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# **RETROCOM MID-MARKET REIT ANNOUNCES ANNUAL FINANCIAL RESULTS**

**Toronto, Ontario – March 31, 2006 – (TSX: RMM.UN) - Retrocom Mid-Market Real Estate Investment Trust announced today its financial results for the year ended December 31, 2005.**

### **Highlights**

- During the year, the REIT closed its acquisition of a \$184 million, geographically diverse portfolio of retail properties and related public financings.
- Net Operating Income for the year ended was \$27.9 million, versus \$16.0 million achieved on last year's results (March 22, 2004 to December 31, 2004).
- Trust Expenses are higher this year, mainly due to increased asset management fees related to the Q3 acquisition, trustee and special advisor fees relating to the Special Committee and a non cash expense related to the Long Term Incentive Plan (in the process of being cancelled).
- The occupancy rate at year end is 92%.
- The average cost of debt dropped by 0.6% to 6.1% at the end of the year, down from 6.7% at the end of last year.
- The average net rent in place grew 6.5% in the quarter and has grown 13% year-to-date.
- The Special Committee was formed and TD Securities was hired as Special Advisor to seek strategies to enhance Unitholder value.
- In February of 2006, the Special Committee of the Board decided to terminate the services of Retrocom Investment Management Inc., and internalize asset management and directly subcontract property management. Mr. Walter Davies, an independent Trustee, was appointed interim Chief Executive Officer.

During the year the REIT delivered on its external growth objectives through the successful integration of seven new properties into the REIT's portfolio while continuing to focus on improving efficiencies and take advantage of opportunities in the marketplace as well as within the REIT portfolio. These opportunities consisted primarily of the repositioning of certain properties and disposition of underperforming holdings in the original portfolio.

Distributable income for the year ended December 31, 2005 was \$12.1 million or \$.81 per unit basic (\$0.69 per unit on a fully diluted basis) compared to and \$9.9 million or \$0.82 per unit basic (\$0.80 per unit on a fully diluted basis) for the period March 22, 2004 to December 31, 2004. For the fourth quarter ended December 31, 2005, distributable income was \$2.6 million and \$0.14 per unit basic (\$0.11 per unit fully diluted) compared to \$2.6 million or \$0.21 per unit basic (\$0.21 per unit fully diluted), for the three month period ending December 31, 2004. The REIT declared \$15.1 million or \$1.01 per unit in cash distributions for the year.

Based on the Distributable Income of 2005 of \$0.81 per unit and the Board's decision in November of 2005 to cut the distribution to \$0.82 per unit, the Board believes that by internalizing management and streamlining the operations of the REIT, no further distributions cuts are anticipated.

The Distribution Payout Ratio for the year was 126% and for the quarter was 165%, up from 97% and 119% in the March 22, 2004 to December 31, 2004 period and the fourth quarter of 2004 respectively. The higher distribution payout ratio for the fourth quarter 2005 is primarily due the timing of the disposition of underperforming properties and the redeployment of that capital into income producing assets, higher trust expenses and one-time costs.

Commencing with the December 2005 distribution to unitholders, the distribution paid was changed to \$0.82 annually or \$0.683 monthly per unit down from \$1.025 per unit annually and \$0.0854 per unit on a monthly basis. There is only a one month effect of this reduced distribution in the payout ratio.

“Management’s confidence in the value of the portfolio is supported by the consistent results of the Trust’s properties”, said Walter Davies, recently appointed Interim Chief Executive Officer. “The properties are performing as expected, and with the changes we have made subsequent to year end with the internalization of management and by streamlining operations, we expect that the General and Administrative expenses will decrease by at least \$750,000 in 2006.”

Net Operating Income for the year ended December 31, 2005 grew to \$27.9 million on gross revenues of \$51.9 million, an increase from \$16.0 million on gross revenues of \$28.8 million for the period March 22, 2004 to December 31, 2004. This increase is due to a full twelve month period in 2005, the inclusion of a full year of income from the Ontario acquisition and the purchase of the seven properties in the third quarter of 2005.

