Final Transcript

Crombie Real Estate Investment Trust

Fourth Quarter Results Conference Call

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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) asset 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 2020, 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, 2018 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.

Non-GAAP Financial Measures

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, funds from operations ("FFO"), FFO as adjusted, adjusted funds from operations ("AFFO"), debt to gross book value, 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, 2018 for additional information regarding Crombie's use of non-GAAP financial measures, including definitions and reconciliations to GAAP measures.

Corporate participants

Donald E. Clow
Crombie REIT — President and Chief Executive Officer

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

Clinton D. Keay
Crombie REIT — Chief Financial Officer and Secretary

Conference Call Participants

Dean Wilkinson
CIBC World Markets, Analyst

Howard Leung
Veritas Investment Research – Analyst

Tal Woolley
National Bank Financial - Analyst

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Crombie REIT Q4 Fiscal 2019 Conference Call. This call is being recorded on Thursday, February 27, 2020. It's over to Clinton Keay. Please go ahead.

Clinton David Keay, CFO & Secretary

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; Glenn Hynes, Executive Vice President and Chief Operating Officer; and myself, Clinton Keay, Chief Financial Officer and Secretary.

Today's discussions include 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 a review of Crombie's operating fundamentals and results. And I will conclude our prepared remarks with a discussion of our financial results, capital allocation and approach to funding. Don?

Donald E. Clow, President & CEO

Thank you, Clinton, and good day, everyone.

2019 was a landmark year for Crombie. Through the years, we have maintained a disciplined commitment to creating value for unitholders and our team successfully delivered that value in spades last year.

We demonstrated our innovative capital recycling strategy by disposing of just over $0.5 billion of real estate at favorable pricing. Transactions provided organic funding for our development pipeline and enhanced the quality of our portfolio. Improved our balance sheet by reducing leverage, increased our allocation to unsecured debt from secured mortgages, and provided advanced funding of debt maturing in 2020. Our unencumbered asset pool grew, our available liquidity remains more than adequate. Our financial disclosure improved, which we hope will help you better understand our business.

Given the volatility in the markets, we are pleased with our solid financial condition. We are optimizing our relationship with our partner, Empire, aligning our strategies and capitalizing on a wide range of strategic initiatives, opportunities and accretive transactions. In 2019, we invested in modernizations, conversions and strategic acquisitions, such as the Vaughan distribution center in Ontario. We expanded our value-enhancing major development pipeline from 27 to 33 sites this year, now totaling $4 billion to $5.8 billion in major development projects. We enhanced our pipeline focus on urban markets with increased exposure to Vancouver, Toronto, Montréal and Halifax, as these markets are growing faster than the national average.

We're focused on playing an important role in the evolution of the grocery industry supply chain. The acquisition of the site for the future home of Voilà par IGA in Montréal, Empire's customer fulfillment center and Crombie's sixth active major development. This asset strategically diversifies our asset mix and income stream, increases our major urban market exposure and expands our Sobeys-related industrial category.

We drove strong operating results, as you can see by our year-over-year same asset cash NOI growth, our year-end record occupancy, and strong leasing metrics. Grocery-anchored retail continues to be one of the strongest forms of real estate in Canada and Crombie's portfolio is one of the strongest grocery-anchored portfolios in the country.

Our properties won multiple Green Building awards throughout the year. Our Scotia Square complex in Halifax, Nova Scotia won multiple awards from the TOBY Award of Excellence by BOMA Canada to the Most bicycle-friendly landlord from the Halifax Cycling Coalition. TOBY Outstanding Building of the Year Award is the most prestigious and comprehensive program of its kind in the commercial real estate industry. Recognizing quality in commercial real estate buildings and rewarding excellence and building management. Avalon Mall was awarded the Earth Award for retail during the 2019 BOMA Newfoundland and Labrador industry awards. We are incredibly proud of these achievements and the teams behind our properties.

Crombie will continue to foster a corporate culture where every employee values the environment and understands their role in preserving it. 2020, we will increase disclosure and reporting around our ESG commitment.

