Crombie

Final Transcript

Crombie Real Estate Investment Trust

First Quarter 2022 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 "property development/redevelopment" 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 2022 and 2023, 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 March 31, 2022 and those discussed under "risk factors" in Crombie's most recent annual information form (available at www.sedar.com) 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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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Crombie REITs first quarter 2022 conference call. At this time, all lines 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 May 12, 2022.

I would now like to turn the conference call over to Ms. Ruth Martin. Please go ahead.

Ruth Martin — Director, Investor Relations & Financial Analysis, Crombie REIT

Thank you. Good day, everyone, and welcome to Crombie REIT's first quarter 2022 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 & Events.

On the call today are Don Clow, President and Chief Executive Officer; Clinton Keay, Chief Financial Officer and Secretary; and Glenn Hynes, Executive Vice President and Chief Operating Officer.

Today's discussion includes forward-looking statements. As always, 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 MD&A and Annual Information Form, for a discussion of these risk factors.

I will now turn the call over to Don, who will begin our discussion with comments on Crombie's overall strategy and outlook. Glenn will follow with a development update and a review of Crombie's operating fundamentals and highlights. Clinton will then discuss our financial results, capital allocation, and approach to funding. And Don will conclude with a few final remarks.

Over to you, Don.

Don Clow — President & Chief Executive Officer, Crombie REIT

Thank you, Ruth, and good day, everyone, and thanks for joining us.

Crombie has offered stable investment opportunity for our unitholders since our IPO in 2006. Importantly, six years ago, we embarked on an ambitious pivot to our strategy, broadening our focus to accelerate AFFO and NAV growth through a combination of an increased investment in Empire-related initiatives with new and significant investments in real estate development, including retail-related industrial and mixed-use residential properties. These investments are both strategic and complementary to our industry leading, grocery-anchored retail portfolio. Fast forward to 2022, when despite the effects of a global pandemic over the last two-plus years, I'm pleased to say we achieved strong outcomes in both assisting our strategic partner, Empire, to be more competitive and adding some of the most desirable real estate in Canada, namely the retail-related industrial and multi-residential in major urban markets, to our portfolio at scale. Today, they each represent approximately 8.0%, respectively, of our total fair value of $5.6 billion.

The last of our first six major developments, Bronte Village, reached substantial completion this quarter. There are moments, milestone moments, when as a CEO, you step back and take an accomplishment with a sense of pride. And this is one of those moments. I am so appreciative of our team and the hard work it took to get here. Not just the development and construction teams that have matured substantially over the past six years, but all of the teams who have worked to make our development program a success. This success belongs to all of us, and I couldn't be prouder. Our fair value creation from our first six major developments is expected to be at the upper end of our $1.00 to $2.00 per unit projection provided at the commencement of these projects.

Over the last six years, we were fortunate in that this initial period of increased investment in Empire's competitiveness and major development activity coincided with strong and consistent operating fundamentals in grocery-anchored retail real estate even through a pandemic. In addition, Crombie continues to have an improving and robust balance sheet that remains an important focus for our team. Our liquidity remains at all-time high levels of over $500 million, our debt to gross fair value, including our share of joint ventures, decreased to its lowest level in our history at 42.4% and our unencumbered asset pool increased to its highest level at over $2.0 billion. We are pleased with investor support in the capital markets for our strategy over the last 12 months, as we issued $300 million of equity at record-high pricing and multiples. Crombie's overall strong financial condition allows us to stay committed to our strategy and continue our efforts to improve our portfolio, as well as grow AFFO and NAV.

Our strategic opportunities are plentiful as we are committed to spending $100 million to $200 million annually with Empire, as we align our strategies and work closely together, sharing market intelligence to create value for unitholders, communities, and our customers. Empire-related initiatives include modernizations, acquisitions, expansions, and conversions at grocery stores, as well as the build-out of its Voilà grocery e-commerce hub-and-spoke network. Two new spoke facilities came online in the quarter, which Glenn will speak to in greater detail, shortly. Our relationship with Empire remains our sustainable competitive advantage. Also, we intend to continue to target an investment of approximately $150 million to $250 million annually on our development program, and while we often highlight major developments in our pipeline, it is also important for us to share the many smaller development projects that contribute to our growth. These include property redevelopments and land-use intensifications.

Lastly, none of Crombie's success is possible without our team. Collectively, we are all dedicated to this success. We are well-positioned with a capable, skilled, resilient team as we look ahead and continue to achieve our strategic objects. We are very proud of the progressive culture we have built for

Crombie - one that supports and encourages total well-being and diverse thought leadership, and is guided by our employee-driven values. I'm proud to share that Crombie has won the Atlantic Canada Top Employer, Nova Scotia Top Employer, and Top Small & Medium Enterprise Employer again this year, which further affirms that the culture we have and continue to refine is working.

And with that, I'll now turn the call over to Glenn, who will provide an update on our developments and operational highlights.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Thank you, Don, and good day, everyone.

Bronte Village, in Oakville, Ontario, our third mixed-use residential development and sixth major development project, reached substantial completion in the first quarter. The two luxury residential towers include 481 rental units, with 54,000 square feet of commercial space anchored by a Farm Boy grocery store. Retail and residential leasing is underway as Tower A welcomed tenants in the third quarter of 2021 and Tower B in the second quarter of 2022. As of May 6th, 29%, or 140 units, have been leased at rents nicely above proforma.

Le Duke, nestled between the blossoming Griffintown neighbourhood and the charming Old Port in Montreal, continues to demonstrate strong leasing momentum with 56%, or 218 units leased, as of May 6th, 2022, also at rents nicely above pro forma.

Construction of the approximately 300,000 square foot customer fulfillment centre, in Calgary, for Empire's e-commerce grocery home delivery service, Voilà, is well underway. Base building, roof decking, and significant portions of the interior mezzanines are nearing completion. Sections of the buildings are enclosed with interior floors, and tenant fit-up work is expected to commence this quarter.

