

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

Brad Sturges
Raymond James

Sairam Srinivas
Cormark Securities

PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to the Slate Grocery REIT Third Quarter 2024 Financial Results 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 an operator.

This call is being recorded on Wednesday, November 6, 2024. I would now like to turn the conference over to Shivi Agarwal, Manager of Finance. Please go ahead.

Shivi Agarwal, Manager, Finance

Thank you, Operator, and good morning, everyone. Welcome to the Q3 2024 conference call for Slate Grocery REIT. I'm 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's discussion and analysis.

You can visit Slate Grocery REIT's website to access all of the REIT's financial disclosure including our Q3 2024 investor update which is available now. I will now hand over the call to Blair Welch for opening remarks.

Blair Welch, Chief Executive Officer

Thank you, Shivi, and hello everyone. We are pleased to report a strong third quarter for Slate Grocery REIT. Several consecutive quarters of high leasing volumes and double-digit spreads are materializing in healthy same property net operating income growth. Adjusting for completed redevelopments, same-property net operating income increased by \$2.4 million or 6.2% year-over-year in the third quarter.

Our team completed over 850,000 square feet of total leasing in the quarter. New deals were completed at 24.8% above comparable average in-place rents, and non-option renewals were completed at 14.1% above expiring rents. Notably, all junior anchor and anchor maturities have been addressed for 2024.

Despite a difficult financing environment, our team refinanced \$500 million of debt at favorable terms, significantly reducing the risk to our balance sheet. The REIT is also in advanced stages with lenders to refinance another \$138 million of upcoming debt maturities, which we expect to complete in the fourth quarter. Subsequent to these refinancings, the REIT's forecasted weighted average interest rate will be 4.8% when accounting for in-place interest rate swap contracts, providing significant positive leverage and stability for the REIT.

Despite our strong operational performance, the REIT's units continue to trade at a discount to net asset value, which we believe presents a compelling investment opportunity.

We believe fundamentals in the grocery anchor sector will continue to provide tailwinds for our portfolio of high-quality grocery real estate. Throughout 2024, high construction and borrowing costs have continued to limit new retail development. In the last 12 months, less than 0.5% of new supply has been added to shopping center inventory, while demand for retail space has remained healthy. With tenant demand exceeding new supply, landlords are maintaining pricing power to increase rents. Average asking rent in the retail sector increased by 2.5% year-over-year in the third quarter. And in our own portfolio, our average in place rent of \$12.61 per square foot remains well below the market average of \$23.58 per square foot, providing significant runway for continued rental increases.

We believe strong fundamentals in the sector, coupled with our below market rents, position the REIT to continue growing revenue and increasing value for unitholders.

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

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to withdraw your raised hand, please press the star followed by two. If you are using a speakerphone, please lift the handset before pressing any keys. Your first question comes from Brad Sturges with Raymond James. Please go ahead.

Brad Sturges, Raymond James

Good morning. Starting with on same-property NOI, you have had pretty good momentum on the leasing front and now that's starting to get reflected in the results. I'm curious to know how you think about occupancy here. Do you think there's more room to push occupancy? Or how much more room could you see that expand at this point?

Blair Welch, Chief Executive Officer

I think where we are is in the zone, Brad. I think there is an opportunity to push occupancy, but to assume you are 100% full in this kind of real estate is not the right assumption. And you can look historically over the last 40 years in this space, it has always been in the low 90%'s. I think we are going to bounce around between 94% to 96%. I think where we are is where it's at. And I would look more to the rental spreads as increasing the NOI than occupancy. I think we could outperform in occupancy, but I don't like saying that because I think where NOI is going to grow is from the rental spreads and that has been our strategy all along.

Brad Sturges, Raymond James

And if you exclude the fixed options, where do you think that the rental spreads could trend on a true mark-to-market basis?

Blair Welch, Chief Executive Officer

I can pass it over to Connor and Allen, but I think we've shown consistently what we've been doing.

Connor O'Brien, Managing Director

This past quarter we achieved 14.1% non-option renewal spreads and that's been pretty consistent in the double-digit to mid-teens range over the last six quarters, and we expect that to continue going forward. On the option renewals, they are a little bit more volatile just given the option contracts that are in place and are out of our control. So, as Blair alluded to, we are really focused on our non-option renewal spread that will continue to drive NOI growth in the quarters to come.

Brad Sturges, Raymond James

Okay, to switch gears quickly to the debt side. Congratulations on the refinancings. I just want to clarify, on the credit facility, the spreads over SOFR, is that unchanged going forward?

Joe Pleckaitis, Chief Financial Officer

Hey Brad, Joe here. That is exactly right, it is marginal increases. We saw a 5-basis point increase to the existing facility, and that speaks to the quality of the underlying assets in the portfolio. And again, completing half a billion-dollar refinancing in today's environment is not an easy task, and I think that speaks to the lender's appetite for grocery-anchored product, as well as the confidence they have in the long-term growth of the REIT.

