



Final Transcript

Crombie Real Estate Investment Trust

Second Quarter 2026 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 dependable nature of our cash flows, which could be affected by our ability to maintain occupancy levels and rents, as well as general economic conditions affecting our tenants;
- (II) The repeatable nature of our modernizations program, its yield on cost and impact on leasing spreads and same assets properties growth, which may be affected by the supply of modernization opportunities from our tenants, particularly Empire;
- (III) Leasing progress, time to stabilization and yield on cost for the Marlstone development, which may be impacted by real estate market cycles, local demand and the availability of competitive apartment offerings in the Halifax housing market, and general economic conditions;
- (IV) The disposition of properties and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions, the timing of property development activities or other uses for net proceeds and real estate market conditions;
- (V) Our development plans, including statements regarding timing and the ability to add value by pursuing entitlements, which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs, and general economic conditions and factors described under the "development" section of our most recent Management's Discussion and Analysis;
- (VI) Asset 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;
- (VII) Our plans for 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;

- (VIII) Overall indebtedness levels, maturity dates 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;
- (IX) Expectations for improved rental income, including through renewals, same asset net operating income growth and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, market rents, modernization and intensification activity, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;
- (X) Anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations;

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 June 30, 2026 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.

NON-GAAP AND SUPPLEMENTARY FINANCIAL MEASURES

Certain terms used in this transcript, such as FFO, AFFO, commercial same-asset property cash NOI, debt to gross fair value, debt to trailing 12 months adjusted EBITDA and interest coverage ratio, are not measures defined under Generally Accepted Accounting Principles ("GAAP"), do not have standardized meanings prescribed by GAAP, and should not be construed as alternatives to net earnings or cash flow from operating activities determined in accordance with GAAP. As presented, they may not be comparable to similar measures presented by other issuers. Crombie believes these measures are useful in the assessment of its operating performance and are relevant and meaningful measures of its ability to earn and distribute cash to Unitholders. See the section titled "Non-GAAP Financial Measures" in the Q2'26 MD&A and the reconciliations referenced in that section, all of which are incorporated into this transcript by this reference. A copy of the Q2'26 MD&A is available under Crombie's profile on SEDAR+ at www.sedarplus.ca.

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Operator

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

At this time, all lines are in 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 August 6, 2026.

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

Meghna Nair — Manager, Investor Relations

Good day, everyone, and welcome to Crombie REIT's second quarter 2026 conference call and webcast. Thank you for joining us.

This call is being recorded in live audio and is available on our website at www.crombie.ca. Slides to accompany today's call are available on the investors section of our website under presentations and events. Joining me on the call today are Mark Holly, President and Chief Executive Officer, Kara Cameron, Chief Financial Officer and Arie Bitton, Executive Vice President, Leasing and Operations.

Today's discussion includes forward-looking statements. 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. Our discussion will also include expected yield on

costs for capital expenditures. Please refer to the development section of our Management's Discussion and Analysis for additional information on assumptions and risks.

I will now turn the call over to Mark, who will begin the discussion with comments on Crombie's strategy and outlook. Kara will review Crombie's operating and financial results, and Mark will conclude with a few final remarks.

Over to you, Mark.

Mark Holly — President & Chief Executive Officer

Thank you, Meghna, and good morning, everyone.

Crombie's second quarter results reflect the continued disciplined execution of our Building Together strategy and the quality of our coast-to-coast, necessity-based retail portfolio. In a dynamic economic environment, our grocery-anchored platform again delivered steady, dependable results.

Today, I'll focus my comments on two of the three value creation drivers within our strategy: Own and Operate; and Optimize.

Starting with Own and Operate, our coast-to-coast grocery-anchored retail assets sit at the heart of vibrant communities, generating consistent traffic and strong tenant demand. Operationally, our results are strong and stable. Specifically, our leasing this quarter reflects the success of our model and the execution of the team. We completed 121 thousand square feet of renewals at a first-year growth rate of 11.3 percent over expiring rental rates, marking our 7th consecutive quarter of double-digit renewal spreads. We also executed 33 thousand square feet of new commercial leases and held committed occupancy near all-time highs at 97.5 percent. Kara will walk through the leasing details in a

moment, but the headline is another quarter of disciplined and consistent execution supporting our 3.2 percent commercial same-asset property cash NOI growth.

