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CT Real Estate Investment Trust

(CRT.UT.CA)

Q1 2026 Earnings Call

CORPORATE PARTICIPANTS

Kevin Salsberg
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Senior Vice President-Real Estate, CT Real Estate Investment Trust

Lesley Gibson
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OTHER PARTICIPANTS

Lorne Kalmar
Analyst, Desjardins Securities, Inc.

Tal Woolley
Analyst, CIBC Capital Markets

Pammi Bir
Analyst, RBC Capital Markets

Giuliano Thornhill
Analyst, National Bank Financial, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Thank you for standing by. My name is Shannon, and I'll be your conference operator today. At this time, I would like to welcome everyone to CT REIT's Q1 2026 Earnings Results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. [Operator Instructions]

The speakers on the call today are Kevin Salsberg, President and Chief Executive Officer of CT REIT; Jodi Shpigel, Senior Vice President, Real Estate; and Lesley Gibson, Chief Financial Officer.

Today's discussion contains information that may constitute forward-looking information within the meaning of applicable securities laws. Although CT REIT believes that the forward-looking information and today's discussion is based on information, estimates and assumptions that are reasonable, such information is necessarily subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in such forward-looking information.

For information on these material risk uncertainties, factors and assumptions, please see the REIT's Q1 2026 and full year 2025 MD&A, as well as the 2025 AIF, which are available on the website and filed on SEDAR+. The REIT does not undertake to update any forward-looking information, whether written or oral, except as required by applicable laws.

I will now turn the call over to Kevin Salsberg, President and Chief Executive Officer of CT REIT. Kevin?

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

Thank you, Shannon, and good morning, everyone. Thank you for joining us today on our Q1 2026 earnings call. We are pleased with our start to the year and our first quarter results once again demonstrate the strength and stability of our portfolio, the benefits of our disciplined operating approach and the resilience of our business model.

CT REIT's objective has always been straightforward to deliver dependable and growing results supported by a high-quality portfolio and a conservatively managed balance sheet. Our Q1 results reflect our continued execution against this objective. From an operating perspective, our portfolio continued to perform very well. Occupancy remained high at 99.4%, consistent with prior periods and we continue to benefit from the contractual rent escalations embedded in our long-term leases. Same property NOI grew by 2.3% and net operating income increased by 4.7% year-over-year, respectively. This steady growth at the property level translated into continued improvement in our earnings metrics.

AFFO per unit increased by 2.8% compared to the first quarter of last year, and FFO per unit increased by 3.5%. It is important to note that this growth was achieved while maintaining a disciplined approach to cost and capital allocation and while keeping our payout ratio stable in the low to mid 70% range. Against this backdrop, we are pleased to announce that our Board of Trustees has approved a further increase in our monthly distributions. Effective with the July 2026 payment, distributions will increase by 3.5% which marks our 13th increase since our IPO and brings our cumulative distribution growth to more than 50% over that period.

Turning to capital deployment. We were pleased to announce three new third party investment opportunities with a total expected capital commitment of approximately CAD 43 million. These investments include the acquisition of a Canadian Tire anchored retail property in Edmonton, as well as the acquisition of two separate properties that are located adjacent to existing CT REIT owned assets. One, a land parcel in Oliver, British Columbia, and the other an existing retail property in the greater Montreal area.

Collectively, these transactions are expected to deliver an attractive going-in yield and will add nearly 130,000 square feet of incremental GLA to the portfolio. While individually modest in size, these investments are good examples of how we continue to source capital efficient growth opportunities that align with our strategy. In each case, we are leveraging our portfolio, existing relationships and market knowledge to deploy capital in a prudent manner. This approach has been a consistent hallmark of CT REIT's growth over time and works particularly well in a transaction environment where discipline and selectivity remain critical. At the same time, our development pipeline remains well-positioned. We continue to advance a number of projects, with four expected to be completed through the course of this year and others extending into 2027 and beyond, including our Canada Square retrofit project. These developments are all substantially pre-leased, and as Jodi will outline in more detail, they are designed to deliver incremental growth while maintaining the overall quality and balance of our portfolio.

