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 First Quarter 2025 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 *0 for the operator. This call is being recorded on Tuesday, May 6th, 2025. I would like to turn the conference over to Ms. Shivi Agarwal, Manager, Finance. Please go ahead.

Shivi Agarwal, Manager, Finance

Thank you operator, and good morning, everyone. Welcome to the Q1 2025 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 Q1 2025 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 positive first quarter results for Slate Grocery REIT. Our team's strong leasing volumes at double-digit rental spreads are continuing to drive healthy net operating income growth for the REIT. Adjusting for completed redevelopments, same-property net operating income increased by 6.8 million or 4.3% on a trailing twelve-month basis. The REIT completed over 220,000 square feet of total leasing throughout the quarter. Notably, renewal spreads reached a new record high of 17% above expiring rents, and new deals were completed at over 22% above comparable average in-place rents.

Portfolio occupancy remains stable at 94.4%, and our portfolio average in-place rent at $12.72 per square foot remains well below the market average of $23.85 per square foot, providing significant runway for continued rent increases. The REIT has only $179 million of debt maturing in 2025, representing less than 13% of the REIT's total debt. After quarter-end, the team financed over $17 million of debt at attractive terms, and productive discussions are already underway to adjust the REIT's remaining 2025 debt maturities. Importantly, the REIT's current portfolio valuation continues to provide significant positive leverage and embedded NOI growth.

We continue to have great conviction in the ability of grocery-anchored real estate to perform in today's economic environment. High construction costs and tight lending conditions continue to limit the pace of new retail development and overall retail availability. And while evolving global trade policies have introduced some economic uncertainty, tariff driven increases in construction costs only further increase the elevated replacement costs for new retail development. This ultimately reinforces the value of existing well located centers, and provides a favorable environment for landlords to retain existing tenants and achieve substantial increases in rent.

We believe leading grocers are also well positioned to withstand potential impacts of tariffs, given a vast majority of grocery goods are sourced domestically, and grocers are highly sophisticated and agile operators who can effectively manage fluctuations in the cost of their goods.

Grocery anchored retail remains well positioned, and we believe favorable fundamentals in the grocery anchored sector, coupled with below market rents in our portfolio, will enable the REIT's continue to grow revenue and generate long-term value for our unit holders.

On behalf of 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.

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star or followed by the one on your telephone keypad. You will hear a prompt that your hand has been raised and should you wish to cancel your request, please press star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question. Your first question comes from the line of Brad Sturges from Raymond James. Please go ahead.

Brad Sturges, Raymond James

Congrats on a pretty strong leasing quarter, still strong momentum in terms of the rent spreads you are achieving. I am curious if the momentum is continuing on into Q2 and if you have seen any notable change in leasing demand in light of some of the macroeconomic uncertainties that have been present over recent weeks?

Blair Welch, Chief Executive Officer

Good morning, Brad. We continue to see consistent demand for our space. That is coupled with the low in-place rents that we have and the high construction costs. We do not see that changing. I think our grocers are very well positioned to weather the tariff storm, whatever that may be, and other non-grocery tenants want to be around that activity. I can pass it over to the team to talk in more detail, if you wish, but if you are referring to retail headwinds and some tenant bankruptcies, we are seeing significant activity from other retailers buying leases out of bankruptcy to keep those rents in place. From a landlord perspective, it creates solid demand. We don't see that backing off anytime soon, what we have been able to achieve.

Allen Gordon, Senior Vice President

To add to that, we have had multiple opportunities in regard to the bankruptcies and, the spaces that we have received back, we have had a significant opportunity to mark those spaces to market. We see that as opportunities across the portfolio, if and when we receive those spaces back.

Brad Sturges, Raymond James

In the quarter, the occupancy did dip a bit due to a bankruptcy at Mid Valley Mall. Just curious if you could comment on the type of tenant and the opportunity for, as you said, capturing the uplift to market rent at that space.

Allen Gordon, Senior Vice President

That was a Big Lots there at Mid Valley. But again, going back to my earlier comment, our portfolio is significantly under market rent, and that is where we are seeing those opportunities to mark those spaces to market. We see that as another opportunity there.

Blair Welch, Chief Executive Officer

In most cases, Brad, what we are able to do is significantly increase the rent, if we actually get the space back.

We were in an auction, I believe a couple of weeks ago, and Dollar Tree and Burlington picked up 60 leases from landlords in the auction. We are trying to get our space back. We are trying to increase that rent. We have not had a situation where the rent has ever gotten lower. It is really an interesting time in the market.

Brad Sturges, Raymond James

If you get the space back, would that require some CapEx? Are you reinvesting in the box to capture that full market uplift?

Blair Welch, Chief Executive Officer

Great question. One of the reasons we really like the grocery-anchored space, the types of assets that we have, is that the landlord works and tenant inducements are very reasonable. Over the last decade, we have been averaging about 8% of NOI below the line cost and that includes everything. That is way different than enclosed malls or other types of high street retail.

