



## **Final Transcript**

### **Crombie Real Estate Investment Trust**

### **Fourth Quarter 2025 Earnings Call**

February 11, 2026

10:00 am ET

## DISCLAIMER

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## Forward-Looking Information

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

- (I) The disposition of properties 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) 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;
- (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) Anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations;

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**Operator**

Good morning, everyone and welcome to Crombie REIT's fourth 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 February 11, 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 fourth quarter and year end 2025 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](http://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.

2025 was a standout year for Crombie where disciplined execution across the two pillars of our Building Together strategy combined to deliver solid results. These pillars – Value Creation and Solid Foundation – guide our day-to-day execution and have been designed for resiliency, stability, and long-term unitholder growth.

2025 was a year that highlighted the power of this strategy and the operational excellence of the team. A few metrics worth highlighting. Four consecutive quarters of record committed occupancy ending the year at 97.7%. Average annual minimum rent growth of 4.8%, commercial same-asset property cash NOI growth of 3.7% - above our long-term target of 2% to 3%, 6.5% growth in AFFO per unit, a distribution increase, and finally a credit rating upgrade from Morningstar DBRS. An impressive year.

Today, I will focus my comments on the three drivers within Value Creation –Own and Operate, Optimize and Partner.

Let me start with Own and Operate – the foundation of Value Creation and the core of our business.

Our coast-to-coast, grocery-anchored centres sit at the heart of vibrant, growing communities, generating consistent traffic and strong tenant demand. Through disciplined portfolio management and deliberate curation of our tenant merchandise mix, we continue to position Crombie as an attractive partner for retailers seeking access to multiple markets on a coast-to-coast basis.

In 2025, demand for our space was very strong. Established national retailers and emerging concepts both sought space across our portfolio, and that demand, combined with proactive leasing management, drove solid results. Year-one renewal spreads averaged 10.4% and our weighted average lease term remained healthy at 7.9 years – reflecting the stability of our tenant relationships and the steady growth embedded in the portfolio.

Portfolio management is central to our Own and Operate driver as we always look to high-grade our portfolio of assets. On the acquisition front, we continue to lean into grocery-anchored retail opportunities. In 2025, we added five Empire-bannered grocery properties totaling 197,000 square feet for \$49.7 million dollars. The acquisition of The Queensway property in Q4 was the fifth. The Queensway property is a 3.6-acre, newly constructed, 51,000 square foot Longo’s anchored site with two freestanding bank pads. It was built by Crombie as development manager on behalf of Empire and subsequently acquired for \$28.5 million, excluding closing and transaction costs. The property is 100% leased, with all tenants now operating. It is exactly the type of necessity-based, high-quality asset that strengthens our portfolio and reflects the value of our strategic partnership with Empire. We were equally disciplined on the dispositions side in 2025 where we sold two non-core properties in New Brunswick – the 140,000-square-foot Main Street office in Moncton, which had persistent vacancy, and Loch Lomond

Place, a non-grocery retail property in Saint John. These acquisitions reduced exposure to lower-growth assets and freed up capital to be redeployed toward higher quality properties that will provide stronger long-term FFO growth. We also completed a strategic land swap at Barrington Street in Halifax that strengthened our position on a key urban site and enhanced its long-term development potential. Ongoing portfolio review and thoughtful capital recycling remains an important driver to how we provide long-term returns for our Unitholders.

As part of our financial results released last night, we highlighted that we have entered into a binding agreement to acquire a grocery-related industrial asset in Whitby, Ontario, for approximately \$115 million dollars. The asset is a 42-acre property with a 484,000-square-foot high-bay industrial distribution facility fully leased to Sobeys under a long-term lease agreement. The facility features 37-foot clear height, with approximately 90 loading dock doors and roughly 240,000 square feet of temperature-controlled cooler space.

Located directly off Highway 401 and within a five-minute walk to the Whitby GO Station, the property offers exceptional connectivity and operationally supports Sobeys' distribution to its Ontario grocery stores. This acquisition brings long-duration income, serves as essential logistics infrastructure, and sits in a tightly supplied, transit-connected industrial corridor. It strengthens the defensive profile of our property and portfolio and expands our presence in grocery-linked industrial real estate. The acquisition enhances our long-term cash-flow growth and is accretive from day one.

