Final Transcript

Crombie Real Estate Investment Trust

Third Quarter Results Conference 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 Sobeys 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 and 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 "Property Development/Redevelopment" 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) expected increase in revenue in 2020, 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 year and quarter ended December 31, 2018 and those discussed under "Risk Factors" in Crombie's most recent Annual Information Form (available at www.sedar.com) could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements.

Non-GAAP Financial Measures

There are financial measures included in this transcript that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income (“NOI”), same-asset property cash NOI, funds from operations (“FFO”), FFO as adjusted, adjusted funds from operations (“AFFO”), debt to gross book value, unencumbered assets, estimated yield on cost and net asset value ("NAV"). Management includes these measures as they represent key performance indicators to management and it believes certain investors use these measures as a means of assessing relative financial performance. These measures as computed by Crombie may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities. Readers are advised to refer to Crombie’s Management’s Discussion and Analysis for the year and quarter ended December 31, 2018 for additional information regarding Crombie’s use of non-GAAP financial measures, including definitions and reconciliations to GAAP measures.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Crombie REIT Third Quarter Fiscal 2019 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 assistance, please press star zero for the operator.

This call is being recorded on Thursday, November 7, 2019 and I would now like to turn the conference over to Clinton Keay. Please go ahead.

Clinton Keay — Chief Financial Officer & Secretary, Crombie REIT

Thank you, Joanna. Good day, everyone, and welcome to Crombie REIT's third quarter 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.crombiereit.com. Slides to accompany today's call are available on the Investor section of our website under Presentations and Events.

On the call today are Don Clow, President and Chief Executive Officer; Glenn Hynes, Executive Vice President and Chief Operating Officer; and myself, Clinton Keay, Chief Financial Officer and Secretary.

Today's discussion includes forward-looking statements. As always, we want to caution you that such statements are based on management's assumptions and beliefs. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. Please see our public filings, including our annual information form, for a discussion of these risk factors.

I will now turn the call over to Don, who will begin our discussion with comments on Crombie's overall strategy and outlook. Glenn will follow with a development update and a review of Crombie's operating fundamentals and results. I will conclude our remarks with a discussion of financial results, capital allocation, and approach to funding.

Don

Don Clow — President & Chief Executive Officer, Crombie REIT

Thank you, Clinton, and good day, everyone.

Last month we held our first investor day in Toronto. We were very pleased to see many of our analysts and investors in the room that day and to have the time to explain our strategy, showcase the strength and depth of our team, and share some exciting details about our major development pipeline. I want to pass on our thanks to those of you who were able to attend. If you missed it or you'd like another look at that presentation, you can find it in the investor section of our website.

Crombie's strategy is clear: We are relentless in our focus on accelerating AFFO and NAV growth by delivering solid fundamentals from our grocery-anchored retail portfolio, uniquely creating value from our relationships with Empire Company and Sobeys, as well as driving extraordinary cash flow and NAV

growth from our mixed-use development pipeline, all while maintaining a strong financial condition with ample liquidity and multiple and innovative sources of capital. We are very pleased with our solid fundamentals, including our strong occupancy of 96.1%, our 3.3% same-asset NOI growth, and rental growth in Q3 renewals of 4.7%. These performance indicators show the strength of our grocery-anchored retail, office, and retail-related industrial portfolio.

Empire is one of Canada's strongest retailers and accounts for over 50% of Crombie's annual minimum rent. At our recent investor day, Michael Medline and Mike Vels shared that they're very confident that bricks and mortar will drive growth in grocery retail sales and profitability for years to come. In addition to building (inaudible) Sobeys ecommerce platform, Empire recognizes a need to maintain and modernize their stores across the country. As their largest landlord, we are working together to align our strategies to capitalize on a wide range of strategic and accretive transactions, modernizations and conversions to discount drive AFFO and NAV growth as well as enhance our portfolio quality, collaboration on land use intensification creates additional CRU opportunities and can lead to increases in NOI, NAV, and weighted average lease term.

Our relationship also allows us to unlock major development opportunities, increase our presence in VECTOM and major markets, and further diversify our portfolio as residential and retail-related industrial real estate solutions like the Montreal Voilà par IGA CFC using the Ocado platform. This collaboration and strategic alignment with Empire enables to unlock synergistic value creation in the short, medium, and long term.