From a balance sheet perspective, it remains in a very strong position. We ended the quarter with our indebtedness ratio sitting at 39% and our interest coverage ratio at 3.52 times. The potential liquidity that this provides, coupled with our conservative approach, differentiates us from our peers and will position us well to continue to execute on our strategy going forward.

Looking ahead, we remain confident in CT REIT's ability to deliver reliable performance and long-term value creation with a stable, predominantly net lease portfolio, visible organic growth, a well-positioned development pipeline and a strong balance sheet, CT REIT will continue to navigate the current environment and capitalize on opportunities as they arise.

With that, I'll now turn the call over to Jodi to discuss our investment, development and leasing activities in more detail. Jodi?

Jodi M. Shpigel

Senior Vice President-Real Estate, CT Real Estate Investment Trust

Thanks, Kevin, and good morning, everyone. As Kevin noted and as highlighted in our press release yesterday, we were pleased to announce three new investments this quarter. The first acquisition relates to a property in the eastern part of Edmonton. The roughly 76,000 square foot property is anchored by a Canadian Tire store and has two additional freestanding pads, one leased to the Bank of Montreal and one leased to McDonald's. The second acquisition is a 54,000 square foot building anchored Value Village that is directly adjacent to the city owned Canadian Tire store in Rosemère, Quebec, which is a suburb located just north of Montreal.

Lastly, we will be acquiring roughly 3.4 acres of land adjacent to a CT REIT owned Canadian Tire and grocery store anchored open-air shopping center in Oliver, BC. These new investments are subject to closing conditions, are expected to close in Q2 and will require a total of CAD 43 million to complete and are projected to earn a going-in yield of 6.28%. Combined, they will add approximately 130,000 square feet of high quality GLA to our portfolio.

Looking ahead, our development pipeline remains healthy. We currently have 11 projects at various stages of progress. These developments, including the Canada Square Office Retrofit project in Toronto, represent a committed investment of approximately CAD 380 million, of which CAD 177 million has been spent to date. We expect to invest roughly CAD 78 million over the next 12 months to advance these projects. Once completed, they will add 629,000 square feet of new GLA to the portfolio, approximately 95% of which has already been pre-leased.

Turning to leasing. During the first quarter, we completed two Canadian Tire store lease extensions. In the quarter, we also renewed nearly 200,000 square feet of third-party tenancies. On a blended basis total renewal spread came in at 5.9% on approximately 340,000 square feet of GLA. It should be noted that approximately 226,000 square feet of this GLA related to extensions that were exercised with fixed options to renew at flat rents. Excluding this GLA, blended renewal spreads came in at 11%. As of quarter end, we maintained a long weighted average lease term for the portfolio at 7.0 years and our occupancy rate remained robust at 99.4%.

I will now turn the call over to Lesley to discuss our financial results. Lesley?

Lesley Gibson

Chief Financial Officer, CT Real Estate Investment Trust

Thanks, Jodi, and good morning, everyone. As Kevin mentioned, we are very pleased with the REIT's financial performance in the first quarter. Once again, our results demonstrated the steady growth and resilience of our portfolio. Same property NOI, which includes the impact of Intensifications, grew by 2.3% in the quarter compared to Q1 of 2025. These increases reflect the contractual rent escalations of approximately 1.5% per year in many of our Canadian Tire leases, as well as the contributions from intensification projects completed in 2025 of CAD 1.2 million for the quarter. Overall, NOI grew by 4.7% year-over-year, representing an increase of approximately CAD 5.6 million. This strong performance was supported by the same property NOI growth I just spoke to, and the impacts of seven acquisitions completed in 2025 as well as development activity over the relevant period.

In the first quarter, general and administrative expenses as a percentage of property revenue were 2.6% compared to 2.9% in the same period last year. The decrease was mainly due to the timing of the deferred income tax provision. Excluding the fair value adjustments, G&A as a percentage of property revenue decreased 20 basis points to 2.5%.

The fair value adjustment on investment properties was CAD 31.2 million in the quarter, compared to CAD 24.8 million in the prior year. The gain was primarily driven by contractual rent increases and leasing activity within the property portfolio, as well as adjustments to certain assumptions of our – in our discounted cash flow models.

