: November 2, 2022

# PRIMARIS REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis

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# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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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 and nine months ended September 30, 2022 and 2021, should be read in conjunction with the Trust's unaudited interim condensed consolidated and combined carve-out financial statements and the accompanying notes for the three and nine months ended September 30, 2022 and 2021, prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), and the Trust's audited financial statements and accompanying notes for the years ended December 31, 2021 and 2020 (together the "Financial Statements"). Additional information is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Primaris website at [www.primarisreit.com](http://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 three and nine months ended September 30, 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 unaudited interim condensed combined carve-out statement of income in the Financial Statements and the operating results in this MD&A for the three and nine months ended September 30, 2021 exclude the HOOPP Properties and properties sold prior to December 30, 2020, 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, refers 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 unaudited interim condensed combined carve-out statement of income, presented in the Financial Statements, for the three and nine months ended September 30, 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 unaudited interim condensed consolidated statement of income for the three and nine months ended September 30, 2022, presented in the Financial Statements, includes the operations of both the Primaris Properties and the HOOPP Properties. The unaudited interim condensed consolidated statements of financial position as at September 30, 2022 and December 31, 2021, in the Financial Statements, includes both the Primaris Properties and the HOOPP Properties.

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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 November 2, 2022.

### 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 11, "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 11 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, and normalized average operating capital cost 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 specified 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.

Primaris holds 7 properties in co-ownerships (see Section 6.2, "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 September 30, 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 significant development projects, Primaris' expectation with respect to the activities of its development properties, including the building of new properties, the expected yield on cost from the Trust's development properties, the timing of construction, the timing of transfer from properties under development to investment properties, the timing of occupancy, the timing of lease-up, and the expected total cost of development

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properties, management's expectations regarding future intensification opportunities including the timing of approvals for re-zoning and site plan applications, the impact of the COVID-19 pandemic on Primaris and its tenants, management's expectations regarding abatement expenses and recoveries including tenants' participation in government subsidy programs, 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 capital and tenant allowance expenditures, discount 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, 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 Primaris' estimates and assumptions that are subject to risks, uncertainties, and other factors, which could cause the actual results, performance or achievements of Primaris to 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 in part as a result of the COVID-19 pandemic, the extent and duration of which is unknown; interest rates have risen and may continue to rise further in the near term as a result of persistent inflation; and debt markets continue to provide access to capital at a reasonable cost, notwithstanding ongoing interest rate hikes. Additional risks and uncertainties include, among other things, risks related to: owning and operating real property; the integration of the HOOPP Properties; real property valuations; geographic concentration of properties; credit risk and tenant concentration; reliance on anchor tenants or 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"). A detailed discussion of major risks applicable to the Primaris business are included in the Trust's Annual Information Form ("AIF") for the year ended December 31, 2021 and the MD&A in the 2021 Report to Unitholders, which are available online on [www.sedar.com](http://www.sedar.com).

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

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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 prospective results of operations including, without limitation, the disclosure under the heading "Financial Forecast", which is 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 November 2, 2022 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 are assessing and rationalizing the number of stores they need in any given trade area to enhance profitability while maintaining strong brand awareness. They are rightsizing and adapting 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

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positioned, as Canada's only REIT focused on owning and managing enclosed shopping centres, with an established, fully internal and scalable management platform, and balance sheet capacity for 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. 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 nine months ended September 30, (unaudited)	2022	Targets
Debt to Total Assets** <sup>1</sup>	29.6%	25% - 35%
Average Debt to Adjusted EBITDA** <sup>1</sup>	5.0x	4.0x - 6.0x
Funds from Operations Payout Ratio**	50.3 %	45% - 50%
Secured Debt as a Percentage of Total Debt	36.7 %	<40%

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

<sup>1</sup> 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".

### 4. CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

Canada's enclosed shopping centre industry began to see significant disruption over the past several years, due to the COVID-19 pandemic since early 2020, and in the five preceding years, due to department store closures and retailers adapting business models to an omni-channel environment. These disruptions have weighed on occupancy levels, rental rates and property values creating a recovery opportunity for well capitalized landlords to lease space to retailers taking advantage of recovering retail sales performance.

The Bank of Canada has increased the benchmark interest rate by 350 basis points since the start of the year, to 3.75%, and there is the potential for additional rate increases in the near term. The rising benchmark rate has resulted in higher prime rates at commercial banks and financing costs, which may put downward pressure on commercial property values and on the fair value of the Trust's investment properties.

Among other things, 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.

With \$280.0 million undrawn on its unsecured syndicated revolving term facility, \$2.6 billion of unencumbered assets, or \$2.0 billion of unencumbered assets in excess of unsecured debt, a nine-month FFO payout Ratio\*\* of 50.3%, and a Debt to Total Asset\*\* ratio of 29.6%, Primaris' economic model provides on-going financial stability and financial strength.

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### Impacts of the COVID-19 Pandemic

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.

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. Although Ontario malls started the year with capacity restrictions that were effective between January 1st and March 14th, there have been no new mandated closures in 2022.

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

<sup>1</sup> Different regions in Ontario were impacted by small variations from the dates above.

<sup>2</sup> 50% capacity restrictions

### 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 expansion in the enclosed shopping centre space characterized 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. To further leverage the shopping centres and to provide value-add to its tenants, Primaris has established a proprietary e-commerce integration technology platform, Primarché, in partnership

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with Dropit. Primarché offers customers a one-stop destination to shop multiple participating malls and brands anywhere in Canada at any time. Primarché provides consumers a wider range of options than shopping directly with individual retailers and allows retailers to leverage their stores as distribution points. Primarché will offer expedited same day, or next day, shipping, one-cart checkout and single shipment from multiple retailers.

Primarché is Canada's premier multi-mall, multi-brand live inventory e-marketplace providing a single box omnichannel solution for our malls and tenants across the country. The initial rollout of Primarché occurred in November 2021 with 5 enclosed centres and currently includes 12 enclosed malls across Canada with 27 stores offering real-time inventory. There are an additional 13 brands under contract and a further 15 in advanced negotiations to join the Primarché platform, including national and international chains. Primaris has the exclusive right to the Dropit platform in Canada for 3 years and receives a percentage of marketplace sales.

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;
- 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 Canada 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;
- The 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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### 5. SUMMARY OF SELECTED FINANCIAL AND OPERATIONAL INFORMATION

As at or for the three months ended September 30, (in thousands of Canadian dollars unless otherwise indicated)(unaudited)	2022	2021 <sup>1</sup>
Number of investment properties	35	27
Gross leasable area (in millions of square feet)	10.9	7.6
In-place occupancy	90.7 %	87.9%
Committed occupancy	91.7 %	90.7%
Weighted average net rent per occupied square foot <sup>2</sup>	\$ 24.18	\$ 24.43
Total assets	\$ 3,181,312	\$ 2,422,523
Total liabilities	\$ 1,024,988	\$ 1,072,421
Total revenue	\$ 94,151	\$ 62,218
Cash flow from (used in) operating activities	\$ 50,900	\$ 12,758
Cash Net Operating Income** ("Cash NOI")	\$ 53,103	\$ 34,278
Same Properties Cash NOI** growth	10.3 %	—
Net income (loss)	\$ (20,498)	\$ 209,127
Net income (loss) per unit	\$ (0.207)	—
Funds from Operations** ("FFO") per unit - average diluted	\$ 0.411	—
FFO Payout Ratio**	48.6 %	—
Adjusted Funds from Operations** ("AFFO") per unit - average diluted	\$ 0.319	—
AFFO Payout Ratio**	62.7 %	—
Distributions declared per unit	\$ 0.200	—
Weighted average Units outstanding - diluted (in thousands)	100,183	—
Net Asset Value** per unit outstanding	\$ 21.86	—
Debt to Total Assets** <sup>3</sup>	29.6 %	—
Average Debt to Adjusted EBITDA** <sup>3</sup>	4.8x	—
Interest Coverage** <sup>3</sup>	5.3x	—
Liquidity	\$ 364,014	—
Unencumbered assets	\$ 2,645,293	—
Secured debt as a percent of total debt	36.7 %	—
Fixed rate debt as a percent of total debt	73.9 %	—
Weighted average term to debt maturity - fixed rate debt <sup>4</sup> (in years)	2.6	—
Weighted average effective interest rate - fixed rate debt <sup>4</sup>	3.67 %	—

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

<sup>1</sup> 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. See Section 1, "Basis of Presentation".

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

<sup>3</sup> 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".

<sup>4</sup> Results for mortgages payable and unsecured debentures only.

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### Quarterly Highlights

During the three months ended September 30, 2022, Primaris:

- Achieved 10.3% Same Properties Cash NOI\*\* growth;
- Ended the quarter with in-place occupancy of 90.7%, up 4.2% compared to June 30, 2022 of 86.5%;
- Received final zoning approval from the City of Toronto to develop 4 acres at Dufferin Mall;
- \$24.18 weighted average net rent per occupied square foot, compared to \$24.10 at June 30, 2022 and \$24.14 at December 31, 2021;
- Entered into a \$200.0 million unsecured syndicated non-revolving delayed draw term facility and utilized \$125.0 million in the quarter to replace maturing mortgage;
- Ended the quarter with a Debt to Total Assets ratio of 29.6% and a ratio of secured debt to total debt of 36.7% compared to 28.8% and 51.2%, respectively, at June 30, 2022;
- Ended the quarter with a NAV\*\* per unit outstanding of \$21.86; and
- Purchased for cancellation 1,255,400 Units under the normal course issuer bid ("NCIB") at an average price of approximately \$13.36, or a discount to NAV\*\* of approximately 38.9%.

