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Final Transcript

Crombie Real Estate Investment Trust 2019 First Quarter Results Conference Call

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There are financial measures included in this transcript that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income (“NOI”), same-asset property cash NOI, operating income attributable to Unitholders, funds from operations (“FFO”), FFO as adjusted, adjusted funds from operations (“AFFO”), adjusted cash flow from operations ("ACFO"), debt to gross book value, earnings before interest, taxes, depreciation and amortization (“EBITDA”), interest service coverage, debt service coverage, unencumbered assets, estimated yield on cost and net asset value ("NAV"). Management includes these measures as they represent key performance indicators to management and it believes certain investors use these measures as a means of assessing relative financial performance. These measures as computed by Crombie may differ from similar computations as reported by other entities and, accordingly, may not be comparable to other such entities. Readers are advised to refer to Crombie’s Management’s Discussion and Analysis for the year and quarter ended December 31, 2017 for additional information regarding Crombie's use of non-GAAP financial measures, including definitions and reconciliations to GAAP measures.

Corporate Participants:

Donald E. Clow - Chief Executive Officer, President and Trustee

Glenn Robert Hynes – Executive Vice President, Chief Operating Officer, Chief Operating Officer, and Secretary

Claire Mahaney Lyon –Manager, Investor Relations

Conference Call Participants:

Matt Logan, RBC Capital Markets - Analyst

Tal Woolley, National Bank Financial — Analyst

Pammi Bir, Scotiabank — Analyst

Jenny Ma, BMO Capital Markets – Analyst

Sam Damiani – TD Securities - Analyst

Operator

Good afternoon, ladies and gentlemen, and welcome to the Crombie REIT Q1 Fiscal 2019 Conference Call. This call is being recorded on Thursday, May 9, 2019. And I would now like to turn the conference over to Claire Mahaney Lyon, Investor Relations. Please go ahead.

Claire Mahaney Lyon, Manager of Investor Relations

Thank you, operator. Good day, everyone, and welcome to Crombie REIT's First 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 who accompany today's call are available on the Investors section of our website under Presentations and Events.

Joining me on the call are Don Clow, President and Chief Executive Officer; and Glenn Hynes, Executive Vice President, Chief Operating Officer, Chief Financial Officer and Secretary.

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.

Now I'll turn the call over to Don, who will begin our discussion with comments on Crombie's overall strategy and outlook. Glenn will focus -- Glenn follow with a review of Crombie's operating and financial results and discuss our capital allocation and funding approach. Don?

Donald E. Clow, President & CEO

Thank you, Claire, and good day, everyone. Crombie's focus strategy is evolving nicely. At its core, our story is about a grocery store. And more specifically for Crombie, its related real estate business. For decades, Crombie and its predecessors have invested in high-quality sustainable real estate where people, live, work, shop and play. Given this legacy, our team is focused on driving future growth through the sustainable competitive advantage of our relationship with Canada's second-largest retailer, Sobeys, and elevating our portfolio through increasing urbanization, including mixed-use development in Canada's largest cities. We're also focused on funding these market-leading investments with low-cost capital from multiple and innovative sources and building one of the best real estate teams in Canada.

In January 2018, Empire announced an agreement with Ocado to bring the world's leading online grocery ordering, automated fulfillment and home delivery solution to Canada. Empire is building their end-to-end online grocery shopping business in the Ocado's smart platform. Ocado has more than 15 years at the forefront of innovation and success in grocery e-commerce.

In Canada, Ocado is partnering exclusively with Empire to launch online grocery shopping services. This will include their best-in-class front-end web shop and mobile grocery ordering applications and construction of Ocado's state-of-the-art automated warehouse designed specifically for grocery e-commerce.

Crombie is excited to now be playing a part in this story by adding our 24th major development property to our pipeline with the acquisition of a $32.4 million 20.25-acre land site located in Pointe-Claire, Montréal. Crombie is scheduled to develop this property into Empire's new state-of-the-art e-commerce customer fulfillment centre, CFC. This 285,000 square-foot CFC will be powered by Ocado's world-leading online grocery engine, where they'll invest to install fixturing, including its grid and robots. The site will become Empire's e-commerce distribution hub serving Québec and the Ottawa area. The Pointe-Claire CFC is expected to be our sixth active major development. We're currently forecasting shovels in the ground this summer with CFC expected to be operational in 2021.