We were selected as one of Atlantic Canada's top employers for 2020, sixth consecutive year that we've received this designation which recognizes Atlantic Canadian employers who lead their industries in offering exceptional places to work. Our strategy would not be achievable without the resilience of our skilled teams and the strength of our underlying business. This is a solid foundation, the heart of Crombie that enables us to pivot from a position of strength and pursue the next phase of growth.

These key accomplishments and milestones achieved during 2019 contributed increasing net asset value, lowering our cost of capital, which drove the outperformance of our unit price. We are set up for success throughout 2020 and beyond and will continue to deliver value to our unitholders.

The cornerstone of our financial strategy is to effectively allocate capital to support both NAV and AFFO per unit growth. We're working, in partnership with Empire, maximizing value creation. They recognize the need to maintain and modernize their stores across the country. We will continue to work with them through modernizations, FreshCo conversions, land use intensifications and to unlock major developments.

Through 2020, we expect to reach substantial completion on approximately $300 million of construction on Davie Street, Belmont Market and Avalon Mall with revenue ramping up throughout the year. We will continue investing in Bronte, Le Duke and the Voilà par IGA CFC with a plan to complete those developments totaling another $300 million during 2021, and we're pushing forward another 7 projects in planning.

In 2020, we plan to continue our financing plan to secure multiple sources of capital, optimize our capital structure, minimize our cost of capital and de-risk our business. We will continue to foster a progressive culture that values diversity, innovation and employee wellness.

I have full confidence in our collective ability to continue to unlock and deliver value and prudently fund these investments for years to come. Our team values relationships and is committed to the long-term sustainable growth of Crombie and our stakeholders. Our solid operating fundamentals, entrepreneurial leasing, high-occupancy rates and strong execution at our properties provide the foundation to enable us to create significant value from our relationship with Empire and Sobeys and our major development pipeline. We are relentless in our efforts to accelerate the growth of NAV and AFFO.

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

Glenn R. Hynes, COO & Executive VP

Thank you, Don, and good day, everyone. Crombie's strong fundamentals on our 285-property portfolio were driven by record high year-end committed occupancy of 96.1%.

New leases and expansions increased occupancy by 247,000 square feet at December 31, at an average first year rate of $20.68 per square foot. We ended the year with 115,000 square feet of committed space at an average first year rent of $20.38 per square foot, boosting future NOI growth.

A busy fourth quarter had 699,000 square feet of renewals completed with a solid increase of 3.9% over expiring rental rates. Approximately 195,000 square feet of Empire leases were renewed as part of our modernization investments during the quarter. Retail renewals consisted of 586,000 square feet of the activity at a growth rate of 4.5%.

In 2019, we renewed a record 1,626,000 square feet at an increase of 3.9% over expiring rent, exercising renewals on approximately 9% of our portfolio GLA. Renewal activity in the Halifax office market was particularly impressive. With notable deals, including the Department of Health and Wellness at Barrington Tower and the Department of Education at Brunswick Place. Both province of Nova Scotia leases are close to 100,000 square feet each which increased the province's weighted average lease term to approximately 8 years compared to the 1-year, it was at the beginning of 2019. Retail renewals were strong, with 1,011,000 square feet renewed at rental increases of 5.2%.

Our core portfolio is performing very well, and our team is dedicated to ensuring our underlying business fundamentals and core portfolio remains solid as we build out our mixed-use development pipeline.

As we've previously discussed not all retail is created equal. Retailers that focus on providing value, convenience and experience will do well in this evolving digital economy. Discount and off-price retailers with a strong value focus are leading the way. Recognizing that, our needs-based properties are performing very well in the evolving retail landscape and are poised for future growth. Types of tenants frequenting our properties are growing and opening new stores, not shrinking. Samples of these tenants are Dollarama, Giant Tiger and Marshalls/Winners. 2018 and '19, within our portfolio, we had 6 new Dollaramas opened or expanded, 2 new Marshalls/Winners and 1 relocation to a new and larger space and 1 new Giant Tiger store opened. We are focused on fostering these relationships. Their needs-based space, by a wide margin, we are seeing more stores opening than closing.