Brad Sturges, Raymond James

Last question, with the upcoming mortgage maturities, what would be the all-in rate or the spreads you are seeing today in terms of your near-term expectations for refinancing?

Joe Pleckaitis, Chief Financial Officer

We have a December 2024 maturity upcoming and then a January 2025 maturity. Both went through a marketed process and received pretty competitive bids. Similar to the pricing we received with the revolver and term loan, I would say right spreads have not changed that much, it is the underlying treasury rate that has seen the most movement and volatility. But we are going to be completing both refinancings before the end of the year, and once these are complete, we will see a weighted average interest rate of about 4.8% is what we are projecting.

Brad Sturges, Raymond James

Okay, I will turn back. Thank you.

Operator

Thank you. Your next question comes from Sairam Srinivas with Cormark Securities. Please go ahead.

Sairam Srinivas, Cormark Securities

Thank you, operator. Good morning, guys. Congratulations on a good quarter. Looking at the leasing schedule for the next 12 months and mainly 2025, I think there are a majority of non-grocery or less than 10,000 square feet spaces coming up for renewals next year. Keeping that in mind, how do you see spreads evolve in 2025, and how should we be thinking about SPNOI growth as we saw this quarter deflecting into earnings in the next 12 months?

Blair Welch, Chief Executive Officer

I will pass it over to Allen and Connor, but I think if you look back at our last several quarters, we will be in line with those types of spreads. And as it relates to NOI growth, this quarter was great. I think it was a moment in time, but I think we will consistently be in that three, four or higher range. We do not want to continue to say, we are doing 8,000% NOI growth. This quarter was good, but we will continue to have leasing spreads that the guys will talk about, which will drive NOI.

Connor O'Brien, Managing Director

In terms of NOI growth for next year, I think a lot of times, the grocery renewals dampen some of that option spread. So, looking into 2025, we have four grocer renewals, which we are in preliminary discussions on, and we will continue to work through those. That is a much lower grocery renewal volume than what we have seen this year. So, as we look to project where leasing spread spreads will be throughout 2025, I would look towards the mid-teens with a bit of volatility from quarter to quarter, depending on which particular leases are rolling.

Sairam Srinivas, Cormark Securities

That is great color, thanks, guys. And then thinking broadly of capital priorities, obviously refinancing was a big one this year, but now having done a good chunk of that, and I think you probably come close to almost no majorities coming into 2026. How should you be thinking about capital priorities ahead and how are you thinking

about the REITs focus over the next 12 months?

Blair Welch, Chief Executive Officer

We went out at the beginning of the year and spoke to you, Brad, and the other analysts and investors, and we wanted to know your feedback on how you were looking at the company, and what we heard was refinancing, NOI growth, and payout ratio. I think the team has done a great job of addressing the financing. They have done a great job of showing the NOI growth from the leasing that we did in the prior two years that's coming in NOI growth. And the payout ratio is also looking healthy.

Now to your point, what do we do now? We are seeing compelling investment opportunities in the space. We have excellent relationships with our tenants, and it is a massive market, but we would be a leader in the grocery space in the United States. So, we will look, and continue to look as we have been, at buying. We will look at redeploying capital and increasing the value of our own property through redevelopment. We will look at our own units. We talk to the Board all the time about what the best thing to do is and how we grow this business. And, just to reiterate, we have done a lot this year based on feedback. We have grown NOI, we have refinanced our debt. Now we can look forward, and everything is on the table for us because we like the tailwinds in the sector.

Sairam Srinivas, Cormark Securities

Just thinking about two years ago, you guys did a huge institutional investment into the REIT, which came in at or above the NAV. Is there more appetite coming in the institutional market as the capital market churns right now? Are you seeing more of that being an option as well?

Blair Welch, Chief Executive Officer

I think so. As you know, Sai, Slate Asset Management is a big believer in essential real estate. We own over 500 grocery stores in Europe. And I would say that is all institutional investors. I think there is significant interest in investing in the United States, and there is significant interest in investing in essential real estate. I believe the

fact that the election is over in the United States helps take out some uncertainty, whether that's justified or not. So, I think we believe there will be investors wanting to put capital into U.S. Assets that earn U.S. dollars. We believe strongly in that. So, I think we're well positioned to capitalize on those inflows.

Sairam Srinivas, Cormark Securities

That is great color, Blair. Thank you so much. I will turn it back.

Blair Welch, Chief Executive Officer

Thanks, Sai.

Operator

As a reminder, if you would like to ask a question, please press star followed by one on your keypad. There are no further questions at this time. I will now turn the conference over to Shivi Agrawal.

Shivi Agarwal, Manager, Finance

Thank you, everyone, for joining the Q3 2024 Conference Call for Slate Grocery REIT. Have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.