Crombie is acutely focused on maximizing value creation through our development program. We have curated a 33-property development pipeline representing $4 billion to $5.8 billion of investment in potential mixed-use development. Nineteen of these sites are in Vancouver, Toronto, and Montreal. These development opportunities have the potential to produce 1.3 square feet of additional commercial area, 9.8 million square feet of residential space, and over 11,000 residential units in what are truly world-class cities. There is significant value embedded in our portfolio that is not recognized under IFRS.

Overall, we are very pleased with our execution and progress to date, upon which Glenn will provide an update shortly. Construction continues on our six active developments and we expect revenue will continue to ramp up and nicely increase in 2020. We are also pushing forward with our seven projects in the pre-planning phase. We expect to invest $150 million to $200 million on our development program annually with project completions accelerating over the next few years.

Crombie has embarked on our development journey from a position of financial strength. The cornerstone of our financial strategy is to effectively allocate capital to accelerate both NAV and AFFO per unit growth while funding with multiple sources of equity, debt, and debt financing through capital recycling, capital markets, and joint ventures. To Q3, we have total gross sale proceeds of $342 million on assets in full or partial interests, allowing us to redirect capital to our growth with Sobeys and our major mixed-use development pipeline. These disposition transactions, completed at values in line with or above IFRS fair value, speak to the quality of our portfolio, our desirability as a partner, and provide ongoing validation of our NAV. In the third quarter, dispositions included an 89% interest in a retail property in Charlottetown, PEI; a 100% interest in retail property in Grimsby, Ontario; and the transfer of air rights at our Davie Street property into our joint venture.

Subsequent to the quarter, on October 7th, Crombie closed our second tranche of property dispositions with Oak Street Real Estate Capital to sell an 89% non-managing interest in a 15-property portfolio for

total proceeds of approximately $193 million, bringing our year-to-date total to $535 million. This transaction once again highlights our ability to creatively execute partial interest property dispositions, innovatively identify new and expanding sources of capital, and successfully pre-fund our major mixed-use development commitments well into 2020, all while aligning with our long-term funding strategy. I have full confidence in our collective ability to continue to unlock value at Crombie for years to come.

Our team values relationships and is committed to the long-term, sustainable growth of Crombie and our stakeholders. Our solid operating fundamentals, entrepreneurial leasing, high occupancy rates, and strong operation of our properties provide the foundation to enable us to create significant value from our relationship with Empire and Sobeys and our major development pipeline. As I said at the beginning of my comments, we are relentless in our efforts to accelerate the growth of AFFO and NAV and are very pleased to see our first major developments coming on line and beginning to produce high-quality cash flow and recognized net asset value.

With that, I will now turn the call over to Glenn, who will provide an update on our development and operational highlights.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Thank you, Don, and good morning, everyone.

Our sustainable competitive advantage with Empire and our substantial major mixed-use development pipeline are vital to driving AFFO and NAV growth in the short, medium, and long term; however, the core fundamentals of our 284-property portfolio must be emphasized. In fact, Crombie’s solid fundamentals, enabled by our needs-based retail portfolio, act as a wonderful platform and foundation to the successful execution of our strategy.

Our consistent improving financial metrics that anchor us are driven by solid leasing activity. Q3 committed occupancy was 96.1%, an improvement from 95.9% at Q2 of this year. This includes new leasing, which has been impressive in Atlantic Canada, and strong renewal activity, especially in the Halifax office market. New leases and expansions increased occupancy by 201,000 square feet at September 30th at an average first-year rate of $19.81 per square foot. We ended the quarter with 81,000 square feet of committed space at an average first-year rent of $25.29 per square foot, which will boost future NOI growth.

A busy third quarter at 627,000 square feet of renewals completed with a solid increase of 4.7% over expiring rental rates. As previously mentioned, what is particularly impressive is the renewal activity in the Halifax office market with 292,000 square feet executed in the quarter. Notable deals include a five-year renewal with the Department of Health and Wellness at Barrington Tower and a ten-year renewal of the Department of Education at Brunswick Place. Both province of Nova Scotia leases are close to 100,000 square feet each, which helped increase their weighted average lease term to eight years compared to the two to three years it was a few months ago.