What drives that consistency is a portfolio built with purpose, and there are two main ingredients. The first is the properties themselves. Grocery-anchored real estate is difficult to replicate, with constrained supply and high replacement costs. Our grocery anchors are secured on long-term leases with a weighted average lease term of approximately 10 years. A grocery store brings people to the property week in and week out, and that steady traffic is what makes our space valuable to every retailer around it. Complementing those anchors, nearly 90 percent of our non-grocery units are approximately 15 thousand square feet or less. That is the format the widest range of necessity-based retailers are looking for today, and there is little new supply to meet it. Our lease terms are built to capture that demand: the anchor leases run long, while the smaller units around them turn more often, coming back to market at today's rents. The stability of the anchor, the traffic it draws, and the pricing power around it are why this portfolio produces such durable, dependable cash flows, quarter after quarter. That cash flow came through again in the second quarter. Setting aside lease termination income, FFO and AFFO per Unit grew 3.1 percent and 3.6 percent, respectively, over the prior year. Underpinning that growth is steady rent growth across the portfolio, with annual minimum rent compounding at close to 4 percent annually over the past three years.

The second ingredient in a portfolio built with purpose is our disciplined approach to capital allocation. We deploy capital selectively into assets that strengthen our grocery-anchored platform and support long-term cash flow growth. In the second quarter, we added to the portfolio with the acquisition of Ocean Park, a 30 thousand square foot freestanding Safeway in Surrey, British Columbia, for 12.7

million dollars, excluding transaction and closing costs. The property is at the heart of the community's primary retail node, and it is exactly the type of necessity-based asset we want to own for the long term.

Turning to Optimize, which is about unlocking embedded value in the existing portfolio, primarily through non-major investments such as modernizations and intensifications. In the quarter, we invested 10.6 million dollars in our modernization program with Empire, and we had roughly 29 thousand square feet of development across intensification projects and greenfield new builds. This is a repeatable lever that we have been investing in for years. It enhances asset quality and supports leasing on both renewals and new deals. We target attractive yield on cost, in the 6.0 to 8.0 percent range. These investments also create a halo effect that benefits the other tenants on the site, and that shows up in our leasing spreads and our same-asset properties growth.

With regards to our major investment program, we are focused on two items. First, the Marlstone in Halifax, where we continued to welcome residents throughout the quarter. On June 22nd, we celebrated the building's grand opening, an important milestone and one the entire team is very proud of. Construction is now substantially complete, and our focus has turned to leasing towards stabilization. At the end of June, nearly a quarter of units were leased, and interest has continued to pick up, with July our strongest month yet.

And second, entitlements, where our development team continues to advance select projects through the rezoning and development permit phase. These are assets within our major development ladder that will provide near- to medium-term optionality and value creation as market conditions evolve.

Taken together, the quarter reflects the same disciplined approach to capital allocation that has guided us for years. We keep adding quality, necessity-based real estate and operating with excellence. We modernize and intensify what we already own. And we advance entitlements that create long-term

optionality, all from a position of balance sheet strength. That disciplined approach to capital, and the cash flow growth it generates, is what has driven our two most recent distribution increases.

With that, I'll turn the call over to Kara.

Kara Cameron — Chief Financial Officer

Thank you, Mark, and good morning, everyone.

Our second quarter results reflect the quality of our platform and the consistency of our execution: healthy leasing fundamentals, continued growth in commercial same-asset property cash NOI, and a solid balance sheet we further strengthened subsequent to quarter end. The numbers tell a clear story: our strategy is working.

Let me start with leasing. During the quarter, we completed 121 thousand square feet of renewals at a first-year increase of 11.3 percent over expiring rental rates, driven primarily by renewals at our retail properties. As we've consistently emphasized, we focus on growth over the full duration of the lease. For the quarter, we secured a 12.7 percent increase when comparing expiring rates to the weighted-average rental rate over the renewal term.

In our first two quarters, new commercial leases increased occupancy by 63 thousand square feet at an average first-year rate of \$26.26 per square foot. At quarter end, we had 160 thousand square feet of committed space at an average first-year rate of \$28.45 per square foot, with tenants expected to take possession throughout 2026 and 2027. Committed occupancy remained at near-record levels of 97.5 percent and economic occupancy was 96.6 percent. The modest decrease from the first quarter reflects natural lease expiries and early terminations.

That leasing activity, together with embedded contractual rent step-ups, drove commercial same-asset property cash NOI growth of 3.2 percent for the quarter.

Turning to property revenue. Property revenue for the quarter was 126.2 million dollars, up 1.9 percent, and net property income was 81.8 million dollars, up 0.6 percent year-over-year, driven primarily by acquisitions, renewals and new leasing, partially offset by reduced lease termination income and higher tenant incentive amortization from modernizations.

