



Crombie

Final Transcript

Crombie Real Estate Investment Trust

Third Quarter 2023 Earnings Call

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Forward-Looking Information

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

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

- (VI) Generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;
- (VII) Expected increase in revenue in 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 September 30, 2023 and those discussed under "risk factors" in Crombie's most recent Annual Information Form (available at www.sedarplus.ca) could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and a reader should not place undue reliance on the forward-looking statements.

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Operator

Good morning, everyone, and welcome to Crombie REIT's Q3 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 zero for the Operator. This call is being recorded on November 9, 2023.

I would now like to turn the conference over to Ruth Martin. Thank you. 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 third 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 & Events.

Mark Holly, President and Chief Executive Officer, is on the call today. Clinton Keay, Chief Financial Officer and Secretary, will not be joining us today as he tends to a personal matter.

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 Management's Discussion and Analysis and Annual Information Form, for a discussion of these risk factors.

I will now turn the call over to Mark, who will begin with comments on Crombie's strategy and outlook, followed by an update on our operating fundamentals, financial results, and discuss our capital allocation and approach to funding. Over to you, Mark.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Thank you, Ruth. Good day, everyone, and thanks for joining us on our third quarter call today.



Before I get started, I want to acknowledge Clinton, who is unable to be with us today as he tends to a personal matter.

Crombie's strong financial condition, coupled with our disciplined allocation of capital and our focus on operating metrics, once again aided in delivering another consistent quarter amidst ongoing macroeconomic headwinds, we continue to remain focused on stability and growth. It is our team's dedication to operational excellence and focus on financial health, which resulted in committed occupancy holding steady at over 96%, same-asset property cash NOI growth of 2.8%, and an 8.0% increase in AFFO per unit, with low leverage ratio of debt to gross fair value at 42.4%.

Today, I want to highlight three notable drivers that impacted the quarter and supports our long-term outlook of stability and growth.

First, our financial strength, which includes ample liquidity of \$565 million, strategically laddered debt maturities with a weighted average term of 4.7 years, and debt to EBITDA of 8.13x, which is an improvement from 8.50x at Q3 2022. This financial strength and healthy balance sheet, along with our commitment to prudent capital allocation, provides the stability and foundation to enable us to advance key priorities purposely and strategically. In the quarter, we sold the final parcel of land at our joint venture, Opal Ridge in Dartmouth, Nova Scotia, selling it to a local developer, monetizing the value at this site. The sale will increase income from equity-accounted investments by approximately \$4.1 million, of which \$2.3 million was recognized in the quarter and approximately \$1.8 million will be deferred and will be recognized in the coming months upon the completion of required site prep. This transaction is an example of how we stay agile with access to multiple sources of capital, ensuring our ability to pursue opportunities to grow responsibly. As we previously stated, our annual capital spending range is \$100 million to \$250 million on our development program and Empire-related initiatives.

Historically, we have been on the higher end of the spending range, but expect to be close to the midpoint of this range by the end of 2023, as we maintain our discipline on capital allocation.

The second driver is our development program. I'm extremely pleased with the continued lease-up momentum at our mixed-use residential property, The Village at Bronte Harbour, which has committed occupancy of 83% as of September 30th. This is an 18% increase in occupancy compared to the second quarter, with rents continuing to exceed proforma. Tower one remains on track to be stabilized by the end of the year, with Tower two and stabilization of NOI from the property expected in the second quarter of 2024.

With respect to active construction, it's important to note that we currently only have one major development project under construction, The Marlstone in Halifax. This is a sign of our disciplined approach to advancing major development projects in the current economic environment. As highlighted in our enhanced Management's Discussion and Analysis disclosure, which we had previously committed to providing, The Marlstone has a total estimated cost of \$134 million and an expected yield on cost of 4.5%- 5.5%, with completion expected in the first half of 2026.

