Final Transcript

Crombie Real Estate Investment Trust

First Quarter 2024 Earnings Call

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Forward-Looking Information

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

(I) The disposition of properties, including properties under contract, and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions, requirements and timing for Empire investments, the timing of property development activities or other uses for net proceeds and real estate market conditions;

(II) Our development pipeline and diversification to mixed-use residential developments, including statements regarding the locations identified, timing, cost, development size and nature, anticipated yield on cost, and impact on net asset value and net asset value per unit, cash flow growth, Unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs, continuance of current market and capitalization rate conditions and general economic conditions and factors described under the "development" section of our most recent Management's Discussion and Analysis, and which assumes obtaining required municipal zoning and development approvals and successful agreements with existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;

(III) Set growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource availability and allocation decisions as well as actual development costs;

(IV) The accretive acquisition of properties, including the cost and timing of new properties under right of first offer agreements, and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;

(V) Overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition and disposition activity that Crombie is able to achieve, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants, and market conditions;

(VI) Generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;

(VII) Expected increase in revenue in 2024 and 2025, which could be impacted by timing of completion of development projects underway, ability to secure tenants and the effects of general economic conditions;

(VIII) Anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations;

(IX) The anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses; and

(X) Anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions.

These forward-looking statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "risk management" in Crombie's Management's Discussion and Analysis for the quarter ended March 31, 2024 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 afternoon, ladies and gentlemen, and welcome to the 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 *, 0 for the Operator.

This call is being recorded on May 9, 2024.

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

Ruth Martin — Senior Director, Investor Relations & Financial Analysis, Crombie Real Estate Investment Trust

Thank you. Good day, everyone, and welcome to Crombie REIT's first quarter 2024 conference call and webcast. Thank you for joining us.

This call is being recorded in live audio and is available on our website at www.crombie.ca.

Slides to accompany today's call are available on the Investors section of our website under Presentations & Events.

On the call today are Mark Holly, President and Chief Executive Officer; and Kara Cameron, Interim Chief Financial Officer.

Today's discussion includes forward-looking statements. As always, we want to caution you that such statements are based on management's assumptions and beliefs.

These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements.

Please see our public filings, including our 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 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 & Chief Executive Officer

Thank you, Ruth. Good day, everyone, and thanks for joining us for our first quarter earnings call.

Earlier today, we held our Annual General Meeting in New Glasgow, Nova Scotia, where I outlined Crombie's strategy, our key areas of focus, and prospects for growth. I also discussed the broader macroeconomic landscape, including both the opportunities and challenges it presents for our industry today.

Our team is committed to providing our unitholders with reliable long-term cash flow and a clear, consistent path to growth and value creation.

Our first quarter performance demonstrated the resilience of our coast-to-coast necessity-based portfolio, the proficiency of our team in managing operations, and our steady advancement towards growth and further value creation.

In the first quarter, we achieved same-asset property cash NOI growth of 3.2 percent and recorded a 7 percent increase in adjusted FFO per unit.

Our leasing team successfully negotiated renewal spreads of 10.1 percent on 249,000 square feet of GLA during the quarter.

We continued to maintain a strong and flexible balance sheet, ending the quarter with ample liquidity, debt to EBITDA of 7.97 times, leverage ratios well within our target ranges. This positions us well on our path to enhance our investment-grade rating.

While macroeconomic challenges persist, Crombie's portfolio is strategically positioned in the most stable and solid asset classes in Canadian real estate. Our grocery-anchored retail assets, supporting industrial, and our mixed-use residential are situated in the heart of vibrant towns, expanding cities, and major urban centres nationwide.

Designed to withstand the volatility of difficult environments, Crombie is positioned to leverage the resilience and flexibility of its portfolio.

Our strategy is built on two pillars: value creation and solid foundation. Our value creation is firmly anchored in our exceptionally strong balance sheet.

We have three primary drivers to this value creation. These are: owning and operating an intentionally curated portfolio; optimizing our assets, including our substantial development pipeline; and partnerships, both deepening our mutually beneficial relationship with Empire and establishing new partnerships to tap into the embedded value within our portfolio.

Today, I'd like to touch on two of the three value drivers: partnership and portfolio optimization.