### Year-to-Date Highlights

During the nine months ended September 30, 2022, Primaris:

- Achieved 11.3% Same Properties Cash NOI\*\* growth;
- Received an investment grade credit rating of BBB and a stable trend;
- Issued \$350.0 million aggregate principal amount of senior unsecured debentures;
- Purchased for cancellation 2,672,900 Units under the NCIB at an average value per unit of approximately \$13.72, representing a discount to NAV\*\* of approximately 37.2%, and an increase of \$0.043 to annualized FFO\*\* per unit cancelled; and
- Reported a 50.3% FFO Payout Ratio\*\*.

Subsequent to September 30, 2022, Primaris:

- Repaid a \$86.3 million maturing mortgage with proceeds primarily from the unsecured non-revolving credit facility, further reducing Primaris' ratio of secured debt to total debt to approximately 27.6%;
- 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;
- Purchased an additional 498,400 Units under the automatic share purchase plan ("ASPP") for consideration of \$6.6 million as of November 2, 2022, for total year-to-date NCIB purchases of 3,171,300 Units at an average price of \$13.65, or a discount to NAV\*\* of approximately 38%; and
- Announced a distribution rate increase from \$0.80 to \$0.82 per unit per annum, or 2.5%, for 2023.

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### 6. INVESTMENT PROPERTIES

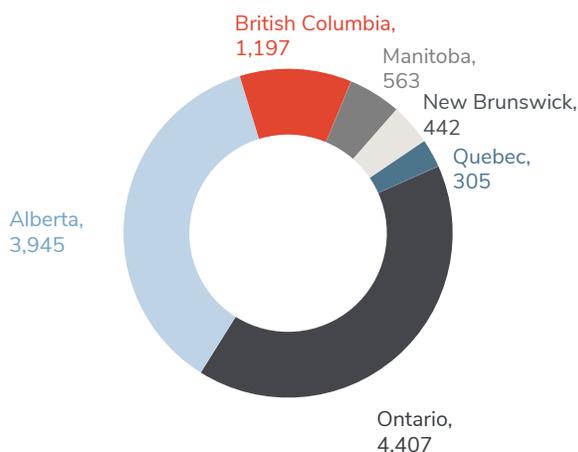
Primaris owns, manages, leases, and develops retail properties in Canada. On September 30, 2022, the portfolio consisted of 35 properties, which are geographically diversified across Canada to reduce concentration risk and to enhance the long-term reliability of its revenue stream.

The enclosed mall portion of the portfolio comprises 23 assets nationwide 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.

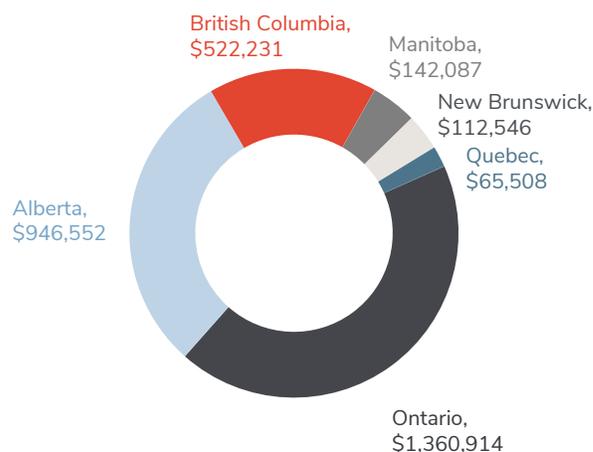
Management is currently reviewing the Trust's portfolio of investment properties to identify potential non-core asset dispositions to provide capital to recycle into enclosed mall acquisitions.

As at September 30, 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	\$ 1,360,914	4,407	88.2 %	1,837	90.0 %	2,570	86.9 %
Alberta	946,552	3,945	90.3 %	3,351	89.9 %	594	92.8 %
British Columbia	522,231	1,197	95.7 %	652	98.1 %	545	92.8 %
Manitoba	142,087	563	93.7 %	563	93.7 %	—	— %
New Brunswick	112,546	442	98.0 %	442	98.0 %	—	— %
Quebec	65,508	305	95.4 %	305	95.4 %	—	— %
<b>Portfolio</b>	<b>\$ 3,149,838</b>	<b>10,859</b>	<b>90.7 %</b>	<b>7,150</b>	<b>91.7 %</b>	<b>3,709</b>	<b>88.7 %</b>

Total Portfolio GLA by Province (square feet)



Total Portfolio Value by Province



# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 6.1 Valuation

The fair value of Primaris' investment property portfolio as at September 30, 2022 and December 31, 2021 was as follows:

As at (\$ thousands) (unaudited)	September 30, 2022	December 31, 2021
Income producing properties	\$ 2,965,838	\$ 3,023,188
Land held for development	184,000	181,000
<b>Investment properties</b>	<b>\$ 3,149,838</b>	<b>\$ 3,204,188</b>

The value of investment properties as at September 30, 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 September 30, 2022.

As at (\$ thousands) (unaudited)	Number of Properties	Value of Properties	
		As at quarter end appraised	As at September 30, 2022
March 31, 2022	3	\$ 517,000	\$ 499,101
June 30, 2022	5	836,650	830,509
September 30, 2022	3	341,289	341,289
December 31, 2022	—	—	—
<b>Year-to-date total</b>	<b>11</b>		<b>\$ 1,670,899</b>
<b>Percentage of total portfolio</b>	<b>31.4%</b>		<b>53.0 %</b>

# 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:

(unaudited) As at	September 30, 2022	June 30, 2022	December 31, 2021
Discount Rate	8.04 %	7.84 %	7.63 %
Terminal Capitalization Rate	6.98 %	6.57 %	6.57 %

The going-in capitalization rate on the year-one forecast NOI\*\* of the portfolio was 6.77% as at September 30, 2022, 6.52% as at June 30, 2022 and 6.33% as at March 31, 2022.

(\$ thousands) (unaudited)	Three months		Nine months	
For the periods ended September 30,	2022	2021	2022	2021
Adjustment to fair value of investment properties	\$ (60,335)	\$ 179,122	\$ (104,401)	\$ 263,778

Primaris recorded an unfavourable adjustment of \$60.3 million to the fair value of its investment properties in the three months ended September 30, 2022 (2021-favourable \$179.1 million). This adjustment reflected a \$47.0 million decrease in the fair value of the investment properties due to changes in the valuation model inputs, \$26.5 million of capital spending during the quarter and \$1.1 million of straight-line rent. These were partially offset by a \$14.3 million increase in the fair value of investment properties due to favourable changes in NOI\*\*.

## 6.2 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 8, "Results from Operations").

Property	Location	Ownership interest as at	
		September 30, 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

### 6.3 Redevelopment and Development

Capital expenditures were \$32.3 million in the nine months ended September 30, 2022 for redevelopment projects, including projects to re-demise space vacated by former anchor tenants and for the project to de-mall Northland Village. The total anticipated spending for these projects in 2022 is approximately \$53 million.

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	Estimated Rent 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	In progress	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

Primaris is in the early stages of a project to de-mall Northland Village. Demolition has commenced on the vacant interior mall units. 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 nine months ended September 30, 2022 of approximately \$12 million.

During 2021, Primaris obtained conditional approval from the City of Toronto to develop 4 acres at Dufferin Mall to include 1,200 residential units and 120,000 square feet of commercial space. Subsequent to obtaining conditional approval, the valuation for Dufferin Mall was increased in accordance with a third-party appraisal of the property which included the additional density. On August 10, 2022, final approval was received from the City of Toronto. Management is considering plans to develop or monetize the value of the land.

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.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 7. 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 that are programmed to occur over the life of the lease.

#### 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		(61)	
Gross rent tenants		(85)	
Percent rent in lieu tenants		(52)	
		(198)	
Tenant possessions <sup>1</sup> :			
Net rent tenants		143	
Gross rent tenants		104	
Percent rent in lieu tenants		91	
		338	
Other activity including remeasurements <sup>2</sup>	(640)	(184)	
<b>September 30, 2022</b>	<b>10,859</b>	<b>9,845</b>	<b>90.7 %</b>

<sup>1</sup> Excludes additional tenant possessions from renewing tenants of 1,473 thousand square feet, representing a 74.4% renewal rate.

<sup>2</sup> Includes adjustments to remove storage units from leasable and occupied area.

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 (as defined in the following chart) is lower than the Same Properties and represents an opportunity for future internal growth. The committed occupancy rate includes executed lease agreements where the tenants have not yet taken possession of the space. Average in-place occupancy for the three and nine months ended September 30, 2022 was 90.0% and 87.3%, respectively.

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 re-demising activities.

Similarly, the increase to in-place occupancy from June 30, 2022 to September 30, 2022 for the property under redevelopment was driven by unoccupied GLA from the mall's interior being taken offline at the start of demolition.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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

<sup>1</sup> 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.

### 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 September 30, 2022, Primaris completed 134 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.

(\$ thousands) (unaudited)							
For the three months ended September 30, 2022	Count	GLA (in thousands of square feet)	Weighted Average Lease term (in years)	Weighted Average Net Rent per occupied square foot <sup>1</sup>	Weighted Average Spread on Renewing Rents	Tenant Allowances and Leasing Costs	
						Count	Costs per square foot
<b>CRU</b>							
New tenants	19	55	9.1	\$ 34.80			
Renewing tenants	54	88	3.4	\$ 45.00	(1.6)%		
	73	143		\$ 41.00		14	\$ 73
<b>Large format</b>							
New tenants	—	—	—	\$ —			
Renewing tenants	2	88	10.0	\$ 12.50	6.5%		
	2	88		\$ 12.50			
<b>Office</b>							
New tenants	—	—	—	\$ —			
Renewing tenants	5	8	3.6	\$ 18.30	3.2%		
	5	8		\$ 18.30			
<b>Short term and percent rent in lieu</b>	54	162	N/A	N/A			
<b>Total leasing</b>	134	401			2.5%		

<sup>1</sup> 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

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.