Non-major developments, also referred to as small D developments, are projects with shorter durations, typically 12 months or less. Small D development projects include land use intensifications, repurposing of existing space, and smaller new developments such as retail-related industrial assets. These developments carry a lower overall risk and capital requirements. Small D development projects are a great way to strengthen our portfolio, and in the third quarter, we expanded our portfolio by adding 26,000 square feet of GLA through non-major, small D developments, which included a retail-related industrial asset in Burlington, Ontario, and two LUIs in Atlantic Canada.

We continue to be focused on advancing entitlements and are actively working with municipalities and governing approval authorities. In the third quarter, we submitted all necessary

documentation to the Halifax Regional Planning Department to support a municipally led rezoning effort of a mixed-use residential development at our Park West lands in Halifax, Nova Scotia. We currently have nine locations in various stages of entitlement, with either zoning in place, rezoning applications submitted, or to be submitted by the end of the year. These projects provide optionality and have the potential to contribute approximately 4.8 million square feet of commercial and residential GLA, comprising approximately 5,500 residential units.

Pursuing value-creation opportunities with our partner, Empire, is also a priority. As we mentioned on our last quarter call, we entered into an agreement with Empire, assigning 24 subleases of Shell fuel sites in Western Canada to Crombie, contributing positively to same-asset property cash NOI.

This quarter, and subsequent to the quarter, Crombie executed right-to-development agreements for our Lynn Valley and Kingsway and Tyne sites in Vancouver, investing approximately \$34 million to unencumber these very strategic sites. With these right-to-development agreements in place, we will continue to receive rental income at both locations and will receive revenue for development services at Lynn Valley. These agreements provide Crombie with the necessary flexibility as we move through the entitlement process to secure the highest and best use possible and can provide Crombie greater optionality for development, selecting development partnerships or, from time to time, monetizing embedded value.

The third driver is an update on our ESG program. For the third consecutive year, Crombie submitted to GRESB, and I'm pleased to share that we have received a Green Star for excellence in both the Standing Investment and Development assessments. We have made advancements on our ESG program, which led to a 45% increase in our Standing Investment assessment compared to the previous year, driven by enhanced data coverage of energy, water, and waste. Furthermore, our Development

assessment has improved by 25% over last year. Our annual ESG report will be released in the coming weeks, which will provide greater details on our ESG journey and our near-term priorities.

I will now cover Clinton's portion and highlight in greater detail our operating and financial metrics. Occupancy held steady in the third quarter, with committed occupancy of 96.4% and economic occupancy of 96.0%. With respect to leasing, there are three streams in our leasing program: new leases, committed leases, and lease renewals. First, new leases increased occupancy by 457,000 square feet year-to-date at an average first-year rate of \$22.24 per square foot, which is 27% greater than our in-place portfolio average rate per square foot. With respect to committed leases, at the end of the quarter, 84,000 square feet was signed at an average first-year rate of \$27.24, significantly above our in-place portfolio average rate per square foot. This will boost future NOI growth as tenants take possession in the fourth quarter of 2023 and into 2024. And finally, lease renewal activity. During the quarter, we renewed 238,000 square feet at a 6.5% increase for year one comparing to expiring rental rates, or a 7.9% increase when comparing expiring rental rates to the average rental rate for the renewal term.

Our solid operating fundamentals supported quarterly same-asset cash NOI increase of 2.8% compared to the same quarter in 2022, primarily driven by an increase in renewal and new leasing activity, higher supplemental rent for modernizations and capital improvement, as well as lease termination income resulting from a tenant surrender.

For the quarter, AFFO per unit was \$0.28, increasing from \$0.26 for the same quarter last year, and FFO per unit was \$0.31, increasing from \$0.30 for the same quarter last year. AFFO and FFO payout ratios were 80.2% and 70.9% respectively. Improvement in AFFO and FFO for the quarter was primarily due to increased income from equity-accounted investments from the Opal Ridge land sale, increased rental revenue from new developments, renewals, and new leasing activity. This was partially offset by increased G&A expenses, reduced revenue related to dispositions, and a decrease in percentage rent.

