



Final Transcript

Crombie Real Estate Investment Trust

Third Quarter 2025 Earnings Call

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Forward-Looking Information

This transcript contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to, statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking information in this transcript includes statements regarding:

- (I) The disposition of properties, including properties under contract, and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions, requirements and timing for Empire investments, the timing of property development activities or other uses for net proceeds and real estate market conditions;
- (II) Our development pipeline and diversification to mixed-use residential developments, including statements regarding the locations identified, timing, cost, development size and nature, anticipated yield on cost, and impact on net asset value and net asset value per unit, cash flow growth, Unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs, continuance of current market and capitalization rate conditions and general economic conditions and factors described under the "development" section of our most recent Management's Discussion and Analysis, and which assumes obtaining required municipal zoning and development approvals and successful agreements with existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;
- (III) Set growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource availability and allocation decisions as well as actual development costs;
- (IV) The accretive acquisition of properties, including the cost and timing of new properties under right of first offer agreements, and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;
- (V) Overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition and disposition activity that Crombie is able to achieve, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants, and market conditions;

- (VI) Generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;
- (VII) Expected increase in revenue in 2024 and 2025, which could be impacted by timing of completion of development projects underway, ability to secure tenants and the effects of general economic conditions;
- (VIII) Anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations;
- (IX) The anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses; and
- (X) Anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions.

These forward-looking statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "risk management" in Crombie's Management's Discussion and Analysis for the quarter ended September 30, 2025 and those discussed under "risk factors" in Crombie's most recent Annual Information Form (available at www.sedarplus.ca) could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and a reader should not place undue reliance on the forward-looking statements.

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Operator

Good morning, everyone and welcome to Crombie REIT's third quarter conference call.

At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Thursday, November 6, 2025.

I would now like to turn the conference over to Meghna Nair, Manager of Investor Relations at Crombie. Please go ahead.

Meghna Nair — Manager, Investor Relations

Thank you. Good day everyone, and welcome to Crombie REIT's third quarter 2025 conference call and webcast. Thank you for joining us. This call is being recorded in live audio and is available on our website at www.crombie.ca.

Slides to accompany today's call are available on the investors section of our website under presentations and events. Joining me on the call today are Mark Holly, President and Chief Executive Officer, Kara Cameron, Chief Financial Officer and Arie Bitton, Executive Vice President, Leasing and Operations.

Today's discussion includes forward-looking statements. We want to caution you that such statements are based on management's assumptions and beliefs. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements.



Please see our public filings, including our management's discussion and analysis and annual information form for a discussion of these risk factors.

Our discussion will also include expected yield on cost for capital expenditures. Please refer to the development section of our management's discussion and analysis for additional information on assumptions and risks.

I will now turn the call over to Mark to discuss Crombie's strategy and outlook. Over to you, Mark.

Mark Holly — President & Chief Executive Officer

Thank you, Meghna, and good morning, everyone.

Crombie's third quarter results showcase the strength of our strategy and the quality of our coast-to-coast necessity-based portfolio. In a dynamic environment, our grocery-anchored retail platform delivered a standout quarter. AFFO per unit grew 11.1 percent year-over-year. While this quarter benefited from several high-impact contributions, the outcome is rooted in the fundamentals of our business strategy, executing on strong leasing and tenant demand, disciplined capital allocation, active portfolio management, and a focused operating platform. Results demonstrate the combination of stability and growth that differentiates Crombie as an essential retail REIT.

Our strategy is built around three key pillars – Own & Operate, Optimize, and Partner – which guide our capital allocation decisions and approach to operations. I'll frame my comments today around these pillars.

First, let's discuss own and operate. Our grocery-anchored retail portfolio remains the foundation of our success. Our ability to consistently attract both established and emerging tenants speaks to the strength and adaptability of our portfolio and the operational excellence of our leasing team. It's this

ongoing demand - from a diverse and expanding tenant base - that has contributed to our fourth consecutive quarter of record occupancy. Leasing activity results were strong in the third quarter with renewal spreads increasing by 13.5 percent over expiring leases on a weighted renewal term average basis. Combined with embedded rent step-ups, new leasing activity and another quarter of record occupancy, same-asset property cash NOI grew by 4.6 percent in the quarter, with a year-to-date now at 3.5 percent. This is above the upper end of our annual average target range used by management.

As we've noted in the past, portfolio management remains an integral part of the Own & Operate pillar. We take a disciplined approach to capital allocation, continuously evaluating opportunities to acquire properties that enhance our portfolio. Over the first nine months of the year, we've been very active in this area – adding 4 new grocery properties to the portfolio and divesting 2 non-core locations. We will continue to pursue opportunities that align with our strategy and offer compelling long-term returns for our unitholders.