Included in the leasing activity for the three and nine months ended September 30, 2022, are 54 and 172, respectively, new leases that were for a lease term of less than one year, or for percentage rent in lieu of base rent. Primaris utilized these lease structures to assist tenants and to maintain occupancy rates during the pandemic. These lease structures have always been a tool to manage tenant relocations, the timing of development plans, and to work in partnership with tenants.

During the nine months ended September 30, 2022, Primaris completed 406 leasing deals totaling 1.4 million square feet.

(\$ thousands) (unaudited)								
For the nine months ended September 30, 2022	Count	GLA (in thousands of square feet)	Weighted Average Lease term (in years)	Weighted Average Net Rent per occupied square foot <sup>1</sup>	Weighted Average Spread on Renewing Rents	Tenant Allowances and Leasing Costs		
						Count	Costs per square foot	
<b>CRU</b>								
New tenants	51	118	8.3	\$ 35.10				
Renewing tenants	154	259	3.7	\$ 44.80	(1.6)%			
	205	377		\$ 41.70		40	\$	64
<b>Large format</b>								
New tenants	—	—	—	\$ —				
Renewing tenants	8	515	7.6	\$ 9.00	7.6%			
	8	515		\$ 9.00		1	\$	104
<b>Office</b>								
New tenants	4	14	5.3	\$ 17.10				
Renewing tenants	17	35	4.4	\$ 15.10	1.3%			
	21	49		\$ 15.70		2	\$	27
<b>Short term and percent rent in lieu</b>	172	493	N/A	N/A				
<b>Total leasing</b>	406	1,434			4.4%			

<sup>1</sup> 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

### 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	September 30, 2022	Change in Weighted Average Net Rent	Change in Occupied GLA (in thousands of square feet)	12/31/2021 <sup>2</sup>
Same Properties	\$ 24.88	\$ 0.22	48	\$ 24.66
Property under redevelopment	\$ 17.17	\$ (0.07)	(4)	\$ 17.24
Acquisition Properties	\$ 23.39	\$ (0.30)	185	\$ 23.69
<b>Weighted average net rent<sup>1</sup></b>	<b>\$ 24.18</b>	<b>\$ 0.04</b>	<b>229</b>	<b>\$ 24.14</b>
CRU tenants	\$ 42.15	\$ 0.24	6	\$ 41.51
Large format tenants	\$ 14.12	\$ (0.01)	223	\$ 14.02
<b>Weighted average net rent<sup>1</sup></b>	<b>\$ 24.18</b>	<b>\$ 0.04</b>	<b>229</b>	<b>\$ 24.14</b>

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

<sup>2</sup> 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

### Lease Maturities

As at September 30, 2022, the weighted average lease term for the portfolio was 4.6 years (December 31, 2021 – 4.9 years) with the following lease maturity profile. As at September 30, 2022, the weighted average lease term for CRU tenants was 3.4 years and for large format tenants was 6.5 years with the following lease maturity profiles.

	Number of leases	GLA (in thousands of square feet)	% of Total GLA	Weighted average net rent per square foot <sup>2</sup>
<b>Portfolio:</b>				
Short-term <sup>1</sup>	90	158	1.6%	\$ 37.47
2022 remainder	89	171	1.7%	\$ 27.52
2023	500	1,217	12.4%	\$ 30.24
2024	373	1,044	10.6%	\$ 30.99
2025	269	890	9.0%	\$ 28.80
2026	185	783	8.0%	\$ 26.18
Thereafter	620	5,582	56.7%	\$ 22.19
<b>Total portfolio</b>	<b>2,126</b>	<b>9,845</b>	<b>100.0%</b>	<b>\$ 25.37</b>
<b>CRU tenants only:</b>				
Short-term <sup>1</sup>	89	139	1.4%	\$ 40.48
2022 remainder	84	97	1.0%	\$ 42.62
2023	482	737	7.5%	\$ 43.06
2024	355	611	6.2%	\$ 41.61
2025	257	465	4.7%	\$ 43.66
2026	169	305	3.1%	\$ 46.23
Thereafter	499	1,745	17.7%	\$ 44.88
<b>Total CRU tenants</b>	<b>1,935</b>	<b>4,099</b>	<b>41.6%</b>	<b>\$ 43.82</b>
<b>Large format tenants only</b>				
Short-term <sup>1</sup>	1	19	0.2%	\$ 19.00
2022 remainder	5	74	0.7%	\$ 12.98
2023	18	480	4.9%	\$ 14.68
2024	18	433	4.4%	\$ 16.02
2025	12	425	4.3%	\$ 12.54
2026	16	478	4.9%	\$ 13.39
Thereafter	121	3,837	39.0%	\$ 16.05
<b>Total large format tenants</b>	<b>191</b>	<b>5,746</b>	<b>58.4%</b>	<b>\$ 15.42</b>

<sup>1</sup> Includes month-to-month leases and leases on overhold

<sup>2</sup> Based on rental rates in the last term of the lease

While CRU tenants currently occupy approximately 40% of the portfolio's 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).

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### Top 30 Tenants

As at September 30, 2022, 49.6% 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 <sup>1</sup>	Tenant Sector	Annualized Minimum Rent (% of Total)	Store Count (all banners)	Total GLA	% of occupied GLA	WALT <sup>2</sup> (in years)	Credit Ratings (S&P/ Moody's/ DBRS)	
1	Canadian Tire	Value Retail	5.9%	30	706,554	7.3%	4.8	BBB / - / BBB
2	Walmart	Value Retail	4.2%	8	908,076	9.3%	7.7	AA / Aa2 / AA
3	Loblaws	Grocery	3.6%	17	354,805	3.6%	5.5	BBB / - / BBB(H)
4	TJX	Value Retail	3.2%	19	452,617	4.6%	4.6	A / A2 / -
5	Bell Canada	Telecomm	2.3%	89	65,504	0.7%	1.7	BBB+ / Baa2 / BBB
6	Cineplex	Entertainment	2.1%	9	294,736	3.0%	6.4	-
7	Gap	Apparel	1.8%	16	199,965	2.1%	1.6	BB / Ba2 / -
8	Rogers	Telecomm	1.8%	85	31,787	0.3%	2.2	BBB+ / Baa1 / BBB(H)
9	Comark	Apparel	1.7%	35	112,561	1.2%	2.7	-
10	Dollarama	Value Retail	1.5%	17	164,641	1.7%	5.4	BBB / Baa2 / BBB
<b>Top 10 tenants</b>		<b>28.1%</b>	<b>325</b>	<b>3,291,246</b>	<b>33.8%</b>			
11	Telus	Telecomm	1.5%	45	33,905	0.3%	4.1	BBB+ / Baa1 / BBB(H)
12	Best Buy	Other Retail	1.5%	14	151,122	1.6%	4.4	BBB+ / A3 / -
13	Indigo Books & Music	Other Retail	1.4%	13	154,364	1.6%	4.7	-
14	HBC	Dept Store	1.3%	6	589,428	6.1%	7.1	-
15	MTY Group	Food	1.3%	44	21,911	0.2%	3.3	-
16	H&M	Apparel	1.2%	11	162,461	1.7%	4.1	BBB / - / -
17	American Eagle Outfitters	Apparel	1.2%	15	74,655	0.8%	3.0	-
18	YM	Apparel	1.2%	58	311,964	3.2%	2.8	-
19	Luxottica Retail	Personal Care	1.1%	28	54,849	0.6%	2.7	A / A2 / -
20	Goodlife	Personal Care	1.1%	9	162,028	1.7%	5.5	- / B2 / -
21	Ardene	Apparel	1.0%	18	138,417	1.4%	4.8	-
22	Foot Locker	Apparel	1.0%	14	52,529	0.5%	3.9	BB+ / Ba1 / -
23	Zale Canada	Apparel	0.9%	15	22,304	0.2%	1.5	-
24	La Vie en Rose	Apparel	0.9%	23	56,476	0.6%	5.7	-
25	Sobeys	Grocery	0.9%	7	100,982	1.0%	11.9	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%	4.1	A+ / Aa2 / AA
28	Limited Brands	Apparel	0.8%	22	52,931	0.5%	2.2	BB / Ba2 / -
29	Michael Hill Jewellers	Other Retail	0.8%	18	16,152	0.2%	3.8	-
30	London Drugs	Other Retail	0.8%	2	74,267	0.8%	8.5	-
<b>Top 30 tenants</b>		<b>49.6%</b>	<b>718</b>	<b>5,608,089</b>	<b>57.7%</b>			

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

<sup>2</sup> Weighted average lease term ("WALT")

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## 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 operating cash flows.

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. 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 8.1, "Components of Net Income (Loss)").

Total operating capital and total capital expenditures for the three and nine months ended September 30, 2022 and 2021 were as follows:

(\$ thousands) (unaudited) For the periods ended September 30,	Three months <sup>1</sup>		Nine months <sup>1</sup>	
	2022	2021	2022	2021
Recoverable and non-recoverable costs	\$ 2,370	\$ 2,904	\$ 5,562	\$ 7,118
Tenant allowances and leasing costs	4,451	1,329	10,394	6,211
Total operating capital expenditures	6,821	4,233	15,956	13,329
Building improvements	438	—	660	—
Redevelopment	18,169	11,094	32,337	20,299
Capitalized interest	1,077	585	2,744	1,889
Total capital expenditures	\$ 26,505	\$ 15,912	\$ 51,697	\$ 35,517

<sup>1</sup> The capital expenditures for the three and nine months ended September 30, 2021 are for the Primaris Properties only.

Primaris endeavours to fund operating capital from cash flows from ongoing operations in order to manage the Trust on a sustainable basis. 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.