On completion, this asset will strategically diversify our asset mix and income stream, increase our urban exposure and expand our Sobeys' related industrial exposure to approximately 5% of investment properties on a fair value basis. The site is owned for its intended use and Crombie will be the owner and developer for the CFC, working collaboratively with Empire throughout the development process. This is a very exciting opportunity for Crombie and our Unitholders to play a significant role in the evolution of the grocery industry in Canada.

This development is consistent with our NAV creation strategy fit seamlessly into our development ladder and is another example of the value we are unlocking with our partners at Sobeys. We anticipate creating significant value for our unitholders through our active development pipeline.

Yields on cost for our first 5 projects remain in the range of 5.2% to 6.2%, which we currently expect will translate into $1 to $2 of NAV per unit within 1 to 2 years, assuming current market conditions and cap rates persist. We're executing against our active development pipeline, which remains on track with roughly $231 million invested to date. Crombie intends to create spaces where people live, work, shop and play. Placemaking plays an integral role in our mixed-use development planning as we strategically integrate grocery and residential into welcoming community spaces.

At Belmont Market, retail tenants have taken possession and just over 90% of rental income on the first phase of this development has commenced. Belmont's anchor tenants, Thrifty Foods hosted a successful grand opening of their 53,000 square-foot grocery store last week.

We're in advanced stages of negotiation or have committed leases for 116,000 square feet of the overall development and leasing is complete on 94% of Phase 1 and 88% of Phase 2. Phase 3 is currently in active preleasing. We're very pleased with this project, where we are the sole owner and developer.

Redevelopment of former Sears space at Avalon Mall is moving along well with Winners relocating later this year from its former space within the mall, and LOI is executed with several key mid-box anchor tenants. We expect occupancy of the new retail units to begin in Q3 2019. Cineplex's 30,000 square-foot dining and entertainment complex, The Rec Room opened in April. This is their seventh location in Canada and the first to open in Atlantic Canada.

Davie Street in Vancouver, Crombie's first major mixed-use project is making an impact on the Vancouver skyline. Construction of the 2 concrete residential towers is approximately 50% complete. And as mentioned last quarter, we're 99% tendered on our major trades. The project is fully funded with in-place CMHC mortgage financing. Our experienced development team and partner Westbank, are doing a wonderful job of transforming this asset and we're confident in our forecasted yields.

The Bronte Village in Oakville, we've obtained site plan approval and building permits. Rexall celebrated its grand opening last week and excavation and shoring of the residential portion of the development is scheduled to be complete next month. 85% of the construction budget has been tendered and awarded and our partner Prince Developments is doing a great job leading this project.

Construction at Le Duke located along the Bonaventure Greenway in Montréal is on track with 70% of hard costs now tendered and all municipal approvals and permits received. Concrete and formwork for the underground parking garage is complete with cranes and concrete pumps installed and operational. On completion in 2021, this asset will consist of 25,000 square-foot urban format IGA store, 390 residential rental units and 200 underground parking stalls.

Our portfolio produced strong results in Q1 and we're executing solidly against our strategy. Same-asset NOI growth of 3.4% for the quarter demonstrates the strength of our grocery-anchored portfolio. Quarterly AFFO per unit was $0.26 inclusive of the successful execution of $327 million in dispositions during 2018 and Q1 2019, and $231 million invested in our development spending programs, both of which are initially dilutive in nature.

We're executing against our capital recycling plan and improving portfolio quality by recycling capital at a lower growth and/or non-core assets into our mixed-use development pipeline. These dispositions completed at values in line with IFRS continue to validate our NAV. We're pleased with our recent innovative partial interest dispositions, both the $41.6 million, 50% non-managing interest sale and the $161.6 million, 89% non-managing interest to Oak Street Real Estate Capital, our U.S. private equity firm.

These transactions highlight our expanding sources of capital, our improving portfolio of quality, our ability to creatively execute various types of partial interest property dispositions and our attractiveness as a partner. It also demonstrates the desirability of our secondary and tertiary assets for the right buyer. In total, including the partial interest dispositions, we sold approximately $106 million of assets during the quarter, and thus far post quarter, have closed an additional $183 million.

We continue to see opportunities and have additional recycling activity at various stages of completion. In terms of the market forces we're seeing on the disposition side, cap rates are solid across most markets. The strong demand for our grocery-anchored properties as we, along with the rest of the market, recognize the stability inherent in our centres.