Of equal importance, there are many retailers who are faced with store closures. Traditional retailers with weak value propositions, aged and static merchandising plans and absent omni-channel strategies are failing to adapt to the evolving digital economy. Examples of these retailers are Payless Shoes, Bentley, Gymboree, Forever 21, Bombay and Nine West. Crombie has very limited to no exposure to these retailers and categories. The recent announcement of Carlton Cards, Bentley and Pier 1 Import closures, Crombie's exposure was minimal with only 5 leases impacted. The total square footage of approximately 17,000 square feet are approximately 0.1% of annual minimum rent.

Our active major development pipeline, which we anticipate will create significant value for our unitholders remains on track and on budget, with approximately $374 million invested to date. Yields on costs for our first 6 projects remain, on average, in the range of 5.5% to 6%, which we expect will translate into $1 to $2 of NAV per unit, commencing this year, assuming current market and cap rate conditions continue.

Davie Street is our first active major mixed-use development with a potential NAV accretion of $65 million to $81 million. Retail podium has been constructed and tower concrete is complete, with residential glazing now installed up to the 18th floor of both towers. The approximate 45,000-square foot Safeway and approximately 9,000 square feet of ancillary retail space are expected to open this spring. 330 rental units, totaling 254,000 square feet, 2 residential towers have an expected opening of Q3 of this year.

Belmont Market is 91% tendered and has potential NAV creation of $17 million to $23 million. 26 tenants are now open in these buildings with other scheduled to open imminently. As of December 31, committed occupancy for the property was 86.4%.

Crombie previously completed the sale of land to a third-party, who are under construction and over half of the anticipated 437 residential units, including condominiums and rental buildings. Residents in the 2 rental buildings have taken possession of their units and are adding vibrancy to the overall property. November of 2019, Crombie closed on the acquisition of 29,000 square feet of ground floor retail space in the rental buildings. Final phase of the development consists of 3 buildings, totaling 23,000 square feet, active pre-leasing is currently taking place, and deals are pending on roughly 6,000 square feet today. Construction is expected to commence on the first building in early 2020, with the remaining 2 buildings slated for 2021 construction.

Avalon Mall. Avalon Mall continues its market dominance, with occupancy at December 31 of 97.6%. Mall redevelopment has the potential to create $33 million to $44 million of NAV with a yield on cost of 10.3% to 11%. Occupancy of the new retail units began in Q3 of 2019, with construction of the expansion area continuing through Q2 of 2020 and occupancy expected into Q3 and Q4 of this year. To date, 88.8% of the leasable square footage of this redevelopment has been executed, including a new and expanded Winners/HomeSense, H&M, Gap, Banana Republic, Old Navy and subsequent to December 31, we have added Tommy Hilfiger, Sport Chek and Levi Strauss to our tenant roster. Advanced discussions with other potential CRU tenants continue.

Montréal, our Le Duke project, along the Bonaventure Greenway in Old Montréal, has an estimated potential NAV creation of $21 million to $26 million. 25-story mixed-use tower with 241,000 square feet and 390 residential rental units is over 78% tendered and completed up to the 12th floor. In addition to the mixed-use tower, the site will contain a 25,000-square foot IGA grocery store, 1,000 square feet of retail space and 200 underground parking stalls. Completion of this project is expected in the second quarter of 2021 with a yield on cost of 5.4% to 5.8%.

Bronte Village is 87% tendered and construction actively progressing with the below-grade parking structure complete and above-grade concrete were completed up to the 14th level on Building A and the fifth level on Building B. This development is expected to be completed in Q3 of 2021, with potential NAV creation of approximately $51 million to $64 million. Subsequent to year-end, a milestone was reached as the topping-off ceremony for Building A took place on February 7.

The launch of Voilà par IGA, the e-commerce service for Québec and the Ottawa area is expected in 2021. Site work is complete with building construction to commence in spring 2020 in Montréal. The estimated yield on cost for this project is 6.1% to 6.4%, potential NAV creation of $19 million to $32 million.

We expect to invest $150 million to $200 million in our development program annually. On completion, all these properties are expected to create significant 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.

And with that, I'll 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 David Keay, CFO & Secretary

Thank you, Glenn.