Year to date we have renewed 926,000 square feet at an increase of 3.9% over expiring rent. During the first nine months, retail renewals were strong with 442,000 square feet renewed at rental increases of 5.9%. Our core portfolio is performing very well and our team is dedicated to ensuring our underlying business fundamentals and core portfolio remains solid as we build out our mixed-use development pipeline.

Strides were made during the quarter to bring the repurposing of certain properties to completion. Algonquin Avenue in North Bay, Ontario and Uptown Centre in Fredericton, New Brunswick are catching up to the Sydney Shopping Centre in Sydney, Nova Scotia with the backfilling of the former Target space. After Target's exit from Canada, repurposing of these three sites commenced and has earned strong returns. HomeSense, at approximately 20,000 square feet, opened in North Bay, bringing occupancy to 80%. Occupancy at Uptown Centre in Fredericton is now at 94% after the approximate 26,000 square foot Marshalls opened during the quarter. Overall, we have more than replaced all the Target, Zellers, and Sears' revenue that was lost a few years ago by backfilling with better tenants that are more suited to these markets.

Not all retail is created equal. Retailers that focus on providing value, convenience, and experience will do well in the evolving digital economy. Discount, off-price retailers with strong value focus lead the way. Recognizing that, our needs-based properties are performing very well in the evolving retail landscape and are poised for future growth. The types of tenants frequenting our properties are growing and opening new stores, not shrinking. Examples of these tenants are Dollarama, Farm Boy, Giant Tiger, and Marshalls Winners. In 2018 and 2019, within our portfolio, we've had four new Dollaramas open and two existing locations expanded, two new Marshalls Winners and one relocation to a new and larger space, and one new Giant Tiger open. We are focused on fostering these relationships. In our needs-based space, and by a wide margin, we are seeing more stores opening than closing.

Of equal importance, there are many retailers who are faced with store closures. Traditional retailers with weak value propositions, aged and static merchandising plans, an absence of an omni-channel strategy failed to adapt to the evolving digital economy. Examples of these retailers are Payless Shoes, Gymboree, Forever 21, Bombay, Nine West. Crombie has very limited to no exposure to these retailers and categories.

As Donny previously mentioned, to date we are extremely pleased with the progress of our active development pipeline, having invested approximately $324 million while remaining on track and on budget. We anticipate our active major development pipeline creating significant value for our unit-holders with estimated yields on cost for our first six projects in the range of 5.6% to 6%, which we expect will translate into $1 to $2 of net asset value per unit within the next one to two years, assuming current market and cap rate conditions continue.

Our estimated yields on cost are calculated using the expected full-year NOI divided by the total cost of development. Rental rates used in the expected full-year NOI are derived from market studies and validated on a regular basis. Included in our development costs are construction costs, including hard and soft cost, tenant cost, capitalized interest, and land at fair value.

Davie Street is our first active major mixed-use development with a potential NAV creation of $65 million to $81 million. The retail podium has been constructed and tower concrete is complete with residential glazing now being installed. Safeway and ancillary retail space are expected to open in Q1 of next year with 330 rental residential units opening in Q3 of next year.

Belmont Market is 80% tendered and has potential NAV creation of $17 million to $23 million. Construction on the final portion of the project totalling 23,000 square feet in three buildings should commence in early 2020. Currently, active pre-leasing is taking place with deals pending on approximately 11,000 square feet of available space. The approximately 50,000-square-foot Thrifty Foods store and our first phase of retail and service tenants are in occupancy and paying rent.

Avalon Mall is estimated to have a yield on cost of 10.3% to 11% and the potential to create $33 million to $44 million of NAV. During the quarter, Winners HomeSense opened in their new space and advanced discussions with other potential national anchor and CRU tenants continued. Occupancy of the new retail units is expected to continue into 2020.

In Montreal, our Le Duke project is estimated to have a yield on cost of 5.4% to 5.8%. Concrete work for the below-grade parking structure and retail level is now complete and the residential structure for our 390 units is well underway. Completion of this project is expected to be in the first quarter of 2021. Le Duke is estimated to have potential NAV creation of $21 million to $26 million.

