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

Tal Woolley
CIBC Capital Markets

Brad Sturges
Raymond James

PRESENTATION

Operator

Good morning, ladies and gentlemen and welcome to the Slate Grocery REIT Second Quarter 2025 Financial Results 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 Thursday, August 7th, 2025. I would now like to turn the conference over to Shivi Agarwal. Please go ahead.

Shivi Agarwal, Manager, Finance

Thank you, operator, and good morning, everyone. Welcome to the Q2 2025 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 websites to access all of the REIT's financial disclosure, including our Q2 2025 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 strong second quarter financial results for Slate Grocery REIT. Our team continues to achieve strong leasing volumes at double-digit rental spreads, which drove another quarter of healthy net operating income growth for the REIT.

The REIT completed over 423,000 square feet of total leasing throughout this quarter. Renewal spreads were completed at 13.8% above expiring rents, and new deals were completed at 28.8% above comparable average in-place rent. Adjusting for completed redevelopments, same-property net operating income increased by $5.7 million or 3.6% on a trailing twelve-month basis. Portfolio occupancy remains stable at 94%, and our portfolio average in-place rent of $12.77 per square foot remains well below the market average of $24.00, providing significant runway for continued rent increases.

The REIT has only $172 million of debt maturing through the end of 2026, at the REIT's proportionate interest, representing 12% of the REIT's total debt outstanding. We continue to see appetite for high quality grocery-anchored real estate assets in the lending space. In the second quarter, the REIT refinanced a four-property portfolio for $39 million and entered into a credit facility totaling $17 million at attractive spreads. And after quarter end, the REIT amended two of its existing interest rate swaps, extending the maturity and achieving a blended weighted average interest rate of 5%. Importantly, the REIT's current portfolio valuation continues to provide significant positive leverage and embedded net operating income growth.

We continue to believe in the fundamentals of grocery-anchored real estate, and have great conviction in the ability of this asset class to perform in today's economic environment. Elevated construction costs and tight lending conditions continue to limit the pace of new retail development and overall retail availability. And with limited supply and historically low vacancy rates across the sector, grocery-anchored real estate remains highly occupied. This dynamic, coupled with virtually no new supply, creates a favorable environment for landlords to retain existing tenants and achieve increases in rents as leases expire.

We believe the positive underlying trends in the grocery-anchored sector, coupled with below market rents across our portfolio, will enable the REIT to continue growing revenue and generating long term value for our unitholders. On behalf of the Slate Grocery 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. If you do wish to ask a question, please press *1 on your telephone keypad. If you wish to withdraw your question, you may do so by pressing *2 again to cancel. Once again, please press *1 to register for a question. There will be a brief pause while questions are registered. And your first question comes from the line of Sairam Srinivas from Cormark Securities. Your line is now open.

Sairam Srinivas, Cormark Securities

Thank you, operator. Good morning, everybody. Just looking at the leasing spread, so the last couple of quarters they look really strong. Congratulations on that. How should we be thinking about the reflection of that on organic growth over the next 12 months?

Blair Welch, Chief Executive Officer

Good question, Sai. We feel that those spreads will continue and it is how the team has strategically purchased assets with low in-place rents. Given that there is no new supply, we are forecasting similar rental spreads. I believe this is our ninth quarter in a row of these kind of numbers, and we see that continuing in the future. And that goes down into our net operating income. I will pass it off to Allen and Connor for more details.

Allen Gordon, Senior Vice President

One of the things that is driving that is the limited supply of space in the market as Blair mentioned, and we continue to forecast those spreads moving forward.

Sairam Srinivas, Cormark Securities

When you look at SPNOI, specifically a couple of quarters ago, the numbers are healthy, and I think it is 3% to 4%. In the last couple of quarters, they have been trailing down a bit. Is that a function of pumping on more stronger quarters or is that something to do with the timing of leases coming up?

Blair Welch, Chief Executive Officer

It's more just the timing of when leases come on and how much space we renewed, or the new leasing and when it comes on. We will forecast a similar NOI growth, but it is really just timing of leases coming on and we have a pretty good pipeline of leasing on the go right now.