Turning briefly to our Calgary Customer fulfillment Centre industrial asset. In late January, Empire announced changes to its e-commerce operations in Alberta, which included our 100%-Crombie-owned industrial warehouse. The long-term lease remains in place, the asset represents approximately 300,000

square feet within our fully occupied retail-related industrial portfolio, and we expect no material financial impact from the announcement.

Our second pillar, Optimize is about unlocking embedded value in the existing portfolio through targeted investments and development.

In 2025, we continued to advance our non-major development program. These are shorter-duration projects – modernizations, intensifications, small-scale redevelopments and greenfield projects – they’re typically \$50 million or less and are often completed within 12 months. We expect targeted yields on cost in the range of 6 to 8%.

One of our non-major investments is our modernization program with Empire where we completed more than 60 projects with them in 2025. These projects upgrade the look, feel, and functionality of the grocery stores, and create a halo effect that benefits other tenants on the site. It also supports our leasing performance across both renewals and new deals. Our non-major program is a repeatable lever that enhances asset quality and drives steady growth.

Within our major development pipeline, entitlements remain the strategic focus. By securing zoning and planning approvals ahead of major capital commitments, we preserve flexibility on timing and phasing, ensuring we can adapt to evolving market conditions, and build a pipeline of fully entitled properties that can support our long-term value creation. We continued to advance key sites in a deliberate manner during 2025. Of our 26 total identified sites in our major development category, six are now zoned and three have applications in process.

The Marlstone in Halifax is our only major project currently under construction. Pre-leasing is underway, and the early response has been positive.

Our last driver within our Value Creation pillar is Partner.

As I noted, our strategic partnership with Empire continues to be an important competitive advantage. Our real estate priorities are closely aligned with their operational needs, and that alignment shows up across acquisitions, modernizations, and new store opportunities – The Queensway and our modernization program are great examples of our partnership in action.

Beyond Empire, we stood up two new programmatic partnerships in Halifax and Vancouver this year. These programmatic partnerships serve three important purposes for Crombie. First, they enable us to share capital and risk on larger, longer-duration opportunities while preserving balance sheet capacity for our core grocery-anchored platform. Second, they provide a stream of management and development fees as we progress entitlement and planning work. And third, they unlock embedded NAV through highest-and-best-use zoning – and give us flexibility on when and how we bring these high-potential sites forward for redevelopment.

Across our three Value Creation drivers – Own & Operate, Optimize, and Partner – our capital allocation decisions are guided by our strategy of delivering resiliency, stability and growth.

With that, I'll turn the call over to Kara to walk through our financial results and the strength of our balance sheet.

**Kara Cameron** — Chief Financial Officer

Thank you, Mark and good morning, everyone.



Our 2025 results reinforce the strength of our platform, the consistency of our execution, and the discipline of our approach to capital allocation, and as Mark said, our focus on Unitholder return.

That strength translated directly to our bottom line, with FFO per unit growing 4.8% and AFFO per unit growing 6.5% year over year.

The numbers continue to tell a clear story. Our strategy is working. In the fourth quarter, we completed 239 thousand square feet of renewals at a year-one increase of 10.0 percent over expiring rental rates. As we've emphasized consistently, we focus on achieving growth over the full duration of the lease – and for the quarter, we secured a 12.1 percent increase when comparing expiring rates to the weighted average rental rate over the renewal term.

This leasing activity, combined with contractual rent step-ups and contributions from our modernization investments, drove commercial same-asset property cash NOI growth of 4.1 percent in the fourth quarter – above the upper end of our 2 to 3 percent long-term target range.

For the full year, we renewed 768 thousand square feet of space at an average increase of 10.4 percent over expiring rents. This strength was broad-based, with spreads of 11.0 percent in VECTOM, 14.5 percent in Major Markets, and 7.9 percent across Regional Markets, with a 12.2 percent increase in weighted average rental rate for the renewal term.

We also added 259 thousand square feet of new leases during the year at an average first-year rate of \$16.67 per square foot. Average annual minimum rent per square foot grew 4.8 percent year over year.

The same fundamental drivers of Q4 performance carried through the year, contributing to commercial same-asset property cash NOI growth of 3.7 percent – again above the upper end of our 2 to 3 percent long-term target range.

Property revenue in the fourth quarter was 122.1 million, up 0.4 percent from the prior year. This increase was driven by several key factors: same-asset NOI growth from renewals and new leasing, contractual rent step-ups, contributions from non-major development projects completed over the past 12 to 18 months, and a full quarter of income from properties acquired earlier in the year. These factors were partially offset by dispositions completed in late 2024 and 2025.