Crombie is committed to our development program, on all fronts, as these projects present a significant opportunity to unlock value and drive future growth. Currently, in relation to our major development pipeline, Crombie has five projects that are fully entitled, three other projects where zoning applications have been submitted, and a number of additional projects where entitlement work is actively underway. During the quarter, a rezoning application was submitted at McCowan and Ellesmere, a transit-oriented property in Toronto, Ontario. The application proposes to transform the current site into an approximately 1.3 million square foot mixed-use development, comprised of three residential towers totalling 1,400 units and grocery-anchored retail, built over two phases and will adhere to our sustainable development policy. Crombie continues to have multiple sources of value creation opportunities from our development activities, whether it's the value generated from successful completion of zoning entitlements, or the additional value created from successful development completions.

In addition to our major developments, there are numerous retail land-use intensification and redevelopment projects taking place at various properties across the country. These smaller-scale, shorter-duration projects complement our large-scale development pipeline, while also providing solid risk-adjusted returns. In the first quarter, Crombie added approximately 100,000 square feet to gross leasable area from such activity, including retail development at grocery-anchored plazas in Halifax, Nova Scotia; Charlottetown, Prince Edward Island; and Grand Prairie, Alberta totalling 77,000 square feet.

Additionally, in the first quarter of 2022, as Don mentioned, we added an additional two Voilà spokes, our second and third spokes, totalling 20,000 square feet of additional gross leasable area. The Ottawa spoke was a greenfield development with land acquired in late 2020. The Quebec City location is attached to an existing IGA store that was downsized and repurposed into a spoke facility with a small overall increase to GLA. As we continue to optimize our portfolio, hub-and-spoke locations will augment our growing base of retail-related industrial assets and further enhance our income stream.

In line with our strategy of investing in value-add capital programs with Empire, in Q1 Crombie acquired 10 assets, of which nine were from Empire, for a total purchase price of $90 million. Two retail properties at full interest and the remaining 50% of one retail-related industrial property were acquired in VECTOM and Major Markets. Seven retail properties at full interest were acquired in the Rest of Canada. These acquisitions added 518,000 square feet of fully occupied GLA to our portfolio.

We are pleased with our consistent occupancy levels, with economic occupancy at 95.5% and committed occupancy at 96.4%. Speaking to the defensive nature of our portfolio, 99.5% of rent was collected in the first quarter, only one lease has been disclaimed over the last 12 months, and only three leases remain impacted by CCAA or bankruptcy filings.

New leases increased occupancy by 142,000 square feet, at a weighted average first-year rate of $20.94 per square foot. We experienced 67,000 square feet of net lease expiries, vacancies, terminations, and space adjustments. Approximately 64% of new leases, equivalent to 91,000 square feet were completed in VECTOM and Major Markets.

150,000 square feet was committed to leases at an average first-year rate of $19.58 per square foot, at March 31, 2022, with tenants expected to take possession throughout 2022, boosting future NOI growth. VECTOM and Major Markets represent 110,000 square feet of committed space. Included in committed occupancy is 49,000 square feet at our Scotia Square complex in Halifax, Nova Scotia, which we expect to move into economic occupancy in the second quarter.

During the quarter, 255,000 square feet of renewals were completed at an increase of 2.3% over expiring rental rates. Driving this increase was 73,000 square feet of renewals at retail plazas with an increase of 5.3% over expiring rental rates, partially offset by more muted renewal spreads in our office and retail enclosed portfolios. An increase of 3.6% was achieved for first quarter renewals when comparing expiring rental rates to the average rental rate for the renewal term.

Crombie proactively manages lease maturities, taking advantage of opportunities to renew tenants prior to expiration. During the quarter, approximately 77,000 square feet of renewals related to future-year expiries were completed.

And with that, I'll now turn the call over to Clinton, who will highlight our first quarter financial results and discuss our capital and development funding approach.

Clinton Keay — Chief Financial Officer & Secretary, Crombie REIT

Thank you, Glenn, and good day, everyone.

On a cash basis, same-asset NOI increased by 1.9% compared to the same quarter in 2021. Primary drivers of this increase are reduced bad debt expense and strong occupancy. This is offset in part by a decrease in lease termination income as a result of three tenants vacating their space in the first quarter of 2021, with the largest impact being in our office portfolio. Adjusting for lease termination income and bad debt expense, same-asset NOI increased by 2.6%.

AFFO per unit was $0.24, decreasing from $0.25 for the same quarter last year while FFO per unit was $0.28, decreasing from $0.29 for the same quarter last year. AFFO and FFO on a per unit basis were diluted by equity financings in May 2021 and January 2022. AFFO and FFO payout ratios in the quarter were 93.6% and 79.9%, respectively. On a dollar basis, both AFFO and FFO reached record levels, increasing compared to Q1 2021 and Q4 2021. The increase in AFFO and FFO for the quarter is primarily the result of lower finance costs from debt repayments, income from acquisitions, and a reduction in bad debt expense. This is partially offset by a reduction in lease termination income and dispositions since the first quarter of 2021.

G&A as a percentage of property revenue for the first quarter was 4.6%, or $4.9 million. Excluding the impact of unit-based compensation of $1.5 million, G&A was 3.2% of property revenue.

During the quarter, Crombie issued $200 million in equity at a net unit price of $17.45, with Empire Company participating and continuing to hold a 41.5% economic and voting interest in Crombie. The net proceeds were used to repay outstanding indebtedness, to fund our development pipeline and value-add capital programs with Empire, and for general trust purposes.

Crombie continues to grow our unencumbered asset pool, increasing its fair value from $1.8 billion in Q4 2021 to a record high $2.0 billion this quarter, predominantly from mortgage repayments and acquisitions. Unencumbered assets as a percentage of unsecured debt are 179%, an increase from 129% at December 31, 2021, providing Crombie with additional financing flexibility and optionality.

With the completion of another development, Bronte Village, held in a joint venture, and the progression of our mixed-use residential properties towards stabilization, we have adjusted our methodology for calculating debt to gross fair value and debt to trailing 12-month adjusted EBITDA to provide more clarity on the financial results within our joint ventures.