In closing, Crombie's fundamentals remain strong. We're transforming our REIT by adding complementary and valuable mixed-use residential investments and state-of-the-art Sobeys' related industrial in Canada's major markets. First revenue from our active major developments is now in the books with income ramping up in 2019. With this balanced execution, solid balance sheet, ample liquidity and multiple sources of capital as well as one of the best teams in Canadian real estate, I'm excited at both Canada Crombie's future and I'm confident in our ability to create sustainable NAV and cash flow growth.

Lastly, I'd like to mention we're extremely pleased to welcome Clinton Keay, who will be joining us next week as CFO and Secretary. Clinton knows our business well, has strong relationships with our strategic partner Empire, possesses very strong leadership and collaboration skills and has a wealth of experience in finance and information technology. Glenn will be transitioning out of his role as CFO and Secretary and will continue to add value for Crombie in his position as EVP and COO, the role he commenced last fall.

With that, I'll now turn the call over to Glenn, who will, for the last time in his capacity as CFO, highlight our first quarter financial results and discuss our capital and development program funding approach.

Glenn R. Hynes, EVP, COO, CFO & Secretary

Thank you, Donnie, and good day, everyone. On a cash basis, same-asset NOI increased by 3.4% in the quarter driven by strong occupancy and revenue from land use intensifications. AFFO per unit was stable at $0.26 versus the same quarter last year, our Q1 AFFO payout ratio was 87.3% versus the same quarter last year at 86.9%. FFO for the quarter was also stable at $0.30 per unit and our FFO payout ratio was 74.2% versus 73.3% in Q1 of last year.

On the leasing front, retail renewals were strong in 2019 with 53,000 square feet renewed at an increase of 5.6%. We renewed 183,000 square feet in the quarter at rates essentially flat over the expiring rate. Taking a closer look, 145,000 square feet of 2019 expiries were renewed at 0.6% increase in rent and 38,000 square feet of future year renewals were completed during the quarter at a 2.8% decline. Our renewals were negatively impacted by 2 commercial mixed-use leases at lower rents.

Committed occupancy was 95.7% versus 96% at year-end. The decline was partially attributable to Crombie successful disposition program where 100% of the property sold were fully occupied and the transfer of properties under redevelopment -- development to income producing in advance of being fully leased. We ended the quarter with 123,000 square feet of committed space boosting future NOI growth.

G&A as a percentage of property revenue for Q1 was 5.5% or $5.8 million, up from Q1 of last year at 4.2% or $4.5 million. This increase was primarily driven by salaries and benefits costs, the majority of which is related to our positive unit price performance affecting unit-based compensation costs by over $1 million in the quarter.

We finished the quarter with debt-to-gross book value on a fair value basis of 50.3%, an improvement over the 51% at the end of Q4. Debt-to-trailing 12-month EBITDA improved to 8.57x compared to 8.67x at Q4. Our unencumbered asset pool remained flat at approximately $1 billion. Our balance sheet remains flexible with approximately $346 million in available liquidity and with continued access to the unsecured bond market and the mortgage and bank market. And with dispositions closing subsequent to year-end, we currently have 100% available on all of our bank facilities.

We're very pleased with the progress we've made on our development program and the attractive and innovative funding options we have available to us. Our deal with Oak Street indicates the strong interest in our grocery-anchored assets at IFRS fair values and validates our view of capital recycling priorities as a source of ongoing funding.

We're executing as planned on our strategy and capital allocation priorities, directing disposition proceeds at favourable pricing into compelling and higher returning developments. This strategy is not only smart capital allocation but will improve the quality of our portfolio and income over time. Given our multiple sources of capital, success with our current capital recycling program and free cash flow generation, we are confident we can fund our future investments and maintain a strong balance sheet.

In closing, our core portfolio is performing very well and is a wonderful complement to our mixed-use development pipeline. As we look to the future, we remain acutely focused on creating unitholder value through disciplined capital allocation, through the performance of our core property portfolio and through our development and intensification programs.

Thank you for listening and we're now happy to respond to your questions.

Question and Answer

Operator

Your first question is from Matt Logan from RBC Capital Markets.

Matt Logan, RBC Capital Markets, LLC, Research Division

Can you talk a little bit about the potential for further Ocado CFCs across Canada, and what the opportunity for Crombie might be like?