In addition, given the tightness of the market, you can be pretty aggressive as a landlord of not having to put much space. Real simple, what you would be asked to do is create the shell box, make sure the air conditioning is working, make sure the facade is OK, and any other work over and above just basic landlord stuff is just negotiating the rent.

Brad Sturges, Raymond James

Great. That is helpful. I will turn it back. Thank you.

Blair Welch, Chief Executive Officer

Thanks, Brad.

Operator

Thank you. Your next question comes from the line of Sairam Srinivas from Cormark Securities. Please go ahead.

Sairam Srinivas, Cormark Securities

Thank you, operator and congrats on a good quarter. Just looking at the industry overall and opportunities ahead, are you seeing any acquisition opportunities there in the pipeline for you?

Blair Welch, Chief Executive Officer

Good morning, Sai. What we are seeing is pretty interesting right now. We have always looked at our portfolio, specifically grocery-anchored, as food distribution, and that has not changed. In good times and bad the distribution of food is critical, and even in recessionary times, we have witnessed over the last couple of cycles - whether that is COVID, sales went up, Global Financial Crisis, sales were stable, and we can go back even more decades - that non-discretionary items people actually increase their purchasing of those items.

As it relates to what we are seeing in the industrial space, our grocers are talking to us more globally about their distribution facilities or certain suppliers of food. But on the grocery space, it is such a vast market and yes, it is fractured. There is still significant demand on the buy side, but I do think there will be more opportunities. I will pass it over to Connor to talk about our pipeline, but it is pretty robust.

Connor O'Brien, Managing Director

Thanks, Blair. I think the transaction pipeline, as you mentioned, continues to be quite robust. Looking back at 2023 and 2024, transaction volume overall was a little bit down compared to historical norms. There was a lot of optimism going into 2025, and have seen a lot of transactions, notably the ROIC acquisition by Blackstone, as well as several individual properties. In terms of portfolio opportunities, there was a lot of optimism related to some more sizable deals getting done this year. It is yet to be seen how that will play out, but the liquidity and opportunity for one-offs continues to be quite liquid, just given the stability and cash flow nature of grocery-anchored properties.

Sairam Srinivas, Cormark Securities

Thanks for that Connor. Looking at the financing of these opportunities, are you seeing any opportunities performing for the JV partnerships that you could kind of use to target these portfolios?

Blair Welch, Chief Executive Officer

I think there is significant interest in acquiring grocery-anchored assets. As it relates to financing from the debt side, the team did a great job last year of financing a significant amount of debt, and those were done at spreads consistent with 5 or 10 years ago. Spreads for grocery, in our opinion, have not really grown out. Obviously, the base rate has expanded, but we have a very attractive in-place weighted average interest rate and positive leverage. So, from the REIT's standpoint, buying one asset is a binary risk for a lender. When you have a well-capitalized lender or borrower, like Slate Grocery REIT, you get a lot of comfort from the lenders, and we can access financing, and I think there will also be interest from equity partners in the future. We are just being cautious, but our acquisition pipeline is substantial. You saw us in COVID, we were pretty acquisitive on buying what we thought were wide or value deals, and the team has since added value to those acquisitions which has added value to our unitholders. We are continuing to look at those types of opportunities.

Sairam Srinivas, Cormark Securities

Thanks for the color, Blair. My last question is around the financing. I think I heard you have $80 million of debt maturing that remains for the rest of the year including the JVs. Can you talk us through the thought process on refinancing that? I know you mentioned it is going to be towards the second-half of the year, but how are you guys thinking about, cost of funding, cost of financing there, and the thought process behind doing it later rather than sooner?

Joe Pleckaitis, Chief Financial Officer

Sai, this is Joe speaking. Thanks for your question. In 2025, we have about $179,000,000 of principal coming due, which is about 13% of our total debt stack. We addressed a lot of our maturities at the end of last year. I would say the interest and appetite from lenders for grocery-anchored product is very strong. For some of these loans, we are in advanced discussions, all very positive. As Blair mentioned, the spreads that we are seeing right now have not changed from 5-10 years ago. It is the underlying risk-free rate that has moved.

We are looking forward to announcing some of those refinancings over the next few quarters, but things are going well from a refinancing standpoint.

Sairam Srinivas, Cormark Securities

Awesome. Thanks, Joe, and thank you guys. I will pass it on.

Operator

Thank you. Once again, should you have a question, please press start followed back to one on your telephone keypad. There are no further questions at this time. I will now hand the call back to Ms. Shivi Agarwal for any closing remarks.

Shivi Agarwal, Manager, Finance

Thank you everyone for joining the Q1 2025 conference call for Slate Grocery REIT. Have a great day.

Operator

Thank you. And this concludes today's call. Thank you for participating. You may all disconnect.