In the first quarter, AFFO per unit on a diluted basis was CAD 0.327, up 2.8% compared to the first quarter of last year. FFO on a diluted basis was CAD 0.354 per unit, up 3.5% compared to Q1 of 2025. Growth in FFO and AFFO primarily reflect the increase in NOI, partially offset by higher property expenses, interest costs and CAD 1 million of development fee revenue earned in Q1 2025.

Cash distributions paid in the quarter increased 2.5% compared to Q1 2025 to CAD 0.237 per unit, reflecting the higher monthly distribution rate that became effective in July of 2025. As Kevin mentioned earlier, we are pleased to announce our 13th distribution increase since our IPO, reflecting our financial strength and consistent delivery of strong results. The new rate will become effective with the July 2026 distribution. The AFFO payout ratio for Q1 was 72.5% stable from 72.6% in the same period last year.

Turning to the balance sheet, our interest coverage ratio for the first quarter was 3.52 times, which is stable compared to 3.55 times in Q1 of 2025. This small change reflects our higher interest cost, arising from the reset of interest rates on several series of our Class C LP Units effective June 1, 2025, increased utilization of our credit facilities to fund acquisitions, intensification and developments. And the issuance of CAD 200 million of the Series J unsecured debentures in June of last year, partially offset by higher capitalized interest on properties under development.

Even with these financing activities, our total indebtedness to EBIT fair value improved to 6.46 times in 2026, from 6.77 times a year ago, as earnings growth outpaced the increase in debt. Our strong balance sheet provides ample financial flexibility to fund future growth initiatives.

With respect to liquidity, we ended Q1 with approximately CAD 6 million of cash on hand. Our committed CAD 300 million bank credit facility and our CAD 300 million uncommitted credit facility with CTC with roughly CAD 132 million available on the line of credit – quarter end, which provides adequate liquidity and balance sheet capacity to fund ongoing investments and to pursue new opportunities.

And with that, I'll turn the back – the call back over to the operator for any questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] . We'll pause for just a moment to compile the Q&A roster. Our first question is from the line of Lorne Kalmar with Desjardins. Your line is now open. Lorne, your line is open. Please check your mute button.

Lorne Kalmar
Analyst, Desjardins Securities, Inc. Q

Oh, sorry about that. I don't know how that happened. Thank you. I was just saying congrats on a good start to the year. On the acquisition front, clearly a little bit of flurry here in, I guess, what it will be 2Q. I was just wondering if you could provide us a little bit of an outlook in terms of the acquisitions, the acquisition outlook for the balance of the year.

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust A

Sure, Lorne. So obviously, we're very pleased with the acquisitions that we've announced. They all fit very well into the portfolio and align with our strategy. I think, you know, the way we're thinking about 2026 is hitting singles and doubles. You know, we're going to be out there trying to find these opportunities, working obviously with our existing relationships to try to source them. You know, we're pretty confident in our ability to continue finding these types of deals. You know, we've talked about our development pipeline. It's still obviously quite robust. We're happy with the pipeline, but we'll be delivering a bunch of that through the course of the year. So, we're trying to find the backfills to keep our investment activity up towards our typical run rate in a given year. So, no specific, you know, deals to announce at this time or specific guidance on quantum or type, but, you know, I would say we're hopeful the balance of the year shapes up, similar to the way it started off.

Lorne Kalmar
Analyst, Desjardins Securities, Inc. Q

Okay, that's pretty helpful. Thank you. And then maybe a quick one here just for Lesley. On the capped interest side of things that bumped up I think a little bit quarter-over-quarter. What – how should we be thinking about that over the balance of the year and into 2027?

Lesley Gibson
Chief Financial Officer, CT Real Estate Investment Trust A

Lorne, the increase in the capped interest relates to us having moved the Canada Square property into properties under development on December 31. So, sort of the higher run rate that you're seeing in Q1 that will sort of continue as that development continues over the course of the next 2 years, 2.5 years.

Lorne Kalmar
Analyst, Desjardins Securities, Inc. Q

Okay. So, you kind of use this as a good jumping off point.

Lesley Gibson
Chief Financial Officer, CT Real Estate Investment Trust A

Yeah, that would be fair.