Donald E. Clow, President and CEO

I think it's really a broader thing, Matt. It's really about retail-related industrial. We already have some in that we have 1.5 of 3 automated distribution centres with Sobeys that we bought a few years ago, and so Ocado adds to that in being the home delivery vehicle for Sobeys. So we're excited about this acquisition. I don't believe that they've stated publicly how many DCs they will have across the country that will be either automated or the home delivery through the Ocado software. And so for us, it's exciting to take this one. We would love to be part of future opportunities, both on the automated DC and the Ocado centres. We think it's a natural complement to our strategy, where we're so close to Sobeys, understand how these fit. It also helps us in working with them to understand how our store network will fit with a home delivery e-commerce opportunity, things like click and collect, et cetera. So we're really just building, I think, a more fulsome relationship with Sobeys than ever before and being able to take advantage of a full spectrum of retail, including e-commerce. And this is just representing part of that plan.

Matt Logan, RBC Capital Markets, LLC, Research Division

Of course. And in terms of the store network, has there been any shift in thinking about the size of the warehouse space in the store versus the amount of floor space or parking area dedicated to click-and-collect over the years?

Donald E. Clow, President and CEO

At this point, I can't really say anything concrete. I can tell you that, in general, our view is that we won't lose store space to e-commerce in terms of -- because our view is that anything that's actually taken out by e-commerce will actually be replaced by space that needs to be well organized to deliver click-and-collect efficiently, cost effectively. And so our view is that over the long term, there won't be a material change, but it's still -- and we're working very closely, as I said, with Sobeys to figure those opportunities out.

Matt Logan, RBC Capital Markets, LLC, Research Division

And in terms of the Ocado DC, can you tell us the cap rate and any colour on the Empire, at least, if it has any embedded rent steps or things of that nature?

Donald E. Clow, President and CEO

Yes. We can't really tell you that the cap rate at this point or the cost to develop it. It is a long-term lease, obviously. And our current rental steps would be in line with our previous transactions with Sobeys.

Matt Logan, RBC Capital Markets, LLC, Research Division

And maybe just for those of us from the GTA, can you -- do you know when the Vaughan DC is schedule become online?

Donald E. Clow, President and CEO

By 2020, I believe.

Matt Logan, RBC Capital Markets, LLC, Research Division

And last one for me. With the resurgent population growth in Halifax, do you see any mixed-use development opportunities emerging in Atlantic Canada or are most of your opportunity still in Western Canada and the GTA?

Donald E. Clow, President and CEO

We absolutely do. We own Scotia Square, which has today 2 development opportunities and we own adjacent land called the Triangle Lands that also has development opportunities. In addition to that, there are projects in Halifax that are similar to our projects across the country that are grocery stores and parking lots with towers all around them, that may not be registered on our major projects list, but there's certainly something that we think about as we're going forward as potential major opportunities for development. We like Halifax. We think it's a gem of a city. It has solid GDP growth. It has population growth. I think the most recent reports said it's a little faster than Toronto, for those people who live in Toronto. And so we're quite pleased with Halifax. I think it's the urban centres in the country, both the mid-markets and the larger urban market that have this type of development opportunity, and Halifax is definitely one of them. So yes, and we are -- honestly, we are working on projects like Westhill on Duke and others that we have announced previously.

Operator

Your next question is from Jenny Ma from BMO Capital Markets.

Jenny Ma, BMO Capital Markets Equity Research

With regards to the construction of the Pointe-Claire centre, have you locked in or contracted out a lot of the development costs yet or is that still something you're working through?

Donald E. Clow, President and CEO

We're still working through that. We've got our time lines basically laid out for, call it, mid-2021 to complete the project. But we're still working through that together with Sobeys and Ocado.

Jenny Ma, BMO Capital Markets Equity Research

But the lease you have with Empire is locked in?

Donald E. Clow, President and CEO

It is. Yes. Absolutely.

Jenny Ma, BMO Capital Markets Equity Research

So there is a little element of, I guess, cost risk as you're working through the budgeting process?

Donald E. Clow, President and CEO

They're minimal, I guess, is what I would say.

Glenn R. Hynes, EVP, COO, CFO & Secretary

We will announce more of that probably, Jenny, in Q2. But we want to just to get the communication out today about the project, which is very exciting. But I think, in Q2, we'll be able to provide more colour in terms of the structure of the arrangement and a little more detail on expected cost and those particulars.