Our most recent addition to the portfolio was subsequent to the quarter where we closed an acquisition of a 3.6-acre property at Islington and The Queensway in Toronto's west end from our strategic partner, Empire. Total consideration was \$28.5 million dollars excluding closing and transaction costs. This is a newly constructed Longo's-anchored retail property which includes two free standing banks totaling approximately 51,000 square feet of gross leasable area. The Longo's is expected to open in the fourth quarter with the two banks slated to open in early 2026 as they currently finish off their leasehold improvements.

Turning to our second strategic pillar, Optimize. We continue to unlock embedded value within our portfolio, with a primary focus on non-major development projects and advancing entitlements within our major development ladder. At the end of the quarter, we had completed 50 property modernizations

with Empire and advanced four land use intensification properties that will add 87,000 square feet to total GLA upon completion. These non-major investments have a yield on cost of 6 to 7 percent.

With respect to our major development program, we currently have only one project - the Marlstone in Halifax under construction which continues to track on schedule and on budget, with occupancy targeted for spring 2026. We began pre-lease marketing during the third quarter, and the early response has been very positive and in line with our expectations.

Across the rest of our major development pipeline, we continue to advance entitlements in a deliberate manner. This focus ensures that we maintain flexibility in timing and scale while preserving optionality as market conditions evolve. This patient, disciplined approach enables us to build a pipeline of entitled sites that can create sustainable value for unitholders over a multi-year time horizon.

And our last value creation pillar – partnerships. Our programmatic partnerships in Vancouver and Halifax continue to deliver contributions in the third quarter. These two partnerships generated almost half of the total 4.4 million dollars in fee revenue we recognized during Q3. As we noted last quarter, we expect contributions from these partnerships to be consistent each quarter as these multi-year entitlement projects advance, providing a steady baseline income stream and strategic flexibility in our development pipeline.

We also further strengthened our foundational partnership with Empire investing \$18.4 million in the quarter in store expansions and modernizations bringing our year-to-date total investment to nearly 30 million dollars. These collaborative investments enhance our properties while supporting Empire's store modernization program, resulting in increased rental revenue for Crombie and improved store quality for Empire. It's a relationship that continues to drive value for both organizations and reinforces the strength of our portfolio.

Overall, Crombie is delivering a combination of stability and consistent growth. Our grocery-anchored platform provides reliable, recurring cash flow. Our Optimize initiatives – in particular our non-major projects – drive organic growth. And our Partner approach enables us to give unitholders access to the value accretion of larger, longer-term opportunities while maintaining efficiency and balance sheet flexibility.

With that, I'll turn the call over to Kara to review our financial results in more detail.

Kara Cameron — Chief Financial Officer

Thank you, Mark.

Our third-quarter financial results reinforce the strength of our platform and our disciplined approach to capital allocation.

Funds from operations for the quarter totaled 61.9 million dollars, or 33 cents per unit – up 6.5 percent year-over-year. AFFO was 55.0 million, or 30 cents per unit, up 11.1 percent year-over-year. This growth reflects our strong same-asset NOI performance, contributions from acquisitions and development completions, and higher fee income from our partnerships, partly offset by increased interest expense.

Let's break down that AFFO performance, starting with our revenue drivers:

Property revenue in the quarter was 120.1 million dollars, up 4.9 percent from the prior year, driven by three primary factors: same-asset NOI growth, which included several favourable leases and amendments in the quarter; contributions from acquisitions; as well as completed development projects.

Management and development fee revenue grew significantly compared to the third quarter of 2024, delivering 4.4 million dollars, up from 1.1 million dollars last year. We also recognized \$2.1 million in deferred revenue that was flagged last quarter.

Our team continues to execute a disciplined capital allocation strategy, concentrating our investments in assets that best support Crombie's necessity-based portfolio and long-term growth objectives. As part of this approach, we have actively identified non-core properties, particularly those in regional markets with persistently lower occupancy, and divested them to enable redeployment of capital into higher-return opportunities. This ongoing focus enhances our operating metrics, drives consistent cash flow growth for unitholders, and ensures Crombie remains well-positioned for sustainable value creation.

We continue to have a strong pipeline of opportunities that align with our core necessity-based strategy, and we're executing against it. Subsequent to quarter-end, we acquired the Queensway property in Toronto as Mark mentioned, for approximately 28.5 million dollars. This newly constructed, grocery-anchored asset in a strong urban market represents the type of disciplined capital deployment that supports our growth while maintaining balance sheet strength.

On the expense side, property operating costs were 40.6 million dollars, up modestly from the third quarter last year, but well-controlled and in line with expectations. Net property income margin remained healthy at 66.2%. General and administrative expenses were 6.5 million dollars, or 5.2 percent of total revenue including revenue from management and development services. Adjusting for unit-based compensation, G&A was 4.2 percent of revenue.

