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### RETROCOM MID-MARKET REIT ANNOUNCES QUARTERLY FINANCIAL RESULTS

**Toronto, Ontario** – August 14, 2006 – (TSX: **RMM.UN**) - Retrocom Mid-Market Real Estate Investment Trust announced today its financial results for the three and six month periods ended June 30, 2006.

#### Highlights

- Net Operating Income for the quarter ended increased to \$8.6 million from \$5.2 million achieved on last year's second quarter results.
- In the second quarter, distributions paid to Unitholders were 102% of Distributable Income compared to 109% in the same period last year.
- Ongoing Trust Expenses are lower in the three month period ended June 30, 2006 at \$.64 million, when compared to the same three month period in 2005 at \$.732 million, but overall Trust Expenses are higher mainly due to one time costs related to the termination of the Asset Management Agreement and advisor fees and other costs relating to the Special Committee in the amount of \$0.7 million.
- The occupancy rate at quarter end is 92.8% compared to 89.5% in the same period last year.
- The average cost of debt dropped by 0.4% to 6.0% at the end of the quarter, down from 6.4% at the end of the second quarter last year after giving effect to the interest rate subsidy.
- The average net rent in place was \$9.68 per square foot, 11.2% higher than average net rent in place in the second quarter last year.
- The sale of the 501 Lakeshore property in Mississauga, Ontario which was identified as a non-core asset in management's Internal Restructuring Plan.

During the quarter, the REIT continued its focus on improving efficiencies and taking advantage of opportunities in the marketplace as well as within the REIT portfolio. These opportunities consisted primarily of the repositioning of certain properties and the disposition of non-core holdings in the original portfolio. During the quarter one non-core property, the single industrial building in the portfolio located in Mississauga, Ontario, was sold.

Distributable income (a non-GAAP measure) for the quarter ended June 30, 2006 was \$3.7 million or \$.20 per unit (\$.15 per unit on a fully diluted basis) compared to \$2.8 million or \$0.23 per unit (\$0.23 per unit on a fully diluted basis) for the three months ended June 30, 2005. For the six months ended June 30, 2006, Distributable Income was \$7.8 million or \$.42 per unit basic (\$.32 per unit on a fully diluted basis) compared to \$5.7 million or \$0.47 per unit basic (\$0.45 per unit on a fully diluted basis). The REIT declared \$3.8 million or \$0.21 per unit in cash distributions for the quarter and \$7.6 million or \$0.41 per unit in cash distributions for the six month period ended June 30, 2006.

The Distribution Payout Ratio for the quarter was 102%, down from 109% in the second quarter of 2005. The lower distribution payout ratio for the second quarter of 2006 is primarily due to the acquisition of seven income producing properties in Q3 of 2005, the cut in distributions discussed below and the decrease in Trust Expenses (net of one time costs added back to income) as a percentage of revenue. The payout ratio for the six months ended June 30, 2006 was 98% compared to 109% for the six months ended June 30, 2005.

Commencing with the December 2005 distribution to unitholders, the distribution paid was changed to \$0.82 annually or \$0.0683 monthly per unit down from \$1.025 per unit annually and \$0.0854 per unit on a monthly basis.

Walter Davies, Interim Chief Executive Officer said:

“On July 24, 2006, I announced that we had recently secured new major tenancies in excess of 130,000 square feet in six of our Shopping Centres. In addition, at that time we had a further two leases, amounting to 58,600 square feet, which remained subject only to closing conditions. I am pleased to confirm that one of those two leases, amounting to over 25,000 sq.ft. has now been confirmed for a 10 year term.”

“In addition, we have also renewed some 429,600 square feet of existing tenancies, generally at an increased rental rate. This amounts to 132 renewals, which represents a 93.5% tenant retention rate and illustrates our tenants' strong support and commitment to our shopping centres.”

“This is a considerable success in new and renewal leasing, but it has come at a cost of approximately \$1,000,000 in leasing costs to secure those tenants and lease rollovers. This leasing cost has been met through draws on the operating line. Maturing mortgages and general borrowings have also been drawn from the operating line, leading to an increase in interest cost of approximately \$70,000. It is typically the case that the costs of securing new leases are expended before rental payments are received from those new tenants, so we have not had any return to date from those leasing costs. However, rents will begin to flow from these new tenancies in the third quarter 2006 and subsequent quarters.”

“Additionally, we have continued our strategy to dispose of non-core assets and our sale of 501 Lakeshore West, Mississauga, ON in the second quarter had an impact on our distributions as that property was re-categorised as a Discontinued Operation, thus removing from the Distributable Income calculation the Net Operating Income earned in the second quarter up to the time of sale.”

