



Crombie

Final Transcript

Crombie Real Estate Investment Trust

First Quarter 2023 Earnings Call

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DISCLAIMER

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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 2023 and 2024, 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, 2023 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, everyone, and welcome to Crombie REIT's Q1 Earnings 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, 0 for the Operator.

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

Ruth Martin — Senior Director, Investor Relations and Financial Analysis, Crombie REIT

Thank you. Good day, everyone, and welcome to Crombie REIT's first quarter 2023 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.

On the call today are Mark Holly, President and Chief Executive Officer, and Clinton Keay, Chief Financial Officer, and Secretary.

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 Mark, who will begin our discussion with comments on Crombie's overall strategy and outlook along with a development update. Clinton will review Crombie's operating fundamentals, discuss our financial results, capital allocation, and approach to funding, and Mark will conclude with a few final remarks.

Over to you, Mark.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Thank you, Ruth. Good day, everyone, and thanks for joining us this afternoon.

I'm honoured and pleased to be speaking to Crombie's quarterly results today, but before I get into the results, I want to highlight that this morning we held our annual general meeting where I spoke to the depth and value of the strategy that guides our business.

Our focus will remain on three asset classes: grocery-anchored retail, industrial, and residential. There are five strategic pillars that guide this focus. Number one, operating with excellence, a well-curated necessity-based portfolio; two, our strategic partnership with Empire; three, executing a robust development pipeline; four, ensuring strong financial condition; and most importantly, five, our foundation, our people and culture.

Staying focused and disciplined on our strategy is a must to achieving our long-term goal of sustainable growth. Our team's resilience and commitment to prudent execution is fundamental and we are prepared to make hard decisions in the short-term for success in the long-term. Our portfolio is primarily comprised of the most desirable asset classes in Canada and our results reflect their resilience. Operational performance was strong in the first quarter with committed occupancy of 96.7%, healthy same-asset NOI growth of 2.4%, and strong renewal growth of 5.7% over expiring rental rates. These metrics reflect the hard work and dedication of our leasing and operations team who commit to excellence every day for our tenants.

One of our competitive advantages is our strategic relationship with Empire. Investing in Empire's network in the form of modernizations, conversions, as well as their Voilà e-commerce network is an important part of our program. We align our real estate strategies and overlay the synergies to create win-win programs. This collaboration drives value creation for both organizations.

Development and reinvestment in our properties is an important pillar of our strategy, as it provides opportunity to drive AFFO and NAV growth, enhancing the quality of cash flows across our portfolio. Leasing progress occurred throughout the first quarter at our completed mixed-use residential properties, Le Duke and Bronte Village. We are pleased with the progress that has been made. Le Duke, located in Montreal, has reached full occupancy as of April 2023 with rents exceeding proforma by over 5.0%. At Bronte Village in Oakville, lease-up continues to gain momentum with the residential portion of the property 56% leased as of mid-April, with rents exceeding proforma by over 10%. We are encouraged with the progress over the quarter and are still targeting stabilization of NOI next spring.

To deliver our development pipeline, we continue to be prudent stewards of capital and prioritize its allocation with the long-term in mind. Our financial strength allows us to pursue the right opportunities at the right time. Maintaining well-laddered debt maturities contributes to a strong balance sheet and financial condition, and in March we secured long-term fixed rate debt, which Clinton will speak to shortly.

With this financial strength, I am pleased to announce that we have committed to our next major development, The Marlstone, formerly known as Westhill on Duke, in downtown Halifax, Nova Scotia. Halifax is a strong market and one of Canada's fastest-growing cities. Housing demands are substantial with a vacancy rate at 1.0% and we own some of the best real estate in the city. This 291-unit residential rental project will be built to LEED Gold standards with an operational net-zero-ready plan and will be a Rick Hansen Foundation certified property. The Marlstone will be a valuable addition to our portfolio and to the community.

Our development pipeline is expansive, and entitlements play a critical role in establishing a well-structured development ladder. Our team is laser focused on advancing projects through the approval process as securing entitlements provides optionality and flexibility for our development

planning. We intend to submit four rezoning applications over the course of 2023, adding to the six locations with either rezoning approval in place or rezoning applications submitted. Together, these ten properties have the potential to add over five million square feet of commercial and residential GLA, which includes up to 5,800 residential units.