Allen Gordon, Senior Vice President

Right now, we have over 200,000 square feet of leases in the pipeline that are at a letter of intent or lease negotiation stage.

Connor O’Brien, Managing Director

A lot of times, that NOI growth too is tied to the amount of lease roll that is occurring within a particular quarter or year. We do have a little bit less rollover over the next few quarters, but we expect that to pick up through new leasing and then into larger renewals Q2 and onwards for next year.

Sairam Srinivas, Cormark Securities

Thanks for the color guys. How should we be thinking about organic growth for 2025? Would it be in the historic range of 1% to 2%, or slightly above that considering the strong leasing?

Blair Welch, Chief Executive Officer

I would do what we have done for the last nine quarters. You have to blend it on an annual basis. It is hard to do on a quarterly basis, but I think we will continue with our same leasing spreads, and I think our NOI growth will still be on an annual basis about 3 to 4%.

Sairam Srinivas, Cormark Securities

All right, thanks everybody. I will turn it back.

Blair Welch, Chief Executive Officer

Thanks, Sai.

Operator

Thank you. As a reminder, if you wish to ask a question, please press *1 on your telephone keypad. And your next question comes from the line of Tal Woolley from CIBC Capital Markets. Your line is now open.

Tal Woolley, CIBC Capital Markets

Good morning, everybody.

Blair Welch, Chief Executive Officer

Morning.

Tal Woolley, CIBC Capital Markets

Reading through your numbers, it looks like you are seeing decent same-property NOI growth, but that is sort of getting swallowed up by higher financing costs going forward. When you look at your numbers internally, when you sort of see that tide shifting when the incremental growth you are delivering on the NOI side is higher than the pickup in interest costs.

Blair Welch, Chief Executive Officer

I will let Joe answer in more detail, but I think we are at that place now, now that we just did our swaps and locked in our interest rate for some time around 5%. We feel comfortable where our interest rate cost is and we have significant positive leverage from our IFRS cap rate. I think we are there now. If I knew where interest rates were going two years from now, I would be on the beach somewhere. But we feel pretty good with where we are and going forward. .

Joe Pleckaitis, Chief Financial Officer

Yes, that is exactly right. One of the big things we wanted to address is our 2025 swap maturities. We restructured those post quarter end, which, as Blair mentioned, brings our weighted average interest rate to about 5%, trending towards 5.1% by year end. What that does is it locks us in until mid-2027, given we have a pretty small amount of debt rolling next year. We have a lot of visibility in what our cost of debt is. We are going to continue to focus on our SPNOI growth and I think you are going to see that starting to trend back up.

Tal Woolley, CIBC Capital Markets

And a secured mortgage right now, five-year term would cost you around what?

Joe Pleckaitis, Chief Financial Officer

It depends on credit of the tenant and location as well. As we are going to market, things are becoming a lot more competitive with the amount of bids we are receiving. I would say you are probably in that 160, 175, 180 range. Looking back to how these mortgages are maturing and what we were in place 10 years ago, the spreads have remained unchanged. It is really your risk-free rate that has moved on you. The landscape is still very competitive from a lender standpoint. They are really looking at this type of product and they are hungry for it and also very supportive of SGR's portfolio and our business plan.

Tal Woolley, CIBC Capital Markets

I do not want to make too many analogies to what we are seeing out of some of the Canadian REITs here versus what's the story in the US. But, we have seen some of the larger REITs historically, when they are negotiating with the grocery anchors, if that is some fixed renewal formula or they are not really grasping for the last dollar per square foot on the rent because they want to have a happy anchor. And have really started to push the CRU tenants a lot more. When you look at your portfolio, do you think you are getting the most you can out of the anchors or have you gotten the most you can out of the anchors? Same thing for the CRU tenants as well.