Bronte Village is 87% tendered and construction of 480 residential units in Oakville is actively progressing. Potential NAV creation for this development is approximately $51 million to $64 million.

Site work is well underway with construction to commence in early 2020 at Pointe-Claire in Montreal. The estimated yield on cost for this project is 6.1% to 6.4% with potential NAV creation of $19 million to $32 million.

Upon completion, all these properties are expected to create significant NAV and AFFO growth, increase our presence in the country's top urban markets while diversifying and improving our overall portfolio quality and income stream.

And with that, I will now turn the call over to Clinton, who will highlight our third quarter financial results and discuss our capital and development program funding approach.

Clinton Keay — Chief Financial Officer & Secretary, Crombie REIT

Thank you, Glenn.

The consistent, stable, and strong fundamental growth of Crombie REIT continues to deliver positive same-asset NOI growth this quarter. On a cash basis, quarterly same-asset NOI increased by 3.3% and 3.5% for the year to date. Quarter to date and year to date, same-asset NOI excluding the impact of IFRS 16 increased 2.8% and 3.1%, respectively.

AFFO per unit decreased slightly to $0.24 from $0.25 for the same quarter last year. Our Q3 AFFO payout ratio was 92.7% versus the same quarter last year at 89%. FFO for the quarter decreased a penny to $0.29 per unit and our FFO payout ratio was 77.8% versus 74.3% in Q3 2018.

Considering our significant disposition activity this year, reduction in leverage, and our continued investment in our development pipeline, we are pleased with these results. We are beginning to feel the effect of approximately $800 million of dispositions over the past 18 months and the investment of approximately $324 million of capital in major developments at no initial return. However, we will have projects emerging from our pipeline in 2020 which will begin contributing to both NAV and AFFO growth.

G&A as a percentage of property revenue for Q3 was 6.3% or $6.1 million, up from Q3 2018 at 4.9% or $4.9 million. This increase was primarily driven by salaries and benefit costs, the majority of which is related to the impact of our significant unit price increase year to date, which has resulted in higher stock-

based compensation expense. Excluding the impact of our unit price increase and asset dispositions, G&A would be at approximately 5.5% of property revenue for Q3 and 5.2% year to date.

Our debt to gross book value on a fair value basis improved to 48.9% at the end of Q3 compared to 49.2% at Q2 and 51% at the end of Q4 2018. We ended the quarter with debt to trailing 12-month EBITDA at 8.35x, an improvement compared to 8.66x at Q4 2018.

During the quarter, Crombie REIT issued a seven-year, $200 million Series F unsecured note bearing a desirable interest rate of 3.677%. Our unencumbered asset pool increased to $960 million from approximately $954 million at Q2 and our balance sheet remains flexible with approximately $451 million of available liquidity. During the quarter, our bilateral bank facility was extended and now expires June 30, 2023. Subsequent to the quarter end, we renewed our revolver for an additional year.

In the next 14 months, Crombie has approximately $300 million of mortgages maturing with a weighted average interest rate of 4.87%. Of the approximate $300 million of maturities, $100 million is coming due prior to the end of 2019 and a $153 million mortgage at Scotia Square in Halifax, Nova Scotia is coming due in February 2020. As I noted at our investor day in October, there is substantial opportunity to harvest interest savings and extend our weighted average term to maturity.

We will continue to focus on reducing our total leverage over the medium term while maintaining ample liquidity in our bank credit facilities. Crombie has long weighted average lease terms of approximately 10 years and we believe in matching such leases with longer-duration debt. We plan to increase our weighted average term to maturity while taking advantage of the current low interest rate environment.

Crombie is successfully executing on our strategy to secure multiple sources of cost-effective capital while prioritizing our investments to drive growth in both NAV and AFFO per unit. Our solid balance sheet, ample liquidity, access to multiple sources of capital, and our strong underlying fundamentals support our robust development pipeline.