Based on management's review of the Primaris Properties' historic performance, the normalized average operating capital cost per square foot (supplementary financial measure, see Section 1, "Basis of Presentation" - "Use of Operating Metrics") is approximately \$1.70. These historical costs may not be indicative of future costs for Primaris' current 10.9 million square foot portfolio. For the 2022 fiscal year in particular, management is anticipating higher annual spending than the historical average driven by positive absorption as spaces vacated during the pandemic are leased, and previously delayed maintenance projects are completed in the current year and inflation. Management estimates operating capital expenditures for the 2022 fiscal year in the range of \$28.0 to \$30.0 million.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 8. RESULTS FROM OPERATIONS

The results of operations for Primaris for the three and nine months ended September 30, 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. See Section 14, "Financial Forecast" for a financial forecast of the 2022 annual results giving effect to the operations of the HOOPP Properties.

(\$ thousands) (unaudited)	Three months <sup>1</sup>		Nine months <sup>1</sup>	
For the periods ended September 30,	2022	2021	2022	2021
<b>Rental Revenue</b>				
Base rent	\$ 52,481	\$ 35,096	\$ 157,859	\$ 106,068
Percent rent in lieu of base rent	5,035	2,485	10,763	4,749
Property tax and insurance recoveries	14,702	7,094	45,431	25,432
Operating cost recoveries	16,768	12,465	49,345	33,509
Percentage rent	827	233	2,168	537
Straight-line rent	1,091	1,659	3,853	2,264
Lease surrender revenue	13	1,115	412	3,275
Specialty leasing revenue	2,979	1,711	8,484	4,622
Parking and other sundry revenue	255	360	1,945	1,318
	<b>94,151</b>	<b>62,218</b>	<b>280,260</b>	<b>181,774</b>
<b>Property Operating Costs</b>				
Property tax and insurance expense	(19,578)	(10,075)	(60,606)	(34,163)
Recoverable operating costs	(18,400)	(14,167)	(58,146)	(38,485)
Non-recoverable operating costs	(1,541)	(505)	(3,511)	(2,886)
Ground rent	(425)	(419)	(1,268)	(1,225)
	<b>(39,944)</b>	<b>(25,166)</b>	<b>(123,531)</b>	<b>(76,759)</b>
<b>Net Operating Income **</b>	<b>54,207</b>	<b>37,052</b>	<b>156,729</b>	<b>105,015</b>
<b>Other Income and Expenses</b>				
Interest and other income	890	623	2,655	2,049
Net interest and other financing charges	(8,619)	(4,732)	(22,882)	(14,514)
General and administrative expenses	(6,236)	(2,873)	(19,361)	(8,871)
Amortization of other assets	(374)	(65)	(767)	(195)
<b>Net Income before adjustments to fair value</b>	<b>39,868</b>	<b>30,005</b>	<b>116,374</b>	<b>83,484</b>
Adjustments to fair value of exchangeable units	—	—	—	(4,532)
Adjustments to fair value of unit-based compensation	(31)	—	1,717	—
Adjustments to fair value of investment properties	(60,335)	179,122	(104,401)	263,778
<b>Net income (loss)</b>	<b>\$ (20,498)</b>	<b>\$ 209,127</b>	<b>\$ 13,690</b>	<b>\$ 342,730</b>

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

<sup>1</sup> The results of operations for Primaris for the three and nine months September 30, 2021, were calculated under the continuity-of-interests basis (see Section 1, "Basis of Presentation"). See Section 14, "Financial Forecast" for a financial forecast of the 2022 annual results giving effect to the operations of the HOOPP Properties.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 8.1 Components of Net Income (Loss)

#### Rental Revenue

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Same Properties <sup>1</sup>	\$ 62,207	\$ 60,290	\$ 186,963	\$ 175,764
Property under redevelopment	1,587	1,928	4,989	6,010
Primaris Properties	63,794	62,218	191,952	181,774
Acquisition Properties <sup>1</sup>	30,357	—	88,308	—
<b>Property rental revenue</b>	<b>\$ 94,151</b>	<b>\$ 62,218</b>	<b>\$ 280,260</b>	<b>\$ 181,774</b>

<sup>1</sup> 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.

#### Three Months

The \$31.9 million increase in property rental revenue was attributable to \$30.3 million from the Acquisition Properties and \$1.9 million from Same Properties operations, partially offset by a \$0.3 million decline from the property under development, Northland Village.

#### Nine Months

The \$98.5 million increase in property rental revenue was attributable to \$88.3 million from the Acquisition Properties and \$11.2 million from Same Properties operations, partially offset by a \$1.0 million decline from the property under development, Northland Village.

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

Rental revenue includes certain non-cash amounts. Rental revenue 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.

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.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### Property Operating Costs

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Same Properties	\$ 24,223	\$ 23,809	\$ 76,182	\$ 73,146
Property under redevelopment	473	1,357	1,314	3,613
Primaris Properties	24,696	25,166	77,496	76,759
Acquisition Properties	15,248	—	46,035	—
<b>Property operating costs</b>	<b>\$ 39,944</b>	<b>\$ 25,166</b>	<b>\$ 123,531</b>	<b>\$ 76,759</b>

#### Three Months

The \$14.8 million increase in property operating costs was attributable to \$15.2 million from the Acquisition Properties and \$0.4 million from Same Properties operations, partially offset by a \$0.8 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 of \$0.9 million for the three months ended September 30, 2022 related to the Acquisition Properties (2021 - recovery \$0.4 million).

#### Nine Months

The \$46.8 million increase in property operating costs was attributable to \$46.0 million from the Acquisition Properties and \$3.0 million from Same Properties operations, partially offset by a \$2.2 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 \$0.9 million for the nine months ended September 30, 2022 (2021 - expense \$0.6 million).

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## 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 11, "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 and nine months ended September 30, 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. See Section 14, "Financial Forecast" for a financial forecast of the 2022 annual results giving effect to the operations of the HOOPP Properties.

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Rental Revenue	\$ 94,151	\$ 62,218	\$ 280,260	\$ 181,774
Property operating costs	(39,944)	(25,166)	(123,531)	(76,759)
<b>Net Operating Income**</b>	<b>54,207</b>	<b>37,052</b>	<b>156,729</b>	<b>105,015</b>
Exclude:				
Straight-line rent	(1,091)	(1,659)	(3,853)	(2,264)
Lease surrender revenue	(13)	(1,115)	(412)	(3,275)
<b>Cash Net Operating Income**</b>	<b>\$ 53,103</b>	<b>\$ 34,278</b>	<b>\$ 152,464</b>	<b>\$ 99,476</b>
<b>Cash NOI Margin**</b>	<b>57.1 %</b>	<b>57.7 %</b>	<b>55.2 %</b>	<b>56.4 %</b>

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

Cash NOI\*\* was higher for the three and nine months ended September 30, 2022 than for the same periods in 2021 primarily due to the contribution from the Acquisition Properties.

The Cash NOI Margin\*\* for the third quarter of 57.1% was 0.5% higher than the margin of 56.6% for the second quarter of 2022.

The Cash NOI Margins\*\* for the three and nine months ended September 30, 2022 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.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Same Properties NOI**	\$ 37,984	\$ 36,481	\$ 110,781	\$ 102,618
Exclude variances from:				
Straight-line rent	(764)	(1,646)	(2,266)	(2,229)
Lease surrender revenue	(13)	(1,115)	(412)	(3,275)
<b>Same Properties Cash NOI**</b>	<b>37,207</b>	<b>33,720</b>	<b>108,103</b>	<b>97,114</b>
<b>Same Property Growth</b>	<b>10.3 %</b>		<b>11.3 %</b>	
Cash NOI** from:				
Property under redevelopment	1,147	558	3,721	2,362
Acquisition Properties	14,749	—	40,640	—
<b>Cash NOI**</b>	<b>\$ 53,103</b>	<b>\$ 34,278</b>	<b>\$ 152,464</b>	<b>\$ 99,476</b>

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

### Three Months

The \$18.8 million increase in Cash NOI\*\* was primarily due to the contributions from Acquisition Properties.

Same Properties Cash NOI\*\* was \$3.5 million, or 10.3%, higher.

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.

### Nine Months

The \$53.0 million increase in Cash NOI\*\* was primarily due to the contributions from the Acquisition Properties.

Same Properties Cash NOI\*\* was \$11.0 million, or 11.3%, higher. The increase in Same Properties Cash NOI\*\* included \$3.1 million, or 3.1%, from recovery of prior years' property tax and change in bad debt expense.

The remaining increase of \$7.9 million, or 8.2%, was driven by higher revenues from base rent, percent rent and percent rent in lieu, specialty leasing revenue and net recoveries. 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.

### Interest and Other Income

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Interest income	\$ 21	\$ 5	\$ 42	\$ 12
Property management fees	869	618	2,613	2,037
<b>Interest and other income</b>	<b>\$ 890</b>	<b>\$ 623</b>	<b>\$ 2,655</b>	<b>\$ 2,049</b>

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 6.2, "Co-ownership Arrangements"). The increase in interest and other income was due to higher development fees earned from managing the co-owned properties.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### Net Interest and Other Financing Charges

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Interest on mortgages payable	\$ 3,916	\$ 4,463	\$ 12,549	\$ 15,200
Interest on senior unsecured debentures	3,863	—	7,898	—
Bank interest and charges on credit facilities	1,513	755	4,006	1,163
Distributions on exchangeable units	—	—	—	500
Subtotal (for use in financial condition calculations) <sup>1</sup>	9,292	5,218	24,453	16,863
Finance charge - lease liability	67	—	202	—
Amortization of financing costs	427	193	1,243	342
Amortization of mark-to-market adjustments	(90)	(94)	(272)	(802)
Less capitalized interest	(1,077)	(585)	(2,744)	(1,889)
<b>Net interest and other financing charges</b>	<b>\$ 8,619</b>	<b>\$ 4,732</b>	<b>\$ 22,882</b>	<b>\$ 14,514</b>

<sup>1</sup> See Section 9.4, "Capital Structure".

