



Final Transcript

Crombie Real Estate Investment Trust

Fourth Quarter Results Conference Call

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DISCLAIMER

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Forward-Looking Information

This transcript contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to, statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking information in this transcript includes statements regarding:

- (I) The disposition of properties, including properties under contract, and the anticipated reinvestment of net proceeds, which could be impacted by the availability of purchasers, the availability of accretive property acquisitions, requirements and timing for Sobeys investments, the timing of property development activities or other uses for net proceeds and real estate market conditions;
- (II) Our development pipeline and diversification to mixed-use and residential developments, including statements regarding the locations identified, timing, cost, development size and nature, anticipated yield on cost, and impact on net asset value and net asset value per unit, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs, continuance of current market and capitalization rate conditions and general economic conditions and factors described under the "property development/redevelopment" section of our most recent management's discussion and analysis, and which assumes obtaining required municipal zoning and development approvals and successful agreements with existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;
- (III) Set growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource availability and allocation decisions as well as actual development costs;
- (IV) The accretive acquisition of properties, including the cost and timing of new properties under right of first offer agreements, and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;
- (V) Overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition and disposition activity that Crombie is able to achieve, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants, and market conditions;

- (VI) Generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;
- (VII) Expected increase in revenue in 2021, which could be impacted by timing of completion of development projects underway, ability to secure tenants and the effects of general economic conditions;
- (VIII) Anticipated replacement of expiring tenancies, which could be impacted by the effects of general economic conditions and the supply of competitive locations;
- (IX) The anticipated rate of general and administrative expenses as a percentage of property revenue, which could be impacted by changes in property revenue and/or changes in general and administrative expenses; and
- (X) Anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions. These forward-looking statements are presented for the purpose of assisting Crombie's unitholders and financial analysts in understanding Crombie's operating environment and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "risk management" in Crombie's management's discussion and analysis for the year and quarter ended December 31, 2020 and those discussed under "risk factors" in Crombie's most recent annual information form (available at www.sedar.com) could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and a reader should not place undue reliance on the forward-looking statements.

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to Crombie REIT's Q4 Earnings Conference Call.

I would now like to turn the conference over to Ruth Martin. Please go ahead.

Ruth Martin – Crombie REIT, Director, Investor Relations and Financial Analysis

Thank you, Joanna. Good day, everyone, and welcome to Crombie REIT's Fourth Quarter Conference Call and Webcast. Thank you for joining us.

This call is being recorded in live audio and is available on our website at www.crombiereit.com. Slides to accompany today's call are available on the investors section of our website under presentations and events.

On the call today are Don Clow, President and Chief Executive Officer; Clinton Keay, Chief Financial Officer and Secretary; and Glenn Hynes, Executive Vice President and Chief Operating Officer.

Today's discussion includes forward-looking statements. As always, we want to caution you that such statements are based on Management's assumptions and beliefs. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. Please see our public filings, including our annual information form, for a discussion of these risk factors.

I will now turn the call over to Don who will begin our discussion with comments on Crombie's overall strategy and outlook. Glenn will follow with a development update and review of Crombie's operating fundamentals and results. Clinton will discuss our financial results, capital allocation and approach to funding, and Don will conclude with a few final remarks. Over to you, Don.

Donald Clow — Crombie REIT, President and Chief Executive Officer

Thank you, Ruth. Good day, everyone. Thanks for joining us for our 2020 year-end conference call.

2020 was a year like no other. We began the year with record occupancy, an all time high closing unit price of \$16.58 in January, and a compelling strategy of stability, sustainability and growth by operating one of the best grocery anchored retail portfolios in Canada, maximizing our relationship with Empire and executing on our major developments in Canada's largest cities.

The COVID-19 pandemic was declared in March and the world around us was significantly impacted by a health crisis that transformed into a global economic crisis, unlike anything we've seen before. With no rulebook and a pandemic of unknown duration, Crombie pivoted and took a thoughtful long-term approach that continues today to prioritize the health, safety and well being of our employees, tenants and our communities, together with maximizing our liquidity so our business could deal with the myriad of financial pressures that will present themselves.

The success of our tenants and the communities in which we operate matters deeply to us. As a result, Crombie's team tailored approach to rent relief to further strengthen these relationships. We provided financial assistance to our Crombie Value Small Business Program (CVSB) and helped tenants receive funding through the Canada Emergency Commercial Rent Assistance (CECRA) Program, and the Canada Emergency Rent Subsidy (CERS) program.

In addition, we performed case by case evaluations with select tenants who did not qualify for CVSB, CECRA or CERS to determine appropriate levels of support for their business. We maintained frequent contact with our tenants, as many were faced with substantial changes to the way they serve their customers through multiple lockdowns. Although the pandemic is not yet over, Crombie continues to be in a strong position to weather the storm.

Crombie's long-term strategy has not changed as we remain committed to delivering stability, sustainability and growth for the benefit of all of our stakeholders. I am very proud of our Crombie team as they showed remarkable resilience. They made tremendous sacrifices to drive Crombie's top quartile unit price performance in 2020. Crombie's team has driven our strategy through the most difficult year in the last decade, as it has grown and optimized the quality of our grocery anchored omni-channel real estate portfolio, and delivered world class development projects, while at the same time strengthening our financial condition.

Grocery anchored retail continues to be one of the best classes of real estate and our Empire anchored core portfolio has stood up to the unique challenges presented over the last 12

months, achieving a new record of committed occupancy of 96.4 percent and strong leasing performance. Crombie benefits from both the strong and improving covenant of Empire and from their lengthy weighted average lease term of approximately 12.5 years, which drives our overall weighted average lease term of approximately 9.5 years.

To advance our relationship with Empire, we have aligned our strategies over the next three years to collectively drive high quality risk adjusted growth consistently, and at scale, with Crombie planning to spend approximately \$100 million to \$200 million a year on Empire related investments. This alignment includes strategic and accretive investments in the modernization and expansion of grocery stores, including the FreshCo discount format in Western Canada, and Farm Boy in Ontario, accelerating Sobeys build out of their online grocery home delivery service, Voilà, land use intensifications and the unlocking of major developments. Case and point, in December we achieved substantial completion of the customer fulfilment center number two in Montreal, the home of Empire's Voilà e-commerce home delivery facility.

