



# Building a Better REIT

Investor Presentation

November 2017



### **Forward-looking Information**

*This presentation contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "continue", "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements, including statements regarding the development potential of the acquired property and Crombie's other development sites and the total estimated cost to develop these sites, reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties.*

*A number of factors, including the risks discussed in the 2016 annual Management Discussion and Analysis under "Risk Management", 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. There can be no assurance that the expectations of management of Crombie will prove to be correct.*

*Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.*

### **Non-IFRS Measures**

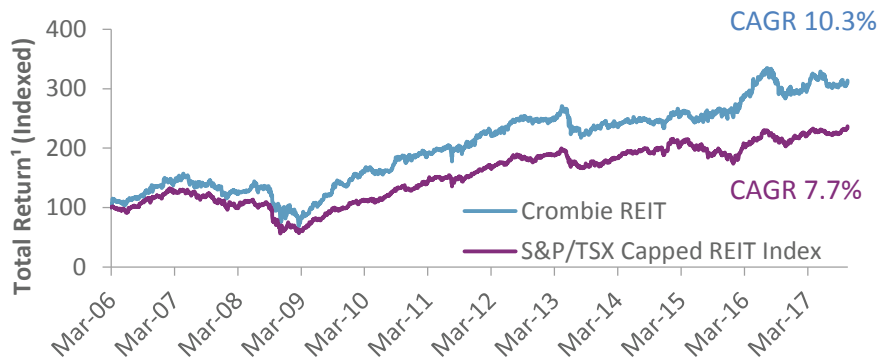
*Certain terms used in this presentation, such as AFFO, NAV and NOI, are not measures defined under International Financial Reporting Standards ("IFRS") and do not have standardized meanings prescribed by IFRS. AFFO, NAV and NOI should not be construed as an alternative to net earnings or cash flow from operating activities as determined by IFRS. AFFO and NOI, as presented, may not be comparable to similar measures presented by other issuers. Crombie believes that NOI, NAV and AFFO are useful in the assessment of its operating performance and that these measures are also useful for valuation purposes and are relevant and meaningful measures of its ability to earn and distribute cash to unitholders. Examples of reconciliations of AFFO to the most directly comparable measure calculated in accordance with IFRS are provided in the Management Discussion and Analysis of Crombie for the years ending December 31, 2016 and December 31, 2015.*

# Crombie REIT

## Who are we?

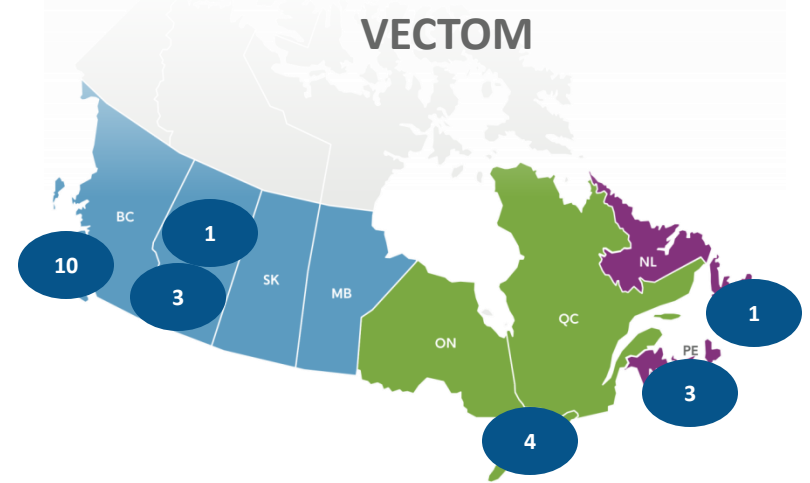
- Established in 2006, and growing into one of Canada's leading national retail landlords
- Focused on net asset value and FFO/AFFO growth by owning, operating and developing a portfolio of high quality grocery and drug store anchored shopping centres, freestanding stores and mixed-use developments primarily in Canada's top urban and suburban markets
- Member of the S&P/TSX Composite Index, CRR.UN
- Rated BBB low (Negative Trend) by DBRS

## Crombie Outperforms the Sector



## National Portfolio with Extraordinary Development Opportunities Focused on

### VECTOM



### Quick Facts<sup>2</sup>

Number of Properties	287
Gross Leasable Area	19,453,000
Committed Occupancy	94.7%
Average Rent/sqft at Expiry	\$18.19
YTD Renewal Leasing Spreads	4.6%

# Why Invest in Crombie?

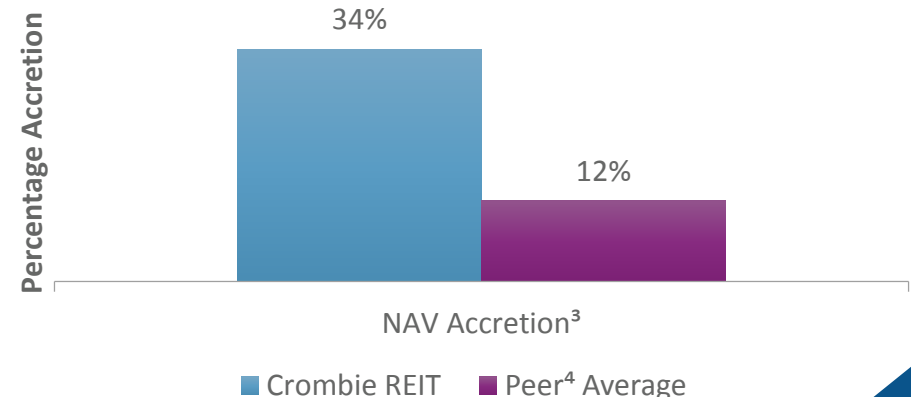
## Investment Thesis

- Stable, high quality grocery-anchored portfolio, resulting in strong, stable cash flow growth
- Current distribution yielding 6.4%
- Materially accretive development pipeline opportunities
- Management team has 25+ years of development experience
- Trading at a discount relative to future growth opportunities

Historical  
Discount to  
NAV (8%)<sup>1</sup>

Current  
Discount to  
NAV (13%)<sup>2</sup>

**Crombie's Development Pipeline is Projected to be Significantly NAV Accretive<sup>3</sup> vs Peers<sup>4</sup>**



# Crombie's Vision – Strategic Pillars



## IMPROVING PORTFOLIO QUALITY

Focused on high growth urban and suburban markets with development opportunities, while disposing of lower growth assets in tertiary markets. Growing exposure to higher growth central and western regions.