Revenue from management and development services was 3.3 million dollars, consistent with the same period last year, bringing our year-to-date total to 6.5 million dollars. The year-to-date increase reflects higher development fees from joint ventures.

Finance costs were 25.5 million dollars in the quarter, up 1.1 million dollars from the prior year, primarily reflecting higher interest on our revolving and bilateral credit facilities, which had no balances in the same period last year, partially offset by lower mortgage interest due to maturities and repayments.

Turning to earnings. FFO was 62.4 million dollars, or 33 cents per unit, and AFFO was 55.4 million dollars, or 30 cents per unit. On a per-unit basis, FFO was down 2.9 percent and AFFO was essentially unchanged year-over-year, primarily reflecting additional units issued under the DRIP, together with reduced lease termination income and higher interest expense, partially offset by property revenue growth from acquisitions, new leasing and renewals. Adjusting for that lease termination income difference, as Mark noted, FFO per unit was 33 cents, up 3.1 percent, and AFFO per unit was 29 cents, up 3.6 percent year over year, a cleaner read on the underlying performance of the business.

Turning to the balance sheet, which remains a core strategic strength and a source of resilience. We ended the quarter with available liquidity of 478.7 million dollars. Our unencumbered asset pool

continued to grow, reaching a fair value of 4.2 billion dollars, primarily on acquisitions, mortgage maturities and higher property values. Debt to gross fair value was 42.6 percent; debt to trailing twelve-month adjusted EBITDA was 8.01 times; and interest coverage was 3.4 times. Approximately 90 percent of our debt inclusive of joint ventures at Crombie's share, carries fixed rates, and at quarter end our weighted-average term to maturity on our fixed-rate unsecured notes is 3.3 years.

During the quarter, Morningstar DBRS confirmed our BBB issuer and senior unsecured ratings, both with Stable trends, reflecting the quality of our portfolio and the strength of our balance sheet. Our maturities remain well staggered, and our liquidity, unencumbered pool and access to multiple funding levers give us the flexibility to address them and to keep deploying capital as opportunities arise.

Our payout ratios were 68.2 percent of FFO and 76.9 percent of AFFO for the quarter.

Subsequent to quarter end, on July 6 we closed 300 million dollars of Series N senior unsecured notes, maturing July 6, 2033, at a rate of 4.518 percent, and on July 8 we redeemed the 200 million dollars of Series F notes that were due August 26, 2026. Together, these transactions addressed our nearest maturity and extended our maturity profile and increased liquidity. We are very pleased with the execution: the notes priced at a spread of 124 basis points over the Government of Canada curve, our tightest new-issue spread on record for Crombie, reflecting continued strong demand for our credit. We used the balance of proceeds to reduce amounts drawn on our revolving credit facility, maintaining financial flexibility.

On the Marlstone, our total estimated cost at Crombie's share has increased slightly to 72.0 million dollars from 71.0 million dollars, with the yield on cost at stabilization still expected in the 4.5 percent to 5.5 percent range, consistent with our previous disclosure.

Overall, the second quarter was another quarter of steady, dependable execution: strong leasing, continued commercial same-asset property cash NOI growth, and disciplined capital and financial management, supported by a balance sheet built for both stability and measured growth.

With that, I'll turn it back to Mark.

Mark Holly — President & Chief Executive Officer

Thanks, Kara. I noted at the outset that, in a dynamic environment, this platform again delivered steady, dependable results. That is exactly what it was built to do. Our focus is unchanged: owning and operating essential real estate at the heart of Canadian communities, deploying capital with discipline, and growing cash flow while compounding long-term value for our Unitholders.

Before we close and open up for questions, I'd like to take a moment to highlight our 2025 environmental, social and governance report which was released last night. It reflects the depth of our commitment to sustainability and to our people.

I also want to thank our team across the country. Their execution and commitment are what turns our strategy into results, quarter in and quarter out.

With that, we'll open the call for questions.

Operator

Thank you. To join the question queue, you may press star then one on your telephone keypad. You will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star then two.

The first question comes from Lorne Kalmar with Desjardins. Please go ahead.

Lorne Kalmar – Analyst, Desjardins Capital Markets

Thanks, good morning, and congrats on a good quarter and getting the Marlstone over the line. Just on the Marlstone, one of my favourite topics lately, it looks like you guys have made some really good progress in the first couple months there. I was wondering if you could give us maybe where occupancy is, as of the end of July, and how things are tracking versus pro forma. I think last quarter you said they were ahead, but just wanted to get an update there.