I want to commend Michael Medline and the entire Empire team for their dedication and resilience in relentlessly serving groceries to Canadians and keeping customers safe throughout the pandemic. Empire achieved great momentum through its Project Sunrise transformation, and we have full confidence they will be successful with Project Horizon, their new three-year growth strategy to drive core business expansion and e-commerce acceleration. Crombie is fortunate to have a strong and strategic partner that we expect will not only continue to be a Canadian grocery

industry leader for years to come, but will also drive significant value creation in both food retail and real estate over the long term.

We have become a significant developer of major mixed-use real estate in urban markets across the country. Our value enhancing major development pipeline includes sites strategically and conveniently located within walking distance of existing and future transit corridors. These major development projects play a key role in our long-term strategy of accelerating net asset value and AFFO growth.

Despite COVID-19, our team and our partners, Westbank and Prince Developments, safely forged ahead to ensure our active development projects remained on track and on budget. The quality and diversification of our developments and their economic returns remained of utmost importance. 2020 was a landmark year for our development program as we saw our first four major development projects reach substantial completion. First to market retail tenants opened their new locations and residential tenants moved into our first mixed-use residential development in the heart of the West End in Vancouver.

In addition to these achievements, progress continues on our remaining three active developments with substantial completion expected in 2021, while pushing forward another 10 projects through various stages of entitlements. Overall, we plan to spend approximately \$150 million to \$250 million on developments annually.

Lastly, we are very pleased with the continued improvement of our balance sheet as we leverage multiple sources of capital to increase our liquidity, increase the weighted average term to maturity of our debt and take advantage of low interest rates.

Though we've been living with COVID-19 for almost a year, and we're not out of the woods yet, we are optimistic for brighter days ahead as vaccinations continue to roll out across Canada. We are hopeful that herd immunity will be achieved by the end of 2021, and we can return to a more normal way of life. We expect our stable grocery-anchored portfolio and solid financial condition, together with our resilient and remarkable team who continue to work closely with Empire to support their business, unlock value and grow and develop Crombie.

With that, I'll now turn the call over to Glenn to provide an update on our developments and operational highlights.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Thank you, Don, and good day, everyone.

We have built a very solid foundation for our business. We've improved the quality of our portfolio by developing and acquiring assets in Canada's top markets, as well as recycling assets, mostly in secondary and tertiary markets, to reinvest proceeds in Empire related investments in Crombie's major urban development.

Our defensive grocery-anchored portfolio is well positioned with minimal exposure to the numerous declarations of store closures, CCAA applications and/or bankruptcies, in recent months. We're happy to say that 97 percent of our portfolio was open and operating as of December 31.

Crombie's strong fundamentals on our 284 property portfolio were driven by record high Q4 committed occupancy of 96.4 percent. New leases and expansions increased occupancy by 248,000 square feet at an average first-year rate of \$18.04 per square foot, while we experienced just 116,000 square feet of net lease expiries, vacancies, terminations, and space adjustments. We ended the year with 432,000 square feet of committed space at an average first year rent of \$19.66 per square foot, which will boost future NOI growth. 300,000 square feet are committed at our Montreal CFC, another 47,000 square feet committed at Avalon mall, and a 49,000 square foot office lease is committed at our Scotia Square complex in Halifax, Nova Scotia.

During the quarter, 200,000 square feet of renewals were completed at a 4.5 percent increase over expiring rental rates. In 2020, we renewed 758,000 square feet at an increase of 4.1 percent over expiring rent. Retail Plaza renewals were solid, with 404,000 square feet renewed at rental increases of 5 percent.

The portfolio we have today is resilient, and as we navigate through these uncharted times, our team is dedicated to ensuring our underlying business fundamentals remain strong.

Property development is a strategic priority for Crombie as it improves NAV, cash flow growth, and unitholder value. In 2020, solid milestones were achieved on our major mixed-use developments as they remained on track and on budget. This is truly a transformational time for Crombie as our Belmont Market, Avalon Mall, Davie Street Retail and Montreal CFC major development projects reached substantial completion in 2020. The remaining three active developments, namely Davie Street Residential, Le Duke and Bronte, are expected to reach substantial completion in 2021.

Our 160,000 square foot Belmont market on Vancouver Island reached substantial completion in the first quarter of 2020 with the final phase of the development consisting of three small buildings, totaling 23,000 square feet, still to come online. Construction is substantially complete at the first of these three buildings, two of the three units in this building have been leased, and the remaining two buildings are slated to begin construction upon pre-leasing success.

Avalon Mall is the only regional mall in all of Newfoundland and Labrador and has had exceptional performance as one of the top enclosed malls in Canada during the pandemic. Rent collection at Avalon Mall for Q4 was 94 percent. Newfoundland and Labrador have had a low number of COVID cases relative to the rest of Canada, and a relatively strong return to normal economic and social conditions, resulting in increased traffic counts, and climbing sales at Avalon. Recently, there has been an outbreak in the province which put a pause on this progress. Non-

essential retail stores are closed to in person service at this time for an initial two week period, which ends tomorrow.

Phase one of Avalon's development reached substantial completion in the third quarter of 2020, while phase two achieved substantial completion in Q4. The grand opening of 165,000 square foot redevelopment space is scheduled for this spring. H&M had a strong opening in the fourth quarter of 2020 while numerous other tenants are in possession of their space, with openings expected to commence in the first and second quarter of this year.

The 300,000 square foot Montreal CFC reached substantial completion in the fourth quarter of 2020 ahead of our preliminary schedule estimate. The base building was turned over to Empire and Ocado in December 2020, with the lease commencing in Q1 2021.

At Davie Street in Vancouver, the commercial portion of the development reached substantial completion in Q2 of 2020, as the new Safeway store opened. Additionally, Scotiabank, and the government liquor store opened later in 2020, and 100 percent occupancy will be achieved with the final tenant opening in Q2, which was recently signed.