Net Operating Income for the quarter ended December 31, 2005 grew to \$8.9 million on gross revenues of \$17.5 million, an increase from \$5.1 million on gross revenues of \$9.8 million for the quarter ended December 31, 2004. This increase is due to the purchase of the seven properties in the third quarter of 2005.

Interest charges have increased by \$2.0 million and \$6.1 million for the quarter and year ended December 31, 2005 compared to the quarter ended December 31, 2004 and the period from March 22, 2004 to December 31, 2004. Although the average cost of the REIT’s debt has decreased to 6.1% this year end versus 6.7% at the end of last year, higher debt loads due to the full year of ownership of the properties acquired in October 2004 and the third quarter acquisition resulted in a higher interest charge.

General, administrative and trust expenses have increased by \$1.0 million and \$2.4 million for the quarter and year ended December 31, 2005 compared to the quarter ended December 31, 2004 and the period from March 22, 2004 to December 31, 2004. The reason was the REIT had a number of one-time expenses for the special committee, legal, non-cash LTIP charges, as well as increased asset management fees relating to a full year of asset management fees for the properties acquired in October 2004 and the Q3 acquisition and audit and accounting fees. The decision to internalize management will result in savings in general, administrative and trust expenses to the Trust of at least \$750,000 in 2006.

In the fourth quarter the REIT generated a net loss of \$4.2 million (\$0.23 per unit – basic and diluted) before discontinued operations compared to a loss of \$1.8 million (\$0.15 per unit – basic and diluted) for the fourth quarter of 2004. For the fiscal year ended December 31, 2005 the REIT generated a net loss of \$10.4 million (\$0.70 per unit – basic and diluted) before discontinued operations versus a loss of \$2.9 million (\$0.24 per unit – basic and diluted) for the period from March 22, 2004 to December 31, 2004.

The net loss is greatly affected by 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 required that for any acquisitions after that effective date, a REIT must depreciate its assets at a much quicker rate than acquisitions prior to that date. Because the portfolio is much larger as a result of the two acquisitions, the provision for depreciation and amortization almost doubled for the current period, being \$20.7 million for the current year versus \$11.2 for the period from March 22, 2004 to December 31, 2004.

“We are working hard to enhance Unitholder value and solve the enigma that the unit price has declined although the properties have performed as expected and the overall real estate market

has benefited from lower capitalization rates. Indeed, we have been successful in increasing the occupancy rate and the average net rental rate across the portfolio, and had also managed to reduce our average cost of debt while extending the average term of debt by refinancing”, Davies said. He continued, “With the recently announced operating line of \$35 million, we are pleased that a major Canadian financial institution has shown confidence in the REIT to make available a facility that is more than twice as large as previously offered by another institution. This increased facility is a key part of our strategy to streamline the operations of the REIT.”

Below is a summary of the Financial Results for the three and twelve month periods ending December 31, 2005 with comparative results for the three and twelve month\* periods ending December 31, 2004. 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)).

\*The financial reporting for the twelve month period in 2004 has been grossed up as the actual period only represents the 285 days from the REIT’s inception to December 31, 2004.

\*\*The interpretation of distributable income was adjusted to reflect the recognition of income generated from discontinued operations and resulted in a revision of the Q2 payout ratio.