First, the pivotal role that partnerships play in our strategy. Crombie benefits significantly from its strategic partnership with Empire, governed by strong principles.

Through alignment of our real estate strategies, we collaborate to plan and deliver on programs that enhance the quality of our portfolio, including, but not to limit it to, acquisitions of stable grocery-anchored sites, modernizations, banner conversions, and construction of purpose-built projects.

In the first quarter, substantial completion was achieved at our next retail-related industrial asset in Calgary, Alberta, which I will speak to shortly. Crombie unitholders directly benefit from the quality of the assets that have come up from this relationship, as well as the inherent growth pipeline it can provide.

In addition to the tremendous partnership we have with Empire, expanding our partnership will be a key priority for Crombie, with a specific focus on forming alliances that enable us to unlock the value in our extensive development portfolio while maintaining the strength of our top-quality balance sheet.

Collaborating with the right partners will enable us to strategically develop properties while maintaining a disciplined focus on capital allocation and maximizing returns for our unitholders.

One of our most more recent partnerships is the co-ownership of our mixed-use residential asset, The Village at Bronte Harbor in Oakville, Ontario. The collective team worked hard to generate significant leasing momentum over the year, and in the first quarter of 2024, we achieved two important milestones at this location.

First, we had projected reaching occupancy stabilization in the first half of 2024, and I am happy to say that we reached it in the first quarter, ending the quarter with committed and economic occupancy of 93 percent and 91 percent respectively.

And second is that we secured CMHC financing on the asset at an interest rate of 4.35 percent, harvesting significant interest savings through an approximate 275 basis point improvement over the debt that was previously in place. We look forward to recognizing the benefit of stabilization in CMHC financing in quarters to come.

Next, I will focus on portfolio optimization. Optimizing our properties is key to our long-term strategy for enhancing AFFO and net asset value. Central to this approach is portfolio reinvestment, focused on identifying the most effective uses of our assets to maximize returns and strategically allocate capital.

Our development program is structured around two elements: major developments and nonmajor developments. Major developments involve longer-term commitments and total estimated costs greater than $50 million, while nonmajor projects are typically shorter term with total estimated costs below the $50 million mark. Through this structure, we aim to unlock the full potential of our portfolio and drive sustained growth.

Currently, we have one active major development project underway, The Marlstone in Halifax, Nova Scotia, which will introduce 291 residential units to our expanding portfolio and will be a welcome addition to one of Canada’s fastest-growing cities.

Currently under construction, The Marlstone has already reached above-grade levels, with the third level of the residential structure to be completed by mid-May. Substantial completion is expected in the first half of 2026.

To support the next wave of major development growth and create a well-structured development pipeline, our team continues to strategically advance projects through the entitlement process. Entitlement creates value at a low capital cost and provides optionality and flexibility.

We currently have eight locations within Canada's most notable cities that have zoning in place or three zoning applications submitted. These sites have the potential to add 5,300 residential units equivalent to 4.6 million square feet of commercial and residential GLA.

As I mentioned, entitlements and unencumbered sites create optionality for Crombie. And from time to time, we may elect to sell an asset in our development pipeline to crystalize the value and recycle the proceeds into other strategic growth initiatives.

On our fourth quarter earnings call, we announced our intention to sell our 50 percent interest at our Broadview site in Toronto, Ontario to monetize entitlement value rather than to pursue development. As of April 30th, we closed on the transaction above IFRS fair value for total proceeds of $13 million. This transaction represents one of the many avenues for value creation available to Crombie.

In response to the current macroeconomic environment, we heightened our focus to nonmajor development program, prioritizing shorter-duration projects. Current projects have a yield on cost in the range of 5.5 percent to 7 percent and are a great way to strengthen our portfolio, creating NAV and driving NOI.

In the first quarter, we advanced $1.5 million of modernization and expanded our portfolio by 26,000 square feet of industrial GLA through a 50 percent joint operation with Empire for their new central kitchen commissary site in Calgary, Alberta.

As Empire explores expanding their network, we will actively seek opportunities to collaborate where and when it makes sense for Crombie.

Lastly, I want to highlight the amazing work the team has done in advancing our ESG commitment. We will release our 2023 ESG report in the coming months, which will highlight our environmental, social, and governance achievements last year.