#### Three Months

The \$3.9 million increase in net interest and other financing charges was attributable to the issuance of debentures on March 30, 2022. The proceeds were used to pay off the debt incurred from the acquisition of the HOOPP Properties.

#### Nine Months

The \$8.4 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.

### General and Administrative Expenses

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Salaries, benefits and employee costs	\$ 6,438	\$ 3,299	\$ 18,566	\$ 10,599
Professional fees	608	410	1,989	920
Information technology costs	282	307	1,388	970
Investor relations and other public entity costs	486	—	1,722	—
Other	643	512	2,363	1,357
	8,457	4,528	26,028	13,846
Less: Allocations to recoverable operating costs	(2,221)	(1,655)	(6,667)	(4,975)
<b>General and administrative expenses</b>	<b>\$ 6,236</b>	<b>\$ 2,873</b>	<b>\$ 19,361</b>	<b>\$ 8,871</b>

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, and certain additional costs related to becoming a stand-alone public entity. As such, Primaris has incurred public entity costs in the nine months ended September 30, 2022 which were not incurred in the nine months ended September 30,

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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 nine months ended September 30, 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 nine months ended September 30, 2022, may not be indicative of the expenses that will be incurred in future years. Section 14, "Financial Forecast" discloses a financial forecast of the 2022 annual results using management's best estimates at the time of publishing. The Forecast shows a higher run rate for general and administrative expenses in subsequent quarters as more personnel and management programs are expected to come online.

### Three Months

For the three months ended September 30, 2022, general and administrative expenses were higher by \$3.4 million than 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 September 30, 2022, these internal leasing costs totaled \$1.3 million (2021 - \$1.0 million).

### Nine Months

For the nine months ended September 30, 2022, general and administrative expenses were higher by \$10.5 million than 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 nine months ended September 30, 2022, these internal leasing costs totaled \$4.3 million (2021 - \$3.1 million).

### Amortization of other assets

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
<b>Amortization of other assets</b>	<b>\$ 374</b>	<b>\$ 65</b>	<b>\$ 767</b>	<b>\$ 195</b>

Amortization increased for the three and nine months ended September 30, 2022 over the comparable periods in 2021 due to the amortization of the Dropit digital marketing platform.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### Adjustments to Fair Value

(\$ thousands) (unaudited) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
Adjustments to fair value of exchangeable units	\$ —	\$ —	\$ —	\$ (4,532)
Adjustments to fair value of unit-based compensation	(31)	—	1,717	—
Adjustments to fair value of investment properties	(60,335)	179,122	(104,401)	263,778

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 12, "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 6.1, "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) For the periods ended September 30,	Three months		Nine months	
	2022	2021	2022	2021
<b>Net income before adjustments to fair value</b>	\$ 39,868	\$ 30,005	\$ 116,374	\$ 83,484
Adjustments to fair value of exchangeable units	—	—	—	(4,532)
Adjustments to fair value of unit-based compensation	(31)	—	1,717	—
Adjustments to fair value of investment properties	(60,335)	179,122	(104,401)	263,778
<b>Net income (loss)</b>	\$ (20,498)	\$ 209,127	\$ 13,690	\$ 342,730

#### Three Months

For the three months ended September 30, 2022, the net income was \$229.6 million lower than 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, net income was \$9.9 million higher than the same period in 2021 due to a \$17.1 million increase in NOI\*\* primarily driven by the Acquisition Properties, partially offset by a \$3.9 increase in net interest and other financing charges driven by the Acquisition Properties and a \$3.4 million increase in general and administrative expenses.

#### Nine Months

For the nine months ended September 30, 2022, the net income was \$329.0 million lower than 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, net income was \$32.9 million higher than the same period in 2021 due to a \$51.7 million increase in NOI\*\* primarily driven by the Acquisition Properties, partially offset by a \$8.4 increase in net interest and other financing charges driven by the Acquisition Properties and a \$10.5 million increase in general and administrative expenses.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 8.2 FFO and AFFO

FFO\*\* and AFFO\*\* are non-GAAP measures (see Section 11, "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 and nine months ended September 30, 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 September 30, 2022			
		Three months	Nine months
Net income (loss)	\$	(20,498)	\$ 13,690
Reverse:			
Adjustments to fair value of unit-based compensation		31	(1,717)
Adjustments to fair value of investment properties		60,335	104,401
Internal expenses for leases		1,349	4,255
<b>Funds from Operations**</b>	<b>\$</b>	<b>41,217</b>	<b>\$ 120,629</b>
FFO** per unit - average basic	\$	0.414	\$ 1.199
FFO** per unit - average diluted	\$	0.411	\$ 1.193
FFO Payout Ratio** - Target 45% - 50%		48.6 %	50.3 %
Funds from Operations**	\$	41,217	\$ 120,629
Reverse:			
Internal expenses for leases		(1,349)	(4,255)
Straight-line rent		(1,091)	(3,853)
Deduct:			
Recoverable and non-recoverable costs		(2,370)	(5,562)
Tenant allowances and external leasing costs		(4,451)	(10,394)
<b>Adjusted Funds from Operations**</b>	<b>\$</b>	<b>31,956</b>	<b>\$ 96,565</b>
AFFO** per unit - average basic	\$	0.321	\$ 0.960
AFFO** per unit - average diluted	\$	0.319	\$ 0.955
AFFO Payout Ratio**		62.7 %	62.9 %
Distributions declared per unit	\$	0.200	\$ 0.600
Weighted average Units outstanding - basic (in thousands)		99,543	100,637
Weighted average Units outstanding - diluted (in thousands)		100,183	101,154
Number of Units outstanding - end of period (in thousands)		98,926	98,926

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

To capitalize on the Unit price trading below NAV\*\*, the Trust purchased units for cancellation, on a leverage neutral basis (see Section 9.7, "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 an average diluted basis (see Section 9.4, "Capital Structure", for the impact of the purchase of Units on NAV\*\*).

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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.

(\$ thousands except per unit amounts) (unaudited) For the period ended September 30, 2022	Nine months		Annualized	
FFO**	\$	120,629	\$	161,846
AFFO**	\$	96,565	\$	128,521
Units cancelled under NCIB (in thousands)		2,673		2,673
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".

The composition of FFO\*\* and AFFO\*\* for the three and nine months ended September 30, 2022 is detailed below.

(\$ thousands except per unit amounts) (unaudited) For the periods ended September 30, 2022	Three months		Nine months	
	Contribution	per unit	Contribution	per unit
NOI** from:				
Same Properties	\$ 37,984	\$ 0.379	\$ 110,781	\$ 1.095
Property under redevelopment	1,114	0.011	3,675	0.036
Acquisition Properties	15,109	0.151	42,273	0.418
Interest and other income	890	0.009	2,655	0.026
Net interest and other financing charges	(8,619)	(0.086)	(22,882)	(0.226)
General and administrative expenses (net of internal expenses for leases)	(4,887)	(0.049)	(15,106)	(0.149)
Amortization	(374)	(0.004)	(767)	(0.008)
<b>FFO** and FFO** per unit - average diluted</b>	<b>\$ 41,217</b>	<b>\$ 0.411</b>	<b>\$ 120,629</b>	<b>\$ 1.193</b>
Internal expenses for leases	(1,349)	(0.013)	(4,255)	(0.042)
Straight-line rent	(1,091)	(0.011)	(3,853)	(0.038)
Recoverable and non-recoverable costs	(2,370)	(0.024)	(5,562)	(0.055)
Tenant allowances and leasing costs	(4,451)	(0.044)	(10,394)	(0.103)
<b>AFFO** and AFFO** per unit - average diluted</b>	<b>\$ 31,956</b>	<b>\$ 0.319</b>	<b>\$ 96,565</b>	<b>\$ 0.955</b>

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

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. The results from the three and nine months ended September 30, 2022 are not necessarily indicative of the subsequent quarters.

For the 2022 fiscal year, management is anticipating AFFO\*\* to be impacted by operating capital expenditures higher than the historical average as maintenance projects and leasing deals delayed during the pandemic are expected to be completed in the current year.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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.

(\$ thousands except per unit amounts) (unaudited)

For the three months ended	September 30, 2022	June 30, 2022	Change	Change per unit
NOI** from:				
Same Properties	\$ 37,984	\$ 38,079	\$ (95)	\$ (0.001)
Property under redevelopment	1,114	1,241	(127)	(0.001)
Acquisition Properties	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
<b>FFO**</b>	<b>\$ 41,217</b>	<b>\$ 40,488</b>	<b>\$ 729</b>	<b>\$ 0.012</b>
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)
<b>AFFO**</b>	<b>\$ 31,956</b>	<b>\$ 33,691</b>	<b>\$ (1,735)</b>	<b>\$ (0.013)</b>

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

### FFO\*\*

The \$0.012 increase in quarter over quarter FFO\*\* per unit was driven by \$0.010 from timing of general and administrative expenses and \$0.002 from NOI\*\*; partially offset by higher financing and general and administrative expenses. Same Property NOI in the second quarter included \$0.019 from recovery of prior years' property tax. The change in Units outstanding, as a result of NCIB activity, contributed \$0.005 to the increase.

### AFFO\*\*

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.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 9. LIQUIDITY AND CAPITAL RESOURCES

#### 9.1 Major Cash Flow Components

The cash flows for Primaris for the three and nine months ended September 30, 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 September 30,	Three months		Nine months	
	2022	2021	2022	2021
Cash and cash equivalents, beginning of period	\$ —	\$ 7,816	\$ 5,636	\$ 15,008
Cash flows from (used in) operating activities	50,900	12,758	116,359	(152,354)
Cash flows from (used in) financing activities	(25,458)	(2,729)	(78,509)	173,492
Cash flows from (used in) investing activities	(25,428)	(15,327)	(43,472)	(33,628)
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 14</b>	<b>\$ 2,518</b>	<b>\$ 14</b>	<b>\$ 2,518</b>

#### Cash flows from (used in) operating activities

##### Three Months

The 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 three months ended September 30, 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.