Arie Bitton - Executive Vice President, Leasing & Operations

Morning, Lorne. It's Arie. We're very happy with our performance at the Marlstone, particularly July, which, as Mark noted in the prepared remarks, was a very strong—our strongest month to-date. I won't get into specifics, but we are over 30% as at the end of July, and we're continuing to see that momentum build throughout August. The Leasing team is really looking to capitalize on the busier summer months, particularly as a number of students are coming into the city as well.

I'd say that in general, the building looks great, the feedback has been exceptional, and we're building on that momentum. I think it's important to note that these properties, the growth trajectory is not typically linear. We've seen that in some of our other stabilized properties. When you take a look at our results we had in our stabilized portfolio, that's performing exceptionally well and that occupancy is sitting at a record high. I think suffice it to say, we know how to operate these buildings and we know what it takes to lease them up, and I'd say we're well underway at this point.

Lorne Kalmar – Analyst, Desjardins Capital Markets

Okay. Is, I guess, the back half of '27 still a good target for stabilization, or do you think you can do it quicker than that?

Mark Holly:

I would still earmark back half of '27, Lorne.

Lorne Kalmar – *Analyst, Desjardins Capital Markets*

Okay, fair enough. Then, with obviously the Marlstone now done, no more major developments currently, any thoughts on new project initiations in the near-term, or is that sort of it for a little bit here?

Mark Holly – *President and Chief Executive Officer*

On the major development side, we don't intend to put a shovel in the ground in the near-term. When we look at how we allocate the capital, we look at it in the four streams: non-major, major, acquisitions, and distributions. Non-major has definitely been a focus for us: quick turnarounds, predominantly modernizations, intensifications, and greenfields of grocery-anchored. Major's focus has been entitlement to create the optionality to get ready, at some point, when the market conditions are right, so to maybe consider putting a shovel in the ground.

Acquisitions, we've been focused in on, on a year-to-date basis, having invested close to \$150 million on acquisitions, and we continue to focus in on that. We are seeing some good opportunities as we underwrite. On distributions, we gave our second increase in distributions this year. That is definitely part of our strategic view of how we allocate capital.

It's in those four disciplines, and we always look at what's going on. I think the one thing that's great about Crombie is we have the flexibility in all those four, and they're all important.

Lorne Kalmar – *Analyst, Desjardins Capital Markets*

Okay, that's helpful. Then, just maybe one quick last one from me just to touch back on one of the four buckets, the acquisition side. What's the outlook for the balance of the year? Do you think you can repeat something similar to what you did in the first half, or is that being a little bit too optimistic?

Mark Holly – *President and Chief Executive Officer*

The team is very active. We're seeing more opportunities at this point in the year than we would've seen six months ago or a year ago. That said, we're very disciplined on how we look and underwrite them; we're not looking for growth for growth's sake. If you look back at our track record over the last four years, we've been net acquirers, bought about \$375 million to \$400 million, we sold about a hundred million. We've added about 500,000 square feet to the portfolio.

We are focused in on acquisitions. We'd like to do more of it, but we're being extremely disciplined to make sure that they're tucking into the portfolio and delivering on the metrics that we're really focused in on, which is same-asset NOI FFO growth and not compromising the balance sheet as we do it. Are we looking to do more? Yes, but we're going to take a very disciplined approach.

Lorne Kalmar – *Analyst, Desjardins Capital Markets*

Okay, fair enough. I will turn it back. Thank you.

Operator

The next question is from Brad Sturges with Raymond James. Please go ahead.

Brad Sturges – *Analyst, Raymond James*

Hey, good morning. Just following along Lorne's line of questions there, just on acquisitions; I guess, during the quarter and post-quarter, you bought a few land parcels. Just wanted to maybe get a bit more colour in terms of the plans with those acquisitions?

Mark Holly – *President and Chief Executive Officer*

For sure. Good morning, Brad. Yes, we've been active this year; Ocean Park, which we called out, which is the 30,000 square foot Safeway in Vancouver. Earlier in the year, we bought the Whitby warehouse. We bought Saint-Hubert in Quebec, which is another warehouse. Then, in the quarter, we bought Elmwood, which is a parcel that is a part of a broader development that we had owned. It was four parcels; we owned three outright and we had a land lease on the fourth parcel, so we bought the fourth parcel. It creates some optionality, squares up the site and gives us some optionality down in the future.