Debt to gross fair value, which now includes Crombie's portion of debt and assets held in equity accounted joint ventures, was 42.4% at the end of Q1, further improving from 45.2% at Q4 2021. The increase in gross fair value of $223 million in the quarter was driven by acquisitions, investment in developments, and the substantial completion of Bronte Village in the quarter. Lower debt outstanding at the end of the first quarter due to mortgage and credit facility repayments also contributed to our improved leverage ratios.

We ended the quarter with debt to trailing 12-month adjusted EBITDA at 8.70 times, down from 8.96 times at December 31, 2021. The improvement was primarily due to lower debt outstanding, and higher adjusted EBITDA driven by increased property revenue mainly from acquisitions, strong occupancy, and continued lease-up of joint venture residential developments, and lower G&A.

Over the past number of years, Crombie has increased the weighted average term to maturity of our debt to five years. Notably, in the quarter, the Le Duke joint venture refinanced its floating rate construction loan with a $104 million, 7-year, 3.15% fixed-rate mortgage. Amidst the current market volatility and rising interest rate environment, Crombie has only 12% of its debt maturing for the remainder of 2022. Mortgages totalling $80 million with a weighted average interest rate of 4.3%, mature over the next three quarters. Our $150 million Series D senior unsecured note, bearing an interest rate of 4.1% matures in November 2022. Crombie has $530 million in available bank credit facilities with only $7.0 million utilized as of March 31, 2022.

Our financial success is underpinned by a robust and flexible balance sheet with ample liquidity, as well as access to multiple sources of capital, including equity issuances, unsecured notes, commercial and residential mortgages, and investment property dispositions of full and partial interest. We continue to reduce risk and build financial strength by strategically managing our capital structure and optimizing allocation in Empire-related initiatives and our development program.

With that, I will now turn the call over to Don for a few closing comments.

Don Clow — President & Chief Executive Officer, Crombie REIT

Thank you, Clinton.

We are very pleased with our results again this quarter, and look forward to successfully pursuing our strategic objectives throughout 2022 and beyond. We are excited to continue our focus on long-term sustainable growth to create value for our unitholders, employees, and the communities in which we operate. Our commitment extends to our impact on the environment, and I look forward to sharing our second annual Sustainability Report with you later in Q2. I'm excited about the great work that our team continues to do and the future that we are building together.

And that concludes our prepared remarks, and we are now happy to answer your questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star, followed by one on your touch-tone phone. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press star, followed by two. And if you are using a speakerphone, please lift your handset before pressing any keys. One moment for your first question.

Your first question comes from Mario Saric with Scotiabank. Please go ahead.

Mario Saric — Analyst**,** Scotiabank

Hi. Good afternoon.

Don Clow — President & Chief Executive Officer, Crombie REIT

Hi, Mario.

Mario Saric — Analyst, Scotiabank

Don, I think I ask you this question every quarter, but you keep reaching different milestones on the development side, so I'll keep asking it. On the $2.00, which sounds like the total fair value gain that you are expecting is at the upper end, so high $2.00, how much of that $2.00 would be in your IFRS kind of fair value statements today?

Don Clow — President & Chief Executive Officer, Crombie REIT

That's a tough one. I'm going to say roughly, call it, low $1.00s, Mario, is where I would say it. I don't want to actually give you an actual number. But I would say low $1.00s going to whatever, high

$2.00s, whatever. So $1.00 to $3.00—sorry, $1.00 to $2.00 of NAV, so yes, going to high $2.00s. So we have got a ways to go.

And a lot of that is the way we recognize fair value over time and the multiple stages as we go through the projects, and including, importantly, the final lease-up and we recognize final fair value based on trailing 12-month NOI. And so once we get to stabilization that's when we recognize the final stages. Glenn wants to speak to it as well. Go ahead, Glenn.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

I was just going to say that directionally, I'd say, Don, we probably have 70% of the fair value recognized in IFRS and there's a nice amount, Mario, still to come through the stabilization process. Don is right, it's a $1.00 to $2.00 a unit. We joke a little bit about the fact we made that estimate when our units were about $20 million, $25 million lesser, so the bar gets higher every time Clinton wants to raise equity. So it's an internal matter that we laugh about. But no, we are quite happy with where we are at. We are in the range of recognition probably in that 70% range.

Don Clow — President & Chief Executive Officer, Crombie REIT

Here's the thing I'll say, Mario, which I think is full kudos to our team, is we predicted that about three to five years ago and the yields on cost that we predicted at that time have held true, right? And given all that's gone on with COVID, lots of crisis, lots of variables in the capital markets, including inflation, et cetera, COVID, supply chain, labour, et cetera, I'm just thrilled with the team's performance to deliver basically on the costs that we anticipated, delivering the yields we anticipated, and on a timeline that we anticipated. And it just for me, proves that this team can execute and that we selected good partners that can also execute in what I would say would be the toughest conditions, especially over the last two years. So really, really proud of the accomplishments. Yes.

Mario Saric — Analyst, Scotiabank

Absolutely. Okay. So then in that vein, there's still some upside there. I appreciate the joint venture disclosure this quarter. And so those projects that could add up to $2.00 per unit NAV contributed negative $600,000 of FFO during the quarter.

Based on your underwriting, can you kind of walk us through how that $600,000 of erosion in Q1, how that builds up, whether it's over the next two quarters, three quarters into 2023? I'm sure we could probably do the math, but just curious in terms of internally how you think about that build-up as the quarters progress over the next 18 months?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Sure. So you're referring, Mario, to the JV disclosure of income contribution for the quarter, the small loss?

Mario Saric — Analyst, Scotiabank

Correct. On Page 54 the $600,000 FFO loss, like how should we think about that $600,000 negative evolving into what should be a pretty substantial positive when everything is fully stabilized?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Yes. So essentially we, I think, guided a little bit—we didn't guide, but we indicated last quarter that for the year we thought we'd be plus or minus zero for Duke, Bronte, and Davie Street. So in the quarter we are not surprised with the small loss that we are disclosing. That should move positively.