For the full year, property revenue grew 3.8 percent to 488.7 million, reflecting higher base rent and recoveries from record occupancy, incremental contributions from non-major development completions and modernization investments, and revenue from assets acquired through the year, partially offset by dispositions and higher tenant incentive amortization.

Management and development fee revenue in the quarter was 2.5 million dollars, up from 1.4 million dollars in Q4 2024. For the full year, fee revenue was 11.4 million dollars, up 113 percent from 5.3 million dollars in 2024. This growth reflects contributions from our programmatic partnerships in Halifax and Vancouver, as well as fees from various Empire projects. These contributions have become a stable, recurring component of our cash flow profile.

For the full year, general and administrative expenses excluding unit-based compensation represented 4.1 percent of total revenue including revenue from management and development services, consistent with where we've been tracking through the year.



Finance costs were \$97.4 million in 2025, up \$4.9 million year-over-year, primarily reflecting higher interest expense related to the 2024 net issuance of senior unsecured notes.

Turning to earnings. FFO for the fourth quarter totaled 33 cents per unit, up 3.1 percent year over year. AFFO was 29 cents per unit, up 3.6 percent. For the full year, FFO per unit was \$1.30, an increase of 4.8 percent from 2024, and AFFO per unit was \$1.15, up 6.5 percent. This growth was driven by higher net property income, a more than doubling of management and development fees, and contributions from acquisitions and non-major investment activity, partially offset by higher interest expense.

We ended the quarter with FFO and AFFO payout ratios of 69.2 percent and 78.2 percent, respectively. For the full year, payout ratios were 69.1 percent for FFO and 78.1 percent for AFFO – comfortably within our targeted ranges, even after the distribution increase implemented in 2025.

The Marlstone project continues to progress on time and on budget. At year end, estimated cost to complete was approximately 22 million dollars at Crombie's share, with expected yields on cost in the 4.5 percent to 5.5 percent range. Upon completion, construction financing will convert to CMHC mortgage financing with anticipated financing rates lower than conventional mortgages.

Now turning to our balance sheet.

Our balance sheet remains a core strategic asset and source of resiliency, especially in a more volatile capital markets environment. We continue to prioritize liquidity, ending the year with 669.2 million dollars in available liquidity between undrawn credit facilities and cash, with an unencumbered asset pool exceeding 3.9 billion dollars in fair value, arming us with ample liquidity and multiple funding levers to address our 2026 and 2027 maturities.

We continue to maintain a disciplined leverage profile, with a focus on preserving financial flexibility while protecting our long-term unitholder value.

Debt to gross fair value was 42.1 percent at year end, and debt to trailing twelve-month adjusted EBITDA was 7.69 times. Interest coverage ratio improved to 3.39 times, reflecting higher adjusted EBITDA. We actively manage interest rate exposure through a balanced mix of fixed and floating-rate debt, while maintaining meaningful undrawn credit capacity to fund near-term commitments.

Unsecured debt represents about 61 percent of our total debt, and approximately 97 percent of our debt is fixed rate, with a weighted average term to maturity of roughly 4.0 years. This approach enables us to absorb market variability, support development and leasing initiatives, and remain positioned to act opportunistically without compromising credit quality.

Over the past two years, we have taken deliberate steps to strengthen our debt structure – refinancing ahead of maturities, extending duration, increasing the proportion of fixed-rate and unsecured debt, and diversifying our funding sources. The credit rating upgrade we received earlier this year is a direct result of that work. This was a strategic objective we set for ourselves, and I'm very pleased that the team's focused execution delivered it. The upgrade has enhanced our long-term funding flexibility and supports our ability to access capital at attractive rates.

Turning to capital allocation.

Our capital allocation framework remains anchored in driving sustainable per-unit growth while strengthening the balance sheet. Free cash flow and disposition proceeds are directed first toward funding high-return investments which during the year included redevelopment, intensification, and leasing capital that enhanced asset quality and income durability. We continue to recycle capital out of lower-

growth or non-core assets such as Loch Lomond and Main Street, as Mark mentioned, into properties and projects with stronger long-term fundamentals, while also allocating capital to debt reduction where it improves leverage metrics and interest coverage.

As mentioned, subsequent to quarter end we entered into a binding agreement to acquire the Whitby RSC for 115.4 million dollars. The asset is secured by a long-term, triple-net lease to Sobeys with contractual annual escalations – providing a high-quality, stable income stream. The acquisition is immediately accretive to both FFO and AFFO. We expect to initially fund the transaction through our unsecured revolving credit facility.