Substantial completion on the 330 Davie Street residential rental units in two towers was achieved in January. The West tower was completed in the fourth quarter of 2020 with initial tenant move-ins beginning in November. The East tower began move-ins this month.

In Montreal, at our Le Duke project, the residential structure is complete, and interior fixturing is well underway. Le Duke will include a 25-storey mixed use tower with 387 residential rental units. On ground level, there is a 25,000 square foot IGA grocery store, which began its fixturing period this month, and 1,000 square feet of retail space with 200 underground parking stalls. The project is estimated to reach substantial completion in Q3 of this year with initial leasing activity soon to commence.

Bronte Village in the GTA is 96 percent tendered, and both buildings are fully enclosed with interior finishing work well underway. Substantial completion is expected in the fourth quarter of this year with the new Farm Boy store expected to open in the summer of this year. The pre-leasing marketing campaign has commenced with strong interest to date and the first residential lease was signed this month.

These projects are expected to drive NAV and AFFO growth, increase our presence in the country's top urban markets, while diversifying and improving our overall portfolio quality and income stream.

As our first active developments approach completion, we continue our work to entitle an additional 10 projects across Canada. We're making progress unlocking significant land value embedded in our major urban market grocery stores and generating opportunities to continue our development program. We expect to invest \$150 million to \$250 million in our development program annually, as Don noted.

To date, zoning is in place for three projects, two of which are in Halifax, Nova Scotia, and one in Victoria, British Columbia. Two projects located in Vancouver and Halifax have zoning applications submitted and the remaining five projects are in various stages of pre-planning.

We've also completed property acquisitions, and have been active in our capital recycling program. In the fourth quarter, Crombie acquired two income producing properties, and one development property for a total aggregate purchase price of \$31 million. Through these acquisitions, Crombie strengthened its presence in VECTOM, in line with our urbanization strategy. Subsequent to December 31, an additional retail property was acquired from Empire.

In the fourth quarter, we concluded the disposition of five income producing properties for total gross proceeds of \$37 million. Additionally, subsequent to year-end, two income producing retail properties were disposed for total gross proceeds of \$18 million.

With that, I will now turn the call over to Clinton, who will highlight our fourth quarter financial results and discuss our capital and development program funding approach. Clinton.

Clinton Keay – Crombie REIT, Chief Financial Officer and Secretary

Thank you, Glenn. Good day, everyone.

We are very pleased with our 98 percent collection rate in Q4, which remained constant in January, a steady improvement from our 95 percent collection rate in the third quarter.

Despite the ongoing challenges, Crombie remains in good financial health with a strong and flexible balance sheet, ample liquidity of \$472 million available at year end, and an ability to prudently allocate and creatively source capital.

On a cash basis, quarterly same asset NOI increased by 1.9 percent and decreased by 1.1 percent for the full year. Excluding COVID-19 related adjustments such as bad debt expense, rent abatements and a decline in parking revenue, same asset NOI would have increased by 3.6 percent for Q4, and 2.8 percent for the full year.

AFFO per unit was \$0.23, decreasing from \$0.24 for the same quarter last year. Our AFFO payout ratio was 98.7 percent versus the same quarter last year at 93.8 percent. FFO for the quarter decreased to \$0.27 per unit from \$0.28 for Q4, 2019, and our FFO payout ratio was 83.2 percent versus 80.1 percent in the same quarter last year. In addition to the impacts of COVID-19, AFFO and FFO decreased in the quarter due to the increased finance cost of approximately \$2 million resulting from the premium paid related to the partial early redemption of unsecured notes. Adjusting for the impact of COVID-19 on Crombie's operating performance, and the impact of the interest premium paid, AFFO per unit would be \$0.25, and FFO per unit will be \$0.29, ahead of Q4 2019.

G&A as a percent of property revenue for Q4 was 5.7 percent or \$5.5 million compared to 6 percent for the same quarter in 2019. The decrease from Q4 2019 is primarily driven by

reduced salaries from the organizational realignment completed in Q2 2020 and lower unit-based compensation.

Crombie continues to reduce risk and build financial strength by strategically managing our capital structure and optimizing capital allocation to generate long term value for our stakeholders. During the fourth quarter, Crombie had successful issuances of \$300 million in unsecured notes. Proceeds were used to partially redeem \$100 million of unsecured notes due June 1, 2021, and the remainder applied against short term bank debt. The issuance and partial redemption aligned with Crombie's focus on increasing weighted average term to maturity of its debt with an inaugural 10-year offering and harvesting interest savings with our lowest coupon rate to date, on a 7.5 year unsecured note offering of 2.69 percent.

In the fourth quarter, Crombie secured a long term 16-year \$100 million mortgage financing at a favorable interest rate of 2.87 percent. \$36.7 million of the proceeds were drawn in Q4, leaving \$63.3 million of restricted cash on hand, which is expected to be fully drawn by the end of Q2, 2021.

Both financing activities align with our debt strategy and significantly increases our weighted average term to maturity from 4.1 years in Q4 2019 to 5.3 years in Q4 2020, while lowering our weighted average interest rate.

Our unencumbered asset pool is approximately \$1.4 billion or 30 percent of Crombie's total assets, \$4.8 billion. Our debt to gross fair value net of cash at the end of Q4 was 48.8 percent

compared to 49.8 percent for Q3 2020. We ended the quarter with debt-to-trailing-12-month EBITDA at 9.19 times net of cash and COVID related adjustments, versus 8.52 times at Q4, 2019. This increase is primarily impacted by spending on development with no income until project completion.

Looking ahead at 2021, we are focused on the continuous improvement of the balance sheet, while also retaining flexibility to pursue strategic growth initiatives. \$270 million of our total debt is maturing this year at a weighted average interest rate of 3.7 percent. Included in this is \$150 million of unsecured notes maturing on June 1, 2021, and \$85 million in mortgages with approximately 80 percent maturing in December 2021. All this debt can be funded through utilizing our existing liquidity or with the issuance of long-term debt at currently attractive lower rates.