ESG is not a stand-alone plan at Crombie. Commitments to climate action, social responsibility, governance, accountability, and transparency are embedded in our strategy, the work we do, and the decisions we make.

In April, we were proud to announce that we've been named one of Canada's greenest employers in 2024. The people who work to achieve our objectives do so with passion, determination, and integrity, and together they have built an engaging, high-performing culture.

I will now hand the call over to Kara, who will highlight our third value-creation driver, operational excellence, and the cornerstone of our solid foundation, our balance sheet.

Kara Cameron — Chief Financial Officer

Thank you, Mark, and good day, everyone.

2024 commenced on solid footings, as evidenced by our first quarter operational results.

We ended the quarter with committed and economic occupancy of 96.2 percent and 95.7 percent respectively. We did have a slight decrease in occupancy from Q4 2023 of 30 basis points. This is largely due to one tenant vacating at the end of their lease term, which was expected.

A healthy level of turnover provides us the opportunity to garner higher rents in addition to rental growth through renewals. Our in-place annual minimum rent per square foot was $17.72 at the end of the first quarter, approximately 4 percent higher than 12 months ago.

This growth is driven by new leasing activity, renewals, and contractual rent step up positively contributing to same-asset NOI and AFFO growth.

At the end of the quarter, 94,000 square feet of GLA was committed at an average first-year rate of $20.66 per square foot, 17 percent above our in-place portfolio rent per square foot.

Included in committed space are three nonmajor development projects which are expected to open throughout 2024, two new builds, the Alberta Central Kitchen Commissary, a purpose-built industrial asset, and a national brand quick service restaurant, as well as repurposed existing vacant space within our portfolio for a new Farm Boy grocery store.

New leases increased occupancy by 64,000 square feet at an average first-year rate of $23.04, boosting our in-place rent per square foot and same-asset NOI. Eighty-four percent of new leases were completed in rest of Canada market, speaking to the desirability of these primarily grocery-anchored, necessity-based assets as they serve the needs of communities across the country.

Notable new leases include the recently constructed Foodland in Mount Forest, Ontario and PetSmart in Fort McMurray, Alberta.

Lease renewal activity across our portfolio consisted of 249,000 square feet at a 10.1 percent increase for year one over expiring rental rates, or a 10.6 percent increase when comparing the expiring rental rates to the weighted average rental rate for the renewal term.

It is our solid leasing performance over the last 12 months, primarily new leases and renewals, that has led to a 3.2 percent increase in same-asset NOI compared to the same quarter in 2023.

Adjusting for the land sale at our joint venture, Opal Ridge in Dartmouth, Nova Scotia that occurred in the first quarter of 2023, AFFO and FFO per unit increased 8 percent and 7 percent respectively.

The improvement in adjusted AFFO and FFO per unit for the quarter was driven by higher property revenue from completed developments, leasing activity, revenue from management and development services, as well as higher capitalized interest. This was partially offset by an increase in interest expense.

Our AFFO payout ratio was 86.1 percent, while our FFO payout ratio was 73.6 percent, both improving from Q1 of 2023.

Turning to our balance sheet and financial condition. We remain committed to upholding a strong balance sheet and disciplined approach to capital allocation.

We remain committed to our goal of achieving an upgrade to BBB mid from our current BBB low stable trend from Morningstar DBRS. With this objective in mind, we issued $200 million of six-year unsecured notes at an interest rate of 5.14 percent.

This was a highly successful issuance, reflecting our diligent market monitoring and strategic timing. The issue demonstrates our ability to access one of the multiple sources of capital available to us, while also highlights our active balance sheet management, as well as meeting our capital funding requirements.

Additionally, in the first quarter we repaid $82 million in maturing mortgages, of which 8 mortgages were refinanced totalling $31 million at Crombie share, with a weighted average interest rate of 5.3 percent.

All the refinanced mortgages are held in joint operations and refinancing was completed together with our partners.

As Mark mentioned, at our joint venture property, The Village at Bronte Harbour, we closed on a $243 million mortgage loan, equivalent to $121.5 million at Crombie share. The mortgage has an interest rate of 4.35 percent, harvesting significant interest savings through an approximate 275 basis point improvement over previously in-place debt.