Obviously, we are into lease-up now mode in Duke and Bronte more aggressively and we are clearly stabilized at Davie Street. So we are still suggesting that for 2022, the FFO contribution will be more or less nil. Our expectation of ourselves for next year is that should be about $0.035 positive to the REIT, and then by the end of 2024 it should be about a nickel, $0.05 to the REIT. And the reason why it's going to lag—not lag, but extend into 2024 is simply because the lease-up period, the stabilization period at Bronte is going to take us into later in 2023.

But that's essentially the tale of the tape is that this year, it will be pretty flat, about $0.035 to maybe a little bit more than that, $0.0375 next year and then the $0.05 for 2024.

Mario Saric — Analyst, Scotiabank

That's a lot of colour. Great. Thanks, Glenn. That's great.

And then my last question, just in terms of the lease spread, it was down a little bit this quarter, which you attributed to the office and the enclosed retail. How should we think about what your target blended lease spreads are for the remainder of the year overall? And then maybe break those down by dual-asset types?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Sure. We still think mid-single digit is where we ought to be. This quarter was a bit of an anomaly, and I may sound like a broken record because some quarters we do have small sample size. We had 40 leases rolled over this quarter, Mario, like 1.4% of our occupied space. And there weren't, for example, any grocery leases rolling over at 7.5% lift and that can move any quarter very positively. So the 2.3% for the quarter was a bit light.

We think mid-single digits is right. Retail will be in that 5.0%, 6.0% range. Office will continue to be fairly flat. The office market is challenging. Halifax we are really doing well with occupancy, but we expect renewal pressure there, so maintaining, maybe getting slight increases there is fine. Retail-related industrial, there's really nothing rolling over. And as you know, our rental spreads right now are just those classes. They don't include anything on the residential side. So the vast majority of our renewals are retail.

And also in the quarter we disclosed this that VECTOM was quite strong, Major Markets was strong, and Rest of Canada was a bit weak. I think that's generally sample-size related. But in getting to that mid-single digit growth overall for rental spreads, more likely than not VECTOM and Major Markets will be slightly better than Rest of Canada.

Mario Saric — Analyst, Scotiabank

Got it. And then the 5.0% to 6.0% retail being enclosed retail would fall within that range as well? Or is there a difference between the enclosed retail and—

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

We don't separate it, but the retail enclosed would probably be a drag. The retail open-air centres are clearly the strongest. We don't have a lot, as you know, enclosed. We have a couple of sort of legacy small properties, but there's not a lot there. We expect Avalon to hold its own as our major enclosed. And there's not a lot of leases rolling over there currently.

I think at Avalon it will be probably a mixed bag. We are on the one hand seeing very strong sales, very strong occupancy, but there's the occasional tenant that is going to be coming out of a lease from pre-COVID time that may need an adjustment lower. But overall, I would blend all of that into that sort of 5.0% plus retail spread.

Mario Saric — Analyst, Scotiabank

Great. And one last quick one for me. On the $90 million of acquisitions in the quarter, what was roughly kind of going in cap rate on those? And how would the grocery-anchored stores in terms of rent compare to your overall portfolio average?

Don Clow — President & Chief Executive Officer, Crombie REIT

Mario, we don't generally give it to—we had one—a little over a third of that was an industrial property in Montreal, which would skew it down to some degree. But I would say call it, whatever, between 5.75% to 6.25%, somewhere in that range on average overall. So for us, it's important that these Rest of Canada assets, we have said it before, they are bond-like in our view. We have got long-term leases, 15 years, 20 years, and lots of options and they are strong stores. And I think importantly for us, these smaller opportunities are very accretive at those kinds of yields. And again, it's one of the, I call it, the advantages of working with Empire. As we see these opportunities where others might not, the single narrative where somebody's talking about VECTOM, or only the super urban, or only this or that, we think that that type of activity in those markets where we understand the stores better than anybody else is super complementary for our portfolio and has a really nice balancing profile to buying a 4.0% cap retail asset in Toronto. We also like the 6.5% cap, $5 million store in a rural community, but that has very strong market share. And so it's a balancing act. We work with our partner, Empire, and I think it's very fruitful for us overall in terms of continuing to grow AFFO, which I think is the number one—honestly, the number-one criteria over the long term. It's what people are going to judge us by, so I think it's a key part of that.

Mario Saric — Analyst, Scotiabank

Great. I would agree. Thanks, Don.

Don Clow — President & Chief Executive Officer, Crombie REIT

Okay. Thanks, Mario.

Operator

Your next question comes from Tal Woolley with National Bank Financial. Please go ahead.

Tal Woolley — Analyst, National Bank Financial

Hi. Good morning.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Hey, Tal.

Don Clow — President & Chief Executive Officer, Crombie REIT

Hi, Tal.

Tal Woolley — Analyst, National Bank Financial

Just wondering if we can just hit on a couple of the bigger assets. You touched on Avalon Mall and Scotia Square in Mario's questions, but I was just wondering if you could talk a little bit more about the leasing environment for office in Calgary? Like, obviously, the economy was much more open than it was maybe in other parts of the country for the duration of the pandemic. There was also some migration into the maritime provinces. Like what do you sort of see the outlook for the office assets you have in markets?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Well, we are very bullish on the office assets we have. And our small sample size is significant presence in Halifax where we're running mid-90s-ish percent occupancy. But in a market that is, I think, mid 80%s, 85%, 86%, we are significantly stronger than the market. We have, I think, competitive advantages with our portfolio.

We are very much priced in the right place in the market. Our rents at Scotia Square are very competitive relative to any new product that is on the marketplace, like materially better priced. So that's an advantage. We have a significant food court. We have got the biggest parking asset in the city. We have the pedway access right on the transit lines and, of course, we have the ability to build over 1,000 residential units in and around Scotia Square. So we have a very unique situation there. So we see Halifax as strong. I'm surprised that the reports I read from CBRE and others are so bullish, just given that the overall Halifax occupancy rate on office is fairly low. And it's not dissimilarly low to Calgary. I think you just mentioned Calgary where we have no office, obviously, but the sense is that Halifax is going to absorb that space; significant population growth, significant immigration that you mentioned. So we are feeling very good about it.