##### Nine Months

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 nine months ended September 30, 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 increase in cash flows used in financing activities was primarily due to cash outflows for NCIB activity and distributions paid in 2022.

##### Nine Months

The year-over-year increase in cash flows used in financing activities was primarily due to net borrowing activity of \$173.9 million compared to net borrowing activity of \$14.8 million in 2022. In 2022, Primaris also had cash outflows for NCIB activity and distributions.

#### Cash flows from (used in) investing activities

##### Three Months

The increase in cash flows used in investing activities was due to increased capital spending.

##### Nine Months

The year-over-year increase in cash flows used in investing activities was due to increased capital spending, partially offset by proceeds from disposition.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 9.2 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.

(\$ thousands) (unaudited)		
As at	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 14	\$ 5,636
Unused portion of credit facilities	364,000	17,000
<b>Liquidity</b>	<b>\$ 364,014</b>	<b>\$ 22,636</b>

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

(\$ thousands) (unaudited)			
As at	Target Ratio	September 30, 2022	December 31, 2021
Unencumbered assets - number		28	26
Unencumbered assets - value		\$ 2,645,293	\$ 1,879,788
Unsecured Debt to Total Debt**	>60%	63.3%	—
Unencumbered Assets to Unsecured Debt**		4.4x	—
Percent of Cash NOI** generated by unencumbered assets		81.9%	55.5%

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

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.

### 9.3 Components of Total Debt

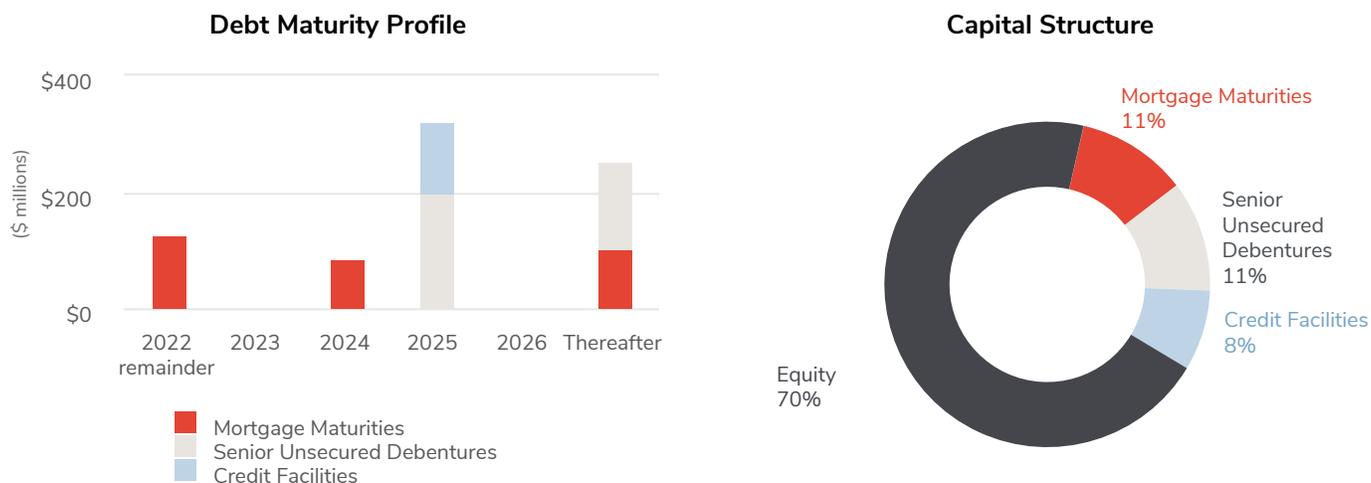
Future principal repayments of Primaris' outstanding debt are as follows:

(\$ thousands) (unaudited)								
As at September 30, 2022	Senior Unsecured Debentures	Rate <sup>1</sup>	Mortgage Maturities	Rate <sup>1</sup>	Mortgage Amortization Payments	Rate <sup>1</sup>	Total Debt	Rate <sup>1</sup>
2022 remainder	\$ —		\$ 126,375	4.14%	\$ 3,103	3.68%	\$ 129,478	4.13%
2023	—		—		6,877	3.37%	6,877	3.37%
2024	—		86,147	3.01%	5,030	3.48%	91,177	3.04%
2025	200,000	4.27%	—		3,975	3.66%	203,975	4.26%
2026	—		—		4,120	3.66%	4,120	3.66%
Thereafter	150,000	4.73%	101,898	3.69%	7,633	3.56%	259,531	4.28%
	<b>\$ 350,000</b>	<b>4.46%</b>	<b>\$ 314,420</b>	<b>3.68%</b>	<b>\$ 30,738</b>	<b>3.55%</b>	<b>\$ 695,158</b>	<b>4.07%</b>
Unamortized financing costs and mark-to-market adjustments	(1,836)				(479)		(2,315)	
<b>Net debt</b>	<b>\$ 348,164</b>		<b>\$ 314,420</b>		<b>\$ 30,259</b>		<b>\$ 692,843</b>	

<sup>1</sup> Weighted average effective interest rate

# 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 September 30, 2022, the senior unsecured debentures had a weighted average interest rate of 4.46% and a weighted average term to maturity of 3.4 years.

Management has targeted secured debt as a percent of total debt to 40% or less. The ratio was 36.7% as at September 30, 2022.

### Mortgages payable

At September 30, 2022, Primaris had \$345.2 million (December 31, 2021 - \$580.0 million) mortgages payable bearing interest at fixed rates with a weighted average effective interest rate of 3.67% (December 31, 2021 - 3.05%) and a weighted term to maturity of 2.6 years (December 31, 2021 - 2.2 years).

### 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 maturing January 4, 2025. 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. \$120.0 million was drawn on this facility at September 30, 2022.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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 BA plus 1.50%, and contains certain financial covenants. As at September 30, 2022, Primaris had drawn \$125.0 million on this facility and the remaining balance was subsequently drawn on November 1, 2022. All proceeds were used to repay maturing mortgages.

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.

Primaris also has a \$10.0 million revolving demand facility to finance temporary overdraft positions bearing interest at Prime plus 0.50%. Nothing was drawn on this facility at September 30, 2022 (December 31, 2021 – nil).

### 9.4 Capital Structure

(\$ thousands) (unaudited)					
As at	September 30, 2022	December 31, 2021	Change	Change per unit	
Investment Properties	\$ 3,149,838	\$ 3,204,188	\$ (54,350)	\$ (0.54)	
Other assets	31,474	43,654	(12,180)	(0.12)	
<b>Total assets</b>	<b>3,181,312</b>	<b>3,247,842</b>	<b>(66,530)</b>	<b>(0.66)</b>	
Mortgages payable	(345,158)	(580,000)	234,842	2.31	
Senior unsecured debentures	(350,000)	—	(350,000)	(3.45)	
Credit facilities	(245,000)	(143,000)	(102,000)	(1.00)	
Note payable <sup>1</sup>	—	(200,210)	200,210	1.97	
<b>Total Debt**</b>	<b>(940,158)</b>	<b>(923,210)</b>	<b>(16,948)</b>	<b>(0.17)</b>	
Other liabilities, excluding exchangeable units	(84,830)	(78,328)	(6,502)	(0.06)	
Reverse: Obligation for purchase of Units under automatic share purchase plan <sup>2</sup>	6,637	—	6,637	0.07	
<b>Impact of variance in outstanding Units</b>				<b>0.57</b>	
<b>Net Asset Value**</b>	<b>\$ 2,162,961</b>	<b>\$ 2,246,304</b>	<b>\$ (83,343)</b>	<b>\$ (0.25)</b>	
Net Asset Value** per unit outstanding	\$ 21.86	\$ 22.11			
Debt to Total Assets** <sup>3</sup> - Target 25% - 35%	29.6%	28.4%			
Number of Units outstanding - end of period (in thousands)	98,926	101,588			

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

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

<sup>2</sup> 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.

<sup>3</sup> The debt ratios are non-GAAP ratios calculated based on the Trust Indentures, as supplemented.

NAV per unit\*\* of \$21.86 as at September 30, 2022 was \$0.25 lower than as at December 31, 2021. The decline in NAV per unit\*\* was driven by a \$0.54 decrease due to the net decline in the value of the investment properties and a \$0.17 decrease due to increased debt; partially offset by the \$0.57 increase from the impact of the NCIB activity.

To capitalize on the Unit price trading below NAV\*\*, the Trust purchased units for cancellation on a leverage neutral basis. As at September 30, 2022, Primaris had purchased 2,672,900 Units for cancellation at an average value per unit of \$13.72 representing a discount of 37.2% of NAV\*\* (or 37.9% from the NAV\*\* of \$22.11 as at December 31, 2021).

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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 September 30, 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 September 30, 2022			
		Three months	Nine months
Net income (loss)	\$	(20,498)	\$ 13,690
Net interest and other financing charges		8,619	22,882
Amortization		374	767
Adjustments to fair value of unit-based compensation		31	(1,717)
Adjustments to fair value of investment properties		60,335	104,401
Adjusted EBITDA**	\$	48,861	\$ 140,023
Adjusted EBITDA** <sup>1</sup> - annualized	\$	195,444	\$ 186,697
Average debt	\$	933,168	\$ 931,684
<b>Average Debt to Adjusted EBITDA** - Target 4.0x - 6.0x</b>		<b>4.8x</b>	<b>5.0x</b>
Interest expense <sup>2</sup>	\$	9,292	\$ 24,453
<b>Interest Coverage**<sup>1</sup></b>		<b>5.3x</b>	<b>5.7x</b>
Principal repayments	\$	3,889	\$ 13,240
Interest expense <sup>2</sup>	\$	9,292	\$ 24,453
<b>Debt Service Coverage**<sup>1</sup></b>		<b>3.7x</b>	<b>3.7x</b>

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

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

<sup>2</sup> Interest expense includes interest on senior unsecured debentures, mortgages, and credit facilities. See Section 8.1, "Components of Net Income (Loss)".