“We are, clearly, unhappy that the DI Ratio has temporarily risen to 102%, from the 93% we experienced in the first quarter of this year even though this results from the implementation of our IRP and, indeed, our success in leasing. However, it should also be noted that this 102% ratio includes the categorisation of \$115,000 of NOI earned from 501 Lakeshore which is excluded from the DI ratio calculation as the property was shown as a Discontinued Operation. Had this re-categorisation not taken place, the DI would have been 99%. We are confident that the DI Ratio will decline by year's end as a result of the successful implementation of our Internal Restructuring Plan which is beginning to yield solid results, as discussed above.”

Net Operating Income for the quarter ended June 30, 2006 grew to \$8.6 million on gross revenues of \$16.1 million, an increase from Net Operating Income of \$5.2 million on gross revenues of \$9.1 million for the quarter ended June 30, 2005. Net Operating Income for the six months ended June 30, 2006 grew to \$17.4 million on gross revenues of \$32.8 million, an increase from \$10.3 million on gross revenues of \$18.5 million for the six month period ended June 30, 2005. These increases are due to the purchase of the seven properties in the third quarter of 2005.

Interest charges have increased by \$2.0 million and \$4.0 million for the three and six months ended June 30, 2006 respectively, compared to the three and six month periods ended June 30, 2005. The average cost of the REIT's debt has decreased to 6.0%, after giving effect to the

interest rate subsidy, at period end compared to 6.4% at the same period last year. Increased debt loads due to the ownership of the additional properties acquired in the third quarter of 2005, resulted in an overall higher interest charge.

General, administrative and trust expenses have increased by \$0.6 million for the three month period and \$2.0 million for the six month period ended June 30, 2006 compared to the three and six month periods ended June 30, 2005. Approximately \$0.7 million of the current quarter's expense and \$2.0 million of the year to date expense relates directly to the termination of the Asset Management Agreement and costs related to the Special Committee and its Financial Advisor. The decision to internalize management in the first quarter of 2006 is anticipated to result in savings in general, administrative and trust expenses to the Trust in excess of \$1.5 million over the next three years.

The REIT generated a net loss of \$6.5 million (\$0.35 per unit – basic and diluted) and \$9.8 million (\$0.53 per unit – basic and diluted) for the three and six months period ended June 30, 2006 respectively before discontinued operations compared with losses of \$1.0 million (\$0.09 per unit – basic and diluted) and \$2.1 million (\$0.17 per unit – basic and diluted) for the three and six month periods respectively in 2005.

The net loss is greatly affected by the non-cash loss on the sale of the property in Mississauga, Ontario and the result of depreciation and amortization charges (non-cash items) that we are required to report due to new accounting policies. These policies were adopted by all Canadian real estate companies effective January 1, 2004 and require that for any acquisitions after that effective date, a REIT must depreciate its assets at an accelerated rate compared to acquisitions prior to that date. Because the portfolio is much larger as a result of the acquisition in the third quarter of 2005, the provision for depreciation and amortization is approximately 60% greater for the current period, being \$5.9 million for the current quarter versus \$3.7 for the quarter ended June 30, 2005.

Below is a summary of the financial results for the three and six months ended June 30, 2006 with comparative results for the three and six months ended June 30, 2005. Full financial results will be available on SEDAR ([www.sedar.com](http://www.sedar.com)) as well as the Investor Relations section of the Retrocom Mid-Market REIT website ([http://www.rmmreit.com/investor\\_finance.htm](http://www.rmmreit.com/investor_finance.htm)).