## DRIVING NAV CREATION

Through smart capital allocation, accelerate net asset value growth through active development and active asset management.



## BUILDING FINANCIAL STRENGTH

Maintain a strong balance sheet with ample financial flexibility and access to capital. Committed to our investment grade rating.



## CULTURE AND HIGH GRADING TALENT

High grading our talent by hiring and developing the best and the brightest.



## RISK MANAGEMENT

Continuously monitoring potential risk, and executing minimization and mitigation plans.

DRIVING UNITHOLDER VALUE



# Improving Portfolio Quality

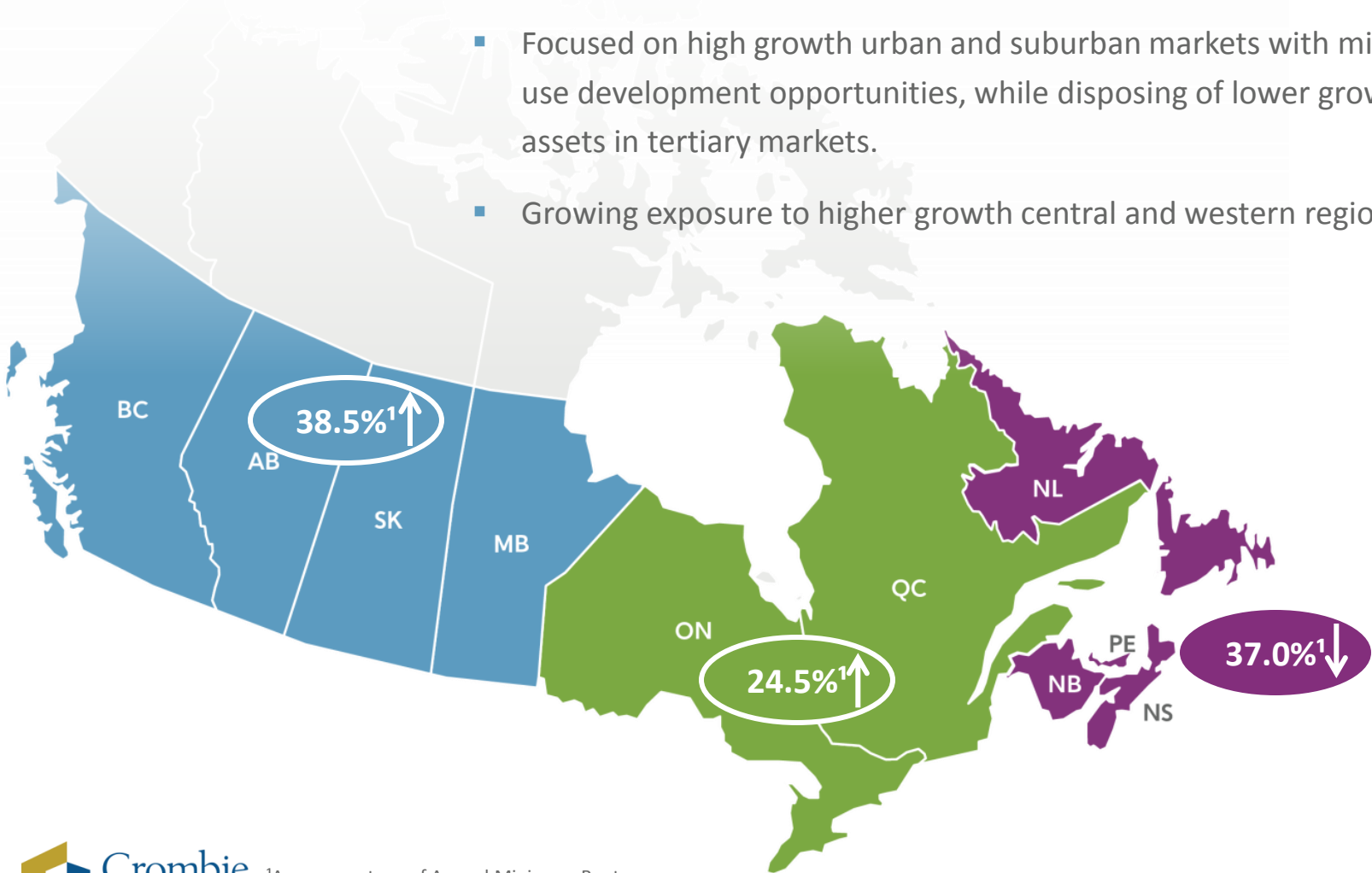
Davie Street,  
Vancouver, British Columbia



# Nationwide Portfolio

## Growing Exposure to Major Markets

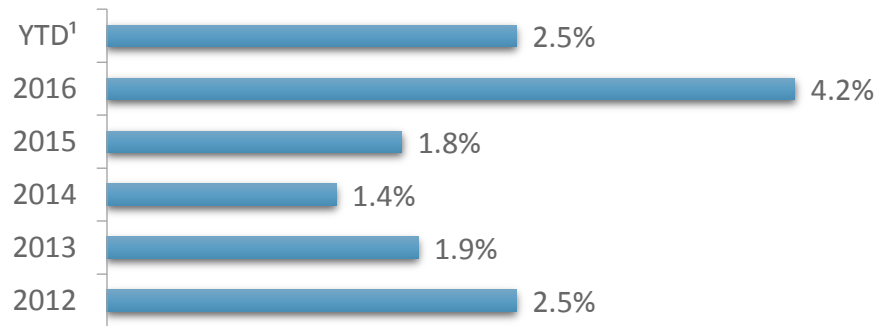
- Focused on high growth urban and suburban markets with mixed-use development opportunities, while disposing of lower growth assets in tertiary markets.
- Growing exposure to higher growth central and western regions.