Lastly, Crombie anticipates that it will declare a special distribution to unitholders in the fourth quarter of 2019 as a result of the increase in taxable income generated by the capital recycling transactions completed during the nine-month period ending September 30, 2019 and those anticipated to be completed during the fourth quarter of 2019. Crombie intends to make a special distribution payable partially in cash and partially in units to provide unitholders with cash to help fund any additional tax that may arise associated with the special distribution while preserving most of the net cash proceeds generated by the sales transaction for reinvestment in our value creation opportunities with Empire and other major developments in line with our strategy. The amount of this special distribution is expected to be between $0.55 and $0.65 per unit based on the number of units outstanding as of the date hereof but will be declared payable on or before December 31, 2019 to unit-holders of record on the date the distribution comes payable.

Thank you for listening and we’re now happy to respond to your questions.

Questions and Answers

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by one on your touchtone phone. You will hear a three-tone prompt acknowledging your request. If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question is from Dean Wilkinson of CIBC. Dean, please go ahead.

Dean Wilkinson – Analyst, CIBC World Markets

Thanks. Good morning, everybody.

Don Clow — President & Chief Executive Officer, Crombie REIT

Good morning, Dean.

Dean Wilkinson – Analyst, CIBC World Markets

Donny, just given the success of the development projects to date and the size of the pipeline, you've effectively de-levered the balance sheet now down, you know, into, probably post this transaction, sort of mid- high-40ish range. Where would you need to see the balance sheet vis-à-vis either debt or equity to ramp up that development process and maybe bring some of that development forward to try and capture a little more of that with some immediacy?

Don Clow — President & Chief Executive Officer, Crombie REIT

We talked about having debt-to-GBV in the high 40s with a medium-term target to get it to the mid 40s, and so we've made progress on that front.

On the development, it is an exceptionally high-quality development pipeline, which we're very proud of and, as we've indicated, I think I did so in my remarks, we're looking to spend about $150 million to $200 million on that pipeline annually. We think it's a good solid bit of progress on our development pipeline.

We are working very closely today with Sobeys in terms of, call it, a systematic approach to unlocking the value over time. We have a very good relationship, obviously, with our sister company and we have a very good process, but in terms of increasing the pace, it is going to depend a lot on their network planning and what they're planning to do.

So, I guess the answer to your question, Dean, is we would like to ramp it up over time, but in the near term I think that $150 million to $200 million estimate of annual spending is something that's achievable and, again, it's also dependent, as you know, very much on what happens with various communities and

the cities and the individual projects. So, it's Sobeys, the cities that pull the planning efforts, it's a pretty complicated process, but overall we think we can hit those numbers in terms of rate of spending. The big news with us is that we'll start to see completions on those big mixed-use developments and, as you know, when you have spending without completions, it's dilutive—

Dean Wilkinson – Analyst, CIBC World Markets

Yeah, the drag comes back in and...

Don Clow — President & Chief Executive Officer, Crombie REIT

—it's going to, we think, materially impact our numbers.

Dean Wilkinson – Analyst, CIBC World Markets

What's your comfort level in terms of percentage of the balance sheet that you want to go to in terms of development? Is it 5%? 10%? Something in that range?

Don Clow — President & Chief Executive Officer, Crombie REIT

In that range. I'm comfortable with that given the quality of the developments. And obviously given the fact that we're working on longer-term plans to sequence the developments over time, which I think, again, the unique relationship we have with Sobeys should allow us to develop a three-year to five-year plan to unlock developments and therefore you can get sequencing at scale and ultimately the goal is to have consistency. And the consistency, we think, you know, unitholders will like that, investors will like that, because then people will be able to plan out what the growth rate improvement will be, I think, model it out. So it's driving that consistency of the pipeline that's, I think, one of the most critical things that we have as an opportunity and we're working very hard on that.

Dean Wilkinson – Analyst, CIBC World Markets

Yeah, I agree with that. Thanks for that. Just a question for Clinton: On the same-property NOI, do you have handy what that would have been without the lease termination income?