Crombie is committed to delivering value through the effective allocation of capital and accelerating NAV and AFFO growth per unit, while supporting our tenants, employees and communities during these difficult times.

I will now turn the call over to Don for a few closing comments.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Thank you, Clinton.

At Crombie, ESG is part of our everyday decision making. We believe that everyone has a responsibility to do their part to help protect and sustain our environment, improve the lives of our employees and Canadians and govern our trust to the highest standards. We've implemented many programs over the last 15 years that focused on reducing our carbon footprint and other environmental impacts and properties that we own and operate. Today, we have committed to the GRESB framework for reporting.

In 2020, in collaboration with Empire, LED retrofits were completed at 147 of our properties across the country. Additionally, Clean St. John's awarded Avalon Mall the Golden Broom Award in 2020. Sustainable design and construction is embedded in our development process. Our Davie street development adheres to this and has built to LEED Gold equivalent. From a social perspective, Crombie has consistently won Atlantic Canadian and Nova Scotian Employer of the Year awards as a result of our commitment to our people and our culture. In 2020, we also won a top Canadian Small and Medium Enterprise award.

Diversity, equity and inclusion at Crombie is of utmost importance, and in 2020, we updated our diversity, equity and inclusion policy to include goals, accountabilities and commitments. We held virtual inclusion conversations, and we signed the Black North pledge.

Crombie has always believed in strong corporate governance and ethics. While we have a strategic relationship with Empire, who owns 41.5 percent interest in Crombie, we've taken every effort to maintain our independence. Three of the 10 trustees are appointed by Empire

and must abstain from voting on related party transactions with Empire Company Limited. The remaining seven trustees, including the board chair, are elected by unitholders.

Looking ahead, we are committed to advancing our ESG program. We will report publicly our ESG strategy and operating model, our priority ESG objectives and we will publish an ESG report with commitments that reflect our values.

Reflecting on the year that was 2020, our business and our people were tested severely and continuously. They showed remarkable resilience in the face of immense disruption. The courage and innovation displayed was second to none. While the world is not yet safe to return to normal, we are confident in the future we are building at Crombie.

That concludes our prepared remarks. We are now happy to answer your questions.

Q & A

Operator

First question comes from Jenny Ma at BMO Capital Markets. Please go ahead.

Jenny Ma – Analyst, BMO

Thanks, and good afternoon.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Hi, Jenny.

Jenny MA – Analyst, BMO

I wanted to ask about Avalon Mall. The numbers look a lot better than they did in the first quarter of 2020. I know we're still in the middle of the outbreak in Newfoundland, but do you have any additional colour, and have you had any conversations with your tenants about what the plans are? Do you anticipate any hiccups in rent collection? I guess you would have collected February, but I guess we're looking at March now.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Yes, Jenny. With the lockdown, it certainly changed. As we mentioned in the script, 94 percent rent collection was achieved at Avalon in Q4, and you're right, that's a far improvement from back in the dark days of summer. I think there was points in the early part of COVID, where about 40 percent of our bad debt costs were at one property, Avalon Mall, so it's amazing how we've gotten back to 94 percent collection in the fourth quarter. Ninety-nine percent of the tenants open and in really good shape.

During this lockdown, just the last couple of weeks, essentially, curbside pickup was allowed, but no in-store shopping, except for essential service tenants like, say, pharmacy. We had about 43 percent of the mall was actually doing business during this two-week period, which is reasonably impressive given it was really a stage five lockdown. We'll know more tomorrow

about whether this lockdown will end or whether it will be extended. But there's been great progress on the COVID cases last week. We'll see in the next 24 hours what that foretells.

In terms of other tenants, it's going well. H&M opened very well. We've had situations where now the fixturing of other tenants is—SportChek is fixturing, Gap, Tommy Hilfiger, etc. We're gearing up for the grand reopening. It's going to be a different event, because it'll be quasi-virtual, tenants will not be able, from head offices, get to Newfoundland, etc. We have some really spectacular plans to celebrate the reopening. But I can just say that it's gone really well.

On the adjacent property to Avalon, Kenmount Road property, we opened a 45,000 square foot Brick store in November, and that's gone really well. But the traffic at the Mall has been strong. Before this—call it lockdown—in the last two weeks, traffic levels were running about 13 percent below last year, which all things considered, is really, really strong, and we're really pleased with that.

Overall, the property has done extremely well. We're excited for the tenants that are coming with the grand reopening. There is a bit of additional leasing to be done. We've just had some pad spaces leased. Two of our four pad spaces have been leased in the last month. Overall, hopefully that gives you some colour. But it's been extremely encouraging.

I wouldn't say which tenant, but just to Donnie's point about Avalon being a very strong mall, one of our tenants had the top same store sales in the world at Avalon over the last three

or four months, over a couple of week period. That speaks volumes about the ability of that economy to restore and the strength of that mall to service Newfoundland and Labrador.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Jenny, it's Donnie. Just one more point.

People have to appreciate Avalon Mall has been one of the top—in my mind five—probably five malls in the country over the last year just because it's been open. It's been open for a good chunk of the time. I don't have a detailed stat on that, but I'm pretty comfortable that it's been open a lot more and having much better sales than most enclosed malls in the country, and there's going to be people now paying the rent. It's really a strong property and especially just through COVID with strong performance by Newfoundland, up until the last two weeks. Against COVID, it's been an exception, I think, to the enclosed regional malls in Canada.

Jenny Ma — Analyst, BMO

Yes, it's good to see. I guess, to my question about rent collection, is it fair to say that with February rent due before the lockdown, it probably tracks closer to January, then we look forward to March, I guess all depends on what gets announced tomorrow, that probably would impact it to some extent?

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Yes, that's fair. We're still cautiously optimistic that March will be fine. But in general, whether it's Newfoundland or whether it's the REIT in general, February was very much tracking January, which is encouraging, and it remains a little bit to be seen for March. But we're still cautiously optimistic that at the REIT level, March is going to be strong. But Avalon is going to be a little bit uncertain. We'll know a bit more in the next 24 hours. Hopefully tenants get back to business next week or on the weekend, depending on when the lockdown ends. But that's a little bit unknown at this point, Jenny.