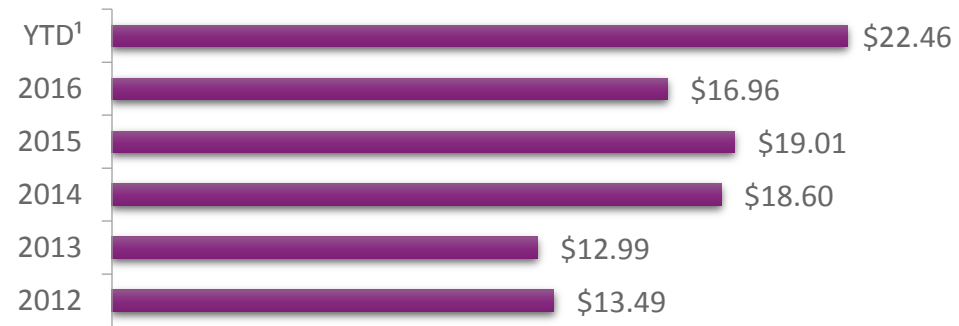
# Leasing and Value Creation

## Built in Organic Growth

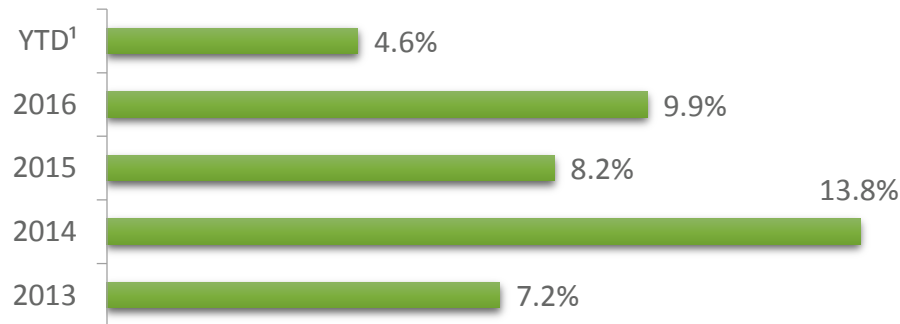
Same Asset NOI Growth



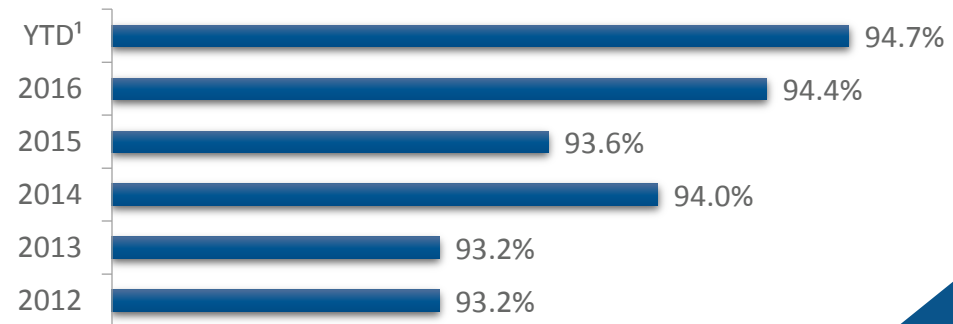
Current Year Renewal Rates



Renewal Leasing Spreads



Committed Occupancy

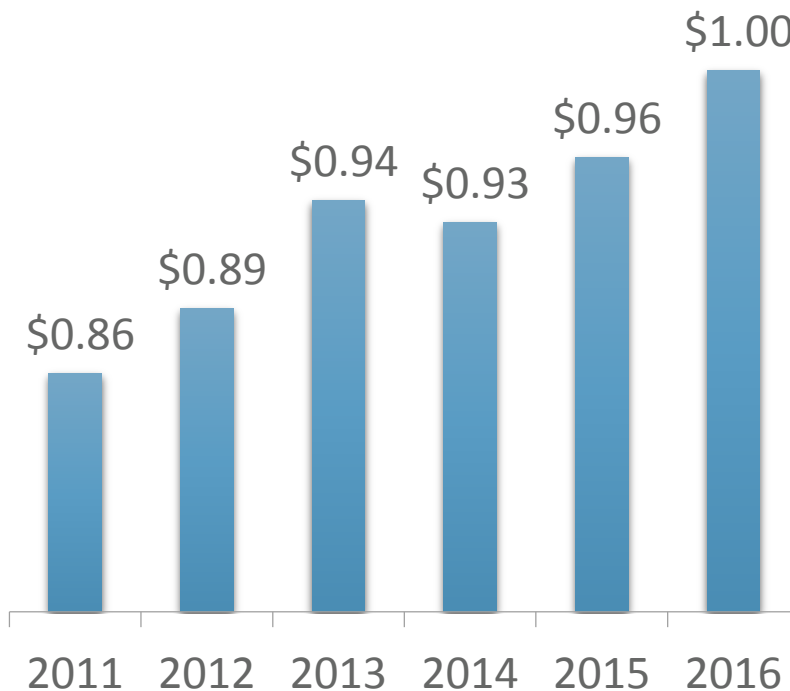




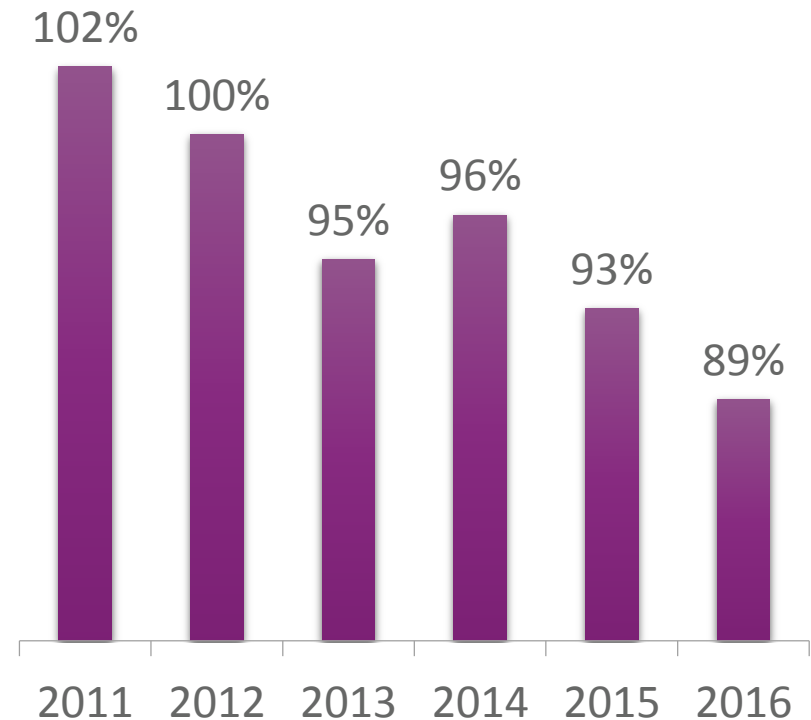
# Consistent Historical AFFO Growth

## Declining AFFO Payout Ratio

AFFO/Unit, diluted



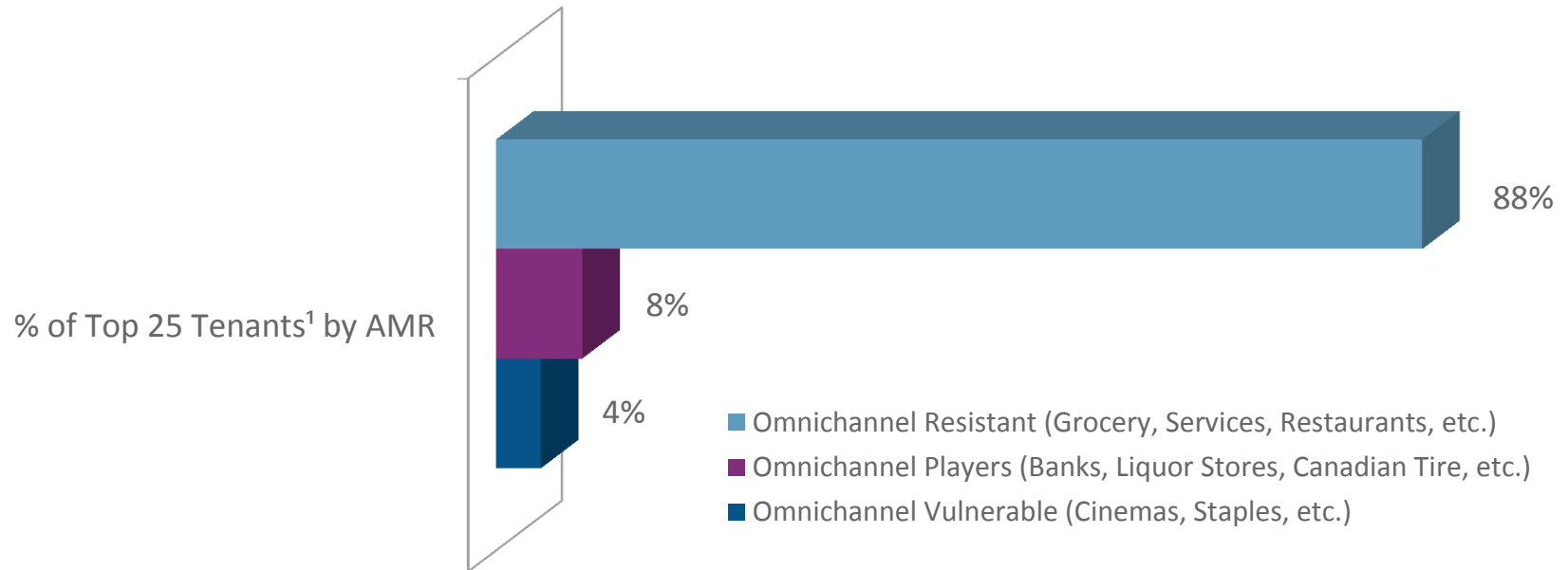
AFFO Payout Ratio



# The Evolution of Retail in Real Estate

## Convenience, Necessity Focused Portfolio

### High Exposure to Omnichannel Resistant Retailers



Approximately 85% of properties are high-traffic grocery or drugstore anchored