Clinton Keay — Chief Financial Officer & Secretary, Crombie REIT

Glenn, go ahead.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

Sure. So, in the quarter we had about $800,000 of lease termination income, Dean, but only half of that was four properties in same-asset category, so the 3.3% reported would adjust down to 2.6%. Just a quick comment: The two settlements in the quarter from Target, one was Fredericton, New Brunswick, Uptown, which is a redevelopment property that I spoke of in my remarks, and the second one is Sydney, Nova Scotia, which is back in same asset. So, short answer, 2.6% would be the adjusted same-asset NOI for Q3.

Dean Wilkinson – Analyst, CIBC World Markets

Perfect. Thanks a lot. I will hand it back, guys. Thanks.

Operator

Thank you. Ladies and gentlemen, as a reminder, should you have any questions, please press star followed by one.

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

Sam Damiani – Analyst, TD Securities

Thanks and good morning, everyone. Just to start off, I guess, on the leasing side, the portfolio, very resilient. Occupancy rates are indicating that. But just wondering if you're seeing any areas of weakness, you did have some lease termination fees in the quarter, and what your outlook is for 2020 bankruptcies for the retail sector generally.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

We feel pretty good. I think the lease termination income, though, is all, in the quarter, from Target. So, that's just the last hangnail of that long journey with Target, so we're very pleased to get that money.

We're seeing conditions, and I've said both in my remarks today and on investor day, we really have to acknowledge that not all retail is created equal. We look at the deals we're doing with the Dollaramas and with the TGXs and with Giant Tiger and others, we're finding the retail landscape pretty good. There was an article the other day, I think, about Lowes for example, so Lowes in the country, we have two locations, actually both I think are quite strong in Nova Scotia, but represent $0.5 million of annual minimum rent.

So, the good news, if you look at our top-20 tenants, you'll see that they're all very vibrant, mostly investment-grade, with extremely strong, dynamic tenants that are not going anywhere but progressing forward. So, losing a Lowes or, you know, Toys R Us in the market, we've got one Toys R Us in St. John's, Newfoundland which does quite well as well.

So, we feel very good. You can never expect the future. There are certain tenants out there that could go wayward and go out of business, but as we look at our tenant roster and the types of tenants that we're pursuing across the country, we're very pleased. And the success that we've had in improving our occupancy has been doing deals of scale with the Giant Tigers and the Dollaramas, those types of tenants, and they've actually been very complementary, for the most part, to our grocery-anchored centres. And as we look to the west, for example, as we're getting into FreshCo conversions with cooperation with Sobeys, some of the tenants that we're working there that are in the value space are extremely complementary to the FreshCo offering. So, we're quite bullish going forward and can't really see anything in the 2020 offing that's concerning.

And I know you watch the office space pretty closely. That place is an area where we're concerned. Halifax, for example, Sam, is about 80% occupancy. Our Scotia Square complex, I believe, is around 93% occupied. So we're defying the marketplace. And to get the two 100-square foot renewals done in the quarter was a big coup for us. One was a five year, as mentioned, one was ten, and the net effective rents were very strong. That just speaks to the excellent customer service that Terry Doran and the team provide at Scotia Square. Tenants are extremely pleased there. We've got a new rejuvenated food court, we've got just a great offering, both retail, mixed-use, and office, and with those tenant renewals done we're very pleased. That was one risk factor, as you well know, that was in place, but now that those renewals are in place for five and ten years, respectively, we're really on solid ground.

Sam Damiani – Analyst, TD Securities

That's great. And I was going to ask do you think there's an opportunity to up-finance your office portfolio in downtown Halifax, you know, pull some extra liquidity out of those assets?

Clinton Keay — Chief Financial Officer & Secretary, Crombie REIT

I mean it's certainly something we'll be looking at in terms of the options available. It's one of the many options we're looking at at this time.

Sam Damiani – Analyst, TD Securities

And just lastly, you do have a good pipeline of future developments and I think two or three were highlighted on the investor day as potential next starts. I wonder if you could just give us your sense of the timing of the next one or two major mixed-use projects, when they could be, if it's in 2020, 2021, or 2022.

Don Clow — President & Chief Executive Officer, Crombie REIT

Sam, again, our target spending is $150 million to $200 million. We've got seven in pre-planning. These things are sometimes longer process than we would like, so I can't really tell you which one falls next. We are looking, I think, very hard in Halifax at our Westhill on Duke project, possibly could be the next one, but the others are, again, works in progress. I'd say we can't really give you—our target spending, as I said, is $150 million to $200 million, so we think that we can achieve those kinds of results.