But as I said in the comment about our leasing spreads, we are cautious because as much as we have a great opportunity, it's a competitive marketplace and there are other buildings that have vacancy and sometimes that can result in competitive reality. Moncton, New Brunswick, we have a small amount of office, a bit more vacancy there, and it's a good marketplace as well. But Halifax is really strong and we are proud of our situation there.

Tal Woolley — Analyst, National Bank Financial

Okay. Do you have a sense at this point in time, like you obviously have your occupancy, but do you have a sense of like on a day-to-day basis like how occupied the building actually is? Like maybe you use parking revenue as a gauge? Do you have a sense of how much traffic you're actually seeing in the asset right now?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Yes. We track that all the time. We have key metrics around food court and just office tenancy. But just to give you an example for Scotia Square, typical pre-pandemic population in office is about 4,500 people a day. We're currently running about 2,200, 2,250, so just over 50%, which we think is good. In fact, that's just maybe a quick segue to parking. As much as our results are very solid, we are still on the way back, Tal, to getting back to pre-pandemic revenue levels. We are probably two-thirds to three-quarters of a cent hit in 2022 to FFO and AFFO that we are going to get back in 2023 and 2024.

So we are still dealing with the reality because if only 50% of your office population is there, that is going to hurt on the monthly parking. But we are doing better on event parking. We are really pleased to hear the announcement that the World Junior Hockey Championships are going to be hosted by Halifax and Moncton. That's a 10-day event later this year into early 2023. And that's going to be a big positive on the event side.

We also track our customer counts in our food court and those are still tracking well below pre-pandemic. I won't give you specifics there, but we track those on a daily basis. And we also track other metrics on the parkade side to see how quickly we're getting back to pre-pandemic levels.

Don Clow — President & Chief Executive Officer, Crombie REIT

And, Tal, just to remind you, Halifax would've performed better than anybody through the pandemic in terms of downtown office population, probably one of the best in the country just because of the way that our population, I'll call it, behaved. And people were, I think, following government protocols and, therefore, our occupancy was, call it, higher than, for sure, downtown Toronto, which I think, unfortunately, may have been one of the worst in North America in terms of downtown occupancy.

So we're an outlier and we're very thankful for that. But it took our team and it took the people who were our tenants to ensure people were safe throughout that time. And now people are now figuring out the work from home and, I think, feeling generally pretty safe coming back to the office and benefitted from that.

Tal Woolley — Analyst, National Bank Financial

Okay. And then maybe you can just give some colour similarly around traffic counts for Avalon Mall too?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Don't have specific traffic counts today to share with you, Tal, but what I will say is our sales are back in line with pre-pandemic levels, that strong. I think we shared last quarter that of the new wing of the mall that we built, we're approaching 95% occupancy and, the older renovated part of the mall is closer to 100% occupancy. So we are finishing up leasing activity.

One of our challenges is just getting tenants to travel to come to Newfoundland. It's not the easiest place to get to. But we're confident we're going to get back to approximately 100% occupancy there. And obviously, that's going to mean that tenants are doing quite well. But my only general numerical statement is that sales are back plus or minus at pre-pandemic levels and we are pleased with that.

Tal Woolley — Analyst, National Bank Financial

Okay. And then just lastly going back to the development pipeline, you guys had obviously set that marker when you initially started building up the development pipeline. Now that it's sort of—Phase 1 has or the first tranche of projects have been completed, given how the market's shifted, where things are, how do you think about the accretion potential for the current set of projects in active development?

Don Clow — President & Chief Executive Officer, Crombie REIT

So the guidance we have given throughout has been our target is to get to consistency at scale in development and consistency. We have given the range publicly $150 million to $250 million, Tal. And in 2022, we are going to be, admittedly, at the lower end of that range, but in that range. And even though we have one project, we want to also point out to people that we have what I call small D developments, so developments under $50 million. We have the one major one, CFC3 in Calgary, but the small D developments are important, right? They are very important. I mean, we are still doing those at a 6.0%, 6.5% yield on cost on average. And they can be $3 million to $10 million, but you can have 20 of those. And so for us—and they take a variety of forms. We just, I think you would've seen in our MD&A reported completions of some spokes, which are part of the hub-and-spoke e-commerce platform for Empire, a bunch of LUIs, even development of new grocery-anchored shopping centres. And those yields are, I think, important because they are very accretive. They are very low risk because we already have the tenants in place. They are actually relatively immune to inflation. I mean, we have been—just the short timelines that we take to build these types of projects, they are 6 to 12 months in most cases, whereas the big developments are three to five years where you've got serious inflation risk. So for us, they are a very nice complement. The small D balances out with the big D development of the major-mixed use. And even though those have been outstanding successes for us, we think that flexibility going forward to be choosing in an environment that you are seeing where suddenly there's a risk-on type of mindset in the capital markets, that for us to ultimately achieve consistency at scale, we want to have the flexibility of where we spend our money.

And I think 2022 is evidence that we can continue to spend in a very solid risk-adjusted way that people will appreciate that ultimately, again, comes back to that number one driver, which is generating solid cash flow growth. So I'm proud of our team for—and yet even with that I'd say—I know people will get to asking me about the next major development—we're continuing to work on 10 projects to entitle them. And when we have the moment in time that it comes that we have to approve a larger one, then we'll see where we are at that moment in time.

Right now, everybody's very cautious with the volatility and the inflation and interest rates rising, et cetera. And so we are not really there yet. And we have a bit of time before we have to get to that moment in time of approval. So we like where we are, we like the growth profile, and we like the flexibility of the development pipeline to nevertheless generate growth. Even if we don't have a bunch of big mixed-use underway, we still have the spending levels that we have told everyone we hope to achieve and target.

Tal Woolley — Analyst, National Bank Financial

And just lastly, how many Farm Boys do you have in the network right now in your properties?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

I would estimate in our portfolio it's less than five, Tal. I know we have one that's just in the process of opening. We had one in Nepean. But I think it's somewhere between three and five currently.