About 1% of Canadian grocery spend is purchased through ecommerce<sup>2</sup>

# Tenant Mix

## Strong Retailer Relations Driving Growth in NAV

Tenant	% of AMR	DBRS Rating
Sobeys	52.6%	BB (high)
Shoppers Drug Mart	5.1%	BBB
Cineplex	1.3%	NR <sup>1</sup>
GoodLife Fitness	1.2%	NR
Province of Nova Scotia	1.2%	A (high)
Dollarama	1.1%	BBB
CIBC	1.1%	AA
Lawtons/ Sobeys Pharmacy	1.0%	BB (high)
Bank of Montreal	1.0%	AA
Bank of Nova Scotia	0.9%	AA



# Driving NAV Creation

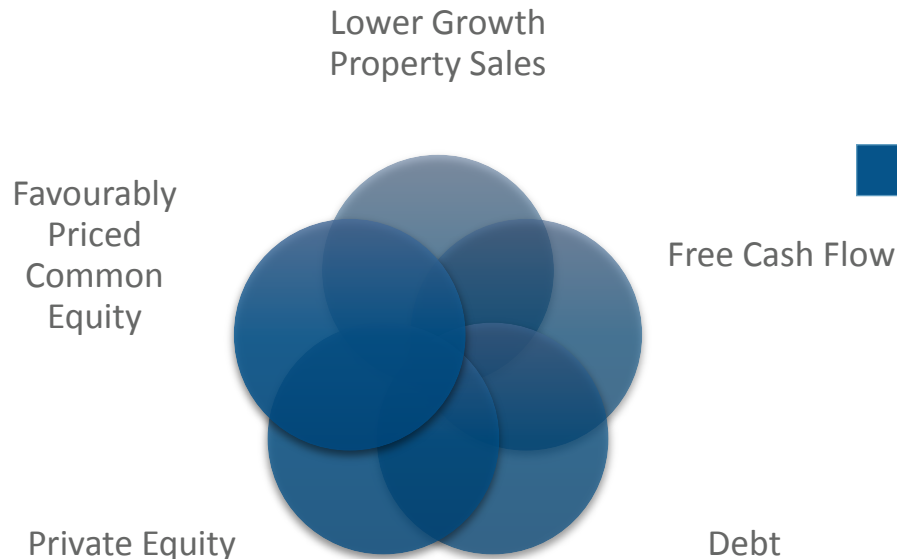
Belmont, Victoria, British Columbia



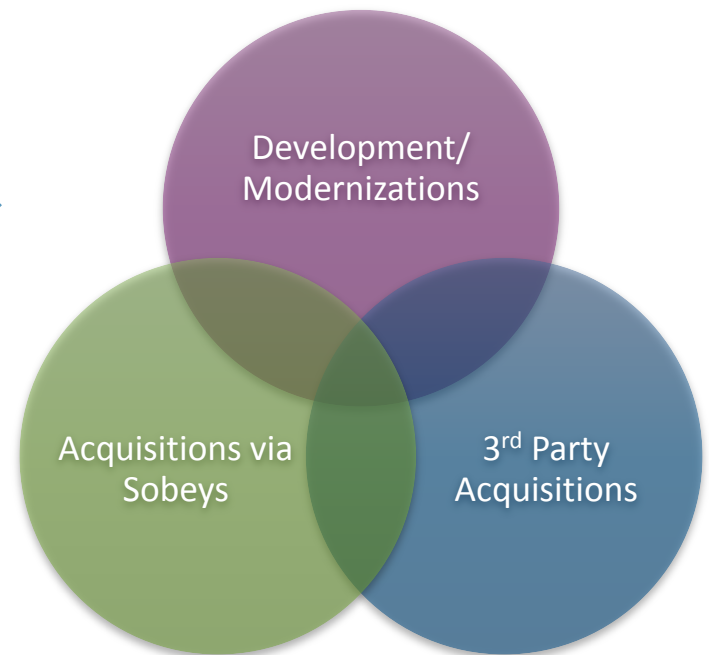
# Smart Capital Allocation: Highest & Best Use