Sam Damiani – Analyst, TD Securities

Very helpful. Thank you very much.

Operator

Thank you. The next question is from Howard Leung from Veritas. Please go ahead, Howard.

Howard Leung – Analyst, Veritas Investment Research

Thanks and good morning. Just a quick one for me: The TIs for the revenue-enhancing CapEx this year, I saw it kind of stepped up this quarter. Was that mainly to do with the office leasing?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

No. Actually, it probably had to do with some of the conversions to FreshCo that we're doing in Western Canada. Actually, the TIs on the office were extremely efficient. We're very pleased with the net effective rents on those. So the revenue-enhancing TIs would more likely be in Western Canada for some of the FreshCo conversions that we've invested in.

Howard Leung – Analyst, Veritas Investment Research

Okay. Okay, that makes sense. So I guess, going forward, because that's still ongoing, we can expect it to continue at that pace or maybe just below that pace?

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

It varies. As Sobeys proceeds with FreshCo conversions, if we are the owner of the store in question and they choose to use capital of Crombie, then yes, but we can't sort of look forward with great clarity. That'll just depend as the conversions occur.

Howard Leung – Analyst, Veritas Investment Research

Okay, great. That's helpful. Thanks, guys. I'll turn it back.

Operator

Thank you. The next question is from Tal Woolley from National Bank. Please go ahead.

Tal Woolley – Analyst, National Bank Financial

Hi. Good morning.

Don Clow — President & Chief Executive Officer, Crombie REIT

Good morning, Tal.

Tal Woolley – Analyst, National Bank Financial

I just wanted to maybe try and understand the timing just on cash flows through 2020. At what point do you see the impact of all the disposition work you have done being offset by the same-property NOI growth and the completions on the FFO line?

Don Clow — President & Chief Executive Officer, Crombie REIT

We don't want to give guidance on when things rebound, but it's over the next couple of years it rebounds, in our mind, and improves. Obviously, you can do the math on the investment in our developments and we stood at about another $300 million to go. We've invested a little over $300 million to date, $300 million to go on our first six. And those will be, as we said, some completed in 2020, some completed in 2021. I think its roughly half and half. And so those things are, on average, 5.5% to 6% yield on cost, so

that should give you kind of an estimate of the income coming in. And offset to some degree, obviously, by the debt that's in place as well or the project debt and the long-term financing that's put in place.

So, I can't really give you the exact number but I can tell you, you know, there's going to be some decline, as you've seen in our FFO and AFFO, and we expect, obviously we wouldn't be doing this if we didn't expect it to rebound significantly and obviously then be a higher-quality cash flow as well in our mind (inaudible) growth rate over the long term.

Glenn Hynes — Executive Vice President & Chief Operating Officer, Crombie REIT

I think just to add to that, Tal, I think for us, I think we said 2020 will be a transitory year, but the great news is, as Clinton has noted, with the amount of debt that's coming due at the end of this year and into next year at pretty high interest rates, that's the other factor that's a potential benefit for us. Our same-asset NOI growth we feel really good about. If we can harvest some of this interest savings on the $300 million of debt that's got interest rates in the mid to high 4s and also then with cash flows coming forward, as Don mentioned, from the mixed-use, we're getting ready to move forward with aggressiveness, but 2020 is there year where I think things really sort of mature.

Tal Woolley – Analyst, National Bank Financial

Okay. So, if I think about it, the stars sort of start to align in 2020 and 2021 is when we should see an improved kickoff.

Don Clow — President & Chief Executive Officer, Crombie REIT

Yeah.

Tal Woolley – Analyst, National Bank Financial

Yeah. Okay. Got it. Thank you very much.

Operator

Thank you. There are no further questions at this time. I will now turn it back over to Clinton Keay for closing remarks.

Clinton Keay — Chief Financial Officer & Secretary, Crombie REIT

All right. Well, thank you all for joining us today and we look forward to updating you on our progress on our Q4 call in the new year. Thanks, everyone.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and we ask that you please disconnect your lines.