Lorne Kalmar
Analyst, Desjardins Securities, Inc.

Q

Fantastic. Thank you so much.

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

Thank you.

Operator: Thank you. [Operator Instructions] One moment, please. Our next question comes from the line of Tal Woolley with CIBC. Your line is now open.

Tal Woolley
Analyst, CIBC Capital Markets

Q

Hey, good morning. The Oliver, BC land purchase, is that just to, are you banking some land there or are there some plans for building on that site?

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

Good morning, Tal. I won't go to the land bank. I think, we have active intention to develop the parcel, it's about 3.4 acres. So, we can probably build somewhere around 40,000 square feet or 50,000 square feet of GLA there. You know, it's a really good market, South Okanagan, we got a lot of productive stores in and around the neighborhood. So, when the opportunity came up, we wanted to obviously protect our existing asset and add to it because it's quite, quite productive. So, we do have some tenant interest. We're working through that right now and you know, as long as that goes, as we hope it will, you know, it will hopefully join our development pipeline soon.

Tal Woolley
Analyst, CIBC Capital Markets

Q

Okay. And then I guess I was just curious, you know, Choice's – Choice Properties has moved forward with the proposal to acquire at least part of First Capital's portfolio. You know, I'm wondering, given that, you know, both you and Choice have started at roughly the same time with similar structures like to this, you know, sort of open your eyes maybe to larger type transactions that might be possible for CT REIT or are you and Canadian Tire more interested in just kind of sticking to your knitting rather than branching out in that fashion?

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

I'd say it's probably more likely to be the latter than the former, Tal. I mean, we always scan the market for opportunities. Obviously, we're aware of the notion around something larger transformational on the M&A side, but that hasn't been the way that we've grown to date. And our growth to date has obviously been the secret to our success in terms of our, you know, our outperformance in terms of earnings and NAV growth and our ability to continue to pushing our distribution increases on an annual basis.

So, you know, obviously, we think about these things, we contemplate them, we talk with our Board and obviously Canadian Tire about the merits, but to date, we have not found anything that we believe is in our best interest. But that doesn't mean that can't change over time.

Tal Woolley
Analyst, CIBC Capital Markets

Q

And are you seeing any larger retail portfolios in the market right now that you would be interested in or, you know, has it been relatively quiet on that front?

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

In terms of marketed opportunities, definitely quiet. The marketed opportunities that we're seeing are more single tenant assets in the retail space, a lot of grocery anchored, but I would say even the quantity of marketed offerings has slowed down a little relative to where the last year ended off. There's one or two bigger single property acquisitions that we're aware of that are coming to market, but no specific portfolios that I'm aware of at this time.

Tal Woolley
Analyst, CIBC Capital Markets

Q

Okay. That's great. Thanks very much.

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

Thanks, Tal.

Operator: Our next question comes from the line of Pammi Bir with RBC Capital Markets. Your line is now open.

Pammi Bir
Analyst, RBC Capital Markets

Q

Thanks. Good morning. Just on the development costs for the pipeline that that's active, look at the cost per square foot went up rather materially, can you maybe just expand on that and what drove that? Or was it really just a function of maybe the transfer of Canada Square into PUD?

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

I think, a couple things, Pammi. I definitely think Canada Square is a contributing factor to that. Obviously, an Office Retrofit, you know, is the unique type of development investment for us. So, the profile would look different than, say, building new retail GLA. The other thing that's happened is we've completed a lot of new, larger store projects and now we're left with on the retail side, our store expansions. And typically, when you're expanding a store 20,000 square feet or 30,000 square feet at a time, it's slightly less efficient. You lose some of the economies of scale. So, on a per square foot basis, it can be a little bit more expensive. So, I think it's the combination of those two things that's driving that increased cost on a per square foot basis.

Pammi Bir
Analyst, RBC Capital Markets

Q

With the bulk of it, what you just described in terms of the expansions or really the bulk of it, because some of these other ones they do seem to be sort of rather smaller projects, but or with the bulk of it...

