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

Brad Sturges
Raymond James

Pammi Bir
RBC Capital Markets

Sumayya Syed
CIBC

PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to Slate Grocery REIT Fourth Quarter 2024 Financial Results 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 anyone has any difficulties hearing the conference, please press *0 for operator assistance at any time.

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 Q4 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 discussion and analysis.

You can visit Slate Grocery REIT's website to access all of the Reed's financial disclosure, including our Q4 2024 investor update, which is now available. 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 strong fourth quarter and year-end financial results for Slate Grocery REIT. Strong leasing activity at high rental spreads over the last several quarters continues to drive net operating income growth for the REIT. Adjusting for completed redevelopments, same property NOI increased by $6.7 million or 4.3% on a trailing 12-month basis. The REIT completed close to three million square feet of total leasing throughout the year, a double-digit rental spreads.

New deals were completed at 28% above comparable average in-place rent and non-option renewals at over 14% above expiring rents. Portfolio occupancy remains stable at 94.8%, and we expect our pipeline of new leasing opportunities to support a continued positive trend for occupancy in the coming quarters.

In the challenging financing environment, our team financed over $630 million of debt throughout the year at an interest rate spread similar to the maturing debt, highlighting the confidence our lenders have in the REIT's business.

Despite our strong operational performance, the REIT's units are trading at a discount to net asset value, which we believe presents a compelling investment opportunity. Our track record further validates this opportunity. The REIT has been a top performing retail REIT stock in

Canada and the U.S. on a total return basis over the last several years.

We continue to have strong conviction in the fundamentals of grocery-anchored real estate. High construction costs and tight lending conditions continue to limit new retail development. In the fourth quarter, retail construction completions totaled four million square feet, marking the lowest quarterly total in more than a decade. The constraints on new supply continue to limit the overall retail availability rate. The resulting competition for limited space and high demand for prime locations continue to give retail landlords pricing power. In our own portfolio, our average in-place rent of $12.65 per square foot remains well below the market average of $23.80, providing significant runway for continued rent increases.

Our focus on fundamentals has always underpinned how we invest and manage our real estate, and we believe favorable fundamentals in the sector, coupled with our below market rents, will enable the REIT to continue growing revenue and generating long term value for our unit holders.

On behalf of Slate Grocery REIT 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.

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 the one on your touchdown phone. You will hear a three-tone prompt acknowledging your request. Questions will be taken in the order received. Should you wish to cancel your request, please press the star followed by the two. If you are using a speakerphone, please lift your handset before pressing any keys. Once again, that is star one should you wish to ask a question. Your first question is from Sairam Srinivas from Cormark Securities. Your line is now open.

Sairam Srinivas, Cormark Securities

Thank you, operator. Good morning, guys. To start with the leasing schedule ahead. Looking at 2025, we have about 782,000 square feet of leases expiring on the non-anchored segment, and that forms the majority for the year. What's the outlook there on leasing spreads and how do you see that filling into the year?

Blair Welch, Chief Executive Officer

I will pass it over to Allen to speak. We expect, given what I said in the opening remarks, there is not a lot of space, so there is significant pricing power for landlords. Allen, what are you seeing?

Allen Gordon, Senior Vice President

We have had seven straight quarters of double-digit renewal spreads, and we expect that to continue throughout 2025 as well.

Sairam Srinivas, Cormark Securities

That is awesome. So, when you look at the leasing spreads come in, and obviously we are starting to see that slowly come into NOI, as well as the last couple of quarters we are seeing 5% SPNOI growth coming in. As we slowly roll towards Q2, Q3—and in Q3, you'll start comping towards the similar year from 2024, is that something you expect to maintain as a run rate ahead or is that going to normalize over the period of time?

Blair Welch, Chief Executive Officer

As we have discussed, Sai, with you and others, we report our leasing costs and CapEx on a real cash basis when we expend the dollars. That is unlike a lot of our peers that use estimates. We feel strongly that our NOI will continue to grow with the leasing spreads there is just the lag to start. But as Allen said, we have had seven consecutive quarters of double-digit leasing spreads, so you are seeing that in the NOI growth. We expect that kind of growth to continue.

Sairam Srinivas, Cormark Securities

And how should we be thinking about that gap between the leasing happening and the NOI coming in, in terms of timing?

Blair Welch, Chief Executive Officer

It depends. There is a difference between leasing timing on a renewal, and there is difference in leasing timing for a larger tenant to a smaller tenant. But, I would say it is anywhere from 30 days to 12 months. I think it gets blended. Last quarter, we did over 90 or so leases. There is a lot of leasing that gets done. It really just depends, Sai, but how we performed in the last seven quarters, we expect to continue those numbers.

Sairam Srinivas, Cormark Securities

That makes sense, Blair. And just shifting gears towards transaction activity, I think this the third or fourth year now for the North American Real Estate Fund investing in the REIT's assets. How are you thinking about growth from that perspective, and how is the fund thinking, considering the vacancy in the market and what you said so far in terms of fundamentals, how is the transaction outlook looking there?