Jenny Ma – Analyst, BMO

Okay, great.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

The other the other thing I'll add is that people can see—I think generally tenants can see the end of the pandemic in sight potentially with vaccines rolling out across the country. But, in areas where they've managed COVID better than others, societies have been behaving on a relatively normal basis and Newfoundland is one of those. I think tenants won't be as aggressive this time around because they're much closer to the end, and so I'm quite cautiously optimistic that the discussions we have will be quite different than we were having an April of last year.

Jenny Ma – Analyst, BMO

Great. With regards to development projects, Glenn, you had mentioned that the Voila CFC is going to start producing rents this quarter. Can you do a little bit more specific about the

timing? Has it already begun? Then this might be a question for Clinton, but is there a dislocation between the capitalized interest in the timing of the NOI commencing?

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

In terms of rent commencement, rent commenced at early January. Rent has commenced, and we would have ceased to capitalize interest upon substantial completion in late December of 2020.

Clinton Keay – Crombie REIT, Chief Financial Officer and Secretary

There's no dislocation, Jenny.

Jenny Ma – Analyst, BMO

Okay, great. Then turning to the same store NOI, congratulations on positive growth. It looks like it was from a lot of the work that you're doing on the Sobeys stores. I'm just wondering if you could provide some more colour on maybe the mechanics of how that happens in a store, and how many stores this would have applied to? A ballpark figure.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Sure. We reported plus 1.9 percent. But as Clinton noted, if you back out the impact of parking, the COVID impacts parking, bad debt expense and rent abatement, it was plus 3.6 percent. That's a pretty strong quarter for us in normal terms.

As you know, Jenny, there's four reasons for growing same asset NOI; it's improved occupancy, which we had a nice year doing that. Secondly, it's achieving rental bumps on renewals, and we achieved 4.5 percent on that in the quarter, 4.1 percent for the year. There's land use intensification, where we do minor, call it pad expansions, to retail properties, maybe a QSR restaurant here or there. Because those are relatively small, if it's done on the same asset property, we don't change the characterization of that property. That's been pretty slow through COVID. Tenants went pens down on deals as you would appreciate. We're expecting to be at a much more rapid pace this year, we're really getting excited. The fourth is what you referred to as the Sobeys modernizations. We do invest money in the modernization and renovation of Sobeys stores, and the return we get increases the rents. That property is a same asset property; that additional rent does support same asset NOI.

At any one point in time in a year, we might do upwards of 10 of these. It depends. But they do generate additional revenue that support same asset NOI. We don't break out the distinction. But the reason why we mentioned that this quarter our same asset NOI was buoyed a bit more by the capital side was because the 3.6 percent overall same asset growth is a stronger number than normal.

Jenny Ma – Analyst, BMO

Okay, great. Well, thank you very much. I'll turn it back.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Thanks, Jenny.

Clinton Keay – Crombie REIT, Chief Financial Officer and Secretary

Thanks, Jenny.

Operator

Thank you. The next question comes from Pammi Bir at RBC capital markets. Please go ahead.

Pammi Bir – Analyst, RBC

Thanks. Hi, everyone.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Hi, Pammi.

Pammi Bir – Analyst, RBC

In terms of leasing velocity, it certainly picked up with the developments. Can you maybe just comment on your thoughts on how you see the committed versus economic spread trending this year?

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Sure. I'm glad you asked that, Pammi, because some of the analysts only focus on economic occupancy, and this is a key point, probably the most key thing I'll say today, we reported 94 percent economic occupancy. It would have been 95.5 percent or 95.6 percent economic occupancy, but for the completion of CFC2 in Montreal, because in December we added 300,000 feet to GLA and zero to economic occupancy. If you back out, you can do the math yourself. You would see instead of 94 percent economic occupancy you'd see 95.6 percent. We do have a bit of a distortion between that 94 percent and the 96.4 percent of committed occupancy.

To your question, I think it's going to narrow. For example, as I just meant mentioned to Jenny's question, the 300,000 feet for CFC2 is now paying rent. As of early January, it's now in economic occupancy. A number of the other deals are in Avalon, which is going to be opening over the next few months for the grand reopening. I think you'll see an alignment very quickly in 2021, and this is critical because when we mentioned committed occupancy, we talked about future NOI growth potential because the deal's done but not yet paying rent. That CFC facility is now paying rent. The tenants at Avalon are moving closer every day towards paying rent, and we do have a 49,000 square foot office committed deal at Scotia Square in Halifax, and that will be, probably mid-year, paying rent.

We will see good traction in getting that committed space into the economic space here early to mid 2021.

Pammi Bir – Analyst, RBC

That's helpful. Glenn. I guess just on the flip side, it's been fairly quiet, I guess, from a bankruptcy standpoint, to start the year; certainly, last year was quite heavy. But as you think about, call it the next few quarters, anything in your sights that maybe you're concerned about at all with respect to maybe closures, shrinking footprints, or CCCAA filings? I guess as well how that might play into bad debts and abatements.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

We're feeling really blessed, Pammi, at this point. I think I'll be off a little bit on this stat. But if there was 30 leases, and there wouldn't be a large number—let's say there was 30 leases in our total portfolio that were subject to CCAA in the last year, we would have captured more than 90 percent of them because they were in great locations like Avalon Mall, where the tenant was going to continue on.

I can't think of any particular tenant situation, sitting here today, that we're immensely worried about. There's tenants obviously that are not as operational as they'd like to be across the country. I think of gyms, I think of Cineplex like video, but we're very confident in seeing some public announcements of financings by those organizations and participation in the federal government lease program by one of those. I think it was GoodLife. Those are the kinds of tenants that everyone is really cheering for as we are. But no, I can't find any other tenants on our roster right now that we're concerned about.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Pammi, it's Donnie. One other stat that people don't realize is that there are more tenants that opened stores in 2020, than closed, and that same situation applies 2017 through 2019 in Canada. Each of those last four years, including one through a crisis, more stores opened than closed, and all the narrative is on the retail apocalypse. It's not necessarily true.