Looking at interest expense: finance costs were 24.4 million dollars for the third quarter, up 1.7 million dollars from 22.7 million dollars last year. This increase is primarily due to the full-quarter impact of the 300 million dollars of unsecured notes we issued in late 2024.

Our debt metrics remain solid: debt-to-gross fair value is 41.9 percent, and debt-to-EBITDA is approximately 7.7 times. Our debt positioning is well-suited to Crombie's business model – our income stream is exceptionally stable, anchored by long-term leases with necessity-based retailers, which gives us great cash flow visibility. With over 97 percent of our total debt at fixed-rate, we're largely insulated from interest rate volatility. This stability enables us to be very comfortable with our current leverage while maintaining financial flexibility.

We ended the third quarter with approximately 676 million dollars in liquidity between undrawn credit facilities and cash. Our fair value of unencumbered asset pool is over 3.8 billion dollars. We've deliberately positioned our debt profile for flexibility – unsecured debt represents 61 percent of our total debt, with a weighted average term of 4.3 years for our fixed-rate debt. We have no significant maturities until 2026, and those are well-staggered.

Our payout ratios for the third quarter were 67.3 percent of FFO and 75.8 percent of AFFO. After many years of holding the distribution flat while we reinvested in growth, we increased our annual distribution by one-cent per unit last quarter. Even post-increase, our payout ratio remained very conservative.

Same-asset cash NOI grew 4.6 percent in the third quarter and 3.5 percent year-to-date, reflecting strong leasing fundamentals and occupancy gains across the portfolio. Looking ahead, we continue to see our 2 percent to 3 percent long-term annual average target range as the appropriate framework for our same-asset NOI business planning.

To summarize, the third quarter was yet another quarter of steady, dependable performance for Crombie. We're hitting our strategic targets, producing consistent financial results, and managing our balance sheet to support both stability and measured growth.

With that, I'll turn it back to Mark for some closing remarks.

Mark Holly — President & Chief Executive Officer

Thank you, Kara.

Before we open it up to questions, I want to emphasize that it is the disciplined execution of our strategy and the Crombie team that is driving performance. We're focused on owning essential real estate at the heart of communities, managing our assets and capital with discipline, and investing and partnering strategically for growth.

We're delivering consistent performance while building a stronger, more flexible platform for the long term. We thank you for your time and with that, we're happy to take your questions.

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. As a reminder, in order to ask a question, please press star followed by the number one on your telephone keypad and if you would like to withdraw your question, please press star one again. We will pause for a moment to compile the Q&A roster.

Our first question comes from the line of Lorne Kalmar with Desjardins. Please go ahead.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Thanks. Good morning, everyone. Just on the Etobicoke property you guys bought in October, just was wondering what percentage leased is this, and can you give us a rough idea of a stabilized cap rate on the deal?

Mark Holly — President & Chief Executive Officer

Good Morning, Lorne.

Yeah, we're pretty proud that we're able to acquire that. It is 100% leased. So it is the Longo's and the two freestanding bank pads. The Longo's is going to go into operations later this quarter, and the two banks are going to be early January, February to be operating. In terms of how it was structured, we built that as a developer on behalf of Empire, and that investment was about \$23 - 24 million. And then after we completed the investment, which we were earning a fee on, we then acquired the real estate, the underlying real estate, which gave us the total cost of 28 million. So that number would show up in our non-major development pipeline in the MD&A, which gave us a yield on cost between six and 7%.

If you're thinking about it from a cap rate perspective, if you take a look at it in the MD&A under VECTOM and sort of how we're trending on VECTOM and our asset class, we're in that range on a cap rate. So at the end of the day, we got a great development yield and a great cap rate.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay, perfect. And I guess that kind of leads to my next question. Should we just be looking at the non-major developments to see if there are any other projects like this in the pipeline that you guys could acquire in the presumably not too distant future?

Mark Holly — President & Chief Executive Officer

In the near term, yes. So we have one other project, it's a greenfield in Quebec, and we have a joint operation partner there that we're developing it with, and it will be another food store grocery anchored asset just outside of Montreal.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Sorry. And just to be clear, you guys are developing this on behalf of Empire?

Mark Holly — President & Chief Executive Officer

You got it.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay, perfect. Thank you. And then, you know, the balance sheet seems to be in good shape, things are firing at all cylinders, but you're still trading at a pretty wide discount to NAV, especially when you look at your sponsored peers. I'm just wondering, have you guys thought about unit buybacks at all?