We are actively working towards securing CMHC financing through the MLI Select program as a milestone and expect to have this in place over the coming quarters.

Commented [PC1]: Factset had this as MOI, but I think MLI is correct - could you check?

We ended the quarter with available liquidity of $737 million and our unencumbered assets increased from $2.6 billion at Q4 2023 to $2.8 billion in the first quarter of 2024.

Debt to gross fair value was 42.9 percent, consistent with Q4 2023, and our debt to trailing 12-month adjusted EBITDA was 7.97 times, an improvement from 8.03 times at December 31, 2023.

Our operational and financial results are evidence of the value and strength of our necessity-based portfolio, our commitment to operational excellence, and the active management of our balance sheet and financial conditions.

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

Mark Holly — President & Chief Executive Officer

Thanks, Kara. We are off to a great start in 2024.

The business fundamentals are strong, as evident by our metrics of success and our balance of stability and growth.

Our team's focus on financial health, culture, and ESG enables us to make the right decisions for the long-term good of our climate, employees, communities, and business.

And with that, we are pleased to answer any questions you may have.

Operator

Thank you. And, ladies and gentlemen, we will now begin the question-and-answer session.

Should you have a question, please press the *, followed by the number 1 on your telephone keypad. Should you wish to decline from the polling process, please press the *, followed by the number 2.

If you're using a speakerphone, please lift the 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 — Analyst, Desjardins Capital Markets

Thank you very much, and good afternoon, everybody. On the same-property side of things, you guys had a pretty decent print, I think, a little bit above the 2 percent to 3 percent range you guys had discussed previously for 2024 and some pretty solid rent growth.

Is there anything you're seeing out there right now that would cause the rest of the year to be any different? Or would office just be sort of the big bogey? How do you guys think about that?

Mark Holly — President & Chief Executive Officer

Hi, Lorne. Thanks for the question. Yeah. We had a really down the fairway type of quarter. And same-asset NOI at 3 percent is a strong number for us. As we've talked about, our target range is between 2 percent and 3 percent. And as you know, that's coming from new leases, renewals, LUIs, modernizations. And last quarter, we had a strong quarter. We had another strong quarter this quarter.

But as we kind of talk about our target ranges, we're going to stick to our comfort zone of the 2 percent to 3 percent. And the team continues to work on new leases and renewals and there's good supply/demand out there for our assets. But 2 percent to 3 percent is our range.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Maybe digging a little bit into that, is 2 percent if you sort of end up at the low end of the range, would that kind of have to be like an issue in the office portfolio? Or are you guys pretty confident in the fundamentals there?

Mark Holly — President & Chief Executive Officer

Yeah. We have about 1 million square feet of office. It's prominently right downtown Halifax. Got a long WALT, 90 percent occupied. We do see changes, ebbs and flows in there. So if you kind of look at the occupancy numbers, they were slightly off this quarter, but that was from 3 tenants and that totalled 6,000 square feet.

So the office sector for us is strong. It's much stronger than others in that market, so it's not through the office, it's just throughout our entire portfolio when you look at the spread between retail, office, and industrial.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay. And then on the Broadview deal, it looks like you got some pretty decent pricing there. Has that inspired you guys to maybe move forward with some more dispositions of other noncore longer-term development sites over the next little while?

Mark Holly — President & Chief Executive Officer

Yeah. We do have an amazing pipeline of development assets, and as we've always talked about it, we look about it in multiple ways and one of them is from time to time we will dispose of an asset.

Last year, we did Opal Ridge. This year, we're doing Broadview, and we're really pleased with the great work that our corporate development team did there in selling that asset significantly above our IFRS. And we will do that from time to time. That is a part of our game plan going forward.

Lorne Kalmar — Analyst, Desjardins Capital Markets

But nothing sort of imminent over the balance of the year?

Mark Holly — President & Chief Executive Officer

Not at this point in time, Lorne.

Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay. And then maybe just lastly, do you guys have a target AFFO payout ratio? Just trying to get an idea of when you might start thinking about the distribution increases.