Tal Woolley — Analyst, National Bank Financial

And I guess like as you pursue more mixed-use like around the country, obviously, Farm Boy remains like an Ontario only—or remains only in Ontario right now, but it's kind of a nice-sized box for a mixed-use development. Like are there sort of plans in the offering to try and increase their exposure to that branch of the Empire network?

Don Clow — President & Chief Executive Officer, Crombie REIT

Absolutely. I mean, it's an amazing brand and we just are—our project that we just completed in Oakville, the Bronte Village, has a Farm Boy below it; we converted it from a Sobeys. And so where it's optimal in that market, we think it's optimal and Farm Boy agreed; we converted it. And we're looking forward to doing more. Farm Boy's an amazing brand.

But in addition it's really, I think, matching the brand that Sobeys has to the local marketplace is really going to be the key. And again, this strategic intelligence that we share with Empire, we meet with them weekly. Like it's a very deep and fulsome relationship. And so the selection of the brands will be ongoing and, importantly, they continue to increase the brands, right? There's not only Farm Boy, but there's obviously FreshCo, but Longo's now as well and others. So we are very pleased with that and look forward to continuing the growth in that part of our portfolio.

Tal Woolley — Analyst, National Bank Financial

Okay. That's great. Thanks, gentlemen.

Don Clow — President & Chief Executive Officer, Crombie REIT

Super. Thank you.

Operator

Your next question comes from Jenny Ma with BMO. Please go ahead.

Jenny Ma — Analyst, BMO Capital Markets

Hi. Good afternoon.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Hey.

Don Clow — President & Chief Executive Officer, Crombie REIT

Hi, Jenny.

Jenny Ma — Analyst, BMO Capital Markets

Don, you had made a comment about the clarity of looking at the development pipeline six years ago when you embarked on the first six. So I'm wondering if you can give some colour on where you think that view is now because on one hand, as we've discussed, the risks and the costs have certainly changed substantially since six years ago. But then again, you have a lot of experience under your belt after going through these. So would you say that the next batch of development projects have a similar level of clarity when you're looking to embark on them?

Don Clow — President & Chief Executive Officer, Crombie REIT

It's a super tough question, Jenny, and thank you for asking it. I mean, the volatility we are seeing now—everybody uses the word too much—but unprecedented and in so many areas that it's always hard to know. I'd say the good news for Crombie and our unitholders is that we have an abundance of amazing opportunities to develop and that we control them. And it's really the quality of the land, I think, on a per capita basis is as good as you're going to get in Canada in the REIT sector. And so for us, we are very pleased with that world-class opportunity of land development and then for us, again, the long-term investors is then you can be patient.

The other piece of good news is that, yes, there is inflation, there's interest rates rising, et cetera. But a big chunk of our portfolio, over half is in Vancouver, which to date you are still able to do business there. And I always say in development, even if you have cost inflation, it's whether your rents continue to rise and/or your condo pricing continues to rise that enables you to make sense of the deals. And in Vancouver, those conditions continue. In Toronto, it's a bit more challenging at the moment I'd say. And I'm seeing the number of projects that are potentially maybe cancelled or deferred not on our books, but with others; I've been talking with a number of people in the industry. And so there's caution, clearly. So who knows where it goes?

We are patient. We have flexibility, as I said, to do smaller stuff that's on a risk-adjusted basis. You're doing stuff that you're investing at 6.0%, 6.5%, and it's a 5.0% cap asset; it's not investing 5.5%, 6.0% into a 3.0% cap asset, but it's still very strong contributor to AFFO growth; not quite as much to NAV. And as long as we have that flexibility we can manage our way through the downward part of the cycle, I hope and I believe. And so we are and continuing to pursue it, but prudently, right?

I think we have been very strong, Clinton and the team have been, in improving the balance sheet and, importantly, issuing $200 million in equity in January at record pricing, which today looks, I think, very savvy on he and the team. And I think it was good timing. And our balance sheet is really strong. If there is a storm or recession, we can weather it. But on the other hand, we can be opportunistic and move forward with certain types of development that are critical, ultimately, to the growth of both NAV and AFFO.

So cautiously optimistic would be the way I'd put it. And the visibility, we've got 10 projects working on entitled land. We look at the next seven projects. We have listed them, I think, publicly, and we are very, again, cautiously optimistic that we will continue down the path. And we may be delayed a little bit, but I don't think it's permanent because the opportunities are just such good quality. Yes.

Jenny Ma — Analyst, BMO Capital Markets

Thank you. I appreciate that colour. I know when you were guiding to the returns and the cost on the first six you took a fairly conservative approach. So would you say that considering the heightened risk now when you look forward at the next major projects, do you think that bandwidth is enough to take into account what we're seeing? Or are you making any tweaks in terms of how you're underwriting projects and maybe some even more conservatism in some of your assumptions or proformas?

Don Clow —President & Chief Executive Officer, Crombie REIT

Yes, of course, I mean, the inflation rate is high. Is it sustainable? Where do interest rates ultimately settle out? A bunch of those things. But also, importantly, how far and fast do rents go? I mean, there's a shortage of supply of housing in this country and retail is in a very balanced place. So we are, I think, in a good spot.

We have the top three types of real estate in grocery-anchored retail, apartments, and industrial. We can kind of pick our spots to continue the growth and do so when we have our prices locked in when we think we can achieve certain returns, especially if we're selling condos, to some degree, although that is a very small amount of our forecasted future. So I think we're able to manage it, Jenny, but it's certainly I guess the net answer is—I'm going on too long—is really that it's, yes, we're taking it into consideration. We have always been conservative. We are a little more conservative right now. And I guess it's really how big and bad is that storm and how long does it go on, right?

Jenny Ma — Analyst, BMO Capital Markets

On the Empire-related projects, are you seeing material cost pressures for that kind of work? And if so, how much latitude is there to discuss with Empire to be able to maintain that 6.0% to 6.5% yield?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

I can answer that, Jenny, by talking about CFC3 because it happened sort of early on in the challenging environment of inflation. And Trevor Lee and the team did a great job early last spring and summer essentially pre-ordering the steel for two reasons. One, for supply chain reasons so that we had the steel to be able to complete the project on time; and secondly, to mitigate the inflationary risk. And I want to mention CFC3, which is an Empire project, because we obviously have the obligation to be diligent developers and optimize cost. But we were both good, and fortunate on CFC3 because we were proactive.