Kara Cameron — Chief Financial Officer

Hi, Lorne. It's Kara. Yeah, that's always on our radar in terms of assessing whether something like an NCIB would be in our purview. Right now, it doesn't make sense to us. We do have a drip in place and a discount on the drip that produces some solid cash flow in the form of equity for us. So we'd like that for right now, but it's always on our radar.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay. Thank you very much. I will turn it back.

Operator

Once again, if you would like to ask a question that is to press star one on your telephone keypad. Thank you. Our next question comes from the line of Brad Sturges with Raymond James. Please go ahead.

Brad Sturges – Analyst, Raymond James

Hey, good morning. Maybe just on the development side, just looking at the Marlstone, I think you slated for completion mid next year. Just would you be at a stage where you're doing pre-leasing today and maybe just walk through where that would be?

Arie Bitton - Executive Vice President, Leasing & Operations

Morning, Brad. It's Arie. We started our pre-leasing towards the end of October. So we have a kiosk set up at our social square property adjacent to the Marlstone, as well as the model suite that's situated there as well. So pre-leasing has started, website is up so we are starting to do the initial intake of applications, and we're very hopeful and very enthusiastic about the response so far from the early days of our pre-leasing program.

Brad Sturges – Analyst, Raymond James

And I guess from a stabilized yield perspective, it doesn't look like your estimates or your range has changed. I guess given where Halifax rents are trending, I guess on the new build side, has there been material movement in where you expect pro forma rents to be?

Mark Holly — President & Chief Executive Officer

No, Brad. So our underwriting versus what we're seeing in the market, we're pretty much in line. And so our yield on cost as we've called out is still at the four and a half to five and a half percent range. We're still on budget with a little bit of contingency left, so it might be slightly under budget when this closes

out. So we're pretty happy and as Arie called out, we started the pre-leasing. The intake has met our expectations, which is a positive sign. You know Halifax has a market relative to other markets across the country, at least in our view has kind of held in there much better in terms of the rental market.

Brad Sturges – Analyst, Raymond James

Okay, the last question, in terms of the - I know it's a small exposure for you guys just on the residential side. Vacancies ticked up just a touch. Just can you walk through what you're seeing, I guess within the few assets you do own on the multifamily side and sort of your expectations for NOI going forward?

Arie Bitton - Executive Vice President, Leasing & Operations

Sure, Brad. We are focusing on prioritizing occupancy right now. So we did have a slight dip in this quarter that is primarily related to one property that had multiple expiries within the quarter. Very happy with where we had our turnover ratio for that property in the quarter. So we started early with respect to notices to tenants to gauge interest. And we were able to really, I would say, manage the expiry cliff quite well, notwithstanding the fact that we did see some vacancy occur. And there's not a big expiry profile for the balance of the year, so we're hoping to see that climb back up as we close out 2025, and all of that should translate into the NOI expectations that we have for the process as a whole.

But again, the focus is on delivering occupancy at this point in time, given the state of the market. We believe we've got some of the best assets situated in their respective geographies, but we are seeing that softness throughout and we're managing through it.

Brad Sturges – Analyst, Raymond James

I guess that turnover you saw in Q3, that'd be more just like typical seasonal turnover you would expect going forward in Q3 relative to. Yeah. Okay. Sounds good. I'll turn it back. Thank you.

Operator:

Your next question comes from the line of Sam Damiani from TD Cowen. Please go ahead.

Sam Damiani – Analyst, TD Cowen

Thanks, and good morning, everyone. And just on the leasing spread we're quite strong this quarter. I'm just wondering, was there anything unusual that drove the sort of meaningful step up in your leasing spreads?

Arie Bitton - Executive Vice President, Leasing & Operations

Morning, Sam. This was a fairly typical quarter for us, albeit a little bit smaller on the square footage side, but it is something that we've seen continually over the last four quarters. So this is our fourth quarter in double digits. For us, we're seeing that demand continue to come in. We experienced that with the recent ICSC conference that we had earlier in October. We had over a hundred meetings with both existing tenancies as well as new tenancies both to Canada, but also to our portfolio. So there's just a lot of demand for open air grocery anchor shopping centers primarily right now. And they're really drawn to the fact that we're obviously got the best anchor onsite, but also what our development team has been able to pull off with respect to delivering these ad opportunities and intensification opportunities, doing our best to value engineer these projects.

And Victor and his team have done a really nice job of being able to tuck in some opportunities because I mean, you can tell by our occupancy, we're near full. So we're just continually looking to optimize the portfolio. And what we're also seeing in our portfolio, some of these hundred plus meetings is a bit of a diversification as well in grocery anchored. So we added to our occupancy this quarter, a brand-new state of the art 20,000 square foot provincial health clinic in Nova Scotia. We also added some other service

users that traditionally we're not seeing in our portfolio. So again, that's not exactly on the renewals, but I think it speaks to the health and the vibrancy that we're seeing in our portfolio currently.