### Financial Highlights:

	in \$000's	in \$000's	in \$000's	in \$000's	in \$000's Grossed up Actual Twelve Month Ended December 31, 2004
	Actual three months ended December 31, 2005 (1)	Actual three months ended December 31, 2004 (2)	Actual twelve months ended December 31, 2005 (1)	Actual 285 Day Period ended December 31, 2004 (2)	
	(unaudited)	(unaudited)	(audited)	(audited)	(unaudited)
Rental Revenue and Other Income	\$17,507	\$9,824	\$51,944	\$28,858	\$36,958
Expenses					
Operating	\$8,574	\$4,747	\$24,010	\$12,814	\$16,411
Trust Expenses	\$1,875	\$784	\$4,085	\$1,724	\$2,208
	\$10,449	\$5,531	\$28,095	\$14,538	\$18,619
Income before Interest, Depreciation & Amortization	\$7,058	\$4,293	\$23,849	\$14,320	\$18,339
Add: Gain on Disposal		\$131	\$0	\$131	\$168
Less: Interest	(\$4,180)	(\$2,138)	(\$12,353)	(\$6,206)	(\$7,949)
Depreciation & Amortization	(\$7,043)	(\$4,085)	(\$20,654)	(\$11,118)	(\$14,238)
Loss from Operations	(\$4,165)	(\$1,799)	(\$9,158)	(\$2,873)	(\$3,680)
Gain (Loss) on Disposal of Discontinued Operations	(\$116)	\$0	(\$1,274)	\$0	\$0
Loss before Discontinued Operations	(\$4,281)	(\$1,799)	(\$10,432)	(\$2,873)	(\$3,680)
Loss from Discontinued Operations	(\$402)	(\$1,650)	(\$753)	(\$3,050)	(\$3,906)
Net Loss	(\$4,683)	(\$3,449)	(\$11,185)	(\$5,923)	(\$7,586)
Add Back:					
Depreciation & Amortization	\$6,739	\$6,214	\$20,826	\$16,051	\$20,557
Gain (Loss) on Disposal of IPP	\$0	(\$131)	\$0	(\$131)	(\$168)
Loss on Disposal of Discontinued Operations	\$116	\$0	\$1,274	\$0	\$0
Income (Loss) from Discontinued Operations (3)	\$387	\$0	\$484	\$0	\$0
Adjustment for Q3 2005 Acquisition (4)	\$0	\$0	\$606	\$0	\$0
Amortization of Fair Value					
Adjustment of Debt (5)	\$36	(\$22)	\$91	(\$68)	(\$87)

Distributable Income (6)	\$2,595	\$2,612	\$12,096	\$9,929	\$12,716
Distributable Income per Unit:					
Basic	\$0.14	\$0.21	\$0.81	\$0.82	\$1.06
Fully Diluted	\$0.11	\$0.21	\$0.69	\$0.80	\$1.02
Total Payout to Unitholders	\$4,275	\$3,119	\$15,232	\$9,646	\$12,354
Payout Ratio	165%	119%	126%	97%	97%
Weighted Average Units Outstanding					
Basic	18,427,896	12,176,000	14,898,163	12,086,663	12,086,663
Fully diluted	24,058,029	12,588,500	17,559,936	12,499,163	12,499,163

#### Notes

- 1 Based on the audited financial statements for the year ended December 31, 2005.
- 2 Based on the audited financial statements for the year ended December 31, 2004 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 add back is included in the depreciation and amortization add back.
- 4 Includes Interest Rate Subsidy received from Vendor on Q3 2005 Acquisition lowering cash payments required under conventional debt.
- 5 The Adjustment for the Q3 2005 Acquisition is effective July 1, 2005 and as such the revenue and expenses from the properties were received by the Trust. The distributions paid to Unitholders in this quarter were based on the Trust owning the properties from July 1, 2005.
- 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 **Tuesday April 4, 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: **416-642-5212**

Toll-Free Access: **1-866-553-5934**

## 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 current operating environment are subject to risks and uncertainties. As such, terms such as "anticipate", "believe", "expect", "plan" or other similar words should be taken as forward-looking statements. As a result of these potential uncertainties, any future results could differ materially from the predictions listed herein. Although Retrocom makes every effort to meet our predictions as listed in this document, we are unable to control certain circumstances such as economic, competitive or commercial real estate conditions.*

*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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For further information: David Fiume, Chief Financial Officer Tel: (416) 741-7999 x227, Fax: (416) 741-7993, E-mail: [dfiume@rmmreit.com](mailto:dfiume@rmmreit.com)