Blair Welch, Chief Executive Officer

Comparing it to some of the Canadian grocery-anchored REITs, it is different because they are negotiating with themselves on the other side, which makes it challenging. The US market has 40,000 grocery stores and the largest owner would have less than 400, so it is highly fractured. Given the size of our portfolio and our experience in this space, I think we do get the right rent from the grocers on increase. But where we really see increase and leasing momentum is on the shop space. We do get the right rent and growth from the anchors. The anchors really do not have many places to go. It is very expensive to go to a new site. We are pushing that rent as much as we can. It is similar to Canada, but I think it is different than what happens up here. Why we love the US grocery space so much, is our in-place rents, compared to Canadian in-place rents, are much lower and we also are strong believers in the US economy long-term. We feel there is huge growth there.

Tal Woolley, CIBC Capital Markets

That is great. Thanks very much everyone.

Blair Welch, Chief Executive Officer

Thanks.

Operator

As a reminder, if you do wish to ask a question, please press *1 on your telephone keypad. And your next question comes from the line of Brad Sturges from Raymond James. Your line is now open.

Brad Sturges, Raymond James

Hey guys. Going on the strength of the market and following on Tal's question lines of questioning, given the wide gap between in-place rents and market and the lack of supply, is there potentially some room to push on the contractual rent increases that you would see annually within the portfolio, and how should we think about where that lies today on average?

Blair Welch, Chief Executive Officer

If you look at our last nine quarters of rental spreads, I think we are doing a pretty good job of pushing. What we are doing right now, given the market backdrop, is asking for rent escalations wherever we can. We are pushing as much as we can. We are trying to get those lifts, and it has shown over the last nine quarters what we are getting. I do not think we are saying all of our rents are going to go to $24.00 if that is market, but we are saying that at $12.77 there is significant room for growth and it is a very defensive portfolio and we can show that cash flow growth. We are confident. We see these same rental spreads and growth happening for the next several quarters, if not more.

Connor O'Brien, Managing Director

What prevents that immediate mark-to-market opportunity is sometimes the option structures of these grocer leases. The grocers are very sophisticated, and when these properties were originally developed, they often had option periods for 30 plus years. As those option terms roll off, our ability to capture much larger rental spreads on the grocers do exist.

Brad Sturges, Raymond James

Would there typically be a contractual rent increase or escalator within the CRU comp leases, or is that more a function just on the anchor space?

Connor O'Brien, Managing Director

On all of the CRU spaces, we target annual rent escalations, as well as if there are any options, target as large of option lifts as possible.

Brad Sturges, Raymond James

Ok. And the occupancy might bounce around a bit just timing on leases, but where do you think you trend on an occupancy perspective over the next couple of quarters?

Blair Welch, Chief Executive Officer

I think it is going to be around 94% to 95% bumping around. If we were full, we are not going to get the same rental churn, so we are going to be around 94% to 95%.

Brad Sturges, Raymond James

Ok.

Blair Welch, Chief Executive Officer

I would not say that as a risk. We think it is more of an opportunity. We want as much space back as we possibly can because we can push rents.

Brad Sturges, Raymond James

Last question, just looking at the private market in terms of transaction activity, any comments on what you are seeing in the market today and what that means for Slate Grocery REIT?

Blair Welch, Chief Executive Officer

It is the United States, and there are always deals that happen. But in general, real estate transaction volume has been muted for all the reasons you know. There is keen interest in buying stable U.S. dollar cash flow, and grocery-anchored real estate provides that. So there is a lot of investor interest in it, but it is hard to get scale, and I think our team has done a really good job of buying onesie-twosies, and we also look at portfolios. It is really the relationship with the grocers that's critical from an operation perspective, and our team has done a good job there. We are out there, it has been muted, but there are deals to do and we are always looking to grow.

Brad Sturges, Raymond James

Ok. Appreciate it. I will turn it back. Thank you.

Blair Welch, Chief Executive Officer

Thanks Brad.

Operator

And once again, if you do wish to ask a question, please press *1 on your telephone keypad. And as there are no further questions, I will return the call to Shivi Agrawal. You may proceed.

Shivi Agarwal, Manager, Finance

Thank you everyone for joining the Q2 2025 conference call for Slate Grocery REIT. Have a great day.

Operator

This now concludes today's conference call. Thank you all for attending. You may now disconnect.