Overall, 2025 was a strong year. We're hitting our strategic targets, producing consistently solid financial results, and managing our balance sheet to support both stability and measured growth. We enter 2026 well positioned to continue generating dependable growth for our Unitholders.

With that, I'll turn it back to Mark for some closing remarks.

**Mark Holly** — President & Chief Executive Officer

Thanks, Kara.

To wrap up – 2025 was a year defined by consistent execution and strong performance across our business.

Our Building Together strategy is working, and the results this year make that clear.

Underpinning our performance is the strength of our people. The People pillar of our strategy is core to our success, and as we look ahead, our focus remains the same: owning and operating essential real estate at the heart of Canadian communities, deploying capital thoughtfully, and growing cash flow

growth, while compounding long-term value for our Unitholders. We have a proven strategy, a resilient and high-quality portfolio, and the team is committed to disciplined execution.

This March, we will mark 20 years as a publicly listed company. Over that time, we have built a portfolio, a balance sheet, and a team that is focused on stability and growth. Entering 2026, we are well positioned to continue delivering, creating long-term value that our Unitholders expect from Crombie.

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 Mike Markidis with BMO. Please go ahead.

### **Michael Markidis – Analyst, BMO Capital Markets**

Thanks, Operator. Good morning, Crombie, and congrats on a strong finish to 2025. I was wondering, how far on the Marlstone, I know pre-leasing is progressing. If you could give us a little bit more colour on how that looks as a percentage of the total units.

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

Sure, Mike. Good morning. It's Arie. What I can tell you is that pre-leasing has been since the end of last year. We have been getting a lot of activity on site. I would say marketing awareness of the property is high in the market. We are getting a lot of inbounds. We're conducting touring right now still, predominantly within the model suite at Scotia Square. We're going to actively ramp that up as the

building nears completion towards the end of March and take prospects through the building, its amenities, and we'll be able to then start converting applications on site with the leasing office on the premises. I would say, to date, we're pleased with the response we're seeing out of the model suite, but we're going to turn that once the building gets turned over to the leasing team towards the end of March.

**Michael Markidis** – *Analyst, BMO Capital Markets*

Okay. Sounds encouraging. Thanks for that. Just on the Calgary CFC, I know, Mark, you had a press release, and you gave some color there about no material impact. I was just wondering if you could remind us what Crombie's basis or total investment is on that property and give us a little bit more, I guess, a better lens into what the remaining term on the lease is.

**Mark Holly** – *President and Chief Executive Officer*

Sure. Good morning, Michael. Total investment is in around \$100 million. It is a 300,000 square foot warehouse in Rocky View, which is in an industrial park, and it has, it's got 36-foot clear ceiling height. It's got 40 dock doors and was built purposely for Empire for its Voilà platform. It's under a very long-term lease, longer than what would be a commercial standard, but all other terms and conditions within that lease are commercial.

In terms of their path forward, we started dialoguing with them about what would that look like on a go-forward basis between subletting or assigning, and they do have those rights, but those rights are subject to landlord's approval. We started dialoguing with them more to come on how we're going to proceed with the asset, but we're under a long-term lease. No material impacts to financials at this point, and we'll just continue to work with them as they look for subtenants.

**Michael Markidis** – *Analyst, BMO Capital Markets*

Okay, thank you for that. Just on the subsequent acquisition of the industrial asset in Whitby, congrats on that. Kara, I know you said that you initially will finance that through your facility, and I know you've got tons of capacity from a balance sheet perspective, but it's a pretty significant, sizable transaction. Should we be thinking about an increase in disposition volume this year in terms of total gross proceeds? I'm just wondering how you guys are thinking about that as we move through '26.

**Kara Cameron** – *Chief Financial Officer*

Hi, thanks for the question. Like you said, we've got a lot of liquidity. We've got nothing drawn on the revolver at year-end, so nothing that we need to dispose of at this point in order to fund that purchase, so I wouldn't link those two.

**Michael Markidis** – *Analyst, BMO Capital Markets*

All right. That's it for me. Thanks very much. I'll turn it back.

**Mark Holly** - *President and Chief Executive Officer*

Thanks, Michael.

**Operator**

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

**Lorne Kalmar** – *Analyst, Desjardins*

Thanks. Good morning. Maybe just going back to the Marlstone, because I feel like it was a little bit vague in terms of the lease-up colour. To be clear, has leasing actually progressed, or has it started yet, or it's just really still preliminary at this point?