## Financial Highlights:

	In \$000's	in \$000's	in \$000's	in \$000's
	Actual three months ended June30, 2006 (1)	Actual three months ended June 30, 2005 (2)	Actual six months ended June30, 2006 (1)	Actual six months ended June 30, 2005 (2)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Rental Revenue and Other Income	\$16,130	\$9,073	\$32,825	\$18,542
Expenses				
Operating	\$7,482	\$3,861	\$15,383	\$8,266
Trust Expenses	\$1,351	\$732	\$3,338	\$1,306
	\$8,833	\$4,593	\$18,721	\$9,572
Income before Interest, Depreciation & Amortization	\$7,297	\$4,480	\$14,104	\$8,970
Less: Interest	(\$4,073)	(\$2,052)	(\$8,076)	(\$4,053)
Depreciation & Amortization	(\$5,892)	(\$3,688)	(\$12,057)	(\$7,295)
Loss from Operations	(\$2,668)	(\$1,260)	(\$6,029)	(\$2,378)
Gain (Loss) on Disposal of Discontinued Operations	(\$3,850)	\$273	(\$3,781)	\$273
Income (Loss) before Discontinued Operations	(\$6,518)	(\$987)	(\$9,810)	(\$2,105)
Income (Loss) from Discontinued Operations	(\$116)	\$206	(\$241)	(\$163)
Net Loss	(\$6,634)	(\$781)	(\$10,051)	(\$2,268)
Add Back:				
Depreciation & Amortization	\$5,631	\$4,098	\$11,761	\$8,475
Gain on Disposal of Discontinued Operations	\$3,850	(\$273)	\$3,781	(\$273)
Income (Loss) from Discontinued Operations (3)	\$116	(\$ 178)	\$165	(\$178)
Trust Expense Adjustment (5)	\$704	\$0	\$2,032	\$0
Amortization of Fair Value				
Adjustment of Debt (4)	\$29	(\$18)	\$61	(\$39)
Distributable Income (6)	\$3,696	\$2,848	\$7,749	\$5,717
Distributable Income per Unit:				
Basic	\$0.20	\$0.23	\$0.42	\$0.47
Fully Diluted	\$0.15	\$0.23	\$0.32	\$0.45
Total Payout to Unitholders	\$3,787	\$3,119	\$7,570	\$6,238
Payout Ratio	102%	109%	98%	109%
Weighted Average Units Outstanding				
Basic	18,466,150	12,176,000	18,479,728	12,176,000
Fully diluted	24,362,142	12,588,500	24,352,595	12,588,500

### Notes

- 1 Based on the unaudited financial statements for the three and six months ended June 30, 2006.
- 2 Based on the unaudited financial statements for the three and six months ended June 30, 2005 which have been adjusted to reflect the Discontinued Operations.
- 3 An adjustment for Discontinued Operations is only made in the quarter in which the property is determined to be discontinued. The amount for Discontinued Operations excludes depreciation and amortization as the amount allowable as an addback is included in the depreciation and amortization addback.
- 4 Includes Interest Rate Subsidy received from Vendor on Q3 2005 Acquisition lowering cash payments required under conventional debt.

- 5 The adjustment for Trust Expenses relate to non-recurring costs as a result of the termination of the Asset Management Agreement and costs incurred relating to the Special Committee.
- 6 Distributable Income is not a measure recognized under GAAP and does not have a standardized meaning prescribed by GAAP. Distributable Income is presented to reflect the ability of the Trust to earn income and to make distributions of cash to unitholders and therefore is considered a measure of cash available for distribution. Distributable Income as computed by the Trust may differ from similar computations as reported by other real estate investment trusts and accordingly may not be comparable to Distributable Income reported by other such issuers. Generally, Distributable Income differs from Net Income, a GAAP measure, in that for any period, Net Income is adjusted for depreciation and amortization and other non-cash operating expenses and non-recurring items.

## **Investor Conference Call**

A conference call to discuss the results will be held Wednesday August 16<sup>th</sup>, 2006, at 10:00 AM ET and will be followed by a question and answer period. The phone numbers for those who wish to participate in the question and answer period are as follows:

Live Conference Access information:

Local Access: 416-640-3407

Toll-Free Access: 1-866-322-8798

## **About Retrocom Mid-Market REIT**

Retrocom Mid-Market REIT is an Ontario unincorporated open-end real estate investment trust which focuses on owning and acquiring mid-market retail properties in primary and secondary cities across Canada with the objective of producing a geographically diversified portfolio of properties with stable and growing cash flows. Further information can be found at <http://www.rmmreit.com>

*This document may contain forward-looking statements, which although based on Management's best estimates as well as the REIT's current operating environment are subject to significant risks and uncertainties. Wherever possible, terms such as "anticipate", "believe", "expect", "plan" or other similar words have been used to identify these forward-looking statements. Any future results could differ materially from the results discussed or implied in these forward-looking statements and undue reliance should not be placed in such statements.*

*This press release shall not constitute an offer to sell or the solicitation of an offer to buy, which may be made only by means of a prospectus, nor shall there be any sale of the Units in any state, province or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under securities laws of any such state, province or other jurisdiction. The Units of the Retrocom Mid-Market REIT have not been, and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered, sold or delivered in the United States absent registration or an application for exemption from the registration requirements of U.S. securities laws.*

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