Then, subsequent to the quarter, we bought Windsor, which is a commercial development site that we're actively working on an application.

Brad Sturges – *Analyst, Raymond James*

Okay, that helps. I guess, you called it out, you've been a net acquirer, but opportunistically you do consider some dispositions. Is there anything near-term that you're looking at from a disposition point of view, or should we expect Crombie to be more focused from an acquisition point of view?

Mark Holly – *President and Chief Executive Officer*

We do look at the sources of capital. When we think about that, you first go to the balance sheet health and the strength of the balance sheet. Kara and team have done just an exceptional job on managing liquidity, which is now \$450 million-ish, \$475 million. Our free cash flow has increased year in,

year out, so we're almost now at \$50 million of free cash flow. We have a DRIP. That DRIP provides us a nice little source of equity, quarter in, quarter out, and we have an unencumbered asset pool, as you call out, for dispositions, of over \$4 billion.

It is not something that we are fixated on. Where we think there is a great opportunity and the market conditions allow it, we'll action it. But we're going to do it with purpose and intent so that we can then anchor up into something more core, which will be grocery-anchored, that has a stronger growth profile than our existing profile today. It's not a necessity to sell assets, but we have demonstrated that we are doing it in order to provide a more durable portfolio for our unit holders.

Brad Sturges – *Analyst, Raymond James*

Okay. Last question, in terms of the non-major development bucket, I would say that's a pretty core focus of Crombie. Just curious, when you talk about the 68% target returns, just given where the market fundamentals are and maybe some of the pricing power you're starting to see from a rent perspective, does that change the actual returns you're getting in terms of realized returns versus target, or how should we think about where you're actually generating unrealized returns; within that range, or whether it's lower-end, higher-end, or even above?

Kara Cameron – *Chief Financial Officer*

Hi, Brad, it's Kara. No, it doesn't change our outlook on the returns that we've disclosed in terms of targets, so we're still looking at that approximately 7% return on modernizations. That drives good cash flow, especially to our same-asset property cash NOI line. We're still within those target ranges that we're disclosing.

Brad Sturges – *Analyst, Raymond James*

Okay, sounds good. Thank you.

Operator

The next question is from Sam Damiani with TD Cowen. Please go ahead.

Sam Damiani – *Analyst, TD Cowen*

Hi, good morning. Yes, congratulations on another great quarter, 3% plus same property. Are you looking at the sort of trend here and have any new thoughts on the guidance range for same property?

Mark Holly – *President and Chief Executive Officer*

Hi, Sam. The range that we give is, as you know, 2% to 3% is the long-term target that we consistently message. In the last couple years, we've been on the high side and pushing through the high side of that 2% to 3%. I think the Leasing team, the Finance team, the Operations team has just done an exceptional job and it's showing up in all our metrics, and what we acquire, what we dispose of.

As you look in the back half of the year, we're expecting to reach or exceed that long-term target range that we've been giving in that 2% to 3%, consistent with what we did last year. We gave that same sort of viewpoint, and I think it's going to hold again this year as well.

Sam Damiani – *Analyst, TD Cowen*

That's great, and great to see. Thank you. Maybe just on—there was a Toys R Us space that I think you were hoping to get wrapped up by the end of the last quarter. Is there an update on that space, I believe it's in Newfoundland?

Arie Bitton - *Executive Vice President, Leasing & Operations*

Morning, Sam. The update is the lease took a little bit longer to get past, just some summer vacation scheduling. The lease is in for execution on the tenant's side, so I can't disclose anything at this point. But we are hoping to have some positive news come next quarter.

Sam Damiani – *Analyst, TD Cowen*

Okay. Thanks, Arie. I guess it was referenced earlier, the three stabilized apartments really have seen a really sharp occupancy rebound. Is there anything specific driving that?

Arie Bitton - *Executive Vice President, Leasing & Operations*

We have done a concerted effort to really up the marketing for all three of the assets. Davie in particular, just given some of the changes within the macro, particularly in that market, did see a dip over the last year, year and a half call it, with some of the immigration policies.

The team has spent a large amount of time and effort on updating the website, increasing marketing spend; incentives are a part of that as well, to really focus on more qualified leads, and those numbers are now bearing fruit for us. We're happy with where we are. It's by far, obviously the best performance we've seen, at 97.2%, and the expectation is that we're going to continue to build that momentum within Q3, try to capitalize on it before the slower months towards the back half of the year.