Jenny Ma, BMO Capital Markets Equity Research

Sure. Could you maybe just give us a little bit of colour on how you're seeing the construction costs evolve in Montréal versus the GTA because we've all been hearing about how cost have really been rising in Toronto. Are you seeing a similar experience in Montréal or is it little bit better in that regard?

Donald E. Clow, President and CEO

Montréal certainly is experiencing inflation like all the big cities, Toronto and Vancouver have been around the 5% to 6% range over the last year, which in Vancouver is actually down. Montréal is up and we -- but we are, as we said on our script, we've got most of the costs tendered on all of our big mixed-use projects, including in Montréal where it's over 70% tendered. And it's important to note that Prince Developments, that's their hometown. They're very strong developers, very entrepreneurial in terms of figuring out alternatives, in terms of keeping costs and ensuring that the quality is put into place. So we're quite pleased with where we are. And I think as I've said in the script, we're on track, which generally means we're on budget and our yields are holding. So we're quite comfortable with where we are.

Glenn R. Hynes, EVP, COO, CFO & Secretary

Jenny, as well we're seeing in Montréal, particularly in the Griffintown marketplace, really strong rental rates. So we're pleased with the range of rental rates relative to pro forma were well within contingency on costs. And similarly with our project in Oakville markets holding in nicely from a rental rate point of view. And we're -- again, we're doing a good job managing costs despite the inflationary pressures that Donnie talked about.

Jenny Ma, BMO Capital Markets Equity Research

Okay, great. So I'll wait till next quarter to see how it shakes out for the CFC. With regards to Empire's investment in the, I guess, the infrastructure inside the building for Ocado, do you have a sense of how much that investment is, I guess, per facility or on a per square foot basis?

Glenn R. Hynes, EVP, COO, CFO & Secretary

A question, obviously, Empire should answer. It's not one that Crombie will take today. We're certainly focused on the land acquisition and building out the infrastructure that we're responsible for and doing a great job building that to Empire's specifications.

Jenny Ma, BMO Capital Markets Equity Research

Okay. Well, at least, I tried. Avalon Mall, the Winners-HomeSense space that's being vacated, do you have a sense of what the backfill might look like? Does it require additional work or do you have other tenants that are sort of kicking the tires on that space?

Donald E. Clow, President and CEO

We have a long list of tenants that we're working with. And as we said in our script, we've got LOI signed, including LOI signed on some of that space. We're looking at subdividing it. It's a larger space, but in the big-box that we're talking to are generally about half the size of the former Winners space. So it's very active on the leasing front and we're quite pleased with the response rate today.

Jenny Ma, BMO Capital Markets Equity Research

What is the magnitude of the expansion for Winners-HomeSense?

Donald E. Clow, President and CEO

I believe it went from 35,000 to...

Glenn R. Hynes, EVP, COO, CFO & Secretary

50,000

Donald E. Clow, President and CEO

About 50,000.

Jenny Ma, BMO Capital Markets Equity Research

30,000 to 50,000. Okay, and then my last question is with regards to the higher G&A cost. You said it was about -- it was mostly attributed to the unit base comp as a result of the movement in stock price, so that was, call it, $1 million or so?

Glenn R. Hynes, EVP, COO, CFO & Secretary

Yes. Little more than $1 million, correct.

Jenny Ma, BMO Capital Markets Equity Research

Okay. And so we won't see that this quarter all else equal if the stock price stays more or less level given the magnitude of the move in Q1?

Glenn R. Hynes, EVP, COO, CFO & Secretary

Correct. If our stock price remains where it is, but if it keeps going higher then we'll still have some additional costs.

Operator

Your next question is from Tal Woolley from National Bank Financial.

Tal Woolley, National Bank Financial, Inc., Research Division

I just wanted to go back to the DCs again, unfortunately, I'm probably beating this horse to death. But the automated pick-and-pack facilities that Sobeys had at Terrebonne and Vaughan those were purchased by you completed already, if I recall correctly, right?

Donald E. Clow, President and CEO

Purchased half of them, Tal?

Tal Woolley, National Bank Financial, Inc., Research Division

Yes.

Donald E. Clow, President and CEO

And we purchased half of 1 in Calgary as well. We own 50% of 3 DCs currently, and this will be our fourth.

Tal Woolley, National Bank Financial, Inc., Research Division

And those were all done completely like they were fully developed on the Empire side, right?

Donald E. Clow, President and CEO

They were, correct.

Glenn R. Hynes, EVP, COO, CFO & Secretary

And those were the DCs that were completed with the WITRON technology from Europe, that they have 3 of those and we bought 50% interest in all 3.