There is lots of transition, we've always had transition in retail. We've always said it's the fastest changing type of real estate, and it's—although it's probably not in our type of real estate, with grocery-anchored, but nevertheless, you just have to be able to adapt and continue to move. But I think our occupancy, the level of interest we have from strong retailers that fit our type of real estate, again, we're cautiously optimistic, yes. There can be further failures. But again, we have good real estate, feel like we could, if the situation occurred, we can backfill. But right now, most of the situations, it's not all of the situations, look like they're either stabilized financially and/or I think open and doing business. We're quite, I think, as Glenn said, fortunate in the nature of the portfolio and the quality of the tenants we have. Not all retail is created equal, Pammi.

Pammi Bir — Analyst, RBC

For sure. Maybe switching gears to Davie Street, you gave us some colour in your prepared remarks. Can you just talk about the reset process there and any updated thoughts on perhaps reaching stabilization? I know typically you said 6 to 12 months, but obviously we're in a bit of a different scenario. Any updates there?

Donald Clow — Crombie, REIT, President and Chief Executive Officer

We're very pleased. We're not actually going to give out the number, we decided not to. But we're very pleased with the lease up. Westbank's doing a heck of a job through various stages of lockdown in the community, and they have a very strong team on the ground, very strong model suites, and we've had very strong interest and, in my mind, strong leadership.

I think that timeframe is still a fair timeframe. I will point you to the front of the MD&A which has some very nice new pictures of Davie Street, and we'll be making some of those available, I think, in the near future on our annual report. It's a spectacular property that we're very, very proud of, together with Westbank. But the lease up's going well.

The interesting part is that we've had some slowdown, I think, in that community as a whole due to immigration reduction due to Chinese students not coming. But that's really picked up over the last few weeks, and then also importantly, I think rental growth has continued up and cap rates have actually gone down. The value creation there is a home run, I believe, and will be when it is fully leased. It's just going to take a little time. We're very confident of that.

Pammi Bir — Analyst, RBC

Last one for me, and I'll turn it back. Just on the industrial same property NOI. I'm just a little curious as to the decline in Q4. It did seem a bit unusual.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Yes, that was a nothing, Pammi. We bought the second half of the Vaughan DC in late 2019, so late last year, and there was just some anomalies on timing of revenue. But you're right, it's the very flat to up that 1 percent to 2 percent normal growth in those rents. It was just an anomaly in how we transition the purchase and the rent billing, particularly in late 2019. It's really nothing, it'll sort itself out. I think you'll even see in the year-to-date variant is smaller, and that should look after itself here in the next quarter or two.

Pammi Bir – Analyst, RBC

Thanks very much. I will turn it back.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Thanks so much.

Operator

Thank you. The next question comes from Alex Leon at Desjardins. Please go ahead.

Alex Leon –Associate, Desjardins

Good afternoon. Just a couple of quick questions from me.

Firstly, on occupancy, there were some moving parts within the economic occupancy number this quarter, and you mentioned that if we excluded the developments it would have

been at 95.6 percent level. I'm just wondering if you can comment on what the average economic occupancy was during the quarter and how that was compared to 3Q.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

This is Glenn. I would say it would be very stable during the quarter because other than the 300,000 feet that went in, that we're adjusting for, our economic occupancy—I don't have the Q3 number in front of me, but I would say our economic occupancy was very stable. We had some leasing, in the ordinary course, we didn't have any major tenant movements. I would say our economic occupancy was probably very close to that 95.5 percent to 96 percent range through the quarter. But it jumped down to the 94 percent when we added in the 300,000 feet GLA and nothing to occupancy. Hopefully that helps. But I would say our economic occupancy was quite stable, but for that 300,000 foot adjustment.

Alex Leon — Associate, Desjardins

Okay, great. Then second, and lastly, on the development side, remaining development spend on the three active major developments is about \$60 million, and then you mentioned you have three projects that are currently zoned. Just wondering if there's going to be any major capital invested in those zone projects for 2021, and if you could maybe provide some comments on what the projects will entail.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Yes, I'm not going to give any specific colour. We're excited, as I said in our remarks. We're looking forward to an average annual development spend of \$150 million to \$250 million. You are right, just to cover a couple of your numbers. There's \$59 million to finish up to three, which is Davie Street residential, Le Duke and Bronte. It's also a little bit of spend for the substantially completed projects, probably around \$20 million just to finish those out this year. Although they're substantially complete, just a few dollars more.

For this year, we are going to be advancing some of those zone projects. We're going to continue the entitlement process, as we said, on all 10. But I can't give you specific projects as to what project is going to start next. We'll be happy to share that over the next quarter or so. But nothing more.

Alex Leon –Associate, Desjardins

Okay. Appreciate it. I'll turn it back.

Operator

Next question comes from Sam Damiani, at TD securities. Please go ahead.

Sam Damiani – Analyst, TD

Thanks. Good afternoon, everyone.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Good afternoon.

Sam Damiani – Analyst, TD

Just on the development, similar to the last question, I think, Donnie, you said in your opening remarks that Empire spending would be between \$100 million and \$200 million a year, and then separately was also said that total development spending would range between \$150 million to \$250 million a year. I assume those are not additive. If I could just get into 2021 specifically, it looks like there's around \$80 million left to go on the active projects. What else is, I guess, in the pipeline here for 2021 specifically? Is it going to be at the lower end of that range? Or do you see potential for perhaps some drop downs from Empire.

Donald Clow – Crombie, REIT, President and Chief Executive Officer

Sam, just for clarity, those are additive, right? The \$100 million to \$200 million on Sobeys initiatives. This includes modernizations, expansions, conversions to FarmBoy and FreshCo, acquisitions, and can include various parts of the omni channel, home e-commerce, home delivery networks. Then on top of that \$100 million to \$200 million is \$150 million to \$250 million on development, right? That can be large stuff, which we've talked about; it can also be some smaller stuff. Our expectation is to hit at least a minimum of that, which is call it \$250 million, and I think over time, our hope is to accelerate, because Sobeys is, I think, importantly, doing exceptionally well under the leadership of Michael Medline and accelerating their growth and their competitiveness of their store network, because they're doing so well. We're standing

shoulder to shoulder with them to help them accelerate their growth and their competitiveness, and for us, that presents tremendous opportunities, not all of which are big, large scale developments. Fairly significant number can be smaller amounts, but can be very significant to us, because they add very nice AFFO and NAV growth.