Our operational and financial results were in line with our expectations and are underpinned by the strength of our well-curated portfolio and healthy financial condition. We continue to have strong debt metrics, maintaining ample liquidity with \$565 million available at the end of the third quarter and a well-laddered debt maturity structure. We have submitted applications for CMHC financing at our completed mixed-use residential development, The Village at Bronte Harbour, and at our active residential development, The Marlstone.

Our unencumbered asset pool increased from \$2.2 billion at the end of the year to a record high of \$2.6 billion in the third quarter, predominantly from mortgage maturities. Our debt to gross fair value was 42.4% compared to 41.8% at Q4 2022. We ended the quarter with debt-to-trailing 12-month adjusted EBITDA at 8.13x.

Crombie's strong fundamentals, healthy financial condition, and disciplined capital allocation strategy enables us to deliver stable, consistent results, and this quarter was no different. I'm proud of our team and our ability to drive Unitholder value.

We thank you for your time today. Kara Cameron, Crombie's Vice President, Accounting and Financial Reporting, will be joining me today for the Q&A portion of the call. We're happy to answer any questions you may have.

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star, followed by the one on your telephone keypad. Should you wish to cancel your request, please press the star, followed by the two. If you are using a speakerphone, please lift your handset before pressing any keys. One moment, please, for your first question.

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

Lorne Kalmar — Desjardins Capital Markets

Thanks. Good afternoon, everybody. Maybe just firstly on lease amendments, I was just sort of wondering like how is pricing determined on these types of transactions?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Hey, Lorne. It's Mark. On the lease amendments on the right-to-develop?

Lorne Kalmar — Desjardins Capital Markets

Yes. Yes.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yes. So the right-to-develop that we entered into with Empire was on two sites. It was our Lynn Valley site and Kingsway and Tyne, and what that offered to us is ultimately having it unencumbered. And so getting it unencumbered gives us that ultimate flexibility as to how we look at those assets and what we can do with those assets, whether we want to advance it right through the entitlement phase and then develop it, do we want to partner on a JV development, and then from time to time do we want to look at monetizing underlying value. So the right-to-develop has given us that flexibility of having it unencumbered.

The part of around the amendment to the lease, or the modification of that lease gave us that right, but it also provides us the rental income that we were receiving historically right through to the time that we want to look at moving forward with a higher and better use of the mixed-use development. So the amending agreement was done so that we could unencumber it while still collecting the rent until we want to move forward on the development.

The other part that comes with it is there's development management services tied to the Lynn Valley application as we move it through entitlement. And those management services are being provided from Empire to Crombie so that we can lead the entitlement process to ensure that we are securing a mixed-use development with grocery at grade.

Lorne Kalmar — Desjardins Capital Markets

Okay. That's very helpful. And then just on I know you have a couple of projects. One's obviously done and one is yet to go into the ground with West Bank. There was a little bit of news around them I believe quite recently. I was just wondering if you had any thoughts on the situations and how it relates to the two sites that you have with them?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yes. Of course. Yeah. I think it's—I'm happy you raised this. We're certainly aware of the articles in the news and we have two assets with West Bank. They're both 50/50 joint ventures. One is Davie Street, which is fully operational and is running at almost 100% occupancy. And the other one is Broadway and Commercial, which is just going through the entitlement phase and so very little dollars have been spent on that and there are no mortgages or loans going through that B&C project at this point. We have been in communication with West Bank, as we do. We have meetings every month about project status and how things are evolving and changing. And recently, we were talking to them about these articles that have been in the paper. We're comfortable on a Crombie perspective on where we're at with those joint ventures. We're comfortable with the exposure we have around the financials. And so at this point, we're just continuing to forge ahead with those two projects as they're currently in their state of full operational and entitlement.

Lorne Kalmar — Desjardins Capital Markets

Okay. And then maybe just last one. On the remaining proceeds, the \$1.8 million from Opal Ridge, is that expected to come in all in Q4?

Mark Holly — President and Chief Executive Officer, Crombie REIT

That is the anticipation is that it all comes in Q4, Lorne. We're just cleaning up a little bit of site work that we had to finalize as it was part of the requirements on the transfer and the team's working on

it. My expectation is it'll happen in Q4. If it's not Q4, it may move into Q1, but it is something that we're just finalizing now.