Tal Woolley, National Bank Financial, Inc., Research Division

Okay. And then you've talked a bit in the past to about funding more recoverable CapEx with some of your bigger partners like Sobeys. I'm just wondering for the DC, is that something you're trying to negotiate for?

Glenn R. Hynes, EVP, COO, CFO & Secretary

Not sure. I get your question, Tal, what you're referring to.

Tal Woolley, National Bank Financial, Inc., Research Division

Well, you sort of spoken about some of the -- with some -- some of your retail or shopping centres that helping fund CapEx for tenants and earning a bit of a return off of that. Is that something that you could be doing? I'm talking in terms of like the fit out for DC.

Donald E. Clow, President, CEO & Trustee

We'll -- that will be on a site-by-site basis, to be honest, Tal. We do have a program -- as we've talked about modernization, things like modernization that have been done, I think, we did -- our most significant one was done in 2016, where we did something like $54 million. But that kind of program is a great program for both us and Sobeys in terms of modernizing their stores, but also the stores that we already own. And for us, it's quite accretive to AFFO on a Day 1 basis and so it's a great use of our capital.

Tal Woolley, National Bank Financial, Inc., Research Division

Okay. And then just my last question on the FreshCo conversions and the Farm Boy rollout. Any visibility into how that could impact your shopping centres?

Donald E. Clow, President and CEO

Yes. I'd say that we've got, again, our program under the leadership of Michael Medline, our relationship with Sobeys is going to another level. And that level includes longer-term planning of -- on a multidimensional basis with a lot of different types of activities. And so some of the store conversions we're looking at on a multiyear basis. And obviously, we haven't done a Farm Boy yet, but in time, we believe, we will, we hope we would. It's another great opportunity for us to participate. So I think, it's really the -- some of the things you'll see over the next number of months are just indicative and outcomes that are coming from that even stronger relationship, where the retailer gets the power and understands the power of having a real estate partners that's like Crombie, so...

Glenn R. Hynes, EVP, COO, CFO & Secretary

And Tal, as we speak, we're working on 4 FreshCo conversions in Western Canada. So those will be

completed well before the end of this year.

Tal Woolley, National Bank Financial, Inc., Research Division

I'll ask, but I think I already know the answer, but those early FreshCo conversions, have they -- do you have any of them within your portfolio right now, like, are any complete right now?

Donald E. Clow, President, CEO & Trustee

Some that were complete and the ones that they've completed have done exceptionally well. The grand openings were fantastic.

Glenn R. Hynes, EVP, COO, CFO & Secretary

The ones that we're committing capital to were just in the process of completing the first one. But we have 4 in the first wave that will be completed shortly.

Operator

Your next question is from Pammi Bir from Scotia Capital.

Pammi Bir, Scotiabank Global Banking and Markets, Research Division

Just on the sale to Oak Street for that portfolio, they certainly seem to have specific investment focus, but are there other, I guess, opportunities to transact with them?

Donald E. Clow, President, CEO & Trustee

We can't speak to specific transactions, but I would say, as we said in our press release and in our script that we have other transactions in various stages of negotiations. And so we'll announce those in time, Pammi. I would say that they've been terrific people to deal with. We would love to do more business with them. So I can give you that much colour. So they're a good fit for Crombie and we believe we're a good fit for them.

Pammi Bir, Scotiabank Global Banking and Markets, Research Division

That's helpful. I guess just on that -- your comments around additional transactions. What would you be, I guess, satisfied with in terms of potentially transacting on, call it, for the rest of this year?

Donald E. Clow, President and CEO

Sure. We're going to give a guidance on that. Just as we've said, we've not really provided a dollar amount. As we've said, we believe, we've got a predisposition for dispositions as a good source of capital, especially with our share price still trading at a significant discount to NAV. And so this is a very viable opportunity for us and we're working on deals on a constant basis. I can't, unfortunately, give you a dollar value.

Glenn R. Hynes, EVP, COO, CFO & Secretary

I would add to that, Pammi, that clearly, we want to maintain leverage a little bit lower than when we finished the year. We finished 2018 at, what, 50% debt-to-GBV, it would've been lower than that, but a few of the transactions -- disposition transactions didn't close until Q1. So we would prefer to be more closer to 50% or 50.3% like we were in Q1. And in the year you'll have a feel for the level of investment that we've got planned for a major project, so kind of solving for the leverage, you'll get a sense for the level of dispositions that were prepared to do.