On a cash basis, quarterly same-asset NOI increased by 3% to 3.5% for the full year. Quarter-to-date and annual same asset NOI, excluding the impact of IFRS 16, increased 2.5% and 3%, respectively. These increases continue to demonstrate the consistency, stability and strong fundamental performance of Crombie. FFO per unit decreased to $0.24 from $0.26 for the same quarter last year. Our Q4 AFFO payout ratio, excluding the special distribution, was 93.8% versus the same quarter last year of 84.8%. FFO for the quarter decreased to $0.28 per unit from $0.31 for Q4 2018. Their FFO payout ratio, excluding the special distribution, was 80.1% versus 72.5% in the same quarter last year. Considering our significant disposition activity throughout 2019, reduction in leverage and our continued investment in our development pipeline, we are pleased with these results.

We're feeling the effects of approximately $800 million in dispositions over the past 24 months and the investment of approximately $374 million of capital and major developments with no initial returns. However, as Donnie mentioned, throughout 2020, we expect Davie Street, Belmont market and Avalon Mall to reach substantial completion and begin contributing higher-quality cash flow, driving both NAV and AFFO growth.

G&A as a percentage of property revenue for Q4 was 6%, $5.9 million; up from Q4 '18 at 5% or $5.2 million. Excluding the impact of our unit price increase on compensation plans, partial asset dispositions, G&A would have been approximately 4.9% of property revenue for Q4.

In the quarter, Crombie acquired the remaining 50% of Empire's state-of-the-art, fully automated distribution center in Vaughan, Ontario, increasing our retail-related industrial portfolio to 9.6% of total GLA. We also acquired a 40,000-square foot Sobeys story in Halifax, Nova Scotia which has potential for future development. This property includes one of Canada's first parking lots, paved using post-consumer plastics that had been diverted from local landfills. Total gross purchase price of the 2 transactions was approximately $110 million.

On October 7, Crombie closed our second tranche of property dispositions with Oak Street Real Estate Capital, selling 89% non-managing interest in a 15-property portfolio for total gross proceeds of approximately $193 million. This transaction, once again, highlights our ability to creatively execute partial interest property dispositions, innovatively identifying new and expanding sources of capital and successfully prefund our major mixed-use development commitments into 2021, all while aligning with our long-term funding strategy.

Crombie is committed to focusing on our goals of increasing weighted average term to maturity of our debt while taking advantage of the current low interest rate environment, reducing leverage over the medium-term and increasing our unencumbered asset pool. In the fourth quarter, Crombie executed a 7.5-year, $150 million senior unsecured notes at an interest rate of 3.9%. Proceeds from the notes were earmarked for the repayment of approximately $153 million of secured mortgages, with an interest rate of 5.6% and matured on February 1, 2020. There continues to be a substantial opportunity to harvest interest rate savings and extend our weighted average term to maturity in our debt ladder. Our unencumbered asset pool increased to approximately $1.2 billion from $960 million at Q3, and our balance sheet remains flexible with approximately $449 million of available liquidity.

Debt to gross book value on a fair value basis improved to 48.9% at the end of 2019 compared to 51% at the end of 2018. We ended the year with debt-to-trailing 12-months EBITDA at 8.52x, an improvement compared to 8.66x at Q4 '18.

Subsequent to the year-end, on February 11, Crombie closed a $100 million equity financing at a price of $16 per unit. After the closing of the public offering and private placement, Empire continues to hold a 41.5% economic and voting interest in Crombie. This is the first time Crombie has issued equity since 2016.

Lastly, on December 12, the special distribution to unitholders of $0.56 per unit was announced. Distribution arose from the increase in income generated by capital recycling transactions completed in 2019.

Our solid balance sheet, ample liquidity, access to multiple sources of capital and strong underlying fundamentals support our investment in Empire related activities and a robust development pipeline. Crombie is successfully executing on our strategy to secure multiple sources of cost-effective capital, while prioritizing our investments to drive growth in both NAV and AFFO per unit.

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

Question and Answer

Operator

Your first question is Howard Leung from Veritas.

Your next question is from Dean Wilkinson from CIBC.

Dean Mark Wilkinson, CIBC Capital Markets, Research Division

Okay. Clinton, just a mechanic's question. Can you walk me through the payout of the special distribution and then how that consolidates back into the share count? I'm just trying to wrap my head around the accounting of that.

Clinton David Keay, CFO & Secretary

There's a cash distribution of $0.10. And then the remaining is a noncash distribution that gets canceled immediately upon issuance. So it's really a non-transaction.