Sam Damiani – Analyst, TD Cowen

Well that's great color. Thank you. Thank you, Arie. And, as you look out to 2026, how are you feeling about sort of that two to 3% same property or same asset NOI growth? It just seems like Crombie has potential to tip above that 3% range. I'm just wondering how you feel about that?

Mark Holly — President & Chief Executive Officer

Good morning, Sam, this is Mark. We're feeling pretty good. So if you look at our year to date number, we're at three and a half. We printed a 4.6, which I think is outstanding for the team. And it's showcasing the strategy and the work that the team is doing to deliver against it. We're also got a nice little tailwind in retail and sort of that demand and supply imbalance and we're capturing the wins on that. We're disposing of non-core assets that were, you know, legacy and structurally deficient. So all the pillars of our strategy are working. I would say if you close out 2025, I would look at where we are year to date in 2023 as a good indicator of how we see the year ending out. In terms of 2026, we have an internal target for ourselves, which is in that 2-3% range. We see ourselves being on the high side of that for next year.

Sam Damiani – Analyst, TD Cowen

Okay, that's very helpful. And just on the Marlstone, that, you know, it does reach completion next year and hopefully stabilization quickly thereafter. Does Crombie have the appetite to start a new residential development in the near term after that?

Mark Holly — President & Chief Executive Officer

We definitely take a long-term view in mind and we definitely look at it through a lens of partnerships. We have two active ones on the go. So as Marlstone gets stabilized, we have two others in that market, which is Barrington and Brunswick, and we have a partnership there with Montez. And so we're actively working against it. And if the window is right and the underwriting is sound as we look at the longer term, we will look at green lighting projects, but we look at it as a whole investment of allocation of capital. So near term versus long term. So today we've been more focused on non-major investments and that is really driving same asset and really driving FFO growth. But we also look at major. And today major is all about entitlements so that we have the flexibility, as you called out Sam, when the window opens, we can take advantage of it.

Sam Damiani – Analyst, TD Cowen

Okay. I appreciate that. Last question for me is just on the Queensway acquisition, well, I guess development really. I mean, that site, I think it's been somewhat dormant for quite a few years and all of a sudden obviously it got activated within the last year or so. I guess what prompted the sort of green light for that project after whatever it might have been a decade that it was kind of just sitting there?

Mark Holly — President & Chief Executive Officer

Yeah. It used to be an active warehouse at one point in time for Empire and then over time it got subdivided into two parcels, front end and back end. And there's a lot of dialogue on highest and best use. And at the end of the day, grocery anchored in that pocket is the highest and best use. So there was underwriting done and market conditions were right and as you probably read, most grocers are in expansion mode and so they're capturing a little pocket of the market that they can drive value for. So we're really happy to green light it with them.

Sam Damiani – Analyst, TD Cowen

Okay, that's helpful. Thank you very much and I'll turn it back.

Operator:

Your next question comes from the line of Giuliano Thornhill with National Bank Financial. Please go ahead.

Giuliano Thornhill – Analyst, National Bank Financial

Hey guys, good morning. Just wondering on the retail occupancy and touching kind of an all time high, I'm just wondering kind of where the gains were located was mostly in your enclosed mall portfolio and really like how sustainable do you think this is?

Arie Bitton - Executive Vice President, Leasing & Operations

Morning. The occupancy levels are very healthy where we are right now. You know, we've always said that 97% is probably top end of the range and we've passed that now. So very happy with our results. We're still seeing additional interest in not just enclosed. Our enclosed mall in St. John's is performing exceptionally well, but really the inbounds are coming primarily in our open air portfolio. Again, we're near full there, so we're looking to see how we can accommodate them, shuffling some tenants around, trying to accommodate expansion plans, as well as like I said earlier, add some intensification through the addition of pads as well. So I would say it's quite well-rounded in the retail sector.

Giuliano Thornhill – Analyst, National Bank Financial

And what's kind of the opportunity there on the on pad intensification?

Arie Bitton - Executive Vice President, Leasing & Operations

We've got over two dozen properties in our portfolio that are identified for intensification. Those are on various stages of development. Some are more near term, some are longer term. Some require municipal approvals and entitlements. Some require lease controls to be worked out with tenants and we work on those as we go through our renewal process. So they're all at various stages, but there are quite a number of opportunities in front of us and a lot of tenant demand for those opportunities.

Giuliano Thornhill – Analyst, National Bank Financial

And then just there's a pretty large uptick in the new modernization projects. I'm just wondering where are these mostly located within your portfolio, is in the west or east?

Mark Holly — President & Chief Executive Officer

They're coast-to-coast, which is, we always are very proud of and tout being a coast-to-coast REIT, because they're basically right at the heart of the communities where the people are. So there's no one concentration market or a province. It is really coast-to-coast.