## Prioritize Growth in NAV & AFFO/Unit

### Sources

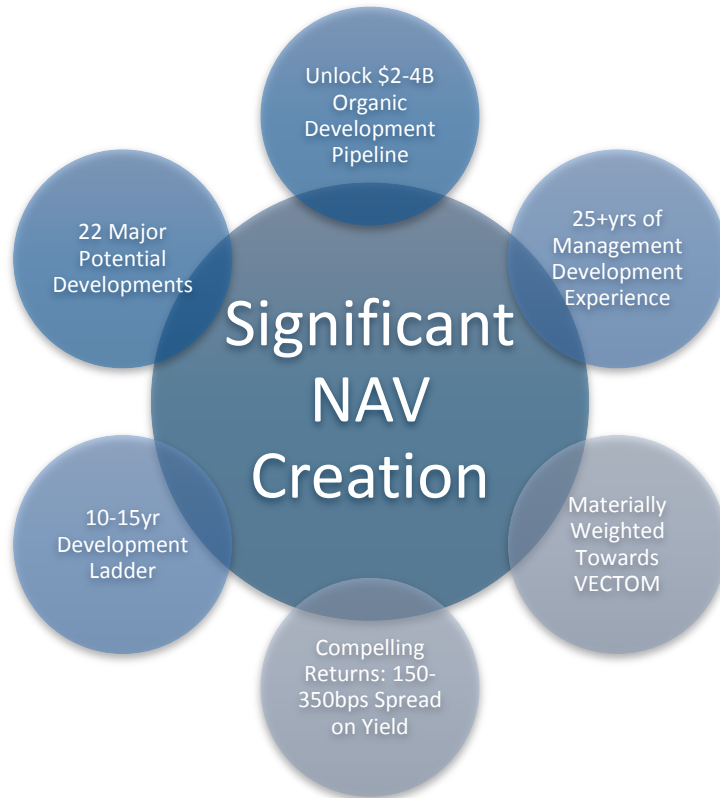


### Uses

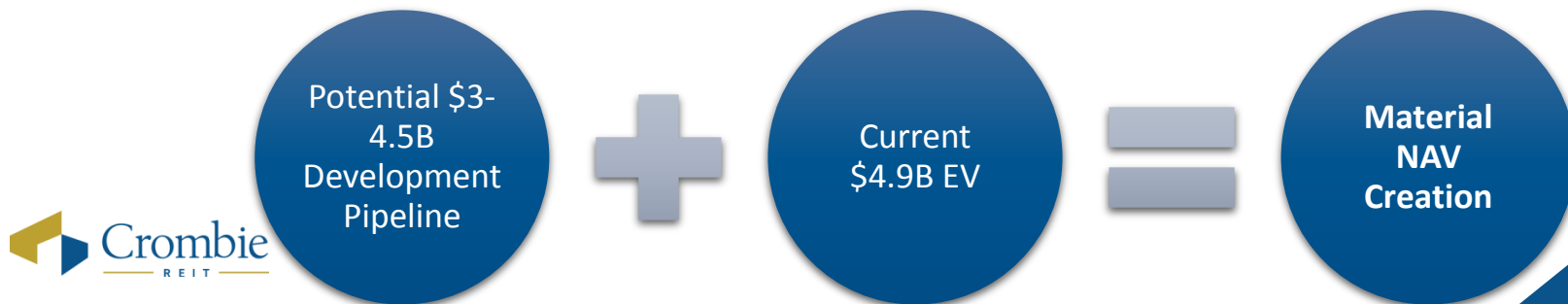
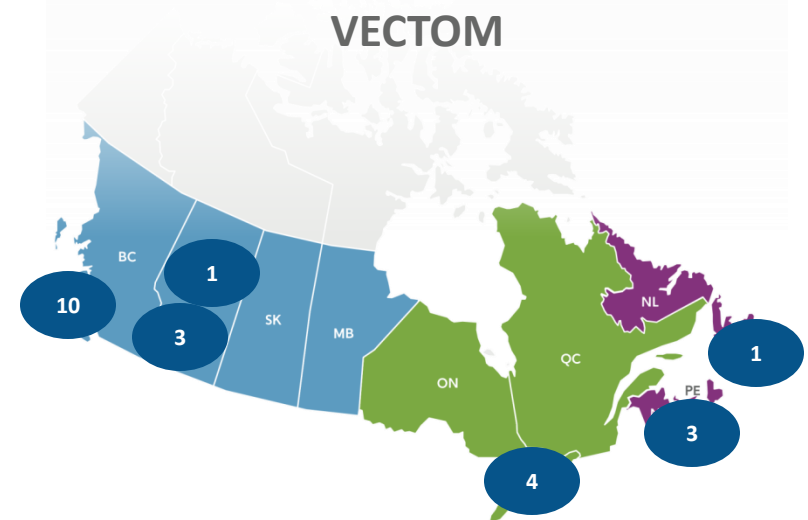




# Building a Better REIT Into the Next Decade & Beyond



## National Portfolio with Extraordinary Development Opportunities Focused on VECTOM



# Davie Street, Vancouver, BC

## Potential to Create Upwards of \$100M<sup>1</sup> in Value

### Overview

Currently anchored by a 32,000 sqft Safeway. The development will include a 44,000 sqft grocery store with 9,000 sqft of ancillary retail and up to 330 rental residential units. Demolition of the existing structure began Sept 2017.