Lorne Kalmar — Desjardins Capital Markets

Okay. Great. Thank you so much for the colour, Mark. I'll turn it back.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Thanks, Lorne.

Operator

Thank you. And your next question comes from the line of Mario Saric from Scotiabank. Please go ahead.

Mario Saric — Scotiabank

Hi. Good afternoon. I wanted to come back to the right-to-develop fees, the \$34 million. I don't have as much experience in this, so just wondering from a high-level perspective, how do you get to the quantum of the fee? Like is it based off a value per potential future residential door, GLA, so on, so forth? So for example, why \$34 million as opposed to \$45 million or \$25 million?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Good afternoon, Mario. So as we look at the right-to-develop, it is a bit of a standard mechanism approach in terms of how we look at it. So we run a full development proforma. We have set parameters to which we're prepared to advance a project based on what we know the market looks like today and in the future. And then there is a mechanism that we have that we're prepared to pay above and beyond sort of what our minimum thresholds are. And there's a formula in that number. And so when you look at the two, they are two different numbers and so that is reflective of what we think that the optimum amount that we can pay to unencumber it, as well as the amount of term that there's actually on the site with the tenant. So that also plays a factor. So if there's only five years left of term, you're not willing to

probably pay for any of that, but if there's a long security of term on it, then it is something that you will have to pay a higher proportionate share to.

Mario Saric — Scotiabank

Okay. That makes sense. And like are you able to—I don't see you have—are you able to share high-level like there's a rendering of Lynn Valley in the presentation, but are you able to share like the amount of expected residential suites at the two sites?

Mark Holly — President and Chief Executive Officer, Crombie REIT

No. We're still working through that right now, so I don't want to give out a number on how many doors are there today as we're working through that entitlement phase. And on Kingsway and Tyne, we're just finalizing some concept drawings on how that will come together and then getting organized to submit to the municipality at that one. So in the coming quarters, we'll be able to share a bit more detail around them as it becomes more public.

Mario Saric — Scotiabank

Okay. And is this something that is expected to happen every couple quarters, every couple years? Like in terms of the timing or magnitude going forward, how should we think about that?

Mark Holly — President and Chief Executive Officer, Crombie REIT

So we have a development pipeline of 27 assets and we've evaluated all those assets and looking at how to maximize the opportunities around them. It's not something that will happen every quarter. We're very strategic as we look at each asset and will evaluate the opportunity. So right-to-develop is not something that you want to enter into all the time. You want to enter into them at the strategic right time. And so it is not something that you'll see every quarter. What we are, as I highlighted earlier, in exchange for the right-to-develop is we're going to act as the developer in terms of taking it through the municipal process at Lynn Valley and we'll be getting revenue management fees through that.

And so that is some of the offsetting investment, as well as getting it unencumbered so that we can hopefully monetize the underlying value.

Mario Saric — Scotiabank

Got it. Okay. That's helpful colour. Thanks, Mark. Just switching gears maybe on the residential development side or portfolio. Can you give us any updated timing on the expected CMHC financing received at Bronte and where the average interest capitalization rate may be at that project?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. I'll hand that one over to Kara, who's got a bit of colour on that, Mario.

Kara Cameron — Vice President, Accounting & Financial Reporting, Crombie REIT

Hi, Mario. So we are currently working on CMHC financing at Bronte. So once the financing is in place and leasing momentum continues, we do expect those results to improve and survive at Bronte.

In terms of the rates we're looking at right now, we're not in a position to communicate that at this time, but we will as soon as we know more.

Mark Holly — President and Chief Executive Officer, Crombie REIT

The one thing that I will add, Mario, is where we are in the Bronte application is it's a very active file. We've gone through big borrower reviews and we're anticipating some feedback from them in the very near future. And as Kara, mentioned The Marlstone is an active file that we just have started working through that. I would expect in the next coming quarters you'll see some advancements on Bronte.