Blair Welch, Chief Executive Officer

I will talk specifically about that, and I will pass it off to Connor to comment on what we are seeing in the market from a pipeline perspective. The team showed that we can refinance $630 million of debt in the market. A lot of our peers or other real estate asset classes have not been able to do that. Given our IFRS cap rates to current market pricing, we have positive leverage, and we are achieving mid-single digit NOI growth.

The fundamentals are strong. Again, I will let Connor talk about the pipeline. As it relates to private investors, we are significant grocery owners in Europe as well. I would say, private institutional investors are very interested in owning U.S. assets that generate U.S. dollars given the current situation. So, we would anticipate more interest in the space, but people are still trying to figure out what that looks like. There is demand from investors for U.S. dollar investments, and Slate Grocery REIT is one of those.

Connor O'Brien, Managing Director

In terms of the transaction pipeline, we have had a muted transaction environment over the last 24 months, but we expect that to pick up in 2025. CBRE is forecasting about 10 billion of open-air retail transactions this year. If that comes to fruition, we will certainly see an uptick in 2025.

From Slate's perspective, we are going to remain disciplined and selective with the acquisitions we will target, and we are going to look towards acquiring strong performing grocers at positive leverage day one with under market rents so we can grow NOI overtime.

Sairam Srinivas, Cormark Securities

That makes sense guys. Thank you for the color, I will turn it back.

Blair Welch, Chief Executive Officer

Thanks Sai.

Operator

Thank you. Once again, that is star one should you wish to ask a question. And your next question is from Brad Sturges from Raymond James. Your line is now open.

Brad Sturges, Raymond James

Morning, guys.

Blair Welch, Chief Executive Officer

Morning, Brad.

Brad Sturges, Raymond James

Just to follow on the question around transaction and potential for capital deployment through acquisitions. Based on where the balance sheet is today and post all the refinancing activity, how do you think about your capacity to pursue acquisitions at the moment? Where would you be comfortable pushing leverage in the short term if you saw an interesting opportunity? What kind of guidance would you give around capacity at the moment?

Blair Welch, Chief Executive Officer

We will be selective, and we will really focus more on: can we buy cheap in-place rents, and as Connor said, grow NOI over the long term. We showed that during COVID and right after on buying some larger deals at low occupancy. The team has done a great job of executing the strategy and it has really created a lot of income growth through the entire REIT.

We are creative at Slate Asset Management. We recognize that we have a discount from where we trade. We talked to the Board all the time about capital allocation. We are currently underwriting billions of grocery deals and retail deals in the US. But we will be thoughtful and disciplined on how we do that.

Do I think there's going to be some deals to do this year? Yes. But we are sensitive and making sure we do the right deals for the unitholders that create long term value. We think about that all the time, and we will be careful. But we want to buy good real estate, and we think we can.

Brad Sturges, Raymond James

Ok, makes sense. And just going back to leasing, you talked about the momentum you are seeing on the new leasing front that could translate into positive elements on occupancy. You are running at 95% occupied now, do you see more upside on occupancy here today or do you think you are running at stabilized levels?

Blair Welch, Chief Executive Officer

I will pass it off to Allen and Connor, but, do I think it could go up a bit? Yes. But, do I think long term averages are 94% to 96%? Yes. It is going to bounce around there, but it is a pretty tight market. I think we could have some uptick in occupancy, but the growth is going come from moving our in-place rents closer to market.

That is how we look at the business. We think it is a very defensive play because of how cheap our rents are. But I think occupancy is in the range of market norms. Could we see more? Yes. But then you are probably going to see it go to 94% as tenants roll. So I would say it is in that zone, Brad, but we are going to see more growth from growing the rents.

Brad Sturges, Raymond James

And in terms of your lease expiry schedule, is there anything notable that you are expecting to get back in terms of space, in terms of non-renewals, or nothing material at this point?

Allen Gordon, Senior Vice President

No, Brad, I do not see anything material. Already in 2024, we addressed all of our grocery renewals, which was eight, and we have four grocers renewing in 2025 of which we have already started preliminary discussions with all of them.

Brad Sturges, Raymond James

Ok. The last question on the current tax expense, it came in a little bit higher than expected, looking for guidance for 2025 on that line item.

Joe Pleckaitis, Chief Financial Officer

Hey, Brad, this is Joe. Yes, current income tax had a bit of movement this quarter. This is just due to finalizing our state tax filings for the year. But I would say, you can use our annual 2024 figures as a proxy moving forward.

Brad Sturges, Raymond James

Sounds good. I'll turn it back. Thank you.

Blair Welch, Chief Executive Officer

Thanks, Brad.

Operator

Thank you. Your next question is from Pammi Bir from RBC Capital Markets. Your line is now open.