Expected Development Cost	\$105M <sup>1</sup>
Expected Yield on Cost	5.50-6.00%
Current Market Cap Rates <sup>2</sup>	Residential 2.25-3.00% Retail 4.00-5.00%
Potential Value Creation	Upwards of \$100M <sup>1</sup>
Projected Annual Residential Rental Rate Growth	2-3%

**SIGNIFICANT  
NAV CREATION,  
NOI AND CASH  
FLOW GROWTH**



# Belmont Market, Victoria, BC

## Upgrading by Developing A+ Real Estate

### Overview

Belmont Market is being developed as a 192,000 sqft grocery-anchored commercial mixed use centre. The development will include a 53,000 sqft Thrifty Foods store, Thrifty Foods Office, and additional retail. An additional 4 acres of land is under agreement to sell to a residential developer who has plans to add 437 units of low rise residential rental and market condos, intended to create a vibrant new community village. The site is currently undergoing servicing. Phase I is scheduled to open in Fall 2018. Approximately 83% of phase I has committed leases, or is in advanced stages of negotiation.

Expected Development Cost	\$104M
Expected Yield on Cost	5.50-6.3%
Current Market Cap Rate <sup>1</sup>	5.00-5.75%
Potential Value Creation	\$17.5M



Elevating  
Portfolio  
Quality





# Bronte Village, Oakville, ON

## Building Community in Major Urban Centres

### Overview

The 5.66 acre redevelopment site provides an opportunity to add luxury rental residential density to an area that is currently undersupplied. The redevelopment plan is composed of mixed-use residential and retail, and will require demolition of a portion of the existing retail. In its place, two luxury rental residential towers of 10-14 stories containing 478 suites, and 15,000 sqft of retail are proposed to be constructed.



# McCowan & Ellesmere, Toronto, ON

## Future Major Transit Hub

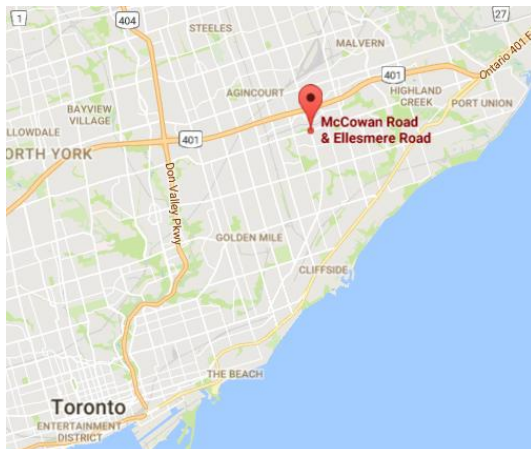
### Overview

A future major mixed-use, transit-oriented development site in Toronto, Ontario, acquired from a 3rd party. Together, Sobeys and Crombie are uniquely positioned to unlock the development value embedded in this site.

Subway  
Line  
Extension



Key  
Redevelopment  
Site for the City



TTC





# Avalon Mall, St. John's, NL

## Dominant Enclosed Shopping Centre

**BOMA**

Certificate of  
Excellence



### Overview

Avalon Mall is NL's largest and only regional shopping centre with 557,000 sqft. The three-year capital investment plan is to maintain and enhance the asset's position as the dominant enclosed shopping centre in the province. The capital upgrades will allow for improved tenant mix, increased sales productivity, and enhanced NOI. Phase I includes construction of a four-level parking structure, redesign and realignment of the main mall vehicular access, and the redesign and phased renovation of the mall's interior common areas. Sears will be vacating their 129,000 square foot store as of February 2018, enabling Crombie to accelerate future redevelopment plans.

Expected Development Cost

\$54.5M



# Scotia Square, Halifax, NS

## “Centre Ice” in Halifax’s Business District

### Overview

Scotia Square is situated in the centre of the downtown Halifax business district at the corner of Barrington and Duke. This complex is comprised of 1,600,000 sqft of office and retail, and two hotels. Crombie recently completed a three-level expansion on Barrington Street of approximately 25,000 sqft which includes a new and modern main entrance into the complex. The expansion is comprised of office, a food court expansion and street level retail totaling 13,000 sqft. The construction cost was approximately \$11M and was completed in Q3 2017. Future mixed-use developments are being considered at this location.