Mario Saric — Scotiabank

Okay. And then at Le Duke, the disclosed revenue, I think, was down \$300,000 quarter over quarter sequentially, so versus Q2, even though occupancy was up a bit sequentially. Can you maybe share like, a, am I correct in saying that; and, b, what the driver there is and is that why your disclosed residential rent per square foot came down about \$0.07 quarter over quarter?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. So if you look at Le Duke, while we're exceptionally pleased with the asset, you're pointing out the change in occupancy and that is just transitory in terms of in July, there's some terminations typically in the Quebec market. And so we experienced some of those terminations. We are seeing—with those terminations, we were able to do some mark-to-market changes and so we are watching it very closely. The occupancy rates are fully stabilized. It's on the rise and so we're very pleased with it. And so you should not see much fluctuation in sort of the occupancy of that asset going forward.

Mario Saric — Scotiabank

Okay. But in terms of like the transition in July, it looks like the disclosed rent per square foot came down. So does that imply that the rents on turnover have been coming down?

Mark Holly — President and Chief Executive Officer, Crombie REIT

No, the rents are not going down on the turnovers.

Mario Saric — Scotiabank

Okay. Maybe something that we can just follow up offline in terms of getting a better sense of what's happening there quarter to quarter.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. Absolutely, Mario, we're happy to do that. It's probably likely due more to the timing in terms of the turnovers and the gap between the one vacating, the one coming in. But we can certainly talk about that further.

Mario Saric — Scotiabank

Okay. Okay. My last question, just on the operational side. One of the implications of COVID was a pretty substantial decline in your parking revenue and percentage of rent revenue. On a combined

basis, can you share with us where that revenue stream kind of stands today or in Q3 versus pre COVID? I'm just trying to get a sense of if there's any remaining upside in that revenue stream going forward.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. We're really pleased with where the parking numbers are and the ratios are. Certainly, during COVID they were impacted. We're happy with where it's going. We are seeing some changes a little bit in terms of the type of parking between monthly and daily, but what we are seeing at the Scotia Square site is the numbers are growing. And so there was a transition away from monthly into daily as people didn't know which days of the week they were coming down to the asset. But we're seeing that sort of coming back to a balance. And this year we've had in Halifax not our doing, but just by the Halifax community there's been a lot more going on in terms of concerts and hockey and other events that have actually helped our parking ratios and the revenue associated to it. I would say at this point, we're pretty full in terms of that revenue. I wouldn't expect it to push much higher, nor do I see it going down.

Mario Saric — Scotiabank

Okay. Thank you.

Operator

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

Sam Damiani — TD Cowen

Thank you, and good afternoon. I guess just to not to spend too much time on this, but again that \$34 million. I guess just at a high, high level, can you give us a sense as to how that compares to the value that is being created as a result of the transaction or that you expect to realize in the near to medium term?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Hi, Sam. The way that I would look at it is last quarter, we talked about the Shell transaction and we made an investment on Shell on doing the assignment of leases. And for that investment and the change in the rental structure there, we were able to get a yield on cost between 6% and 8%. And so if you kind of look at these investments and I'll zero in on Lynn Valley. So as you look at the Lynn Valley right-to-develop and us then taking that through the entitlement phase, that yield on cost will generate somewhere in the same neighbourhood as what we did on Shell.

And so that's sort of how you can look at it in terms of the near-term value plus the long-term value that that can be created as we now have it unencumbered and can hopefully monetize or develop the higher and better use.

Sam Damiani — TD Cowen

Okay. And is there a reason—if I heard you correctly, there's a development fee arrangement on Lynn Valley, but not on Kingsway and Tyne. Is there a reason there's not development fees on both?

Mark Holly — President and Chief Executive Officer, Crombie REIT

It's a timing thing, Sam. And so we're working through the details around Kingsway and Tyne. And in that particular instance, we haven't got the drawings to a certain stage that we're actually going to go into the municipality. And so cost associated at that one are very limited at this point, but we are going to work towards getting that one in the same state as we did with Lynn Valley and then take on some management fees around that.