I'd say, we'll be, in my humble opinion, will at least be at the lower end of that range, but I think it'll be in the middle to, it could be in the middle of the upper end of that range with our plan. We're quite pleased with the opportunities that we have. It's a pretty wide selection and we're very ambitious to work with Sobeys and evolve this program.

I've always said, with a sustainable competitive advantage of the retailer related REIT like Crombie, that that relationship can uncover tremendous opportunity in real estate, like other REITs cannot, and so you can just add on this layer of major development. It's a very distinguishing advantage for this company, and I think we'll continue to prove the spending will be solid.

Again, we are trying to balance it off with the uncertainty of the pandemic. It's not quite over. We've balanced the priorities of our balance sheet and our liquidity against the desire to spend money. We've actually tried to increase the flexibility of our commitments on development, and that's hard to do. Some of the big ones take, as you know, many, many years to go from start to finish. But others, as we've proven with some of the work we do with Sobeys, can happen fairly quickly, and as a result, we don't have to commit with 12 months or 18 months or two years in advance to spending the money, but it can happen relatively quickly. It's part of

the advantage that we have with the retailer. I'm optimistic overall, the spending will be consistent.

It is our goal to get to consistency at scale, and the consistency at scale is getting to those ranges each and every year. With that, hopefully the AFFO growth and the NAV growth becomes consistent and at scale, such that it drives the growth of the company, I believe.

Sam Damiani – Analyst, TD

Thank you. That's good colour. Just on, I guess, a little more on some context around the plans for the upcoming year. Is it a potential likelihood that Crombie would be directly involved in CFC3, as it was for CFC2? I guess for the modernizations, or is there a number of modernizations that you expect to execute on in 2021?

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Yes. Michael Medline was kind enough to announce it in, I believe was December, that they're working with Crombie on CFC3 in Calgary, and so we continue to do that work with them. It is the type of thing that can go quickly, and we're—we have a lot of skill now built up within our company, as is built up within Empire, to work with Ocado and develop something that's extraordinary in terms of the quality of the real estate and the nature, what they do there, the high tech work that they do, and so the skill we've learned in Montreal is going to be carried over to the Calgary CFC.

In terms of modernizations, I don't want to give too many. I don't really want to say, I guess, that there's—you can look at the past and probably see 10 to 20 modernizations in the last year, in the last two years, and that's probably a number that's possibly indicative of future funding. The goal, again, is to get to consistency at scale in that work, and because I think Michael's said it before, the bricks and mortar retail and grocery is going to pay for all of the innovation in their company, and so for Crombie, we're keen to invest money in their modernization because it makes those stores competitive.

In a world where e-commerce is 1 percent, 2 percent, maybe growing to 4 percent or 5 percent, the stores still drive most of the grocery sales, and they need to be competitive because the competitors are very large entities that are doing a great job, and so they want to be very competitive.

We're very keen, and for us, it's investments in assets that we already own, and so it makes our properties better. Their yields and returns on it are quite reasonable, so we're keen to do it.

Sam Damiani – Analyst, TD

Last question for me is just on the balance sheet—balancing the capital spending expectations against the goal of further improving the balance sheet. Three options, obviously: equity, dispositions, and then lastly, bumps to the fair value. Have you booked any fair value gains

on any of the active major developments to date? Just wondering what your thoughts are on the other two as sources of capital for 2021?

Clinton Keay — Crombie REIT, Chief Financial Officer and Secretary

Let me start with saying I think Crombie always been creative at sourcing capital, and we've done that in the past. I like to say we have optionality, and so that's something we look at, and I think we've proven ourselves that we're effective stewards of capital, and that's going to be the approach we take going forward.

When it comes to fair value. I think the answer is only the CFC, when that came across, there is a fair value bump for that, but nothing for residential development.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Sorry, I'll jump in on that. We've talked to you folks over the last few years of the \$1 to \$2 of NAV creation, and so this is the first quarter where we've seen a small part of that come into our fair value. Ultimately, we think that's how we drive our debt to GBV on a fair value basis down into the mid 40s, which is one of our goals, which is ultimately hoping to get us to BBB mid, ideally, over the next three to five years.

It started, so we're very pleased about that, and it's one of the benefits of what we do. Investing to yields on cost in the five to six range on assets that trade, industrial, and Montreal even trades in that low fours range, right. These are solid investments, and we're pleased with

that type of impact and that's where we get a good chunk of our NAV growth over the next number of years.

Sam Damiani – Analyst, TD

Thanks very much. I'll turn it back.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Thank you.

Operator

Thank you. The last question comes from Tal Woolley, at National Bank. Please go ahead.

Tal Woolley – Analyst, National Bank

Hi, good afternoon, everybody.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Hi, Tal.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Hi, Tal.

Tal Woolley – Analyst, National Bank

Just a couple of quick questions about trend. Avalon Mall, can you tell us the rough carrying value you've got on the balance sheet for that right now? Just because your asset base has been shifting a lot and I'm not sure exactly how much of the balance sheet it is anymore?

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Yes, that's something we don't disclose in terms of that. For competitive reasons.

Tal Woolley — Analyst, National Bank

Okay.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Yes, we don't disclose specific assets, Tal.

Tal Woolley — Analyst, National Bank

Okay. Then, for CFC3 in Calgary. Do you have the site yet?

Donald Clow — Crombie, REIT, President and Chief Executive Officer

We do. Yes, we have the site. It's next door to the current modern distribution center that Sobeys has there. We own the site. We're working with them, and we're working with Ocado at the moment, very aggressively on our plan for the site. Looking forward to moving pretty quickly on the project horizon. The plans for e-commerce home delivery were accelerated, and so for us, we're excited to be part of that and trying to accelerate this one, as well.