# Building Financial Strength

Belmont, Victoria, British Columbia



# Strong Financial Condition

## Investment Grade, with Declining Debt Levels

2.86x Interest  
Service  
Coverage

Debt Service  
Coverage 1.87x

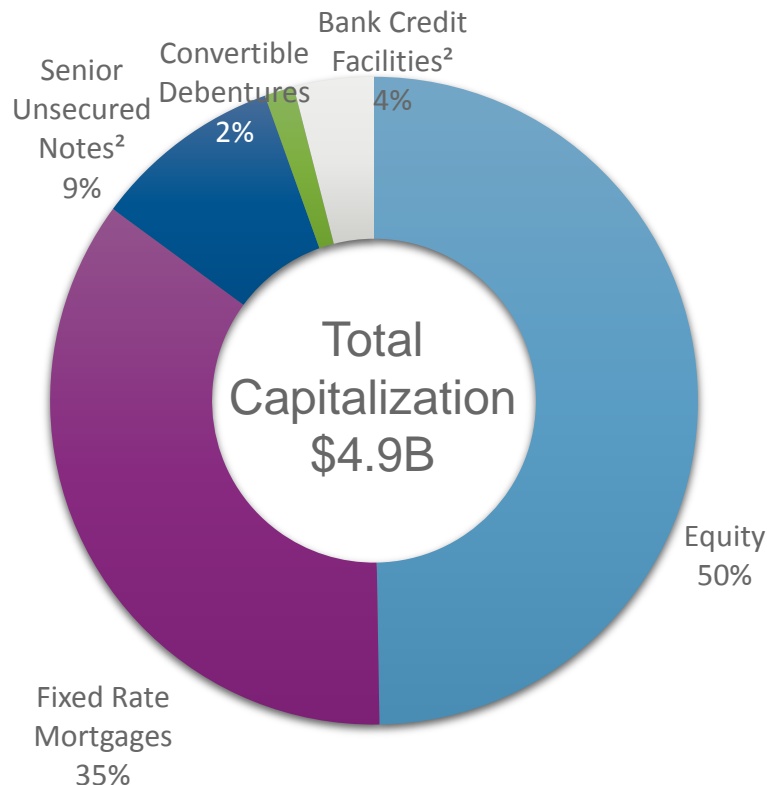
BBB Low  
(Negative  
Trend) by DBRS

Bank Credit  
Capacity  
\$296M<sup>1,2</sup>

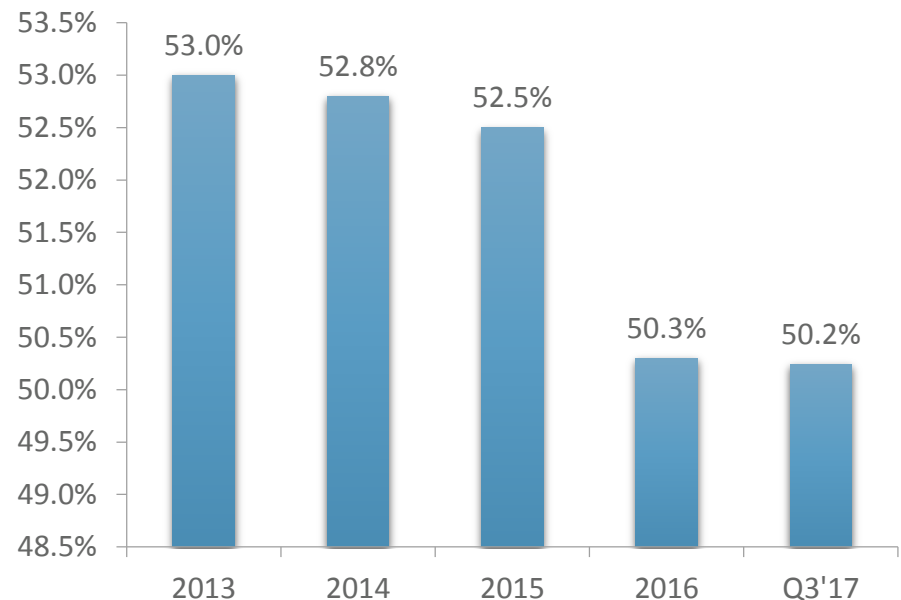
Unencumbered  
Assets \$955M

WAIR<sup>3</sup> 4.22%

WATM<sup>4</sup> 4.6yrs



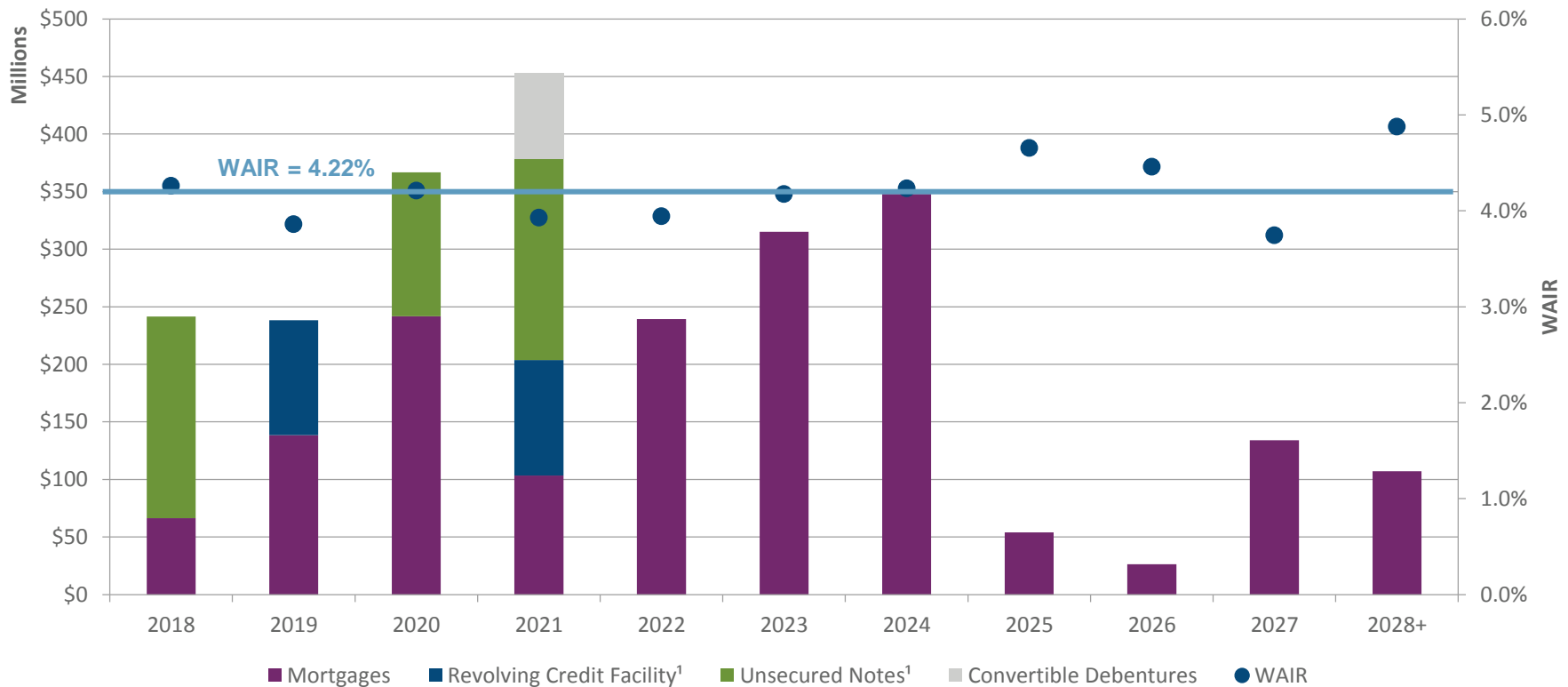
**D/GBV - FV<sup>5</sup>**



# Well-Laddered Debt Maturity Profile

## Improving the capital stack with Unsecured Notes

### \$2.5B Debt Stack





# Culture and High Grading Talent

Canmore, Alberta



# Strong Leadership with Deep Bench Nationwide Talent



**DON CLOW**

President & CEO

**Years of Experience:**

Crombie REIT 8 | Industry 28+



**GLENN HYNES**

EVP, CFO & Secretary

**Years of Experience:**

Crombie REIT 7 | Industry 25+



**CHERYL FRASER**

CTO, VP Communications

**Years of Experience:**

Crombie REIT 5 | Industry 20+



**TORAN EGGERT**

EVP, Portfolio Management

**Years of Experience:**

Crombie REIT 1 | Industry 25+

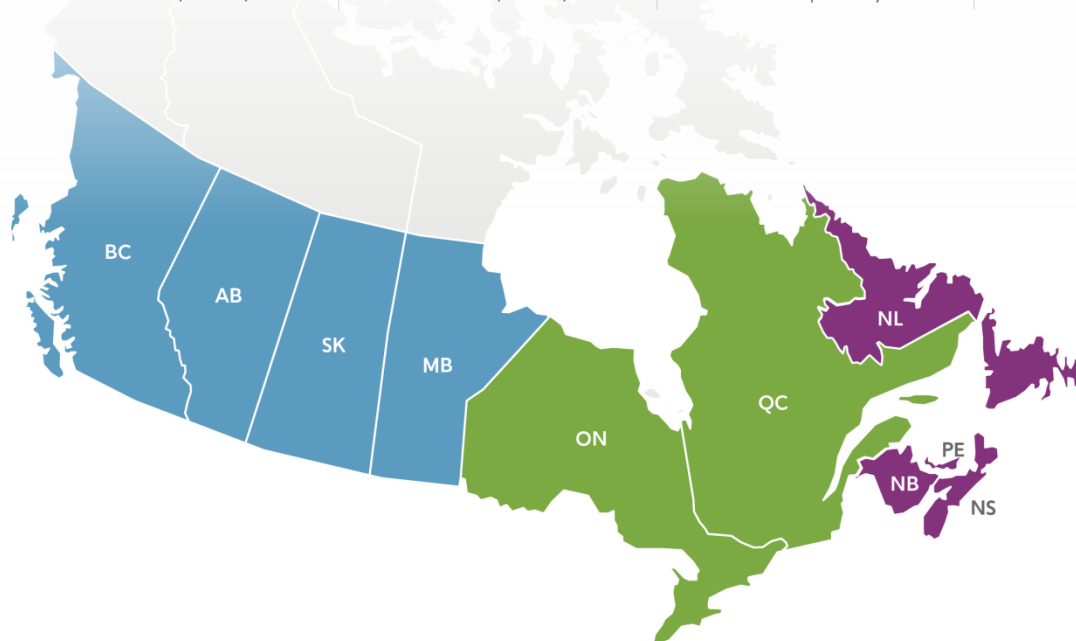


**JOHN BARNOSKI**

Senior Vice President, Corporate Development

**Years of Experience:**

Crombie REIT 2 | Industry 20+



**WEST**



**TREVOR LEE**

Senior Vice President,  
Western Canada

**Years of Experience:**

Crombie REIT 3 | Industry 15+

**CENTRAL  
EAST**