On the sustainability front, this morning I was pleased to announce Crombie's Climate Action Plan, the next part of our environmental commitment under our ESG platform. Crombie is committed to achieve net zero by 2050 for Scopes 1, 2, and 3 and is setting a near-term target in 2030 of reducing Scope 1 and 2 emissions by 50% from a 2019 base year. Our reduction targets will be submitted to the Science Based Targets initiative, SBTi, for validation and approval.

In addition to this climate action plan, last month, Crombie was named a 2023 Green Lease Leader, receiving Gold Level by the Institute for Market Transformation and the U.S. Department of Energy's Better Buildings Initiative. We also received BOMA BEST Platinum at our Scotia Square office complex in Halifax.

With that, I will now turn the call over to Clinton, who will highlight our first quarter operational and financial results and discuss our capital funding approach.

Clinton Keay — Chief Financial Officer and Secretary, Crombie REIT

Thank you, Mark, and good day, everyone.

Crombie ended the quarter with committed occupancy of 96.7% and economic occupancy at 94.5%. Excluding Voilà CFC 3, which is expected to take occupancy and commence paying rent in mid-2023, economic occupancy would be 96.1%. New leases increased occupancy by 62,000 square feet at an average first year rate of \$18.91 per square foot. Approximately 87% of new leases, equivalent to 54,000 square feet, were completed in VECTOM and Major Markets.

At March 31, 2023, 406,000 square feet was committed at an average first year rate of \$20.42 per square foot, with tenants expected to take possession throughout 2023. VECTOM and Major Markets represented 363,000 square feet of committed space, including 304,000 square feet in Calgary, Alberta for the substantially completed Voilà CFC 3, and 31,000 square feet in Burlington, Ontario for our new Farm Boy store.

During the quarter, 540,000 square feet of renewals were completed at an average increase of 5.7% over expiring rental rates. The primary drivers of renewal growth in the quarter were our freestanding retail and retail plaza portfolios. An increase of 7.0% was achieved for first quarter renewals when comparing expiring rental rates to the weighted average rental rate for the renewal term. Crombie proactively manages its lease maturities, taking advantage of opportunities to renew tenants prior to expiration. During the quarter, approximately 237,000 square feet of renewals related to future year expiries were completed.

On a cash basis, same-asset NOI increased 2.4% compared to the same quarter in 2022. Primary drivers are improved parking revenue, increased rental revenue from renewals, new leasing, modernizations, and capital improvements.

For the quarter, AFFO per unit was \$0.26, increasing from \$0.24 for the same quarter last year, while FFO per unit was \$0.30, increased from \$0.28 for the same quarter last year. AFFO and FFO payout ratios in the quarter were 86.6% and 75.3%, respectively. The improvement in AFFO and FFO for the quarter is primarily due to an increase in income from equity account investments of \$3.2 million as a result of the sale of land inventory at our Opal Ridge property in Dartmouth, Nova Scotia, increased rental revenue from renewals, new leasing, and acquisitions, as well as improved parking and higher supplemental rent from modernizations. This was partially offset by lost rental revenue due to dispositions. AFFO was further offset by an increase to the maintenance capital expenditure charge in Q1

2023 from \$1.00 to \$1.10 per square feet, which resulted in an increased charge of \$468,000 and is expected to impact the full year by approximately \$0.01 per unit.

We have worked hard to improve our balance sheet and overall financial condition to position us well to drive future growth. During the quarter, Crombie had a successful offering of \$200 million senior unsecured notes with a term of 6.5 years at an interest rate of 5.24%. This transaction aligns with our strategy of accessing multiple sources of capital to pursue strategic growth opportunities, including Empire-related initiatives and our robust development pipeline.

We ended the quarter with available liquidity of \$736 million and our unencumbered asset pool grew, increasing its fair value from \$2.2 billion at year-end to \$2.3 billion this quarter, predominantly from mortgage repayments. The \$200 million non-revolving bank facility expiring in November 2025 is intended to be used to fund mortgage repayments over the next twelve months. Unencumbered assets as a percentage of unsecured debt is 195%, providing Crombie with additional financing flexibility and optionality. Our debt to gross fair value was 41.9% at the end of Q1 2023. We ended the quarter with debt to trailing twelve-month adjusted EBITDA at 7.96 times, down from 8.02 times at December 31, 2022. The improvement is primarily due to lower outstanding debt as a result of mortgage repayments and dispositions as well as improved EBITDA.