Pammi Bir, RBC Capital Markets

Thanks. Good morning. Getting back to the comments around acquisitions and being thoughtful in terms of how you allocate capital, what is the thinking around recycling out of some assets into higher quality assets given the strength in the market?

Blair Welch, Chief Executive Officer

Good morning, Pammi. The team has consistently shown that we are always doing dispositions, and we have cycled out of assets that are non-grocery that we would have bought in portfolios to get at grocery. We have cycled out of assets where we think we cannot grow rents anymore, and we have done our business plan. We have continually done that, and I think you will see that happen again this year. That ranged from $30 to $100 million a year over the last couple years of what we trade, and we do reinvest that capital. We do that either through redevelopment of assets to add to net operating income, and that will continue, Pammi.

But we feel our portfolio is in good shape, and it is a high-quality grocery-anchored portfolio because we have been doing that strategy for the last several years.

Pammi Bir, RBC Capital Markets

Ok. And is there is there anything currently listed for sale at the moment or not yet?

Connor O'Brien, Managing Director

Nothing is currently listed. We do have a couple assets that we have earmarked as part of 2025 dispositions. These are non-strategic, non-grocery-anchored assets with the debt maturing towards year-end. We will look to strategically sell those and maximize proceeds, and are currently in preliminary discussions to start those processes.

Pammi Bir, RBC Capital Markets

Got it. Just one last one for me. In terms of the interest costs this quarter, was there anything one time-ish, whether it had to do with any of the refinancing that was done in October? Curious as to whether there was some charges that would not carry forward?

Joe Pleckaitis, Chief Financial Officer

Hey, Pammi, this is Joe. That is exactly right. On the refinancings, we had some existing financing charges on those mortgages get fully written off this quarter. So, we did have some overlap of financing charges this quarter. You will see that come down slightly moving forward.

Pammi Bir, RBC Capital Markets

And sorry, Joe, do you have a rough estimate of what that figure was? The charges that were doubling up?

Joe Pleckaitis, Chief Financial Officer

About $150,000 this quarter.

Pammi Bir, RBC Capital Markets

Ok. Thanks very much. I'll turn it back.

Blair Welch, Chief Executive Officer

Thanks.

Operator

Thank you. Your next question is from Sumayya Syed from CIBC. Your line is open.

Sumayya Syed, CIBC

Thanks. Good morning. Just one question from me, there was a note on the MD&A about bad debt being higher year-over-year on specific tenant bankruptcies. Just looking for any more color there, if it was a specific category, and what does your watchlist look like at this point in time?

Blair Welch, Chief Executive Officer

Good morning, Sumayya, good to hear from you. I would like the guys to talk about how opportunistic we have been on bankruptcies, and how we see it as an opportunity. It is a moment in time, I think that is a really important story.

Connor O'Brien, Managing Director

Because we focus on under market rents, these bankruptcy processes create an opportunity to the upside. We may have a short term hit to cash flows, but the ability to mark these rents to market through new leasing certainly occurs.

We saw that through the Big Lots bankruptcy process towards the end of last year. We opportunistically acquired one of those locations and have advanced discussions with multiple tenants for that particular space.

More recently, you have seen Party City go through the bankruptcy auction process. That was extremely well received by the retail tenant community. Of our two locations—one was opportunistically acquired and are in advanced discussions with a particular tenant on re-leasing that space in the short term, and the other Party City location was acquired by another tenant, which will lead to no downtime and that tenant taking that space immediately.

Overall, a great outcome with these bankruptcy proceedings being an opportunity in the medium to long term.

Blair Welch, Chief Executive Officer

To make it clear for everyone, because it is a great question and Connor's answer is excellent. The market is so tight, retailers are buying the leases from bankrupt retailers. We have bought some ourselves to get our own space back to mark the rents to market.

But we have had competition from other retailers to buy the leases, so there is no downtime to us. That is how tight the market is. There is some bad debt expense, and I am happy to have Joe talk about it, but it is really a moment in time.

Joe Pleckaitis, Chief Financial Officer

Just to add, we assess our allowance on a tenant-by-tenant basis each quarter. Many times, this will fluctuate based on conversations with tenants or announcements of bankruptcies in the news.

But I would say this often ebbs and flows. You will have some higher quarters and some softer quarters thereafter, but when you look at bad debt as a percentage of revenue, I think we are half a percent this year. From a collection standpoint, we are still very strong.

Sumayya Syed, CIBC

Ok. Thanks for the color. It sounds like not to expect a material notable impacted occupancy, but there remains upside from higher rents on the space you guys just got.

Joe Pleckaitis, Chief Financial Officer

Yes, that is correct.

Sumayya Syed, CIBC

Ok. Thank you. I'll turn it back.

Operator

Thank you. There are no further questions at this time. I will now hand a call back over to Shivi Agarwal for the closing remarks.

Shivi Agarwal, Manager, Finance

Thank you everyone for joining the Q4 2024 Conference Call for Slate Grocery REIT. Have a great day.

Operator

Thank you. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may all disconnect your lines.