Giuliano Thornhill – Analyst, National Bank Financial

And would you say it's fair that this is kind of in response to like more competitive pressures with more grocers looking to kind of expand their footprint, just kind of revitalizing your properties?

Mark Holly — President & Chief Executive Officer

We've had our program in place, at least our investment portion of modernizations for many, many years. So this is not a new program that we've had. We've had it in place and running for six, seven years now.

Giuliano Thornhill – Analyst, National Bank Financial

Okay. Thanks.

Operator:

Your next question comes from the line of Mario Saric from Scotiabank. Please go ahead.

Mario Saric – Analyst, Scotiabank

Hi, good morning. Maybe an out of the box question for Arie, your comment on the ICSC meetings being pretty significant, 100 meetings plus. Just curious, what would that have been like last year?

Arie Bitton - Executive Vice President, Leasing & Operations

I would say it was around 75 last year. So I've been here now seven years, my fifth ICSC, given COVID, and this is by far the most attended meeting, the highest meeting attendance we've had in my tenure here.

Mario Saric – Analyst, Scotiabank

And would it be your sense that was the case for the industry overall? Or I think Mark, you mentioned coast-to-coast a couple of times, which I think is maybe underappreciated with the portfolio. Is the coast to coast nature of the portfolio now seeing strategic benefit in terms of tenant discussions?

Arie Bitton - Executive Vice President, Leasing & Operations

It is. So the tenants that we're talking to by and large are nationals and their opportunities in VECTOM markets and other urban areas seems to be pretty tapped out in some cases, so for us really we're able to add to their store network plans. So we have quite a few tenants throughout that are looking to add significant store counts to their portfolio and they're just not able to do that predominantly in the major

markets and we're able to accommodate them throughout. It also helps them as well with their store growth and we're able to do it in some municipalities that have shorter timelines in order to complete them. So I think that is another big benefit for them and to why they're looking at our portfolio.

Mario Saric – Analyst, Scotiabank

And with occupancy like relatively full, there isn't much space for them outside of, I guess we talked about some potential pad additions. How do the market rents in, let's say some of the secondary markets look relative to required development yields in order to satisfy that demand?

Arie Bitton - Executive Vice President, Leasing & Operations

Our experience over the last 18, 24 months is we're pushing renewal rates, we're pushing new store rents that are similar in the geographies where we're operating. So I wouldn't say that it's that drastic of a spread between. Obviously mixed use are quite a bit different, but there's not much. And you can see that show up in our numbers when you take a look at the renewal rates that we're pushing out from a geographic basis.

Mario Saric – Analyst, Scotiabank

Okay. And then when we look out into 2026 or maybe even 2027, in 2026 you have about 5% of you lease maturing, 2027, closer to 7%. So they're not big numbers relative to peers, but just I'm curious whether over the next couple of years, are there any known vacancies that you're aware of, any unusual opportunities to really boost rent on low in place expiring rent, just anything out of the ordinary that you'd like to highlight?

Arie Bitton - Executive Vice President, Leasing & Operations

No, Mario, I'd say that next year is a fairly typical renewal year for us. In some ways it's looking fairly optimistically in the sense that we don't have a lot of office next year. We don't have a lot of fixed rate renewals next year. So I would say that's why all indicators are that the current glide path we're on is one that we expect to maintain in the short term. Looking into 2027, it is a little bit larger than 2026, but again, we will start chipping away at some of those renewals into 2027 to the extent that we have any concerns, we're not airing any of those now. We're working with tenants. I would say that we're continually updating the watch list. Like there's nothing that strikes out right now in terms of the 2026 or 2027 expiries that we're currently significantly concerned about.

Mario Saric – Analyst, Scotiabank

Okay. And then just last one for me, just on Broadway and Commercial, any updated thoughts on timing on full entitlement enactment and what may happen at that property going forward?

Mark Holly — President & Chief Executive Officer

Hey Mario, it's Mark. We're looking Q1, Q2 for full enactment and we're working with municipalities, refining it and getting it through. So Q1, Q2 is our best estimate at this point in time. And on the go forward, it's looking at the window in terms of how the underwriting looks and the role that we'll want to play as we look at the underwriting, but the Vancouver market is soft and so as we look at the underwriting, we have to make sure that it works for us and our partner. So more to come on that in 2026, but again, the first step is to get enacted.

Mario Saric – Analyst, Scotiabank

Okay. That's it for me. Thank you.

Operator:

Your next question comes from the line of Tal Woolley from CIBC Capital Markets. Please go ahead.

Tal Woolley – Analyst, CIBC Capital Markets

Hey, good morning. I had to step off the call for a brief second, so I apologize if some of the stuff's been answered and just let me know if it has. First of all, we got a new CEO at Empire yesterday. Just wondering if that would presage any board changes or anything at Crombie. Maybe you can speak a little bit about your relationship with Pierre and any changes that may portend for Empire's strategy.