Kara Cameron — Chief Financial Officer

Hi, Lorne. It's Kara. So we're not communicating any distribution increase plan at this point in time. We are focused on the improvement of our payout ratio, and I think you can see that coming down over the past several quarters. So we're really pleased with where we're sitting at right now.

In terms of target, we're not actively communicating a specific target. Yeah, we're balancing the needs of the investments in the organization with the financing requirements and so we'll continue to do that.

Lorne Kalmar Lorne Kalmar — Analyst, Desjardins Capital Markets

Okay. Fair enough. I will turn it back.

Mark Holly — President & Chief Executive Officer

Thanks, Lorne.

Kara Cameron — Chief Financial Officer

Thanks.

Operator

Once again, if you would like to ask a question, simply press *, followed by the number 1 on your cell phone keypad.

Your next question comes from the line of Sam Damiani from TD Cowen. Your line is open.

Sam Damiani — Analyst, TD Cowen

Thank you, and good afternoon, everybody. I guess my first question is just on those Vancouver sites where Empire agreed to amend the lease to facilitate future redevelopment, is there any update on the status of either of those or Crombie's intentions with respect to them?

Mark Holly — President & Chief Executive Officer

Good afternoon, Sam. Yeah. Lynn Valley and Kingsway and Tyne are the two sites out of Vancouver, and we're actively internally working on them, building out some design drawings, scalability, numbers of residential units we could build, how does the food store intersect the ground floor of that. That's where we are today.

We've started to do some dialogue with the community, and we've started to initiate some dialogues at the municipal level. No formal applications at this point, but they are active files internally for Crombie.

Sam Damiani — Analyst, TD Cowen

Okay. And switching over to Broadway and Commercial, looks like things are getting a little bit more in focus in terms of timeline there. Could you give any more detail on, I guess, what you expect to happen this year or next year? And I guess, how serious your intentions are?

Mark Holly — President & Chief Executive Officer

Yeah. The Broadway and Commercial has been a project that we've been working up for a number of years. As we've talked about, we've switched the profile of that from one condo and two rentals to three rentals.

We are still actively engaged with the municipality. We're working through public open houses now.

We have a bit of a line of sight on hoping to be entitled by the end of this year, which will then set us up for some decisions about detailed design work and where do we go with it after that. But we've got to get through this first hurdle. This is the most important one.

So between ourselves and our partner, we're working on obtaining the highest and best use, which is those three rental towers, probably by the end of the year.

Sam Damiani — Analyst, TD Cowen

Okay. Great. And last one for me is just on the desire to get a notch up on the credit rating. The REIT's been running around 8 times at EBITDA for a little bit. Is there a—like what are the sort of goalposts that are set that you need to achieve to achieve that upgrade?

Kara Cameron — Chief Financial Officer

Hi. Thanks for the question. Yes. We are focused on BBB mid right now. So we've got a secured debt to total debt at 43.1 percent, which is a reduction from our 47.4 percent at Q4 2023. And so we're actively chasing to be in that 60 to 40 ratio on secured to unsecured debt ratios. And so that's what we're really working towards achieving by the end of this year.

And then really showing the stability of that and maintaining it over a longer course. And that's the focus of our BBB-mid path.

Sam Damiani — Analyst, TD Cowen

Okay. And then so nothing to do on the debt to EBITDA or the total size of EBITDA?

Kara Cameron — Chief Financial Officer

Yes. So we've met that obligation already on the debt to EBITDA. So we're well within the ratios as laid out by DBRS.

Sam Damiani — Analyst, TD Cowen

Wonderful. Thank you. And I'll turn it back.

Operator

Your next question comes from the line of Brad Sturges from Raymond James. Your line is open.

Brad Sturges — Analyst, Raymond James

Hey, there. Just to follow up on the comments around the Broadway project. I guess, the change from condo to rental, does that require you to resubmit zoning applications? And then what would be the timing? Do you think getting fully approved would that be by the end of the year?

Mark Holly — President & Chief Executive Officer

Hi, Brad. Yeah. Broadway and Commercial we pivoted to that change. We have been working with the municipality on that change for, gosh, six to nine months now. And so the application that is before the municipality is with that already in mind. And so, the public open house that we were preparing for in the next couple months is with that design.