Sam Damiani – *Analyst, TD Cowen*

Okay, great, and a small increase in the budget for the Marlstone, not really a big deal. I think that budget's been pretty much flat ever since you announced it, until now. But the leasing's going very well, could stabilize a little earlier than expected. Are you in any position today to sort of narrow that expected yield range from 4.5% to 5.5% to something more narrow?

Mark Holly – *President and Chief Executive Officer*

Not at this point, Sam, but I think you've hit all the highlights. When we greenlit that project in 2023, we gave what we thought the capital would be deployed, and with Victor and his team, we've been on-time and on-budget. Arie's team has done just a terrific job, especially considering that we just really started leasing in May when the building was turned over. It's been a very good, positive momentum so far, but at this point, we're going to hold to the markers we've already given, which is 4.5%, 5.5% in back half of 2027. As we continue to see the back end here of lease-up and getting closer to stabilization, we'll narrow that.

Sam Damiani – *Analyst, TD Cowen*

Okay, thanks, Mark. I'll turn it back.

Operator

Thank you. The next question comes from Tal Woolley with CIBC.

Tal Woolley - *Analyst, CIBC Capital Markets*

Hi, good morning. You'd mentioned the DRIP program before. I'm wondering, is it strictly something you need to have in the capital stack, or is it just sort of a nice-to-have thing at this point?

Kara Cameron – *Chief Financial Officer*

Good morning. It's definitely a nice-to-have. It rounds out the balance sheet. It's a consistent and dependable source of equity for us, contributing approximately \$40 million a year. Just where equity markets have not been opened for quite a while, I mean, we are pleased with where our NAV is sitting

and where the unit price is trending. I think there's still a bit to go. It's a dependable source of equity for us, so we're keeping it in place.

Tal Woolley - *Analyst, CIBC Capital Markets*

I think, pardon me, prior to Mark's arrival, I think you'd sort of talked about leverage in the sort of 40% to 45% debt to gross book value range. Is there a debt to EBITDA target you guys are working towards, at the end of the day?

Kara Cameron – *Chief Financial Officer*

We don't disclose a target. Right now, we're definitely pleased with where we're at. It gives us the financial flexibility to go out and do some of the acquisitions that you heard Mark talk about. From a debt to EBITDA or a debt to Adjusted EBITDA hovering in that 8x frame, that's a comfortable position for us.

Tal Woolley - *Analyst, CIBC Capital Markets*

Okay. Then, Mark, just wanted to go back to your comments on residential development, from your preamble. I guess, if market conditions for residential improved, A, I was just wondering what specifically you would be looking for to start green-lighting more stuff, and then we've sort of seen some interesting things happening with residential development with some of the other retail REIT peers in terms of really exiting from it. What's been the Board conversation around that as well?

I'm just wondering if you can give an idea of how we should think about, over the next five to 10 years, what residential development interest Crombie will have.

Mark Holly – *President and Chief Executive Officer*

Hi, Tal; not going to comment on the dialogues that happen around the Board table, but what I can tell you is, as you know, we have a development ladder. That development ladder highlights somewhere in the neighbourhood of 23 to 26 locations that are at different stages, between near-term, medium-term, and long-term. How we have been using the ladder over the last three, four years is, in some cases, we've been able to monetize it and use proceeds to tuck back more into the core; in other cases we've greenlit projects like the Marlstone.

What we've been doing actively is standing up those partnerships, one on the East Coast, one on the West Coast, and we're using them as passive equity, sharing the risk as we go through that entitlement stage, and getting it ready so that we can decide how we want to participate. It doesn't mean that we're absolutely going to participate at 50%; it doesn't mean that we're going to participate in putting the shovel in the ground, but it's creating optionalities to determine what the conditions are.

The conditions are both the macro, and internally on how we're deploying our capital. If you go back to how we've been deploying capital, non-majors, majors, acquisitions and distributions, and we've been focused more on non-majors over the last three years because that is quick turnarounds, 12 months or less, less than \$50 million, have a good yield on cost between 6% and 8%. It's showing up in our FFO metrics. It's showing up in our same-asset NOI metrics. We're going to continue to lean into that. We do like acquisitions. We like income-producing acquisitions, so we're going to focus in on that.

For majors, for now, the focus is absolutely on entitlements. We're spending money; we're investing in the joint ventures. At the macro stage, it's the micro market to which these locations are positioned. As you know, some of them are in Vancouver. Vancouver is not as strong as a market as we think Halifax is. The other market is Halifax. We're happy where we are in the Marlstone, but at this point we're not prepared to green-light a project. We look at the economy, immigration policies, what's

happening around the micro market before we make a decision. We look at the underwriting at least twice a year to see where they are at, and it's a part of our evaluation at the Executive table and a discussion at the Board table.