Pammi Bir, Scotiabank Global Banking and Markets, Research Division

Got it. That's helpful. Just -- I'm just curious at Avalon Mall, has there been any material impact on the productivity there, just given all the redevelopment activity going on?

Donald E. Clow, President and CEO

I don't think that you can have a development of that size and scale without having some impact. There certainly have been inconveniences to consumers and to our tenants. So we've had some impact, Pammi, but, I believe, at the end of the day everybody recognizes this is the right thing to do for the shopping centre, the reorganization into a, call it, a racetrack form is much more conventional shortens the distances between stores and brings the anchors closer to other anchors and it causes, I think, increased traffic.

And so it's, I'd say marginal impact to date, but we are seeing a little bit of an impact. But at the end of the day, everybody understands it and I believe that they look at the future and say, this is going to be, clearly, it's the most powerful mall in all of Newfoundland and Labrador. I don't think there's anything else that even comes close. And so -- and we believe as many others have stated, there is places for the dominant regional shopping centres in the Canadian marketplace, and Avalon is one of them.

Glenn R. Hynes, EVP, COO, CFO & Secretary

Pammi, we purposefully opened our new 850 parking stall parking structure late 2018, primarily to your point, we wanted to bring a positive improvement to the asset at a time when there was some upheaval around the property with redevelopment. And also, another example, a small example, but importantly, we've a very busy food court at Avalon, and all of that work is done after hours done overnight. So we're doing things to minimize the disruption. And so far, we're not getting a lot of anxiety from tenants over what's going on. In fact, it's much more positive with the development that's occurring there.

Pammi Bir, Scotiabank Global Banking and Markets, Research Division

Got it. Just maybe one last one for me. Great start for same-property NOI growth. But just to maybe help clarify, any sense of the -- if you could, how much of that was driven by occupancy versus rent growth?

Glenn R. Hynes, EVP, COO, CFO & Secretary

Going to break it down, it's both. And I think I saw your summary this morning. One of the anomalies this quarter was this change with IFRS 16. And our same-asset NOI growth was actually 4.2%, but it included $475,000 pickup from the change to our land leases now capitalized. So the 3.4% growth is the real, call it, apples-to-apples number. It's been driven by both. We had a very small sample of lease renewals in the quarter. It's kind of normal for Q1. So we didn't see too much positive action on lease renewals. But we have committed space coming on which is supporting same-asset NOI growth.

We are still seeing the tailwind from improvement, you noticed, I think, in office. We had some committed space in the office towers. PwC took some space. I think one of the data companies took some space. That kicked in the quarter, that certainly helped improve our office occupancy by double digits, our office same-asset NOI by double digits. So it's a combination, we're still doing some amount of land use intensification which is helping same-asset where it's in the same-asset property, but it continues to be balancing act between just good old-fashioned leasing and cost control and additional densification along the way.

Pammi Bir, Scotiabank Global Banking and Markets, Research Division

That's helpful. I guess just lastly, on that the land use intensification, do you consider redevelopment space the same as in the same category as your land use intensification?

Glenn R. Hynes, EVP, COO, CFO & Secretary

Generally not because we take those property out of the same assets. So for example, we had 3 properties that were being repurposed for Target, when Target left the country. And you'll notice in our table in the MD&A, we have 4 properties currently that are out of same-asset because they're going through a more substantial redevelopment or repurposing process in a typical LUI. So North Bay Ontario where Target left, we're repurposing that property. Fredericton in Brunswick where Target left, totally new configuration moving Sobeys and Sydney, Nova Scotia is done, but also Kenmount Road in Avalon Mall, which was sort of Phase 3 of Avalon, we've been purposely untenanting that property to have flexibility for the future and there's one other property in Amherst, Nova Scotia. So a property that's going through more development would be taken out of same-asset and then put back in about 24 months once everything's back to stability. But for a traditional just adding a pad, adding a small density then that would stay in same-asset NOI.

Pammi Bir, Scotiabank Global Banking and Markets, Research Division

Got it. I guess just on that the land use intensification component this quarter was -- I don't know if you can quantify it, but it sounds like it was pretty small.