And all indications are that getting through public consultation will get us through the entitlement in the fall. So we'll be fully entitled on the three rental towers somewhere in the neighbourhood of 970 units.

Brad Sturges — Analyst, Raymond James

Okay. That's helpful. And then my only other question would be just on the nonmajor development activity. I think you've talked about it being sort of an important part of some of the capital allocation that you're doing.

Just how do you think about the cadence of completions over the course of the year on that opportunity set?

Mark Holly — President & Chief Executive Officer

Yeah. Last year we were able to introduce about 83,000 square feet of new GLA through nonmajor developments. We're also doing modernizations and some work with Empire.

We're projecting ourselves to be on a similar path. Today, in the MD&A, we talk about land use intensifications of about 50,000 to 60,000 square feet. And then in modernizations, redevelopments, and others, at this point we're showcasing that we've got about $8 million of spend there.

So it is still very much in focus, especially in this environment. I really like the nonmajor developments. They are very much in and out within 12 months. And we kind of showcase some of that work over the last four quarters, and we're going to continue to lean into that part of the program.

Brad Sturges — Analyst, Raymond James

That's helpful. I'll turn it back. Thanks.

Operator

Your next question comes from the line of Rohit Gaurav from BMO Capital Markets. Please go ahead.

Rohit Gaurav — Analyst, BMO Capital Markets

Hi. Thanks. Just a quick one for me. Can you give a little bit of colour on the tenant watch list at the moment and also an occupancy for the remainder of the year?

Mark Holly — President & Chief Executive Officer

Yeah. For our watch list, it is very, very light. Every landlord has a watch list. Ours is very, very small. What is a larger watch list is who is looking for space across our grocery-anchored sites coast-to-coast. That is the list that is of much more in focus for us.

Our occupancy is very stable. It's strong. And so when we are able to re-merchandise, we're really zeroing in on that list of tenants that can fit the needs of a centre and kind of fit the needs of the daily merchandise mix that you need for the community residents.

Rohit Gaurav — Analyst, BMO Capital Markets

That's helpful. Thank you.

Operator

Your next question comes from the line of Samaya Syed from CIBC. Your line is open.

Sumayya Syed Hussain — Analyst, CIBC

Thanks. Hi, everybody. Just a question on the land use intensification disclosed, the 52,000 square feet. I guess it's implying a cost to complete of about $350 a foot. Would you say that that's a fairly representative and current cost figure for these types of intensifications? Is there much variance by market or type of project?

Mark Holly — President & Chief Executive Officer

Thanks, Sumayya. It wouldn't vary that much by type of market, but it will vary by what the intensification is. And so I wouldn't get fixated on a cost per buildable, just because that could include multiple locations. It could be different tenant mixes and how we're deploying it.

The one that I think is important to see is how many square feet we're looking to add to the GLA and when that comes online.

Sumayya Syed Hussain — Analyst, CIBC

Okay. Makes sense. And then I think there was a comment in the disclosure around downsizing by a tenant. Was that just a one-off situation?

Mark Holly — President & Chief Executive Officer

It was, yeah. It was one tenant. We were fully aware of it vacating. And so our leasing and ops team are now working actively on now how we're going to backfill it and help support the merchant mix of that centre.

Sumayya Syed Hussain — Analyst, CIBC

Okay. And then just lastly touching on the leasing spreads, almost 11.5 percent for retail. How do you expect these spreads to hold on for the balance of your leasing for the year?

Mark Holly — President & Chief Executive Officer

Yeah. The team did a terrific job. As you know, we ended last year at about 5.9 percent. And each and every quarter we're sort of growing on that. I would say 10 is a high number for us. And we did 249,000 square feet of renewals in the quarter.

The mix between fixed rates and negotiated and arbitrate was slightly skewed more to negotiates than arbitrate. And so we were able to command a better lift on those.

As we've given some targets to the investor community, we're still sticking to those targets of mid single-digits.

Sumayya Syed Hussain — Analyst, CIBC

Okay. Great. Thank you.

Operator

And there are no further questions at this time. I'd like to turn it back to Ruth Martin for closing remarks.

Ruth Martin — Senior Director, Investor Relations & Financial Analysis

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

Operator

Thank you, presenters. And, ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.