Tal Woolley - *Analyst, CIBC Capital Markets*

Got it. Then, for the Marlstone, do you have a rough estimate of what the FFO breakeven occupancy is, just so we can think about modeling the drag between now and stabilization?

Kara Cameron – *Chief Financial Officer*

Hi, Tal, it's Kara. No, that's not something that we actively disclose.

Tal Woolley - *Analyst, CIBC Capital Markets*

Okay. I think a part—I've been reading, but 75%, 80%, that's sort of when you would expect to be in the neutral range? Is that reasonable?

Kara Cameron – *Chief Financial Officer*

I wouldn't say that's reasonable, no. We're not giving guidance on that one.

Tal Woolley - *Analyst, CIBC Capital Markets*

Okay. Thank you very much.

Mark Holly – *President and Chief Executive Officer*

Thanks, Tal.

Operator

The next question is from Mario Saric with Scotiabank. Please go ahead.

Mario Saric - *Analyst, Scotiabank*

Hi, good morning. Coming back to the acquisition strategy, I appreciate that you don't disclose individual acquisition cap rates, but going forward, if acquisitions are going to be a meaningful part of the capital allocation, can you give us a sense of the types of cap rate ranges one can expect on the types of assets that you look at?

Mark Holly – *President and Chief Executive Officer*

Morning, Mario. Take look at the MD&A, we break them into the three categories of the market classes that we operate in. Our all-in cap rate is sitting slightly below six. Then, when we look at what we've been buying, we've always been suggesting and providing insights that most of the acquisitions we've been doing in the various three major markets have been reflective of the cap rates that we're disclosing in the MD&A.

When we look at what we're acquiring, we're looking at the yield, but we're also looking at the growth rate in the portfolio. In some cases, we're prepared to pay a lower cap rate because we think that there's embedded growth in it. In other cases, it's the yield with a more stable growth rate. I can't give you one number that we're looking for, but I can tell you that, when we look at it, we look at years to accretion, and most of the things that we've been acquiring have been immediately accretive.

That said, I would say that our payout ratios, our FFO growth, our property performance have put us in a really good spot, where it doesn't have to be absolutely immediately accretive to drive what we're chasing, which is longer-term growth. Our embedded portfolio is growing at one rate, and we're looking

at assets that can give us a higher growth rate on a long-term basis. It's going to come down to the balance between both, but that's sort of how we strategically think about acquisitions.

Mario Saric - *Analyst, Scotiabank*

Got it, okay. That makes sense. Then, just in terms of funding, it sounds like there's always the possibility of dispositions, selectively, as a source of capital. Without them, what do you estimate your acquisition capacity is today in order to maintain your target leverage metrics, or where you'd like to see the balance sheet?

Mark Holly – *President and Chief Executive Officer*

It's an interesting question, Mario. You're right. Dispositions have been a part of the strategy, as we called out, where we've sold about \$100 million of assets over the last few years. We haven't sold any this year, and we've acquired \$150 million. With those acquired \$150 million of assets, our balance sheet is still really healthy. Kara called out 8x debt to EBITDA, interest coverage ratio over three. We're in a really nice range where we can still acquire opportunistically. We're able to use the liquidity through our bilateral revolver.

There's not a necessity to dispose to grow, but there is a viewpoint that disposing can help shore up other metrics and can help feed, sort of, how you're spending your capital. It is a part of the strategy, but it is not the immediate thing of buy one, sell one, because the balance sheet is in a really good spot. I hope that answers your question. It is a part of the plan, but it's not one-for-one and it doesn't have to happen in advance of.

Mario Saric - *Analyst, Scotiabank*

Okay. Two more really quick ones on my end; any update on the Calgary CFC tenant discussions and probable outcomes there?

Mark Holly – *President and Chief Executive Officer*

Yes. We continue to talk to Empire. They continue working on getting the space ready. They are marketing it. There's been some interest in the space, and we continue to support them. But there is no update; as you know, we're under a very long-term lease with Empire. We're very happy. We continue to collect the rent. There's no change for us, but we are supporting Empire as they look to backfill the space.