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

Good morning, Lorne. Leasing has started. We have signed applications. We have tenants moving in as of May 1. We have a fully functioning website where tenants are self-starting applications as we speak on that website and coming in to do touring, again, in the model suite, but we have leases in place with occupancy starting in Q2.

**Lorne Kalmar** – *Analyst, Desjardins*

Okay, and then I guess, are there any direct competitors in that node to the type of product that you have at the Marlstone, or are you guys kind of on your own with that? Just wondering about increased competition in the face of increased supply in the Halifax market.

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

There are a number of buildings being constructed right now in Dartmouth. I would say that on the peninsula, there's nothing that matches the quality of what we're building. There's nothing that matches the connectivity with Scotia Square, the parking, and all the other features, including the amenities that this building has at this point. I would say that from a downtown perspective; we're feeling pretty good about the positioning of the Marlstone.

**Lorne Kalmar** – *Analyst, Desjardins*

Okay, so no real concerns in terms of the timing of the lease-up versus what you guys would have initially pro-forma?

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

That's right.

**Lorne Kalmar** – *Analyst, Desjardins*

Okay, fair enough. Then just on the acquisition side, you guys are obviously pretty active now when you lumped in the distribution center. What does the rest of 2026 look like for the team?

**Mark Holly** - *President and Chief Executive Officer*

Good morning, Lorne. The acquisition of Whitby is \$115 million, and if you kind of step back and look at how much do we allocate in capital on an annual basis, we talk about it upwards of \$250 million, so this was a meaningful acquisition. We are still underwriting opportunities. We still want to grow in the core. We want to be necessity-based, and we consider the industrial portfolio to be necessity-based as it is distributing food to stores.

We're active on it. We're doing a bunch of underwriting. The market is very hot for grocery anchored, as you probably know, and so we're being very strategic and selective on which ones we're able to buy. We were very fortunate to be able to bring in five into 2025, and we're looking to do more in 2026.

**Lorne Kalmar** – *Analyst, Desjardins*

Is there a preference in terms of grocery anchored versus retail-related industrial, or is it more opportunistic?

**Mark Holly** - *President and Chief Executive Officer*

Opportunistic. We're looking at both.

**Lorne Kalmar** – *Analyst, Desjardins*

Okay, fair enough. I'll turn it back. Thank you very much.

**Mark Holly** - *President and Chief Executive Officer*

Thanks, Lorne.

**Operator**

The next question comes from Golden Nguyen-Halfyard with TD Securities. Please go ahead.

**Golden Nguyen-Halfyard** – *Analyst, TD Securities*

Good morning, everybody. Just going back to the Whitby distribution center acquisition, would you be able to provide a cap rate on the deal as well as lease terms?

**Mark Holly** - *President and Chief Executive Officer*

On cap rate, no. We don't give individual cap rates, but if you look at our portfolio weighted average, we're in and around that range. In terms of the lease, it's a long-term lease with renewals, and it is a commercially standard lease that you would find at any industrial facility.

**Golden Nguyen-Halfyard** – *Analyst, TD Securities*

Okay, thanks. Turning to the residential portfolio, any plans to sell down a 50% interest in Zephyr?

**Mark Holly** - *President and Chief Executive Officer*

Not at this point in time.

**Golden Nguyen-Halfyard** – *Analyst, TD Securities*

All right. Then maybe just one last question. If you had to say one area or category of leasing that would be different in 2026 versus 2025, what would it be?

**Mark Holly** - *President and Chief Executive Officer*

Could you repeat the question? What category would be?

**Golden Nguyen-Halfyard** – *Analyst, TD Securities*

Yeah, if you had to say one area or category of leasing that would be different in 2026 versus 2025, what would it be?

**Mark Holly** - *President and Chief Executive Officer*

Different? Okay.

**Golden Nguyen-Halfyard** – *Analyst, TD Securities*

Yeah.

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

I would say that right now where we're targeting is additional uses for retail portfolios that are maybe what you would call non-traditional. Additional services, additional medical to our shopping centers that really complement the grocery and traditional convenience offering. That is an area that we're focusing

in on, and there's a lot of inbound demand. We demonstrated that last year with the opening of a first-class medical facility in Nova Scotia, and we're continuing to execute on deals like that.