### 9.5 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").

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

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 9.6 Unit Equity

As at November 2, 2022, there were 98,417 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 the Tax Act.

In the nine months ended September 30, 2022, Primaris declared \$60,326 in distributions (2021 - nil). The monthly distributions, to date, reflect an annualized distribution of \$0.80 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%, in 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 and nine months ended September 30, 2022.

(\$ thousands) (unaudited)			
For the periods ended September 30, 2022			
		Three months	Nine months
Cash flows provided operating activities	\$	50,900	\$ 116,359
Distributions declared		(19,875)	(60,326)
<b>Excess of cash flows provided by operating activities over distributions</b>	<b>\$</b>	<b>31,025</b>	<b>\$ 56,033</b>

(\$ thousands) (unaudited)			
For the periods ended September 30, 2022			
		Three months	Nine months
AFFO**	\$	31,956	\$ 96,565
Distributions declared		(19,875)	(60,326)
<b>Excess of AFFO** over distributions declared</b>	<b>\$</b>	<b>12,081</b>	<b>\$ 36,239</b>

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 9.7 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](mailto:info@primarisreit.com).

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 nine months ended September 30, 2022, Primaris purchased for cancellation 2,672,900 Units under the NCIB at an average value per unit of approximately \$13.72, or \$36.8 million, representing a discount to NAV\*\* of approximately 37.2%, and an increase of \$0.043 to annualized FFO\*\* per unit cancelled. The NCIB activity increased NAV\*\* per unit outstanding at September 30, 2022 by \$0.57.

At September 30, 2022, Primaris recorded an obligation in liabilities of \$6,673 for the commitment to purchase Units under the ASPP.

### 9.8 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 September 30, 2022, Primaris had outstanding letters of credit totaling \$987 (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 September 30, 2022, Primaris had issued guarantees relating to co-owners' share of mortgage liabilities amounting to \$109,685 (December 31, 2021 - \$111,120), which expire between 2022 and 2027 (December 31, 2021 - 2022 and 2027).

### 9.9 Contractual Obligations

The undiscounted future repayments on Primaris' debt instruments, and other contractual obligations, as at September 30, 2022 were as follows:

(\$ thousands) (unaudited)	2022 remainder	2023	2024	2025	2026	Thereafter	Total
Senior unsecured debentures	\$ —	\$ —	\$ —	\$ 200,000	\$ —	\$ 150,000	\$ 350,000
Mortgages payable - principal and interest	132,290	13,983	96,538	8,162	8,162	115,788	374,923
Other <sup>1</sup>	23,014	28,601	2,198	2,214	2,228	16,588	74,843
<b>Total obligation</b>	<b>\$ 155,304</b>	<b>\$ 42,584</b>	<b>\$ 98,736</b>	<b>\$ 210,376</b>	<b>\$ 10,390</b>	<b>\$ 282,376</b>	<b>\$ 799,766</b>

<sup>1</sup> Includes commitments on office leases, land leases, and capital projects.

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

### 10. QUARTERLY RESULTS OF OPERATIONS

The results for Primaris for the years ended December 31, 2021 and 2020, 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. The values below, other than where noted, also include the impact on the Trust's financial position of the HOOPP Properties. The numbers exclude the impacts of properties sold prior to December 31, 2020 and other adjustments unrelated to the ownership and operations of the Primaris Properties.

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)	Primaris Properties Only							
	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020
Number of investment properties	35	35	35	35	27	27	27	27
GLA (in millions of sq. ft.)	10.9	11.3	11.3	11.5	7.6	7.6	7.6	7.6
In-place occupancy	90.7%	86.5%	85.9%	86.0%	87.9%	87.3%	87.3%	88.2%
Committed occupancy	91.7%	87.4%	87.5%	87.5%	90.7%	90.1%	89.7%	89.9%
Total assets (in millions)	\$ 3,181	\$ 3,220	\$ 3,258	\$ 3,248	\$ 2,423	\$ 2,233	\$ 2,231	\$ 2,135
Total liabilities (in millions)	\$ 1,025	\$ 1,006	\$ 1,004	\$ 1,057	\$ 1,067	\$ 1,086	\$ 1,126	\$ 1,133
Rental revenue	\$ 94,151	\$ 94,337	\$ 91,772	\$ 66,113 <sup>PP</sup>	\$ 62,219	\$ 58,460	\$ 61,096	\$ 69,429
Cash NOI**	\$ 53,103	\$ 52,463	\$ 46,898	\$ 35,637 <sup>PP</sup>	\$ 34,259	\$ 32,994	\$ 32,223	\$ 37,695
Net income (loss)	\$(20,498)	\$ 4,157	\$ 30,031	\$ (1,741) <sup>PP</sup>	\$ 209,110	\$ 16,947	\$ 116,673	\$ 16,482
Operating capital expenditures	\$ 6,821	\$ 3,976	\$ 5,159	\$ 4,494 <sup>PP</sup>	\$ 2,909	\$ 3,070	\$ 1,145	\$ 2,932

\*\* Denotes a non-GAAP measure. See Section 1, "Basis of Presentation" – "Use of Non-GAAP Measures" and Section 11, "Non-GAAP Measures".

<sup>PP</sup> Denotes values which do not include operating results of the HOOPP Properties for the three months ended December 31, 2021.

Primaris' quarterly results shown above were impacted by the COVID-19 pandemic, particularly in 2020 when there was the greatest uncertainty. Cash NOI\*\* in 2020 was impacted by credit losses on tenant rents receivable and the Canadian Emergency Commercial Rental Assistance program. In Q3 2021, Primaris received the required conditional municipal approvals for the Dufferin Grove development (see Section 6.3, "Redevelopment and Development") impacting net income favourably by a fair value adjustment to investment properties. In-place and committed occupancy were negatively impacted by the acquisition of the HOOPP Properties in Q4 2021. Rental revenue and Cash NOI\*\* were positively impacted in 2022 by the acquisition of the HOOPP Properties.

### 11. 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

# PRIMARIS REAL ESTATE INVESTMENT TRUST

## Management's Discussion and Analysis

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)	<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>	Section 8.1, "Components of Net Income (Loss)"
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>	Section 8.1, "Components of Net Income (Loss)"
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>	Section 8.1, "Components of Net Income (Loss)"
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 result 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>	Section 8.1, "Components of Net Income (Loss)"
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>	Section 8.2, "FFO and AFFO"

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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>	Section 8.2, "FFO and AFFO"
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>	Section 8.2, "FFO and AFFO"
Unsecured Debt to Total Debt	<p>Unsecured Debt to Total Debt is a non-GAAP ratio calculated as total unsecured debt divided by total debt.</p> <p>This ratio is a useful measure of the Trust's relative exposure to secured and unsecured debt in relation to total debt.</p>	Section 9.2, "Liquidity and Unencumbered Assets "
Unencumbered Assets to Unsecured Debt	<p>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.</p> <p>This ratio is a useful measure of the investment properties available to satisfy unsecured debt obligations.</p>	Section 9.2, "Liquidity and Unencumbered Assets "
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>	Section 9.4, "Capital Structure"
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>	Section 9.4, "Capital Structure"
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 end of the period.</p>	Section 9.4, "Capital Structure"
Adjusted Earnings before Income, Tax, Depreciation and Amortization (Adjusted EBITDA)	<p>Adjusted EBITDA is calculated as net income (loss) 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>	Section 9.4, "Capital Structure"

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Non-GAAP Measure	Description	Reconciliation
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 9.4, "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 9.4, "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 9.4, "Capital Structure"

## 12. 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. Management believes the risk factors described in the Trust's Annual Information Form ("AIF") for the year ended December 31, 2021 and the MD&A in the 2021 Report to Unitholders, which are available online on [www.sedar.com](http://www.sedar.com), 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 and Primaris' ability to make cash distributions to Unitholders and negatively affect the value of the Units.

## 13. OTHER DISCLOSURES

### 13.1 Environmental, Social and Governance Initiatives ("ESG")

Primaris believes that ESG is an essential component of responsible governance. The Trust is in the process of transitioning beyond its continuing Corporate, Social and Responsibility ("CSR") initiatives to establish an ESG framework that is inline with its business strategy and responsive to the evolving needs of the Trust's various stakeholders.

The ESG strategy development is led by the Board of Trustees, and ultimately the committees of the Board will monitor the program results against set targets. In addition to significant involvement from senior leadership across all functional areas of the business, Primaris will, from time to time, engage with experienced consultants to guide the Trust in the implementation of best practices.

Accelerating Primaris' ESG effort started with taking the necessary steps to understand the most material ESG factors that affect the Trust. ESG risks and opportunities were identified and prioritized through a materiality assessment. The output from the materiality assessment was used as the foundation to inform the ongoing development of the strategic framework.

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To date, Primaris' continuing CSR initiatives and successes are highlighted below:

### Environmental

- Achieved targeted 5% energy reduction in 2021 across the Primaris Properties;
- Primaris executed waste reduction work plans at 100% of the Primaris Properties;
- Implemented energy management plans resulting in 67% of common areas having high efficiency lighting in the Primaris Properties;
- Included waste sorting stations in all food court renovations undertaken in the last five years;
- Targeted 80% construction waste diversion rates with actual results closer to 100%;
- Committed to the use of re-useable hoarding in the markets where it is available;
- Installed EV charging stations at 41% of the Primaris Properties; and
- Committed to storm water management programs across the Primaris Properties.

As a result of the above initiatives, all Primaris Properties have achieved BOMA Best ratings of Bronze or higher and two Primaris Properties are LEED Canada certified.