Tal Woolley – Analyst, National Bank

Okay, and then as you work off this initial tranche of projects and start the planning and zoning for the balance, fair to say that the early signs of performance of the commercial part of Davie Street has gone reasonably well, and that's why you worked down those group of projects?

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

If your question is about the retail portion of Davie, that's 100 percent leased, Tal, as of Q4, but I might have missed what was the other part of your question?

Tal Woolley – Analyst, National Bank

Sorry, I was just trying to get a sense of the performance at that store that you and Empire have been pleased and that's why you're continuing to work down the next tranche of projects.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Oh, yes, absolutely. We've got a roadmap now working with Sobeys to identify—to really activate our ladder. I can't speak for Sobeys, but from what I've heard, the Safeway store at Davie street has performed well, a beautiful store, and that is one of the advantages for Sobeys. of the development program. You take a store that's not prototypical, you get a very brand new prototypical store in the middle of an urban market. That's one of the advantages, and you've seen some of the schematics on the Broadway and commercial project, same opportunities there for Sobeys of a very large prototypical store.

Yes, that's going to be one of the drivers, and it's never a guarantee. But I think Sobeys feels pretty confident that if it can get a prototypical store in great urban locations, they're going to perform very well, and so far that's been our realization.

Tal Woolley – Analyst, National Bank

Okay, and then just on the development side, you've outlined what you think your spending will be. I'm just curious, what's the ideal number of projects that you guys would like to have on the go, just from a people management perspective, and not having to stretch out your team, but not having them sit idle? What's a people capacity?

Donald Clow – Crombie, REIT, President and Chief Executive Officer

I don't know, Tal, I've been around development for over 30 years, and I've never known time in development that hasn't been stressed. We're growing our team. We have over 25 people in development, and most of those people have residential development experience. We're continuing to build the capacity to deal with projects, both with partners, and on our own.

I think you'll see over the next 12 to 24 months at the latest, we'll be embarking on a project on our own, or two, and so I'm quite pleased with that. But we'll continue to work with partners, to do more. When you do them with partners, it's what I call passive active, so we're very in tune with what our partners are doing. They're in the lead, obviously, from a development point of view. But we're very active passive partners. In other words, we want to make sure we learn everything we can from our partners who are really good at what they do, and overall, in

time, we'll probably end up doing, I think, a minority of the projects in the future on our own, just because of the size and the scale. Some of them are exceptionally large.

But I think our team is managing the pipeline strategically; again, trying to get the consistency at scale. That's why we try to get to the spending number, and if we can do that I think our team will be stressed to the right amount. They'll always be stressed, but it's not overstressed, I guess, is my hope. But it's also doing things very responsible, right. I don't know if that helps or not.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Key considerations are, as Donnie mentioned, the complexity of the project, but it's also geography. If we can have a project or two going on in each part of the country. Right now, it's been good, Montreal, Toronto, Vancouver, Vancouver Island, Newfoundland. We like the idea of having some dispersion, we have some great sites in Halifax, and it's fantastic market. We're excited about that marketplace, obviously, and we have lots of opportunities than on the west coast.

From a risk management point of view, in general, but also from managing people capacity, I think we can do more if we have good dispersion geographically across the country.

Tal Woolley – Analyst, National Bank

Okay, and then I just want to circle back to Jenny's question, just about how to think about FFO progression, when we've got these developments coming online. I know I'm really talented at screwing that up. To think about, you're expecting \$19 million in NOI, roughly, from the 2020 completions. How long would it take for that—for you to achieve that \$19 million run rate? What's your expectation that we'll have that \$19 million in the bag by—is it the end of 2021? Is it the middle of 2022? How should we think about scaling that up?

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

My direction would be that it's probably middle of 2022, being realistic. We're going to achieve substantial completion on Duke and Bronte, call it mid-year to Q3 range for those projects with a normal lease up period expected. That takes you into mid 2022 for those projects getting stabilized in that range. Obviously, Davie Street should be there before then, the other Avalon, Belmont project, CFC2, those are essentially much quicker, but I would say that.

The only other comment I would say is that for 2021, we still have a little bit of drag this year because we only have interest capitalization until we get to substantial completion. On Le Duke, Bronte and Davie Street, there's going to be a little bit of drag this year, but nothing of significance. But I would say 2022 is when we should see the fruits of our labour on these first six projects.

Tal Woolley – Analyst, National Bank

If you're consistently investing \$150 million to \$200 million in development each year, your PUD balance shouldn't swing around that much that we should have a ton of variance in the amount of interest your capitalizing. Is that a fair statement?

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

I think that's reasonable. I'm not fully following. But I think the idea that is if we have a normal amount of PUD, if you will, a normal amount of projects under development, then you—as long as we keep a fairly standard rhythm to the program, then things should be pretty much equilibrium, and Donnie talks about this, we want to have property coming out of the pipe and property going into the pipe, and our goal is to maintain a good equilibrium somewhere in the range of what we have now, around \$600 million of spend. Initially, we said each project on average could be a couple hundred million, there's three years—or sorry, three year projects, or \$200 million a year spend is \$600 million, and that's what we are working through now. If we keep that kind of equilibrium, then our interest capitalization should be fairly standard.

Tal Woolley — Analyst, National Bank

Okay, that's great. Thanks a lot, gentlemen.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Thank you, Tal.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Thanks so much.

Operator

Thank you. There are no further questions at this time. I will now turn the call back over to Ruth Martin for closing comments.

Ruth Martin – Crombie, REIT, Director, Investor Relations and Financial Analysis

Thank you for your time today, and we look forward to updating you on our progress on our Q1 call in May. Stay safe and healthy.

Donald Clow — Crombie, REIT, President and Chief Executive Officer

Thanks, everybody.

Glenn Hynes — Crombie REIT, Executive Vice President and Chief Operating Officer

Thanks, everyone.

Clinton Keay – Crombie REIT, Chief Financial Officer and Secretary

Thanks.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating. We ask that you please disconnect your lines.