It's what tenants are asking for, it's what customers are asking for, and it really ties in nicely. We're talking about those types of medical, library uses and more of those sorts that are really adding to the complexion of our portfolio.

**Golden Nguyen-Halfyard** – *Analyst, TD Securities*

Great, thanks. I'll turn it back now.

**Operator**

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

**Brad Sturges** - – *Analyst, Raymond James*

Good morning. Mark, you always talked about the long-term target for NOI growth of 2% to 3%. Last year was better than that. Do you see 2026 being above that long-term target, kind of in that 3% to 4% range again this year?

**Mark Holly** - *President and Chief Executive Officer*

Good morning, Brad. Twenty-twenty-five was a really strong year. As Kara called out on her prepared remarks, renewals, contractual rent step-up, modernization program that we have with Empire, intensifications that we've been doing on sites over the last couple of years have all been contributing to that in the retail side. We continue to push on all of those drivers of same asset NOI. We are still holding, though, to our long-term target ranges of the 2% to 3%, but what we do indicate is that we'll likely be on the higher end of that 2% to 3% range as we look into 2026.

**Brad Sturges** – *Analyst, Raymond James*

My other question would just be on the fee income stream. Obviously, you had an acceleration last year and there might have been a little bit of catch-up on deferred fees. How should we think about that line item for 2026?

**Mark Holly** - *President and Chief Executive Officer*

In terms of the two programmatic partnerships that we have, we talked about that stability around \$2.4 million on a quarterly basis and then the flow upwards as we do one-off opportunities with Empire and some of our partners. As you're thinking about modeling, definitely, the \$2.4 million is consistent and then there'll be opportunities to grow off of that as we do more work with our partner at Empire or some of our JOs that we have in the portfolio.

**Brad Sturges** – *Analyst, Raymond James*

Okay, that helps. Thanks a lot.

**Mark Holly** - *President and Chief Executive Officer*

No problem.

**Operator**

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

**Mario Saric** – *Analyst, Scotiabank*

Hi, good morning. I'm just coming back to the Whitby acquisition. In terms of the annual contractual escalators, is it fair to say that the figure is fairly consistent with the portfolio average? Or is there a nuance involved?

**Mark Holly** - *President and Chief Executive Officer*

It's fairly consistent. I would say it's a little bit better, slightly better than our portfolio average, Mario, but it's not material.

**Mario Saric** – *Analyst, Scotiabank*

Got it. Coming back to the funding, I know dispositions have been opportunistic, but you're consistently reviewing the portfolio for opportunities. In an ideal world, if things play out the way you'd like them to play out, is there a quantum of dispositions that you're thinking about in '26? Or are you conversely okay with the existing portfolio and okay with inching up leverage on a more structural basis on the back of this acquisition?

**Mark Holly** - *President and Chief Executive Officer*

That's a good question. Definitely always looking at the portfolio, always looking to high-grade it. We've been very active in that since 2023, pruning the ones that have low growth or have structural vacancies or have a declining NOI perspective as we look into the future. We are looking to continue to always high-grade, so actioning against some in 2026 is going to be our path and our plan. In terms of using it as a mechanism to ensure we free up cash flow to high-grade the portfolio, some of it, yes, but we're comfortable with our debt metrics running at 7, 6, 9 times. There's ample room in there. We have, as Kara called out, we have no material leverage issues to address.

We're on our front foot, Mario. We are looking at high-grading the portfolio through dispositions and acquisitions and not using it to shore up the balance sheet.

**Mario Saric** – *Analyst, Scotiabank*

Got it. Turning to Broadway and Commercial, what are the odds of some kind of resolution at that site in 2026?

**Mark Holly** - *President and Chief Executive Officer*

All of 2026. If you had asked Q1, I would have said extremely low. First half, probably slightly better, but still low. The development team is working with the municipality and there's a number of contracts that we have to work through. That's just going to take some time. I can't give you if it's going to happen in 2026, but the team is working through it.

**Mario Saric** – *Analyst, Scotiabank*

Maybe the last question on fundamentals. You're continually hitting record high occupancy levels at some point. Presumably, occupancy can't go any higher, but relative to the Q3 call, given that we're a month and a half into what could be characterized as maybe a seasonally slower retail leasing period, relative to Q3, what's your level of confidence with respect to achieving continued double-digit blended lease spreads in 2026? Has anything changed in terms of watch lists and so on as we're heading into the spring?