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust A

Yeah. We'd have to get back to you on the breakdown. I'm not – I don't know that off the top of my head, but I just – those two things at a high level would be the contributing factors, but if you'd like the breakdown, we can we can circle back with you.

Pammi Bir
Analyst, RBC Capital Markets Q

Sure. Okay. And then just last one for me, just in terms of the, I think, with Jodi's comments or Lesley's comments on the leasing spread, are there a lot of leases in the portfolio that you know, where you do have flat rent? I think, you mentioned, you know, 200,000 square feet or over 200,000 square feet had options on flat rents. And just curious if that was also – if those were Canadian Tire related?

Lesley Gibson
Chief Financial Officer, CT Real Estate Investment Trust A

Good morning, Pammi. So, 226,000 square feet of those were at the fixed flat renewals. We do not have – that's really in the minority of the portfolio. And it's a combination of the tenancies. It's not just exclusively [ph] CTR (00:35:34). It was a combination. So, but it is an anomaly. It is not the norm.

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust A

Yeah, Pammi, just for a little extra color. There were, I'd say, two anchor leases that were acquired subsequent to our IPO and our typical vend in or development related transactions with Canadian Tire. So, these would be the two that would be most prominent in the portfolio, and they just happened to come up at the same quarter.

Pammi Bir
Analyst, RBC Capital Markets Q

Okay. Got it. Thanks very much. I'll turn it back.

Operator: Thank you. Our next question comes from the line of Giuliano Thornhill with National Bank. Your line is now open.

Giuliano Thornhill
Analyst, National Bank Financial, Inc. Q

Hi, guys. Good morning, everyone. So, obviously, your leverage is running pretty low. I think you're at 6.5 times this quarter. I'm just wondering, is that anticipation of really ramping up Canada Square or should we kind of expect that to be trending higher? And if so, where would you be investing that capital or directing that capital would be M&A or just incremental developments?

Lesley Gibson
Chief Financial Officer, CT Real Estate Investment Trust A

Yeah, Giuliano, it's Lesley. No, the leverage just stands at 39%. It's not sort of anticipation of, you know, leveraging that up and, you know, as we spend through our development portfolio, you know, the, because this development portfolio is being spent over the couple of years and largely we can fund the vast majority of that through retained cash. I'm not expecting that to sort of increase significantly over the next little while.

It's really more a factor just of the, you know, increases in the property portfolio as we continue to sort of increase the value of those assets. Relative to development spend, it's crept down, but it's not a strategic objective to be lower. And we're not expecting it also to be sort of, you know, significantly higher in the coming quarters.

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

I think, we view it as, you know, conservative way to manage the balance sheet while leaving dry powder on the side, should we find opportunities that we want to capitalize on. So, we're really trying to be opportunistic in this marketplace and be in a good position to obviously run the portfolio and complete our developments but also leave ourselves open to new acquisitions should they present.

Giuliano Thornhill
Analyst, National Bank Financial, Inc.

Q

And so the new acquisitions, would you say that's kind of more focused like CT related banners or is it going to be kind of more adjacent properties to your existing portfolio going forward?

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

A bit of mixed bag. I mean, yeah, you know, buying the Canadian Tire anchored property in Edmonton, obviously, that's core to our strategy and repatriating Canadian Tire assets is what we do. The other ones are just taking advantage of our existing market knowledge and our existing portfolio to sort of find new opportunities. So, I think, it'll be, you know, a mix of both going forward where you'll see us doing our typical stuff but also trying to expand a little further afield while we, you know, try to find deals that that still align with our strategic objectives.

Giuliano Thornhill
Analyst, National Bank Financial, Inc.

Q

Okay. Thank you, guys.

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

A

Thank you.

Operator: As there are no further questions at this time, I will now turn the call over to Kevin Salsberg, President and CEO, for closing remarks.

Kevin Salsberg
President, Chief Executive Officer & Director, CT Real Estate Investment Trust

Thank you, Shannon, and thank you all for joining us today. We look forward to welcoming you to our annual meeting of Unitholders, which we will conduct virtually later this morning at 10 a.m. We hope that you'll be able to listen in. We also look forward to speaking with you again in August after we release our Q2 results. Thank you.

Operator: This concludes today's call. You may now disconnect.