### Social

- Continued to participate in community charitable events;
- Recognized and financially rewarded employees who demonstrated the Trust's values; and
- Supported the mental, physical, and social well-being of Primaris employees by providing medical coverage, extended health coverage, fitness allowance, educational assistance, paid vacation, flex time, and personal time off.

As a result of the above initiatives, more than 60% of full-time employees have been with Primaris for over 5 years, with 10% of the team having been with Primaris for more than 20 years. Overall, 60% of Primaris' team are women.

### Governance

- Carefully constructed the Board with attention to each member's skill set and independence;
- A majority of the Trustees and a majority of all committee members are independent;
- Enacted a code of business conduct and ethics and policies for whistle-blowing, insider trading, disclosure and social media;
- Each employee annually reviews and renews their intention to comply with Primaris' policies;
- Hedging of Primaris' securities by employees and Trustees is prohibited;
- Expenditure authority limits are established for management;
- Risk management principles are incorporated into all decision-making processes to ensure that the compensation programs do not encourage inappropriate or excessive risk-taking;
- Compensation is tied to performance and there are no guaranteed increases for executives;
- Independent compensation experts provide guidance to the Compensation, Governance and Nominating Committee; and
- Minimum unit ownership guidelines have been enacted for the Trustees, CEO, CFO, COO and SVPs.

As a result of the above initiatives, Primaris began with, and will continue to have, a strong governance foundation and a commitment to good governance principles.

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Recognizing the importance of exercising corporate social responsibility, the CSR committee and the newly formed ESG steering committee are working towards various priorities and goals including:

- Developing strategic goals and target metrics to compare against selected frameworks;
- Certifying all Primaris properties as BOMA BEST Silver or greater, and assessing the HOOPP Properties;
- Uncovering opportunities and continuously adopting and implementing improved governance practices as industry standards evolve;
- Increasing sustainability-related information across all marketing and communications platforms, materials, and channels for Primaris and all properties;
- Implementing a monitoring process to measure progress by reviewing scores from third-party rating agencies;
- Continuing to prioritize and improve on cultivating safe, comfortable, and inclusive spaces and experiences for all;
- Ensuring orientation of the newly elected Trustees;
- Developing a long-term incentive compensation program that will link long-term financial and operational goals to compensation, retention of talent and alignment of the interests of management with those of its Unitholders; and
- Developing the Trust's leadership and succession plans.

### 13.2 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 property and in distinguishing whether amounts expended under leasing obligations are tenant allowances or incentives. Primaris also applied judgement in determining whether the 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 the economic impact of 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.

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### **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 doubtful accounts is subject to a degree of uncertainty which is compounded by the unprecedented impacts of 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.

## **13.3 Internal Controls Over Financial Reporting**

### **Disclosure Controls and Procedures; and Internal Control Over Financial Reporting**

Management is 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.

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Management is also 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.

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.

### **Limitation on Scope of Design**

In accordance with the provisions of National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Trust's management, including the CEO and CFO, have limited the scope of their design of the Trust's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of the HOOPP Properties. The HOOPP Properties, which were acquired on December 31, 2021, accounted for approximately 31.5% of property rental revenue for the nine months ended September 30, 2022 and approximately 25.5% of investment properties as at September 30, 2022.

The assessment on the HOOPP Properties design effectiveness of disclosure controls and procedures and the harmonization of the internal controls over financial reporting frameworks is expected to be completed by December 31, 2022.

Further details related to the acquisition of the HOOPP Properties are disclosed in the Trust's AIF under the section entitled "Interest of Management and Others in Material Transactions" and under Note 4(b) in the Trust's consolidated and combined carve-out financial statements for the years ended December 31, 2021 and 2020.

### **13.4 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 September 30, 2022, HOOPP continued to own in excess of 10% of the Trust Units.

### **13.5 Subsequent Events**

On November 1, 2022, Primaris repaid a \$86.3 million maturing mortgage with proceeds primarily from the non-revolving unsecured credit 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.

Purchased an additional 498,400 Units under the ASPP for consideration of \$6.6 million as of November 2, 2022, for total year-to-date NCIB purchases of 3,171,300 Units at an average price of \$13.65, or a discount to NAV\*\* of approximately 38%.

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.

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### 14. FINANCIAL FORECAST

In its Circular, Former Parent published a financial forecast of Primaris's expected net income and its components for the year ended December 31, 2022, giving effect to the Arrangement and the acquisition of the HOOPP Properties. The Former Parent prepared the financial forecast in accordance with the significant accounting policies Former Parent expected Primaris to apply and otherwise used assumptions with an effective date of November 3, 2021 that reflected an intended course of action for Primaris for the periods covered given judgement as to the most probable set of economic conditions.

In the Trust's annual management discussion for the year ended December 31, 2021 (the "Annual MD&A"), the Trust updated the financial forecast, which updated forecast was substantially consistent with the forecast published by the Former Parent, subject to the reclassification of certain amounts from how they were presented by the Former Parent to how they were presented in the December 31, 2021 annual combined carve-out statement of income, as further described in the Annual MD&A. Set out below is a further revision of the forecast (as revised, the "Forecast"), reflecting the most recent information available to management, including the actual results from the period of operations from January 1, 2022 to September 30, 2022.

The Forecast has been 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 interim and annual financial statements, which are described in detail in the Trust's audited consolidated and combined carve-out financial statements and accompanying notes for the year ended December 31, 2021.

Readers are cautioned that there is a significant risk that actual results achieved during the Forecast period (being for the year ending December 31, 2022) will vary from the forecasted results and that such variations may be material.

The below chart presents the effect of management's cumulative revisions including the actual results of operations from January 1, to September 30, 2022.

Financial Forecast December 31, 2022					
(\$ millions) (unaudited)	As Restated in Annual MD&A	Reclassification <sup>3</sup>	Additional Management Revisions <sup>4</sup>	Current Forecast	
Total revenue	\$ 361.9	\$ —	\$ 14.6	\$ 376.5	
Property operating costs	(174.4)	3.6	5.9	(164.9)	
Net Operating Income** <sup>1</sup>	187.5	3.6	20.5	211.6	
Other income	1.2	2.3	(0.2)	3.3	
Operating finance costs	(35.1)	—	1.7	(33.4)	
General and administrative expenses <sup>2</sup>	(16.1)	(5.9)	(5.3)	(27.3)	
Amortization	—	—	(1.1)	(1.1)	
<b>Forecasted net income</b>	<b>\$ 137.5</b>	<b>\$ —</b>	<b>\$ 15.6</b>	<b>\$ 153.1</b>	

<sup>1</sup> Forecasted Net Operating Income\*\* includes approximately \$4.8 million of forecasted straight-line rent.

<sup>2</sup> Included in 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 nine months ended September 30, 2022, these internal charges totaled \$4.3 million and management expects similar charges in the subsequent quarter. These internal leasing charges are added back to net income in the calculation of FFO\*\* in accordance with the recommendations of REALPAC.

<sup>3</sup> This column reflects reclassification made subsequent to the publication of the Annual MD&A. For further details, see Section 14.1, "Summary of Significant Changes to the Financial Forecast" - "Reclassifications".

<sup>4</sup> The revisions shown in this column reflect management's revisions since the publication of the Annual MD&A, other than reclassifications, based on the actual results of operations from January 1 through September 30, 2022, and prospects for the remainder of 2022. For further details, see Section 14.1, "Summary of Significant Changes to the Financial Forecast" - "Revisions".

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### 14.1 Summary of Significant Changes to the Forecast

#### Reclassifications

The financial forecast, presented in the December 31, 2021 MD&A, included a reclassification of the internal charge for property management fees based on the information available in the preparation of the combined carve-out statement of income for the Primaris Properties. This reclassification was intended to align the presentation of forecasted results to the accounting policies of the Trust. This reclassification only captured a portion of the property management fees in the financial forecast prepared by Former Parent.

The Forecast presented was adjusted for an additional reclassification to eliminate the remaining internal charge for property management fees, that was included in the Former Parent's financial forecast, from property operating costs and adjust the portion of the management fee forecasted to be earned from services provided to co-owners. The result of such elimination and reclassification was an offsetting increase in general and administrative expenses with no change to net income.

#### Revisions

Management revised the net income from the financial forecast prepared by Former Parent for the most recent information available, including the actual results from the period of operations from January 1, 2022 to September 30, 2022.

Forecast NOI\*\* was updated to reflect in-places leases as at September 30, 2022, committed lease deals for future tenant possessions, and updated assumptions on speculative future leasing activity on vacant space and near term expiring leases. The revised assumptions for future leasing activity were based on information available to management from continuing conversations with tenants and speculative tenants, and changing assumptions associated with the impacts of COVID-19. Notably, estimates for occupancy rates and revenue from percent rent in lieu leases were updated to reflect less pessimism around the impacts of COVID-19 on enclosed malls given the effectiveness of the vaccines. The revised forecast also reflected positive trends in recent leasing activity, mall traffic, and tenants' sales reports. Forecast operating cost expenditures were reviewed to reflect the up-to-date information available to management, including the actual results to September 30, 2022.

Forecast operating finance costs were updated to remove the impact of \$2.7 million for distributions on exchangeable units issued as part of the Arrangement which were converted to Trust Units on January 4, 2022. Interest expense on the credit facilities was increased to reflect the Bank of Canada's increase to the benchmark interest rate. The Forecast also incorporated actual results to September 30, 2022 and the terms of the senior unsecured debentures issued on March 30, 2022.

Forecast general and administrative expenses were updated to reflect the costs of operating Primaris as a stand-alone public entity, which are higher than previously estimated. The increase considered additional personnel, consulting fees and software to implement and manage internal control and governance programs, including ESG initiatives, and the implementation of a unit-based compensation program.

Forecast amortization was updated to incorporate the impacts of amortizing leasehold improvements on office space and the Dropit digital marketing platform.