Sam Damiani — TD Cowen

I see. So it's just the timing. Okay. Okay

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah.

Sam Damiani — TD Cowen

And then over to Broadway and Commercial. I did notice, if I'm not mistaken, the GLA that you're anticipating on the redevelopment there was reduced, if that is correct. If you could maybe just give some colour as to the reason why?

Mark Holly — President and Chief Executive Officer, Crombie REIT

So on the Broadway and Commercial, we were transitioning to 100% rental and so we were able to with the municipality work on the rezoning. And through that rezoning process, we were able to go—our application is to go to 100% rental with three towers, which actually increases the number of doors that we are going to move forward on. So the adjustment for me in terms of the GLA is not as meaningful as the adjustments on the amount of doors that we're able to garner on that site. And so we've been working quite closely with the municipality trying to drive that higher and better value density creation. And so if you look at that disclosure in terms of the number of doors that are growing, we're really pleased that we're able to kind of push that number.

Sam Damiani — TD Cowen

So I guess what you're saying is, and I may not remember this correctly, but it was always three towers. One of them was going to be condo, and now all three are going to be rental.

Mark Holly — President and Chief Executive Officer, Crombie REIT

That's correct. Yeah. So we went from in Q1 of 2023 our disclosure was a GLA of 684,000 square feet with 890 units. And now we're at 731,000 in terms of GLA and 970 doors. And so you can see the change there. That's a meaningful step change from the beginning of the year to now in terms of the density that we're getting there.

So there is an increase, I think, quarter over quarter, it's just the changes that we're making to the application as we go through the rezoning. But it's not material relative to what we said between Q1 and Q3. That was the big change.

Sam Damiani — TD Cowen

I see. Okay. Lastly for me just on the same-property NOI growth, which obviously is quite strong this quarter. How are you thinking about next year? Any reason trends would be different?

Mark Holly — President and Chief Executive Officer, Crombie REIT

We're very much committed to consistency. And so that is the target and the goal for us. We haven't given any guidance on next year, but our track record over the years has been in that 2% to 3% range. And that's what we're trying to hold towards. And definitely, the environment is making it more challenging, but I think the team did an exceptional job in delivering this quarter 2.8%, which is very consistent with what you've seen over the last number of quarters and one that we continue to work towards.

Sam Damiani — TD Cowen

Okay. Great. Thank you. And I'll turn it back.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Thanks, Sam.

Operator

Thank you. And your next question comes from the line of Pammi Bir from RBC. Please go ahead.

Pammi Bir — RBC Capital Markets

Thanks. Hi, everyone. I just wanted to come back to the right-to-development arrangements. And just to clarify that as a result of these, you'll earn the development income—sorry, you'll earn income through the entitlement and the development period, meaning the rental income?

And then secondly, any thoughts as to when the development management fees would start?

Mark Holly — President and Chief Executive Officer, Crombie REIT

The development management fees, Lynn Valley will be kicking in starting this quarter as we are very active on that development entitlement application.

Pammi Bir — RBC Capital Markets

Okay. And then, sorry, just the first part of the question in terms of the rental income on those existing Empire assets, that does continue during the actual development period?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Oh, yes. Yeah. Sorry, Pammi, I didn't hear that first part. Yes, that does still continue until such time as we then decide to terminate the lease and actually start the development project.

Pammi Bir — RBC Capital Markets

Okay. If I recall correctly, maybe just correct me if I am wrong, but on the Davie Street project, if I remember correctly, the rental income, did it not continue even during the construction period? So I'm just curious if this arrangement's different than how Davie Street was structured?

Mark Holly — President and Chief Executive Officer, Crombie REIT

The Davie Street structure was paid consistently throughout the time, yes. So the rental rate was paid. The structure in terms of the right-to-develop is different in this instance. I wasn't around when the Davie Street deal was structured, but this deal does have the right-to-develop and it has the income that's coming in for the rental revenue, as well as the income that we'll get in terms of taking it through the entitlement. The Davie Street was not getting any revenues for the entitlement, but it was getting the rent from during first development.