**SCOTT MACLEAN**

Senior Vice President,  
Eastern Canada

**Years of Experience:**

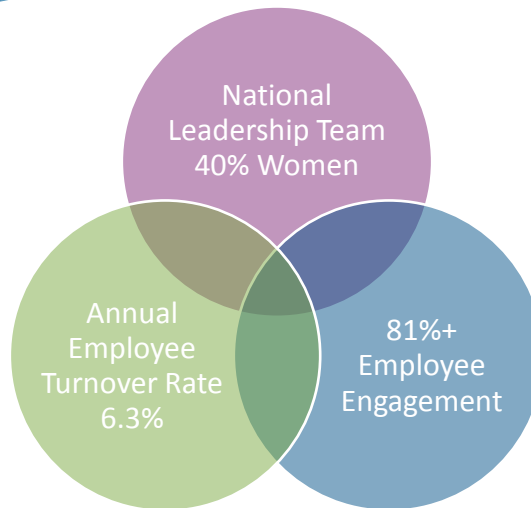
Crombie REIT 25 | Industry 35+

# Culture & High Grading Talent

## Continuing to Build the Crombie of Tomorrow

“We continue to take a best-in-class approach to everything we own, operate and develop across the country, including our highly qualified team of real estate professionals. Our Talent decisions are built for the long term - driving business growth, and increasing available bench strength at all levels.”

– Cheryl Fraser CTO, VP Communications



# Environmental Sustainability Commitment

## Social, Environmental & Economic

Crombie's core values include a commitment to adopt environmental sustainability principals in our business practices by integrating environmental considerations in our decision-making processes and striving to ensure we conduct our activities in accordance with these principals.

We believe that everyone has a responsibility to do his/her part to help protect and sustain our environment. We encourage our employees, customers and suppliers to make the "reduce, reuse, recycle" principle part of their lifestyle, at work and at home.



# Risk Management

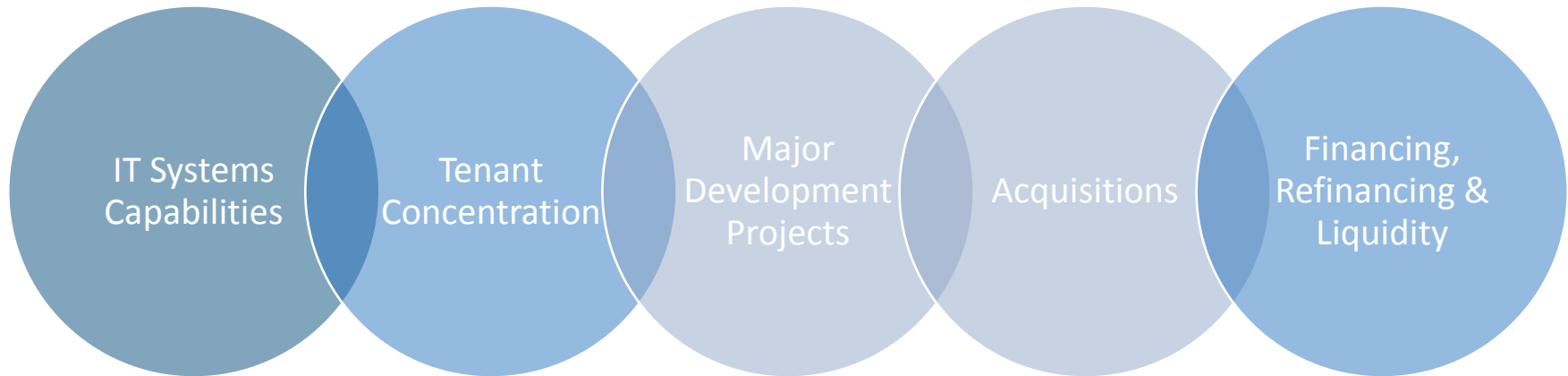
Bronte Village, Oakville, ON





# Risk Management

## Continuously Monitoring Potential Risk, & Executing Minimization & Mitigation Plans





# Thank You

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