We continue to prudently allocate capital, reduce risk and build financial strength through access to multiple sources of capital, maintaining ample liquidity and a healthy weighted average term to maturity.

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

Mark Holly — President and Chief Executive Officer, Crombie REIT

Thank you, Clinton.

To summarize, I'm pleased with our first quarter results. We strengthened our business with successful operational and financial results. We're in a great position, with strong fundamentals and a committed team. I'm especially pleased with the progress we've made to advance our environmental commitment and our next major development.

That concludes our prepared remarks. 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 the number one on your touchtone phone. Again, that's star followed by the number one on your touchtone phone. If you would like to withdraw your request, please press star followed by the number two.

Please stand by while we compile the Q&A roster.

We have your first question coming from the line of Lorne Kalmar from Desjardins. Please go ahead.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Thanks, and good afternoon. Mark, congrats on one quarter in the books. Just on The Marlstone, I was wondering if you could give any colour on yields and costs and timelines given that you guys sound like you're pretty close to getting started on the project.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Good afternoon, Lorne, and thanks for the question. Yeah, we're really excited about The Marlstone, our next project. We expect costs to be in the range of about \$130 million to \$150 million. We, at this point, already have about 75% of the cost through an LOI, so we have some security around that, which is one of the things that we've been working hard at over the last number of months on getting

some comfort around the cost in this market. And at this point we don't currently disclose yields, but really pleased with the project metrics and the project timelines and discipline that we're taking around this and so that gives me a lot of confidence.

And I think your last question was around timing on breaking ground. Because we've done a lot of work over the last couple of months on getting organized with certainty around costs, we've got a lot of the contracts ready to go, and so the team is ready to start to pull the trigger over the next coming weeks to month or two.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay. So you guys are real close on that one. All right. And then just sort of maybe looking a year or two down the road, is the goal to sort of start one project a year?

Mark Holly — President and Chief Executive Officer, Crombie REIT

As you know, we've got a really robust pipeline, a number of near-term projects, medium-term projects, and we just talked about sort of one of the things that we want to work on is in the acceleration of entitlement for flexibility. We have an amazing team that has really worked hard over the last five years on the other six projects and we're going to pick our spots. We're going to start with The Marlstone. We're going to work through the rest of the development ladder and find our spots when the market conditions are right, when we have the right team available, and we have some certainty around it. So more to come, but at this point I'm super excited about The Marlstone, to get that one going.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay. Fair enough. And then just last one for me. You guys have got the CFC 3 coming on in Q3, I believe, or middle of the year I should say. Is there any desire to add to the industrial portfolio by way of acquisition?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Well, CFC 3 was the one that we acquired and built and we've handed that one over to Empire/Sobeys and we're really pleased with that construction. It is one of our focuses, as we talked about, the three asset classes that we're most interested in. Most of our industrial has been with our partnership and our strategic alliance with Empire. Never say never in the acquisition, and we're always keen on industrial, it's a nice asset class for us, we've grown that portion of our portfolio mix, and so we're always interested in that platform. It is a part of our growth.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay, great. Thanks. I'll turn it back.

Operator

Thank you. Ladies and gentlemen, as a reminder, should you have a question, please press star followed by the number one on your touchtone phone.

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

Mario Saric — Analyst, Scotiabank

Thank you and good afternoon. Coming back to The Marlstone, I may have missed it, but it appears that you own 100% of that project. Is the intention to own 100% of it going forward?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Good afternoon, Mario. Yes, that is the intention. So we own 100% of that asset. We are going to self-develop that asset and manage that asset. We've got an amazing team that has been working on residential projects over the last five, six years, we've got the home base here in Halifax, and we've got one of the best operating teams directly adjacent to this site. So yes, we will own 100% of that asset.

Mario Saric — Analyst, Scotiabank

Got it. And without, I guess, discussing returns, just conceptually, how does running 100% of the project impact kind of the required return to kick start the project relative to partial interests previously, if at all?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yes, the last residential projects we had completed were partnerships with Westbank and PrinceDev. All the metrics and all the project modeling that we did included all the overhead requirements. They're all embedded in with this project and they're included in sort of that capital \$130 million to \$150 million that I referenced earlier. And so, you know, over viewing the metrics over the last few months and getting ourselves organized, really pleased in kind of where we're going to land on this project.