Mark Holly — President & Chief Executive Officer

Morning, Tal. Yeah. And so really happy that you asked the question and I personally want to congratulate and the rest of the Crombie team management team, the board has also congratulated Pierre St. Laurent on his recent appointment. I think it's excellent for Empire. Pierre is a 35-year vet of Empire, has been overseeing most divisions of that organization over his 35 years. And so I think it's a great person to come in after Michael Medline, who I also want to congratulate and acknowledge who's been there for nine years, ran through three strategies and is leaving the company in a great spot from where it started when he joined in 2017, and I'm confident Pierre is going to take it and even go higher. So we're really thrilled. We have great relationships with Empire. They are our strategic partner, and we see that continuing going forward.

Tal Woolley – Analyst, CIBC Capital Markets

Okay. And I just want to talk about two of the larger non-grocery anchored retail assets in the portfolio. Just at Scotia Square, I'm wondering if you can talk a bit about the performance in the market, how you're looking at the outlook for the next couple of years with that asset.

Arie Bitton - Executive Vice President, Leasing & Operations

Sure. The Halifax office market has been one of the standouts nationally and Scotia Square is continuing to beat the market. Downtown occupancy for us is very healthy and above what we're observing from other Peninsula based offices there. So the connectivity that Scotia Square offers, the Pedway access, the largest parkade in downtown Halifax and all the other amenities it has with the food court and everything else are really contributing to this being the magnet downtown.

Obviously we're adding the Marston to it, but we're also adding some significant tenancies that are in our economic, in some part and committed occupancy and others that are also going to be driving a lot of additional foot traffic to the shopping center. And we continue to be the first call, I believe, for many tenants that are looking for office space in Halifax. So we're seeing that gradual recovery in office throughout and we're pretty pleased right now with where Scotia Square sits, obviously we'd like to see occupancy tick up a little bit more, but the team's done a fantastic job.

Mark Holly — President & Chief Executive Officer

The one thing I'll add there, Tal, is office occupancy is up almost 340 basis points year over year and part of that is because we sold the Moncton office. We did that earlier this year, which had chronic vacancy and something that we didn't see the value for us to invest in, but somebody else to take on. And because of that transition, it's taken that distraction away and the team is even more focused in on what we have at HDL, Scotia Square. And as Arie called out, that committed occupancy is picking up and it is the first call. It is centered for the town and it has the highest concentration of parking. It's got the Pedway system. It's got the food court. So we're pretty happy with its performance and it is in our view from all metrics we've seen, it outperforms all the other offices in that market.

Tal Woolley — Analyst, CIBC Capital Markets

Okay. And then just wondering if you can give a brief update too on Avalon Mall as well.

Arie Bitton - Executive Vice President, Leasing & Operations

Avalon Mall has been just a fire in all cylinders. We're experiencing really strong traffic, double-digit traffic growth year-over-year. The team there has just done a tremendous job of engaging with the community to drive traffic, which is helping tenant sales. We're seeing very healthy growth levels. Occupancy is in the mid to high 90s. It'll be near full over Christmas with temp leasing as well. So the tenant demand is still there, albeit less than open air for sure. But Avalon Mall, I would say, is performing very well, like I said, tenant sales, traffic, all current metrics are pointing in the right direction for us.

Mark Holly — President & Chief Executive Officer

The other benefit is it is the only enclosed mall in Newfoundland. So if you want to come to this market, you're coming to us and the team has done an excellent job on capturing that and engaging with all the retailers. And so as we have turnover, we already have a roster of those that want to come in. While we might be near full, we already have backup plans to if something goes down, we have a replacement at a higher rate.

Tal Woolley – Analyst, CIBC Capital Markets

And you have no major anchor transitions there that you need to work on?

Arie Bitton - Executive Vice President, Leasing & Operations

No.

Tal Woolley – Analyst, CIBC Capital Markets

Okay. And then, you know, this question has come up before over the course of Crombie's history, but there at least has been some mall trades over the last couple of years. Is Avalon, you still see that as a core holding for the company going forward?

Mark Holly — President & Chief Executive Officer

Our core is grocery anchored. Avalon Mall has been a nice asset for us. We've made a significant investment in it in 2018-ish. Those are now performing exceptionally well because of some of that investment. It's got great cash flow for us, but it is not core to what we are, which is grocery anchored. But we like the asset, as Arie talked about it, occupancy is high. We're getting the right turnover when we need the right turnover growth rate. So we'll continue to manage the asset and focus on the metrics that drive that business.