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

Good morning, Mario. The outlook is still similar to what it was as we closed out 2025. Tenant demand remains high and supply remains constrained. Some of the, I'd call it anomalies, Q4, we historically have some strong temporary leasing in some of our malls. We typically see that fall off a little bit in Q1. We also

had Toys R Us announce a CCAA proceeding, but what we've done with that one is we terminated Toys R Us in January and we're now working with the receiver to get them reopened with the receiver on a temporary basis as of tomorrow, potentially.

Our watch list, really, that was probably the biggest occupier of space that we were keeping an eye on. I would say that we've mitigated that in the short term, but we've been working on backfill options throughout. I'd say that from an additional tenant perspective, we don't have any Eddie Bauer or any of the other potential tenants that are of concern right now. I would say that our occupancy is going to remain roughly where it is. It might go a little bit up, a little bit down, but we're talking a few basis points here and there.

**Mario Saric** – *Analyst, Scotiabank*

Okay. That's it for me. Thank you.

**Mark Holly** - *President and Chief Executive Officer*

Thanks, Mario.

**Operator**

The next question comes from Giuliano Thornhill with National Bank. Please go ahead.

**Giuliano Thornhill** – *Analyst, National Bank Financial*

Hey, guys. Good morning. I'm just turning or sticking with the occupancy kind of question. I'm just wondering on your regional markets, where is the remainder occupancy uptick left in your portfolio? Is it market-specific or just kind of broadly? Really, your ability to get to the higher levels is kind of what I'm asking

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

We have a number of properties that are older, enclosed assets that still have some remnants of vacancy. We're working our way through those. In the quarter, we leased up, as an example, 19,000 square feet in Newfoundland that was historically vacant. I would say that those are the properties that are most affected. Again, the demand is there and there's not supply. We are having tenants come in now that we haven't seen previously, but I would say they're not in our grocery anchor portfolio. They're more so in the former enclosed properties.

**Mark Holly** - *President and Chief Executive Officer*

One item that I would add on that is just when you look at the three market classes, regional markets versus our total of 97.7, regional markets are running at 97.1. If you kind of go back 36 months, that was probably five percentage points lower. Arie and the team have done just an exceptional job of catching the wind that is in retail demand and doing the things that he talked about of the medical uses and some of the local government opportunities to kind of create that hub around that grocery anchor to inflate it even more. There is still a little bit of opportunity in it, but I'd say we've moved that needle significantly over the last couple of years.

**Giuliano Thornhill** – *Analyst, National Bank Financial*

The leasing renewal maturity for next year, would you say that's broadly consistent with what you saw in 2025 in terms of location and tenant type?

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

It is.

**Giuliano Thornhill** – *Analyst, National Bank Financial*

Okay. Then just lastly on the Toys R Us, how large was the exposure there?

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

About 35,000 square feet.

**Giuliano Thornhill** – *Analyst, National Bank Financial*

Okay. So, pretty small. Okay. Thank you, guys.

**Mark Holly** - *President and Chief Executive Officer*

Thank you.

**Operator**

The next question comes from Tal Woolley with CIBC. Please go ahead.

**Tal Woolley** – *Analyst, CIBC*

Hey, good morning, everybody.

**Mark Holly** - *President and Chief Executive Officer*

Good morning, Tal.

**Tal Woolley** – *Analyst, CIBC*

Just with the Empire restructuring of Western Canada, does that, you think, portend anything in terms of changes, modifications that Empire wants to make to its retail footprint in Western Canada? Should we expect maybe more banner conversions, more interest in modest redevelopments, or is there a desire on

Empire's part to sort of—I think when they acquired Safeway to really start to get moving on remodeling a lot of the older stores in the urban markets, too, as well? I'm just wondering if you can sort of talk a little bit about how all this maybe changes the approach.

**Mark Holly** - *President and Chief Executive Officer*

I can't comment on Empire's business or their strategy or the things that they're looking to execute against, Tal. But as a very long-term strategic partner of theirs, we intersect with them on modernizations and land use intensifications. We're buying the Whitby warehouse from them. We're going to—that is our strategic competitive advantage, and we're going to lean into it. But I can't speak to sort of their strategic intent as you were asking about their wind-down of Voilà and does that change any of their dynamics around store deals or units. They have talked about growing more stores. That's not new. We're actively working with them to build more stores. We did the Queensway last quarter. We have a few others that we're working on with them. But I can't comment on their operating business.

**Tal Woolley** – *Analyst, CIBC*

Okay. That's great. Thanks very much.