Mario Saric — Analyst, Scotiabank

Got it. And then maybe, again, conceptually, when you think about, ah, interest rates have come up quite a bit, we've heard a lot about construction costs or construction interest rates coming up quite a bit. How do you think about returns in relation to construction interest rates or private market cap rates? If you can just, conceptually, kind of illustrate how you think about the relative return profile when you're kicking-starting the project.

Mark Holly — President and Chief Executive Officer, Crombie REIT

I'll give you a bit of an overview on sort of the construction industry and I'll pass it to Clinton to talk a little bit about cap rates and interest rates. But from the industry side, as we were going through our tendering process, we are seeing some good stability in the market, and we're also seeing good availability of labour and trades. Again, it's our home base in Halifax and so we've got some amazing partnerships already formed here and, on that side, we were really, really comfortable and were able to

get to 75% certainty around the cost, which was one of the influential factors as we were looking at the total cost to move it forward.

I'll pass it to Clinton who can talk about cap rates and interest rates.

Clinton Keay — Chief Financial Officer and Secretary, Crombie REIT

So, on the interest side, obviously, we'll be looking at implementing CMHC financing, the lowest cost funding possible on this, and lots of liquidity to manage us through the construction phase as well. So from that standpoint, Mario, I'm not sure your question around how that ties into returns, but obviously during the construction we'll be capitalizing it as part of the project costs and that's built into the modeling. But at the same time, once we do get to substantial completion, we will be looking to put long-term CMHC financing on that property.

Mario Saric – Analyst, Scotiabank

Excluding kind of the value of the land, like how much equity do you think you need to put into the project?

Clinton Keay — Chief Financial Officer and Secretary, Crombie REIT

Equity? Well, the value of the land is in there. We haven't disclosed that yet, Mario. Honestly, I don't want to give disclosure at this point in time. We'll get back to you on that probably in the next quarter or so.

Mario Saric – Analyst, Scotiabank

Okay. Maybe shifting gears on the retail side, just from a leasing perspective, are there any larger leases in the next twelve months or so that you're concerned about in terms of renewal? Or are you pretty confident that you can maintain what is essentially a record occupancy in 2023?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yes, Mario, it's a good question, and definitely been hitting record highs. As I continuously call out, I think we have one of the best leasing and operations team in the country and they've done just an exceptional job in managing the relationships with the tenants. At this point we don't see anything that would adjust those numbers. There are slight fluctuations up and down, but we have no material concerns around our portfolio. As you know, we're operating in three really desirable asset classes. The tenant mix is really healthy and we are really pleased with where we sit today.

Mario Saric – Analyst, Scotiabank

Got it. Okay. Last one for me, Mark, you talked about never say never in terms of buying industrial assets. How about on the office side? I know the office portfolio is somewhat integrated within the broader portfolio. What are your thoughts on the office exposure going forward?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yes, we have the Scotia Square asset and it is, for those that know the asset, it is centre ice in Halifax, occupancy rates in the near 90s or slightly above 90. It's got some of the best amenity services in that building and the operations team there and the tenant service team there has done just an excellent job. We have a pretty long WALT on that facility. In terms of where do we stand on office, it is not part of our three asset classes that we are focused in on. This particular asset represents about 3.0% to 5.0% of our GLA, and so it's a small piece, but it's an important piece. We're happy with the asset, but we're not looking to invest any more in that.

Mario Saric – Analyst, Scotiabank

Okay. Thank you.

Operator

Thank you. Your next question comes from the line of Tal Woolley from National Bank Financial. Please go ahead.

Tal Woolley – Analyst, National Bank Financial

Good afternoon, everyone.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Hi, Tal.

Tal Woolley – Analyst, National Bank Financial

Just on the Opal Ridge project, you've obviously been liquidating some land there. How much more land is available there to liquidate and do you have a sense of the timing of that?

Mark Holly — President and Chief Executive Officer, Crombie REIT

So yes, there is more land inventory and, yes, we do expect to sell more in the second half of 2023. We own about six parcels remaining and so we will be looking to dispose of those assets over the course of the year or into next year, timing still to be determined. We're sort of working through the process at this point, Tal.

Tal Woolley – Analyst, National Bank Financial

Perfect. You mentioned earlier wanting to increase the amount of sort of zone density within your pipeline projects. Do you look, target, you know, a certain amount that you're looking to surface over the next X number of years?