Mario Saric - *Analyst, Scotiabank*

Okay. Then, operationally, I think last quarter, the sequential quarter-over-quarter decline in occupancy was attributable to the Saint-Hubert acquisition, as well as some seasonality. The occupancy has come down very slightly, Q2 versus Q1. What is the outlook for the second half of the year in terms of that occupancy trend?

Arie Bitton - *Executive Vice President, Leasing & Operations*

Morning, Mario. We're expecting occupancy to hold relatively steady. We're near-full at this point, as we said in the past, so it will ebb and flow a little bit. Some of the declines that you've observed are related to the Toys R Us departure; that was about 35,000 square feet that left us early on in Q2. As I mentioned earlier, we are expecting that to enter a committed occupancy in the short-term. We also had one office departure that we're managing through as well.

I'd say that at this point, the team's continuing to renew at a very healthy pace. You saw the renewal spreads for the quarter were, again, the second quarter of double-digit renewal spreads. That outlook, I would say—or we believe that trend will continue on through the rest of the year. Like I said, tenants continue to covet the spaces they're in, and we're seeing those indications come through as they continue to exercise. Don't anticipate much of a change than what you're seeing currently.

Mario Saric - *Analyst, Scotiabank*

Okay. Thank you.

Mark Holly – *President and Chief Executive Officer*

Thank you.

Operator

Once again, if you have a question, please press star, then one. The next question is from Pammi Bir with RBC Capital Markets. Please go ahead.

Pammi Bir - *Analyst, RBC Capital Markets*

Thanks. Good morning. Just coming back to the Marlstone, again, good to see the leasing progress there, but can you comment on how you're using incentives, if at all, and how the rents are tracking relative to your underwriting?

Arie Bitton - *Executive Vice President, Leasing & Operations*

Sure, Pammi. The incentives that were being used are selective, and we are not currently openly advertising incentives, but we do use them as back-pocket incentives that the Leasing team on the ground

is able to utilize. We've had a number of open houses; we had one towards the end of July, and there are promotional incentives associated with those that we do advertise.

The incentives are within the market range, typically about a month of free rent on a 12-month lease, where used. Beyond that, our underwriting on a rent per square foot basis, unfortunately I can't disclose that specifically, but I could tell you that we are above our initial underwriting when we approve the development in 2023.

I'd say another focus for us as well, as we continue to lease up the building, is we are focused on targeting a number of groups within the market that are continuing to provide us uptick. We have military discounts, we have a first responder discount, and we're advertising with student boards as well, just to capture some of the market dynamics that are unique to Halifax.

Pammi Bir - *Analyst, RBC Capital Markets*

Great. I guess, just on that last comment, in terms of specific groups, has there been any sort of bulk leasing or corporate users that have maybe helped, I guess, expedite the lease-up?

Arie Bitton - *Executive Vice President, Leasing & Operations*

There have not, and we don't currently plan on utilizing that for this building. We believe that the building is great, and we don't really need to do that to augment any of the occupancy.

Pammi Bir - *Analyst, RBC Capital Markets*

Got it. Just maybe coming back to the IFRS cap rates for the overall portfolio, it did come down a little bit in the quarter. Obviously, we've seen some M&A and some deals in the market. Can you comment

on the drivers of the change there, and maybe some thoughts on how you see that trending over the balance of the year?

Kara Cameron – Chief Financial Officer

Hi, Pammi, it's Kara. Yes, we're very pleased with some of the compression that we've been seeing across the portfolio. We have been seeing the most compression in our major markets and regional markets, and as you're saying, the transactions are giving a good proxy point, especially private market activity. It's continuing to reinforce the value of high-quality, necessity-based real estate, and that's showing up largely in our portfolio. I think we've historically talked about the strength of our regional markets and major markets, and we're starting to see that benefit come through in cap rates and cap rate compression.

Pammi Bir - Analyst, RBC Capital Markets

Okay, got it. Then, what was the overall impact on the fair value of the portfolio in terms of the markup taken in the quarter?

Kara Cameron – Chief Financial Officer

Dollar-wise, I don't have that at my disposal. If you include joint ventures, we had a weighted average portfolio capitalization rate of 5.77% in 2026, and it's compared to 5.86% at December 2025. That's a fairly decent compression for a portfolio of our size.

Pammi Bir - Analyst, RBC Capital Markets

Yes. Okay, we can follow-up on that offline.

Kara Cameron – *Chief Financial Officer*

Yes, I'll follow-up with you on the number. Yes.

Pammi Bir - *Analyst, RBC Capital Markets*

Thanks. I'll turn it back.

Operator

This concludes the question-and-answer session and today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.