

## CORPORATE PARTICIPANTS

**Blair Welch**  
*Chief Executive Officer*

**Joe Pleckaitis**  
*Chief Financial Officer*

**Connor O'Brien**  
*Managing Director*

**Allen Gordon**  
*Senior Vice President*

**Braden Lyons**  
*Vice President*

**Shivi Agarwal**  
*Manager, Finance*

## CONFERENCE CALL PARTICIPANTS

**Sairam Srinivas**  
*Cormark Securities*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to the Slate Grocery REIT Q2 2024 Financial Results Conference Call.

At this time, all lines are in listen-only mode. Following the presentation, we'll 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 Thursday, August 8th, 2024.

And I now would like to turn the conference over to Shivi Agarwal, Manager of Finance. Please go ahead.

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### Shivi Agarwal, Manager, Finance

Thank you, operator, and good morning, everyone. Welcome to the Q2 2024 conference call for Slate Grocery REIT. I am joined this morning by Blair Welch, Chief Executive Officer; Joe Pleckaitis, Chief Financial Officer; Connor O'Brien, Managing Director; Allen Gordon, Senior Vice President; and Braden Lyons, Vice President.

Before getting started, I would like to remind participants that our discussion today may contain forward-looking statements, and therefore we ask you to review the

disclaimers regarding forward-looking statements as well as non-IFRS measures, both of which can be found in management discussion and analysis. You can visit Slate Grocery REIT's website to access all of the REIT's financial disclosure, including our Q2 2024 investor update, which is available now.

I will now hand over the call to Blair Welch for opening remarks.

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### Blair Welch, Chief Executive Officer

Thank you, Shivi, and hello, everyone. We are pleased to report a strong second quarter of growth Slate Grocery REIT.

Our team completed over 700,000 square feet of total leasing in the quarter at attractive rental rate increases that drove healthy net operating income growth. Over 80,000 square feet of new deals were completed at 28% above comparable average in-place rent, and non-option renewals were completed at 12.8% above expiring rents.

The impact of several consecutive quarters of strong leasing at high spreads is now materializing in net operating income growth. Same-property net operating income increased by \$1.4 million, or 3.5%, year-over-year this quarter. Our average in-place rent of \$12.56 per square foot remains well below market average of \$23.38, providing runway for continued rent increases to drive net operating income growth.

We continue to prudently manage our balance sheet to ensure the REIT remains protected in the current interest rate environment. Over 94% of the REIT's total debt remains fixed with a weighted average interest rate of 4.5%, and we are actively managing near-term debt maturities, with productive lender conversations ongoing.

Despite our strong position, the REIT's unit continue to trade at a discount to net asset value, which we believe presents a compelling investment opportunity. In June, the REIT closed the sale of a stabilized non-grocery anchored property at a premium to IFRS book value, further validating our net asset value.

As at June 30, the REIT's unit price represents a 42.8% discount to net asset value. Even so, the REIT remains a top quartile performer compared to US and Canadian retail REIT peers.

We believe fundamentals in the grocery-anchored real estate sector point to continued stable performance. Over the past five years, retail has experienced the lowest amount of new supply amongst other property types, including office, apartment, and industrial. And today,

high construction costs and elevated interest rates are continuing to keep new retail supply near record lows.

Availability in the neighborhood, community, and strip center segment also remains at a 15-year low, giving landlords pricing power to increase rental rates. Grocery sales remain healthy, growing nearly 2% year-over-year at June 2024, the highest rate in the last three months.

This backdrop, coupled with our well below market rents, position Slate Grocery REIT to continue growing revenue and increasing value for all unitholders.

On behalf of the Slate Grocery REIT team and the Board, I'd like to thank the investor community for their continued confidence and support. I will now hand it over for questions.

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### **Operator**

Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. Should you have a question, please star followed by one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by two. If you're using a speakerphone, please lift the handset before pressing any keys. And one moment, please, for your first question.

Your first question comes from Sairam Srinivas with Cormark Securities. Please go ahead.

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### **Sairam Srinivas, Cormark Securities**

Thank you, operator. Good morning, everybody. Looking at the organic growth numbers, SPNOI growth this quarter seemed pretty strong. If you look at a couple quarters ago, it surely seems like it is ramping up now. Would you say this will probably be the sign of the historical investments you've been doing in the leases, and should we see this as the run rate going forward?

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### **Blair Welch, Chief Executive Officer**

Good question. As we have been discussing in the previous several quarters, all the strong leasing we have done, and how we report, is we do leasing, and the lease will come on in future quarters. What we are seeing now is the leasing that, for example, we did six months ago, now is all there and would be paying rent now and online.

We would continue to see, for the next several quarters, this net operating income growth because of the leasing we have done in the past.

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### **Sairam Srinivas, Cormark Securities**

That's awesome. Jumping into financing, I know there are a bunch of maturities coming up this year and next year. Can you give us some color in terms of how the REIT is actually looking at these maturities and your strategy around refinancing those?

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### **Blair Welch, Chief Executive Officer**

We have been actively contacting all of our lenders. We are quite pleased to report there is activity on the bank side, on the LifeCo side, on the CMBS side for grocery-anchored real estate. We hope to be announcing here in the next quarter some of our finalized plans for refinancing.

We have been working on it, and unlike other types of real estate, there is active demand from lenders to lend to grocery-anchored [real estate]. We do not foresee significant changes or issues with our capital stack, and we are pretty pleased about it.

We have been working on for a while because of how the market is, but I think we are going to be pleasantly surprised with how we can execute it.

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### **Sairam Srinivas, Cormark Securities**

That's amazing, good to hear, Blair. On the refinancing, is it too early, or are you able to get your hands around what the rates look like on refinancing?

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### **Blair Welch, Chief Executive Officer**

I would say in general, what we are seeing for grocery-anchored [real estate], spreads haven't changed significantly from if you were going to do this five years ago. What has changed is the base rate. The cost of financing is up, but not because of the risk premium that lenders apply, it is just the underlying base rate.

The REIT does have derivatives in place for just under the next three years to keep our interest rate low. I think that that, coupled with no increase in spreads, and in theory, perhaps some reduction in the base rates, we feel in our models we are being conservative, and I think we hope to outperform. But the risk spreads for grocery-

anchored real estate financing have not changed, which we are pleased about.

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**Sairam Srinivas, Cormark Securities**

That is amazing. Thanks for the color, Blair. I'll turn it back.

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**Blair Welch, Chief Executive Officer**

Okay.

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**Operator**

Thank you. As a reminder, if you wish to ask a question, please press star-one on your telephone keypad.

And there are no further questions at this time. I would now like to turn the call back over to Shivi Agarwal.

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**Shivi Agarwal, Manager, Finance**

Thank you, everyone, for joining the Q2 2024 conference call for Slate Grocery REIT. Have a great day.

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**Operator**

Thank you. Ladies and gentlemen, this call has now concluded. You may now disconnect.