Mark Holly — President and Chief Executive Officer, Crombie REIT

We have got the ten that I talked about and we're making a push on four in 2023, which I'm pretty excited about. For us, it's ensuring that we have a really strong entitlement ladder. So we talk about development ladder. Just as important to it is the entitlement ladder and so we are looking at all those assets. And entitlements can be very complex and tricky and they move at different paces depending on which part of the geography you are in Canada. And so where we sit today, doing a little bit of acceleration is what I wanted to push on and so the team is focused in on that. We're laser-focused to try and push on

the ten. So right now I'm pretty happy with that. I don't have a target where I want to be at the end of this year, but I'm focused in on those ten.

Tal Woolley – Analyst, National Bank Financial

Sorry, which of the four projects are the ones you're really looking to move forward on the most?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah, it's a great question, Tal. Unfortunately, we don't disclose that at this point, but we do have our development ladder in our documents and you can kind of see where they sit between near term, medium term, and long term.

Tal Woolley – Analyst, National Bank Financial

You made reference earlier to sort of seeing good market conditions in Halifax to proceed with a residential development like The Marlstone. Where across the country are you sort of seeing the kind of best conditions to sort of proceed with residential development?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Well, Halifax for certain. With 1.0% vacancy and a lot of dialogue in the community around a shortage of housing and so we're really happy to bring The Marlstone on board. It's got the right metrics and the right fit.

I also am pretty bullish on the other side of the country in BC in Vancouver and we have some pretty strong assets there. And as you know, we just finished Davie Street in BC, we just completed Le Duke in Quebec and we did Bronte in Ontario, and so we're also pleased with all those three assets. But as we sort of focus in, The Marlstone is the one that we're really excited about. It will be our first one in Atlantic Canada and so I'm looking forward to it and the metrics are right.

Tal Woolley – Analyst, National Bank Financial

Yeah. So BC still would be maybe a little bit tough right now.

Mark Holly — President and Chief Executive Officer, Crombie REIT

No, I wouldn't say tough. We're working, as you know, through the process on Broadway and Commercial and we're working through rezoning. We're working closely with our partner and with the municipality to try and ensure that we're building the right application for the community. And that's in our near-term plans and we're just working through that process. So I wouldn't say that BC is tough. I think it is an exceptional market and we're just kind of working through that project now.

Tal Woolley — Analyst, National Bank Financial

And on Broadway and Commercial, do you have an idea of when you can expect a final decision on that development?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah, I wish I did. We're working through the rezoning process now with Westbank. We're hopeful that we'll be in a position to work through the process of rezoning. Rezoning can take time. Between 2024 and 2025 we'll hopefully be in a good spot to start taking a look at the entitlement. And then even though you're entitled, you're not shovel-ready, and so you've got to go through that process as well. So we're working through 2024 on entitlements and then we'll sort of make some decisions.

Tal Woolley — Analyst, National Bank Financial

Okay. And then just lastly, your weighted average term of maturity on your debt around five years right now or slightly over five years. I'm just wondering, with the shape of the curve and your interest rate outlook, what's your sort of goal? Are you looking to lengthen that maturity going forward or are you sort of comfortable with the term you have right now?

Clinton Keay — Chief Financial Officer and Secretary, Crombie REIT

Yeah, I would say in the range of five is a good number to be at. It'll fluctuate plus or minus, but we're really comfortable with our debt ladder that we have today, Tal, really comfortable with the amount of liquidity available at hand. One of the key things is our floating rate debt at this point in time, pretty minimal on balance sheet. Really the only floating rate that I have is at Bronte in our construction loan. And we're looking to put CMHC financing on that to term that out. So, yeah, I'm pretty happy with the ladder and the term maturity we have today.

Tal Woolley – Analyst, National Bank Financial

Okay. That's great. Thanks very much, gentlemen.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Thank you, Tal.

Operator

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

Sam Damiani – Analyst, TD Securities

Thanks and good afternoon, everyone. Just on The Marlstone, I love the name by the way, how will the sort of funding for that unfold and what is Crombie's kind of target leverage on the balance sheet as that project reaches completion?

Clinton Keay — Chief Financial Officer and Secretary, Crombie REIT

Obviously, in the last year, Sam, we've done a lot of deleveraging to position ourselves to be able to focus on our development pipeline. I've always said multiple sources of capital. Our focus is on becoming BBB mid and we've said that's a goal of ours on the rating agency side, so really important that we maintain our balance sheet in a balanced way. Utilizing CMHC financing is such a critical aspect to all this, it's cost-effective, so I would say, clearly, the balance sheet is something we want to pay attention to and, as I said in many previous calls, multiple sources of capital. We've proven that through last year with

the sale of King George as an entitled property that, from time to time, we will sell. We're not in the business of doing it, but from time to time it does provide us with a high-value asset that we can get the proceeds with little impact to our EBITDA.