We just finished building CFC2. We knew generally what we required, so we were able to get out in front and beat some of this inflationary pressure.

Also, ironically, the Calgary labour market was not as tight at that point in time, so we were able to get reasonable pricing on a lot of labour aspects of the job. And as it turns out, CFC3 as a project, we believe, will be on or under budget, which is not something that is easy to do in this environment. Obviously, any project we start with Sobeys or any other tenant starts with a proposition of what rents are you desiring to pay, and then, iteratively, us on the other side looking at our cost to get costs that can allow that rent to pencil out in a way that gives us reasonable returns.

So obviously, any tenant that has pressure on their economics, whether it's Sobeys, or whether it's any other tenant, they are not going to want to see their rents go materially higher. That's just common sense. So the big challenge in this inflationary environment is just to be as diligent and proactive as we can be, both on the leasing and operational side, but also on the construction and development side to try to get that situation where the tenant's satisfied with the rent and we can get a reasonable return. But there's no free lunch. Tenants are not prepared to give us higher rents just because and you may see occasional projects that get delayed or deferred if you have a short-term situation where the costs just don't enable a rent that makes sense for the tenant.

So it's a real partnership and we roll up our sleeves on every deal. Whether it's a small densification of a site or a big project, it's the same approach for us to be smart. And we are very diligent on using quantity survey or approaches on our bigger projects to make sure that our costing is optimized and that we're value engineering at every step of the way so that we can do our part to help that rent pressure situation. That's how I would summarize it.

Jenny Ma — Analyst, BMO Capital Markets

Okay. Great. Thank you. My final question is with regards to some of the near-term mortgage maturities. I think the weighted average for the whole stack is about 4.0%. Is there a big variance for some of the mortgage maturities in 2022 and 2023? Or is it kind of hovering around that 4.0% mark?

Clinton Keay — Chief Financial Officer & Secretary, Crombie REIT

Actually, they are all pretty much a little bit over 4.0%, 4.3 %. So yeah, it's pretty steady. There's no major variances.

Jenny Ma — Analyst, BMO Capital Markets

Okay. Great. Well, thank you very much. I'll turn it back now.

Don Clow — President & Chief Executive Officer, Crombie REIT

Thanks, Jenny.

Operator

Your next question comes from Pammi Bir with RBC. Please go ahead.

Pammi Bir — Analyst, RBC Capital Markets

Thanks. Hi, everyone.

Don Clow — President & Chief Executive Officer, Crombie REIT

Hi, Pammi.

Pammi Bir — Analyst, RBC Capital Markets

As you think about the value creation for the next five projects that are underway and, specifically, I guess, the near-term developments how does, maybe the value creation from that pipeline compare to the $1.00 to $2.00 that you expect on the first six projects?

And then just secondly, over what time frame do you see being able to deliver on these? Because some of these, of course, do require some zoning work that's still in progress. I'm just curious if you could compare that to what you've been able to do successfully on the first round?

Don Clow — President & Chief Executive Officer, Crombie REIT

Pammi, there's no question it's going to be a little, call it, slower and a little less, I guess, is the answer, the truthful answer. I mean, we have had outstanding returns with our first six projects. Like they are off the charts. And that was good work and good timing and good luck and lots of good things. But, I'll say just that's as much as I can give you. I mean, we are obviously in an unprecedented environment where we are seeing inflation that we haven't seen for, decades. And so as to how that pencils out is a good question, but the good news is we have some time. Things can stabilize. Things can revert to, call it, a more stable environment. And importantly, we have, I'll call it, better conditions where we have opportunities. So again, Vancouver is an opportunity where there's not as much union activity. There's just, I don't know, there's a little more stability and some in the construction trades in my view, so it gives us more opportunity. And then, obviously, there's a shortage of good housing and we're looking at some housing opportunities on top of retail. So I think we can end up passing cost increases on to the consumer continuously, but we won't know until we get to those moments in time where we have to actually approve a big project. And at those moments, we'll be making a judgment.

And the good news is the value of our land, I don't think, is going down in the long-term because these opportunities are world-class. And so I think we're—I don't want to call them Manhattan-like opportunities, but they're strong, very strong. And so we're very fortunate with the quality that we have of the dirt. And so, yeah, that's all I'll say.

Pammi Bir — Analyst, RBC Capital Markets

That's good colour. Thanks, Donnie. Maybe just switching to the acquisition environment. Certainly, obviously, active on some of the acquisitions with Empire. Any comments on perhaps what you're seeing from third parties? Has the backup in bond yields changed at all perhaps pricing for—or maybe the motivation of some owners out there that might be looking to maybe lighten up? Or I'm just curious what you're seeing out there.

Don Clow —President & Chief Executive Officer, Crombie REIT

I'd say the capital markets react first and if it's severe in terms of real estate and then the private markets tend to lag. There is, call it, on the acquisition side I'm seeing things slow a bit and especially in the larger ticket price, larger transactions. In the smaller ones in the right sector there's no slowdown, so especially grocery-anchored, industrial, or apartments, we think there's still solid, long bid lists.

And then in terms of sale, we've had four discussions with pension funds, private equity over the last couple of months just exploring opportunities, exploring different things that we are looking to do. And in every one of those, we have had people express interest in partnering with us on buying the three top categories, which are grocery-anchored retail, industrial, and apartments. And so there's clearly interest even though the markets are volatile and interest rates have gone up, so. And the other piece is that the people who own the real estate, generally, are very strong. So you're not going to see, I think, a lot of evidence to support the notion that people may have that cap rates are going up. And so for us, we're not in a rush on anything. We don't feel pressure in that regard. And we'll keep, I think, being able to do the business that we want to do: allocate capital where we want to and/or sell assets from time to time as we want to. So we are pretty fortunate.

I think the curation of our portfolio over the last decade, I think, has really been well done. And we have got the three top categories for the most part; what, 94% of our portfolio are those three categories, so we're very fortunate that we have curated the way we have. And in this kind of market that's really—maximizes our flexibility and ultimately our returns, I believe.