Tal Woolley – Analyst, CIBC Capital Markets

And then I guess like longer term, I mean, it's a bit of a harder question to answer, but like, you're- for some of the mixed use stuff, we went back five years. Like, this was one of the things that, or sorry 5 plus years that mixed use development was, this excess density was a big part of the story, obviously the environment has changed. Do you get that sense that over the next decade that that is going to be a bigger piece of the puzzle going forward? Or do you want to keep it sort of as you structured it now with one, maybe two on the go, a couple of entitlement partnerships that sort of seems to be maybe the way forward as opposed to a more aggressive plan sometime in the future?

Mark Holly — President & Chief Executive Officer

Yeah, if you step back and go back, I don't know six, seven years, we had the pipeline was in around 33 and since then we developed three, we have one under construction we sold the rest and we use the proceeds to help fund those investments plus into our grocery anchored.

As we look at the platform today and going forward, we have the long term in mind. So that is absolutely how we look at the business, long term. And right now we need to get these projects entitled. And then once we get them entitled, we have that flexibility of what role we want to participate in. Again, it's back to sources and uses of capital and making sure that we're driving the best returns for our unit holder. In some cases, that will be to partner and develop. In other cases, that might be change the percentage ownership that we have. In other cases, it might be to monetize it, but we do keep that flexibility open and today I think what we stood up is exceptional because we are the ones that are driving the entitlement value and we're going to pay for that. And when we get them entitled, then we can create the optionality to look at what we can do with them. So the way that we focus on the business today is not a mandatory, the shovel will go in the ground.

Tal Woolley – Analyst, CIBC Capital Markets

Got it. Okay. Thanks very much everybody.

Operator:

Your next question comes from the line of Pammi Bir with RBC Capital Markets. Please go ahead.

Pammi Bir – Analyst, RBC Capital Markets

Thanks. Good morning. Just really one question for me, the same-property NOI numbers obviously look quite strong and both for the quarter and year to date. Was there much contribution from modernization investments in those few years? And if so, I'm not sure if you could try to quantify that.

Kara Cameron – Chief Financial Officer

Yeah, the modernizations are contributing to our same asset NOI, especially where we're getting that six to seven percent increase in opening up the lease and laying that off on top of current rental amounts. So we had a bit of an uptick in the quarter of plus 30, 50 year to date. And so we're capitalizing on some of that income growth and it is delivering some solid performance in our same asset NOI as well as other new leases too.

Pammi Bir – Analyst, RBC Capital Markets

And sorry, Kara, just to clarify, not sure what you meant, plus 30 and plus 50, was that sort of the year to date completions or I'm curious as to of that 4.6 or the 3.5%, roughly how much of that, is it half of that, is it a third of that, is it 20% of those figures that came from the modernization investment?

Kara Cameron – Chief Financial Officer

That was project count, not percent contribution to same asset NOI. Yeah, we don't break it out that way.

Pammi Bir – Analyst, RBC Capital Markets

Okay.

Operator:

Your next question comes from the line of Mike Markidis, BMO. Please go ahead.

Mike Markidis – Analyst, BMO Capital Markets

Thanks, operator. Just following up on Pammi's question, how many modernizations, how much runway is there over the next 12 to 24 months? Is this pace going to continue or do you expect it will accelerate or slow from here?

Mark Holly — President & Chief Executive Officer

We've invested approximately \$30 million, give or take up and down over the last three, four years. We're likely going to be in that same range again this year and so all indications and Empire's publicly talked about this, that they are in a modernization rental program where they did say that they wanted to touch 25% to 30% of their locations over a three-year window and they're still in that window. So there is runway. We've been working on it with them on assets that we own and it's been about 30 million. So we see that holding for the balance of this year, we see it holding into next year as well.

Mike Markidis – Analyst, BMO Capital Markets

Okay, great. Just on the deferred fee revenue you guys flagged last quarter, if we strip that out just for the next little while, given what's on the go, is that a decent run rate for the next several quarters here to think about?

Mark Holly — President & Chief Executive Officer

Yes.

Mike Markidis – Analyst, BMO Capital Markets

Okay. Got it. And last one for me, I kind of missed the answer to Lauren's question on Queensway. Can you just remind us, for, I guess my benefit, or just remind me, how that worked? Was that a developed...

I understand you guys managed it, did you fund the development on your balance sheet or how did that work exactly?

Kara Cameron – Chief Financial Officer

Yes, we did. So we funded a portion of the pre-development costs and then bought the land from Empire.

It's a total of \$28 million.

Mike Markidis – Analyst, BMO Capital Markets

Okay. That's great. Thanks so much.

Operator:

And at this time we have no further questions. I would like to conclude the Q&A session and today's conference call. We would like to thank you for your participation. You may now disconnect your lines at this time. Have a pleasant day, everyone.