Pammi Bir — RBC Capital Markets

Right. Okay. All right. So there are some differences, but yeah, different project and, I guess, different arrangement here.

Maybe just lastly on The Marlstone and the disclosed yield. Is there anything you can share with us just in terms of what sort of financing costs you're anticipating on the project? I think you mentioned you were working on some CMHC financing, but just curious if you can provide some additional colour.

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. Absolutely. I'll hand that to Kara who'll give you some colour on that.

Kara Cameron — Vice President, Accounting & Financial Reporting, Crombie REIT

So right now, we are financing The Marlstone on the revolver, but we do have a CMHC construction line in application and are working through the process there and hoping to secure CMHC financing for the construction phase of The Marlstone.

Pammi Bir — RBC Capital Markets

Okay. That's it for me. Thanks very much.

Operator

Thank you. Once again, that is star, and one to ask a question.

And your next question comes from the line of Sumayya Syed from CIBC. Please go ahead.

Sumayya Syed — CIBC

Thanks. Good afternoon. To follow up on The Marlstone, at this point in time just any early thoughts on value or NAV creation based on, I guess, your disclosed yields compared to where stabilized cap rates are for that market and that kind of product today?

Kara Cameron — Vice President, Accounting & Financial Reporting, Crombie REIT

We're not disclosing that at this point in time in terms of what we're expecting our NAV creation. I will say that it is a very positive sentiment in the market right now for The Marlstone. So we owned the land at that location previously, so the yields that you're seeing in the disclosure do not include land. So it's a very positive result for the organization overall.

Sumayya Syed — CIBC

Okay. And just then, Mark, any thoughts on the market in terms of deals and transactions and what you're seeing there activity and pricing wise for comparable assets?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. We really like the Halifax market, so it is definitely undersupplied. We are seeing other projects that are coming to completion at yields that may not be as strong as this, and so we're really excited about the advancements that we've taken on this. We are 75%, almost 80% now confirmed on all construction contracts, and the remaining ones are purposely, intentionally not done as they're further down the line in terms of having to lock those in.

In terms of rental rates, we see rental rates based on all the research we do continue to grow and rise as the vacancy rates in that market. Specifically on the peninsula, it is running in around less than 1%. So we're really comfortable with where we're at on that project, the yields that we're showcasing, what we're seeing from other projects that have just come online with maybe slightly less in terms of yields. So based on all the metrics that we've looked at, we're still very, very strong and bullish on this project and the other land holdings that we have in Halifax.

Sumayya Syed — CIBC

Okay. That's helpful. And any sort of recent trades on the grocery-anchored side that you've seen in the market and where pricing and cap rates are settling for those today?

Mark Holly — President and Chief Executive Officer, Crombie REIT

Yeah. As you know, there's been very few transactions in the market and so I do think that grocery-anchored sites coast-to-coast are still very desirable, as they are typically all necessity-based retailers. And so, we're not seeing very many trades. In terms of cap rates, we do valuations every quarter with our valuation team and we're comfortable with the cap rates that we have embedded, as you would

see in the Management's Discussion and Analysis, but there's very, very few trades in the grocery, necessity-based centres.

Sumayya Syed — CIBC

Okay. Thank you. I will turn it back.

Operator

Thank you. And we have a follow-up question from Pammi Bir from RBC. Please go ahead.

Pammi Bir — RBC Capital Markets

Yeah. Sorry, just coming back to the comment around the CMHC financing on The Marlstone.

Can you just share maybe what you're anticipating in terms of either a rate or a spread on that?

Kara Cameron — Vice President, Accounting & Financial Reporting, Crombie REIT

Sure. So 115 bps over GOC is really where we're aiming on that one.

Pammi Bir — RBC Capital Markets

Thanks very much.

Operator

Thank you. There are no further questions at this time. Ms. Martin, please go ahead.

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 fourth quarter call in February.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you all for participating. You may all disconnect.