Pammi Bir – Analyst, RBC Capital Markets

Got it. Got it. Sorry, just I guess the last one for me just coming back to the acquisition from Empire, I guess, in total, $90 million-ish roughly. Just again, the whole comments around elevated inflation, do the leases on these assets have annual rent steps? Or are they more periodic kind of after every five years or so?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Generally speaking the rent steps are every five years, Pammi. That's typical—

Pammi Bir – Analyst, RBC Capital Markets

And sorry, Glenn, every five years?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Yes. The rent steps are every five years.

Pammi Bir – Analyst, RBC Capital Markets

And then what sort of rent step is that still? Like is it 10%? Or is it a bit less than that?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Yes. They vary, but generally speaking in the 7.5% range, in that range would be, call it, the low end. But that's the general range, around 7.5% steps every five years.

Don Clow —President & Chief Executive Officer, Crombie REIT

In the CRUs in the shopping centres that have a grocery store and CRU, they would be higher than that on average because the CRU would have step-ups in more like the 10% range.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

That's correct. Yeah. I'm speaking more to the food leases. But yes, the step-ups on CRU could be materially higher than that.

Pammi Bir – Analyst, RBC Capital Markets

Got it. Thanks very much, guys. I'll turn it back.

Operator

Ladies and gentlemen, as a reminder if you do have any questions, please press star, one. Your next question comes from Sam Damiani with TD Securities. Please go ahead.

Sam Damiani — Analyst, TD Securities

Thanks. Good afternoon, everyone.

Don Clow — President & Chief Executive Officer, Crombie REIT

Hi, Sam.

Sam Damiani — Analyst, TD Securities

Just on the same-property NOI growth, that adjusted number for Q1 of 2.6%, was there anything unusual from an occupancy perspective that was in there? And how does that make you think about how the full year 2022 is going to shake out on an adjusted basis for same property?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Sam, we're feeling pretty good about it. I think it was key for us to disclose that when you adjust out the bad debt expense and the fact that we had a lot of lease termination income in Q1 of last year, the 2.6% is really the relevant marker. We think the rest of the year is going to be in that 2.0% to 3.0% range. We feel very confident with that based on the activity that's in front of us, both on the renewal spreads and the additional leasing and the other activity that bolsters same asset. So we're feeling 2022 is going to be a solid year for same-asset NOI growth.

Sam Damiani — Analyst, TD Securities

That's great. And my last question, Don, I think you mentioned early in the call that you felt Vancouver still looks pretty good from a development perspective; Toronto was a little more challenging. So I just wonder if you could provide a little bit of colour to sort of why you say that? And also on 1780

Broadway, and I know it's still in process, but if there's any update you can provide there in terms of how the process is progressing?

Don Clow —President & Chief Executive Officer, Crombie REIT

Yes. Sam, I mean, Vancouver's just its own market. It has been for a long time. I mean, I know for the last decade people have said cost inflation has been unsustainable there and yet the rents have continued up and/or the condo pricing has continued up. And so as we talk to our partner out there, as well as others, there's continued cautious optimism, but optimism that the revenue side will continue on, even if there is cost inflation. And for us, we've got a number of projects, as you know, out there. It's the biggest chunk of our development pipeline. So for us, that's terrific. Again, I think you may see a number of pauses on development here and there because people can't make it pencil out. And I think you might see some of that, call it, more in central Canada than you might in Vancouver, although there might be some there. But anyway, I think the dynamics have been this way for a long time. And I also think population growth in BC, there was 100,000 people there, I think, last year, went to BC, which is unprecedented, which is amazing, call it, demand for housing. And so for us, we are very pleased with that and want to be able to ultimately build into that.

In terms of Broadway and Commercial, we are continuing to work through the city process. It's a very long process for us. This is a very important location. It's the number one transit node in all of Western Canada; has a very strong and vocal local community which we are very respectful of and working with. We've done a lot of polling with our partner, Westbank, of the local community and working with the city. And we are hoping to have this project appear before the city later on this spring, or in July. We'll see. And if that's the case, then it gives us the optionality to move—hopefully, if it's approved, we would then be in a position maybe in the fall or early next year to move forward with it if conditions are right. And that move forward would mean you'd get into some condo presale, that type of thing. So our actual commitment on the project will be over a year out in terms of actual us having to commit our balance sheet to that project, so. But I think, importantly, Westbank is, I think, number-one developer in Vancouver and doing an outstanding job working with the community to get the community what it wants and what works for us, too. And so we are cautiously optimistic and respectful that it's got to go through the political process, which is lengthy and, importantly, has a lot of input. So we are respectful of that and looking forward to making our case hopefully soon.

Sam Damiani — Analyst, TD Securities

That's great. Thank you.

Don Clow —President & Chief Executive Officer, Crombie REIT

Okay. Thank you.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Thanks, Sam.

Operator

Your next question comes from Sumayya Syed with CIBC. Please go ahead.

Sumayya Syed — Analyst, CIBC World Markets

Thanks. Hi, everyone. Just have one, I think, quick question. Wondering if you can share the rationale for not pursuing the King George development at this time?

Don Clow — President & Chief Executive Officer, Crombie REIT

Unfortunately we can't, Sumayya. It's a great site and we've said what we've said and that's all we can say at the moment for, call it, competitive reasons, if I can. And so unfortunately, I can't go into more detail. Hopefully, we'll have more colour and depth of commentary next quarter.

Sumayya Syed — Analyst, CIBC World Markets

Okay. Understood. That was it for me. Thank you, guys.

Don Clow — President & Chief Executive Officer, Crombie REIT

Thank you.

Operator

There are no further questions. Please proceed.

Ruth Martin — Director, Investor Relations & Financial Analysis, Crombie REIT

Thank you for your time today, and we look forward to updating you on our progress call in Q2 in August. Thank you.

Don Clow — President & Chief Executive Officer, Crombie REIT

Great. Thanks, everybody.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and ask that you please disconnect your lines. Have a great day.