**Mark Holly** - *President and Chief Executive Officer*

Thanks, Tal.

**Operator**

We have a follow-up question from Mario Saric with Scotiabank. Please go ahead.

**Mario Saric** – *Analyst, Scotiabank*

Hi. Just one more for me. This is for Arie. The lack of new supply, as you referenced it in terms of what's driving the strong rent growth. If you were to add a small pad on a good quality site, what would you guess or what would you estimate is the gap between market rent today and then the rent required to achieve a good development yield on that pad?

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

Yeah, I think on that point, Mario, the new pad opportunities, the reason a lot of them aren't getting built is not because of a lack of demand. It's because of the construction costs. Where we've been able to get around that is by working on some land leases or prep pads to overcome some of those. I would say it's hard to pin down an exact number on what that delta is on a traditional basis, just given many of these, we're not building on spec. We're building for specific uses. But these days, you're probably looking at \$50 to \$60 or more to construct a pad. That gives you a rough idea of where that would place us versus our in-place \$19 portfolio rent. That's a guidepost for you.

**Mario Saric** – *Analyst, Scotiabank*

Got it. Okay. Thank you.

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

You're welcome.

**Operator**

We have a follow-up question from Mike Markidis with BMO. Please go ahead.

**Michael Markidis** – Analyst, BMO Capital Markets

Thanks. Just following up on Mario's question there, Marius, the \$50 to \$60 a foot for a pad, is that a net or a gross figure?

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

Those are net rents.

**Michael Markidis** – Analyst, BMO Capital Markets

Okay. Then I think last quarter, you guys talked about two dozen properties where you actually had expansion capabilities. I'm just wondering and trying to reconcile that comment with the comment on rents don't work.

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

I think you can see in our disclosures, we opened up a number of pad opportunities over the years. Again, the QSRs that are looking to grow are willing to pay the rents necessary in order to support their growth. We saw that in both Nova Scotia as well as BC. I would say that the demand is there. We're working our way through them. Those two dozen aren't just solely rents. There's entitlement. There's some zoning. But we're working our way through all those two dozen opportunities as we speak.

**Michael Markidis** – Analyst, BMO Capital Markets

Okay. Then if the construction costs don't work, can you, I mean, this might be a rudimentary question. I'm missing something. But how does a land lease, I mean, I get how a land lease works for you. But how does a land lease make it more amenable for the person paying the rent?

**Mark Holly** - *President and Chief Executive Officer*

Michael, so in a land lease scenario, they're taking on the risk of the capital deployment and they're not getting a rental structure increase over it. From their lens, in some cases, they like to take on that and not have to pay the longer-term rent obligations. We're doing it in some cases and not all cases. We did the two bank deals at the Longo's Plaza that we just acquired. We're slightly structured differently. We've done QSRs, McDonald's and Wendy's and Dairy Queens that are slightly different.

Where Arie is getting to is it's not one-size-fits-all. When we look at our entire portfolio of 308 properties, we're always looking at what the optimization of those properties are through intensification or modernization. On intensifications where we can bump out on the existing CRU, that's three walls. That works a little bit better. If we're doing pads, they're usually 5,000-square-foot buildings. Some have drive-throughs, some don't. The costs there do creep up.

I would say what we are seeing in construction costs, though, is stabilization. We're seeing lower costs on the front-end divisions, which is the underground and earthworks. What we haven't seen is some of the finishes. We've seen them stabilized, but we haven't seen the finishes come off. But that said, it's not escalating the way it was. There's more certainty around what the going-in costs are going to be, which is giving the retailers less of a pause to green-light projects. Those two dozen that we've talked about are the ones that we see potential near-term opportunities to build out. That's where you're going to start to see them show up over the next number of years in that non-major category.

Fifty or \$60-square-foot rents is, depending on what your going-in costs were for land, how much underground earthworks you're doing, how much you're prepping the pad versus building the asset, shelling it. It's really difficult just to give you a blanket number of \$50 because every deal is unique. But

the opportunities are real. The retailers are looking to drive more incremental units, and they're finding stability in costs and ability to run a pro forma that meets their P&L.

**Michael Markidis** – *Analyst, BMO Capital Markets*

Okay. Thank you for that. I appreciate it.

**Mark Holly** - *President and Chief Executive Officer*

No problem.

**Operator**

There are no further questions. This concludes the question-and-answer session and today's conference call. You may disconnect your line. Thank you for participating and have a pleasant day.