Sam Damiani – Analyst, TD Securities

That's great. And what about capital recycling? From what we're seeing, there's certainly still a decent market for grocery-anchored retail. Is there a goal of recycling a certain amount of capital in the near term?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Hi, Sam. No, not at this point. We did some recycling as we were working to get our balance sheet in order, as we were pushing in development. We are in the best shape we've been in quite some time in terms of available liquidity. I think it's a record high. So at this point there is nothing in our strategy on dispositions.

Sam Damiani – Analyst, TD Securities

That's great. And last one for me, just on the retail leasing. Apart from some seasonal fluctuations, it looks like things are holding up very strong. Any watch list retailers on your minds these days?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. As you know, we're grocery-anchored, and it's a pretty resilient asset class and we're proud to be in that and we are not seeing any major fluctuations other than the minor, as you called out, the seasonality. We're actually seeing continued strong demand. And the demand is in those necessity-based retailers, discount stores, pharmacy, QSR, restaurants, we're seeing some strong demand. We added almost 100,000 square feet last year into the GLA and so we're seeing strong demand.

Sam Damiani – Analyst, TD Securities

That's great. Thank you. I'll turn it back.

Operator

Thank you. Ladies and gentlemen, as a reminder, should you have a question, please press star followed by the number one on your touchtone phone.

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

Pammi Bir – Analyst, RBC Capital Markets

Thanks and hi, everyone. Apologies if I missed this, but just two quick ones. What were the proceeds or the gain, and the gain, I guess, on the sale of the Opal Ridge lands?

Clinton Keay — Chief Financial Officer and Secretary, Crombie REIT

Just one sec here... Tell you what, go to your next question and I'll have an answer for you in a second.

Pammi Bir – Analyst, RBC Capital Markets

Okay. Just the second one is really just on The Marlstone. What are you targeting for completion? And I'm curious as to, you know, if you can share sort of what range of rents are you underwriting at that project?

Mark Holly — President and Chief Executive Officer, Crombie REIT

So, the timing of the project is going to start over the next month or two, we suspect. As I said earlier, we've done a lot of work over the last couple of months getting ourselves organized on certainty around costs and tendering of those projects. The duration of the project is somewhere in the range of 36 months and so that's probably where we're going to land. As you know, when you get into construction, things kind of ebb and flow.

In terms of market rents, we have built out a proforma. We're not disclosing that number at this point in time, but we have done a robust analysis of the market and what's been changing. Halifax has a vacancy in around 1.0% and we've been watching that and we're seeing what's going on in the market and historical trends. So we're pretty conservative in our modeling and we're really excited about the project, but at this point we're not disclosing what the market rent will be.

Pammi Bir – Analyst, RBC Capital Markets

Okay. And Mark, the 36 months that you referenced, does that include the lease-up period or is the lease-up period after that three-year development period?

Mark Holly — President and Chief Executive Officer, Crombie REIT

It's following. So we want to make sure that the asset is ready. There will be some pre-leasing. One of the great things about the area in which we're developing it is we have Scotia Square and we've got some great opportunities to do some pre-leasing and showcasing what a great asset it will be in advance and so there'll be a few months before the end of construction that we'll be able to start pre-leasing. But the majority of the leasing will happen when the asset is ready for people to view it properly.

Pammi Bir – Analyst, RBC Capital Markets

Thanks for that. Clinton, maybe, if you have a chance, we can follow up on the Opal Ridge, if it's not available.

Clinton Keay — Chief Financial Officer and Secretary, Crombie REIT

I can get back to you, but the gain was \$3.2 million, as I said in my script.

Pammi Bir – Analyst, RBC Capital Markets

Great. Thanks very much.

Operator



Thank you. There are no further questions at this time. I'd now like to turn the call back over to Ruth Martin for any closing remarks.

Ruth Martin — Senior Director, Investor Relations and Financial Analysis, Crombie REIT

Thank you for your time today and we look forward to updating you on our second quarter call in August.

Operator

Thank you so much, presenters. 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 lovely day.