Glenn R. Hynes, EVP, COO, CFO & Secretary

I would say it was not substantial. We had good operating tailwinds from the improved occupancy of last year and some of the committed space coming into paying rent. And also, we had some good NOI in Belmont, which is not same-asset, but we -- as Donnie mentioned in his remarks, we're having some of our development space now coming into from PUD to IPP, if you will, from a property under development to income producing, and that's helping us. Although it's not same asset, but certainly still goes to the bottom line and we're quite pleased about that.

Operator

And our next question is from Sam Damiani from TD.

Sam Damiani, TD Securities Equity Research

Just to touch base -- go back on the Ocado development. Is there anything you're putting in place to avoid the kind of cost overruns that, I think, were experienced on the Vaughan facility? And how do you view, I guess, the land costs relative to market in that area of Montréal?

Donald E. Clow, President and CEO

I think it is a market land cost. It's not cheap, Sam. And so there was effectively a deal in place that we stepped into and that was the market price. So we were quite comfortable with it. In terms of the cost overruns, I would think, we certainly are, as we've talked about becoming better developers over time, and I think we have one very strong development team. So we'll deal with the inflationary pressures together with Sobeys. So I can't really get into the detail, we'll be subject to other market forces like a lot of developers. But I think, at the end of the day, the returns are quite compelling. So we'll do fine.

Sam Damiani, TD Securities Equity Research

And I guess, based on the reported cost of the Vaughan facility on a per square foot basis whatever that might sort of turns out to be, is that the kind of number that you'd be looking at in investing for Crombie or does that include, like, would yours be much less than that because that includes the investment inside the box?

Donald E. Clow, President and CEO

It's a good try, Sam. But unfortunately, we're not going to comment on the cost. What I would say is that -- I think Sobeys has learned a lot through the initial DC construction. And I think the second DC will benefit from that as they will and take the learnings and both cost control but increased quality at the same time and increase productivity at the same time. So I -- other than that little bit of colour, unfortunately today, I can't really give you much and we'll be able to do more in Q2.

Glenn R. Hynes, EVP, COO, CFO & Secretary

Exactly.

Sam Damiani, TD Securities Equity Research

Okay. I mean you did say it is NAV accretive. So you're certainly anticipating that the stabilize yield on completion will be ahead of what you thought...

Donald E. Clow, President and CEO

It will be NAV accretive, Sam.

Sam Damiani, TD Securities Equity Research

I just wanted to touch on Vancouver. The housing market there has changed in the last couple of years. Are you viewing the Davie Street lease up next year any differently and are viewing the planning for Broadway and Commercial any differently today that you would've a couple of years ago?

Donald E. Clow, President and CEO

I mean we're -- I think we're going to do very well at Davie Street. Number one, we have, I think, the best developer in Vancouver is our partner in Westbank. And I think if you have a look at Westbank developments, they outperformed other many or most, if not all, of the other developers in the city. And so we're quite comfortable with the quality of the work we do and quite comfortable with the rentability of the product that we're producing together.

And then importantly, we did a pro forma number of years ago that is lower than market today. And we've seen very recent comps. We, in fact, were looking at this last week and seeing very recent comps that still remain well above our pro forma rental numbers. So we are reading what you're reading and are cautiously optimistic, and I think that there is certainly, as Warren Buffett says, you need to have a solid margin of safety on these types of long-duration projects because of what market forces can change.

In terms of Broadway and Commercial, it is something that we're very mindful of. It's a big project, a big site, still a number of years away. And again, we're working closely with Westbank, who, I believe, knows the market better than anybody and is able to achieve both condo and rental rates that are, I think, above most, if not all, of the market out there. So I'm not sure what I can tell you more. But it's -- we think, we're fine and we won't go forward with Broadway and Commercial unless we expect a very good return. And so we'll have, again, that would give us a margin of safety that we'd be comfortable with.

Glenn R. Hynes, EVP, COO, CFO & Secretary

And the recent narrative, Sam, that we would say is that rental continues to be very strong in the section of Vancouver, where we're developing 99%, 99.5% occupancy. It's probably the condo narrative lately that's been a bit more suspect or a bit more to be watchful. But as Donnie said, obviously, Davie Street is rental and we'll do the combination quite likely at Commercial and Broadway, so we'll be paying attention to the market tone.

Operator

Thank you. There are no further questions. I will now turn the call over to Claire Mahaney Lyon for closing remarks.

Claire Mahaney Lyon, Manager of Investor Relations

Thank you for your time today, everyone. And we look forward to updating you on our progress on our Q2 call in the coming months. Thank you.

Operator

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