Dean Mark Wilkinson, CIBC Capital Markets, Research Division

Oh, okay. So it doesn't go in consolidating the share count then come -- kind of come back to -- it's just -- it doesn't even hit it?

Clinton David Keay, CFO & Secretary

The adjusted cost base, obviously, of the units go up.

Dean Mark Wilkinson, CIBC Capital Markets, Research Division

The adjusted cost base at the -- from the unitholder goes up, okay. All right.

Clinton David Keay, CFO & Secretary

Any detailed questions, I can take it offline with you.

Dean Mark Wilkinson, CIBC Capital Markets, Research Division

I think I get that. So it's just a straight $0.10 out and then it's just a in [indiscernible] share count, so it doesn't -- the -- like there was no adjustment in the quarter or anything, right? Because it had to show up on that. That's the only question I had.

Operator

Your next question comes from Tal Woolley from National Bank.

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

Just wondering, in terms of your conversations with Empire and their plans for the store base going forward. You're talking about trying to integrate better. What's your sense of like their strategic -- like, are there certain markets like they are more interested in targeting or certain banners? Like -- or is it purely just a function of like, here are the older stores in our fleet and these are the ones we're really interested in redeveloping or renovating?

Donald E. Clow, President & CEO

No, we work very closely with Empire. That's the most important thing and the strategic intelligence sharing between the 2 companies, where the opportunities are, and where it's best to allocate our capital has elevated significantly. And so -- but in particular, I mean, clearly, there's obviously the FreshCo conversions in the west. But by market, I wouldn't say at this stage, there's, call it, a particular segregation. It's really focused on where they can improve the productivity of their network the most. And for us, it's -- obviously, these are stores that we own, and we want to own for a long time, and they want us to own for a long time. So we're basically extending our leases at the same time that we're investing in modernizations or conversions or expansions. So it's a very healthy program. I wouldn't -- I don't think there's really much to offer in terms of particular urban markets or geographic segregation, Tal.

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

Okay. And then just with the 1 DC transaction this quarter. So this is -- the 50% acquisition is the initial 50% or the remaining 50% of this property?

Donald E. Clow, President & CEO

Remaining 50%, so 800,000-square foot site. This is the last 400,000, yes.

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

Okay. So it's officially all yours now going forward?

Donald E. Clow, President & CEO

It is, yes. It is one of most strategic assets and one of the most strategic for us in the new, call it, world of e-commerce and in grocery retail. So we're quite pleased.

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

And I think Empire has talked about a couple more e-commerce assets that are possible going forward. And of the existing DC base, how much do you guys have of it now that Empire currently operates with?

Donald E. Clow, President & CEO

We have half of 2 automated DCs and 100% of 1. And then we have, obviously, the one in Montréal, that's a CFC, so we have 4 today. But clearly, an interest in increasing our ownership of additional retail-related industrial, which would include either of the other half of the automated DCs, additional CFCs, which we call a hub and they call a hub as well as there's a hub-and-spoke component of the e-commerce solution. The spokes can be smaller boxes within -- call it, 150 kilometers of hubs, that ultimately we can also own. So we think there's multipronged strategy to this retail-related industrial, and it's some of the most strategic assets in the grocery space. So we're quite pleased with that targeted focus of our capital going forward.

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

Okay. And then just lastly. With a lot of the leasing having occurred on the office business, is that still a good -- are those Eastern Canada office assets, those are still core to you, they're not maybe better served in someone else's hands?

Donald E. Clow, President & CEO

You know what, we love Halifax. I live there and it's a great city, and we own center ice and our assets there are run by a terrific team that have been there for 30-some years. And it's performing at approximately 93% or 94% occupancy in a market that's performing at 85%. So we think very highly of the assets and the whole ecosystem that runs that property and portfolio. So we're very pleased to own it.

Operator

The next question comes from Pammi Bir from RBC Capital Markets.

Okay. I'm sorry, your next question is now from Howard Leung from Veritas.

Howard Leung, Veritas Investment Research Corporation

I just want to touch on the equity raise. As you mentioned, it was the first time since 2016. What do you -- what's your thoughts on kind of the -- I know it's choppy, but what's your thoughts on the general valuation now of units? And when you're thinking about your future development program and financing, are you more likely to tap on equity now as opposed to debt?

Donald E. Clow, President & CEO

Like we've said many times and continue to say, Clinton said it very well today, that we have multiple sources of both debt and equity capital. I think that's the key in a market that -- as you're seeing in the last few days, it can be very volatile. We were very pleased with our equity issue. In January, we've said all along, and we want to be regular issuers of equity and -- but in addition to that, as you've seen in 2019, we saw all the multiple forms of dispositions. There are asset -- multiple forms of assets, including 100% of noncore assets, plus partial interest that were traditional being 50-50 with partners like Firm Capital. And then also, call it, nontraditional, which is our 89%, 11% deal with Oak Street Real Estate Capital out of Chicago, who are a terrific partner for us. And so we have multiple opportunities to continue to do that. People are very interested in the grocery space today. In terms of purchasing those types of assets and whether it be 100% or partial interest forms. So we'll pick our spots. We don't need capital today and going forward, really well into 2021 now. We've issued equity. And so we have a lot of capital. And we're in -- a lot of liquidity, which, in this environment of volatility, we've always said liquidity and talent is what will get you through these tough times, and we're in a very good situation for that.

Howard Leung, Veritas Investment Research Corporation

Right. And is it a little more difficult with raising equity because Empire, if they want to maintain their ownership percentage they have to participate? What's kind of the thinking with them with their allocation when you have those conversations?

Donald E. Clow, President & CEO

It's really up to us that we issue equity and will determine our future going forward. But importantly, Empire is, obviously, our strategic partner. And they've continued, as you saw in January, with the purchase of 41.5% of our equity issue. And so they're very committed to our company. Given the strategic opportunity with Sobeys, we're very pleased that they're very committed to shareholders or unitholders.

Howard Leung, Veritas Investment Research Corporation

Okay. Yes, that makes sense. On the disposition side, it's -- of the -- I guess, are you looking to sell more of the ROC, Rest of Canada, market portfolio? I understand there's there a lot of other sellers as well looking to sell those kind of assets. What's your thoughts on getting more sales from that side of the portfolio?

Donald E. Clow, President & CEO

At this point, we don't have significant dispositions planned. We'll continue to monitor for various sources of capital that we need going forward. In terms of the Rest of Canada market, that's honestly a bit more of a public market narrative, and I'd ask people to think hard and long about it because, quite frankly, some of those tertiary market stores with 75% market share are some of the best stores you can own, they're bond-like, which in a market like this, that's very volatile. You see out there -- it's actually -- they're some of your most stable and profitable grocery stores. And from a real estate point of view, they're something that you actually want to own. Yes, there's obviously lots of liquidity and capital flowing to the big markets, but for a portion of our portfolio, we don't mind owning tertiary and secondary markets. The other thing I'll say is that secondary market -- some of the secondary markets in Canada right now have higher GDP growth and/or higher population growth than some of the VECTOM markets. So again, you have to pick your spots, and we have the advantage of having a partner who shares their intelligence of their network -- their grocery store network with us, so we know which stores are the high performers, which stores aren't. And we can choose to whatever, to manage our portfolio accordingly. So it's actually is -- the power of a retailer-related REIT is very powerful in many, many ways.

Howard Leung, Veritas Investment Research Corporation

Right. Yes, that makes sense. And on that, you provided some extra disclosure on the occupancy of those markets versus VECTOM. There is a bit of -- there is a small gap kind of between -- in occupancy. So when you look at why there's a small -- there's a lower occupancy in those markets, is it really concentrated in kind of a few malls? Or is it kind of spread out across the Rest of Canada portfolio?

Glenn R. Hynes, COO & Executive VP

Howard, it's Glenn. It is definitely a very small subset of properties, like a handful, that are the catalyst. If you remove that handful, you would have an occupancy metric at or above the REIT average.

Operator

Thank you. There are no further questions. I will now turn it back over to Clinton Keay for closing remarks.

Clinton David Keay, CFO & Secretary

Thank you, operator, for your -- thank you all for your time today, and we look forward to updating you on our progress on our Q1 call in May.

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.