H&R REIT's Q2 Financial Results Conference Call

August 13, 2021

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I would now like to introduce Mr. Tom Hofstedter, chief executive officer of H&R REIT. Please go ahead, Mr. Hofstedter.

Tom Hofstedter: Good morning. I’d like to thank everyone for joining us today. With me on the call are Larry Froom, our CFO, Patrick Sullivan, COO at Primaris, Philippe Lapointe, COO at Lantower, Alex Avery, executive vice president of asset management and strategic initiatives, and Robin Kestenberg, executive vice president of corporate development.

I’m very pleased to report H&R’s stable and consistent second quarter, financial and operating results reflecting the quality, strength and resilience of our portfolio and balance sheet. We are in an exciting time with H&R, with impacts of the pandemic fading, accelerating lease up of our residential development properties and of course, execution of our strategic initiatives. As we detailed in our announcement last week with the $1.5 billion office portfolio sale of Bow and the Bell office campus, we have laid the foundation for the next steps. Post-transaction, H&R will improve its tenant concentration profile, reduce Calgary office exposure and enhance our strategic flexibility.

I'll turn it over to our team to provide details of the second quarter 2021 financial and operating results. Philippe will review our multi-residential operations, followed by Pat, who will provide an update on our retail portfolio. Larry will then provide a brief update on office and industrial before providing some context for our financial results, and finally I'll make some closing remarks. Over to you, Philippe.

Philippe Lapointe: Good morning, everyone. I'm delighted to be on this call today to provide you with the latest significant progress made within the Lantower residential platform. We continue to make strides with the strategic initiatives referenced in the past, while also adding new and innovative strategies to further our mission of becoming amongst the best fully-integrated residential operating and development platforms in North America.

On the topic of portfolio performance, when excluding Jackson Park, same asset property operating comes from our portfolio in U.S. dollars was increased by 5.7% and 4.9%

respectively for the three- and six-month periods ending on June 30, 2021, compared to the respective 2020 periods. As you probably have heard from our publicly-traded peers in Canada and the U.S., the U.S.--I'm sorry, the U.S. multifamily industry is experiencing explosive recent momentum, driven by pent-up demand and favorable supply and demand fundamentals, predominantly in the U.S. Sun Belt markets. Lantower lease trade-outs with a delta between the unit's previous rate to its new lease rate has drastically increased over the past few months. For example, our lease trade-out for our entire portfolio, excluding Jackson Park, was over 18% in the month of July, led by the Tampa market at over 30% and the Austin market at over 25%. Additionally, our space for occupancy as per this week is over 96% compared to 92% twelve months prior. While we certainly do not expect this rental growth trend to continue at this level for an extended period of time, we are certainly encouraged by the strong demand fundamentals in the residential center.

Furthermore, we are proud to announce that our Q2 operating income growth represents over 13 consecutive quarters of same-asset quarter over quarter positive NOI growth, once again when excluding Jackson Park. Despite COVID's impact on our industry in 2020, in addition to the reinstated yet legally questionable CDC eviction moratorium, Lantower's ability to produce consecutive quarters of positive growth during this turmoil is particularly remarkable, and I'd like to personally thank our property management division led by Emily Watson and her team, who are entitled to most of the credit.

Furthermore, we are especially proud that Lantower residential is one of only few publicly-traded multifamily platforms that reported positive quarter over quarter net offering income growth throughout 2020 and 2021, when excluding Jackson Park.

On the technology front, I'd like to provide an exciting update on our smart apartment strategic initiative program. By the end of this upcoming September, our entire portfolio will have been entirely converted to smart apartments. As a reminder, these smart apartment packages include smart locks, smart thermostats and leak sensors that will provide the residents full apartment control, all from a single app. The results to date have been nothing short of exceptional, as we are experiencing operational efficiencies and NOI growth mainly thanks to the keyless and remote access unit controls, as well as the abilities to climate control the few remaining vacant units more efficiently by managing the management software. While we are pleased with the smart apartment packages installed to date, we are continuing to further expand our technology-based initiative to drive NOI growth and further differentiate Lantower's offerings. We are in the early stages of implementation of our virtual leasing platform to be rolled out across our entire portfolio, allowing future residents to tour and lease and apartment 24/7 without requiring a visit to our leasing office. We are extremely excited about this next strategic initiative, as we expect it to yield numerous additional financial and operational benefits.

As mentioned last quarter, our primary strategic growth initiative is our wholly-owned development platform within Lantower. We currently have three active development projects in our U.S. Sun Belt markets. Firstly, I’d like to provide an update on Lantower West Love, our infill site in Dallas, Texas with proximity to the Dallas Love Field Airport and medical district. The five-story, 413-unit wrap development is expected to break ground around the end of this year. Also, in the works in Dallas, Texas is Lantower Midtown, a 4.2-acre infill site with the restaurant vision visibility to the North Central expressway, and it’s over 275,000 vehicles per day. We are currently drafting construction drawings on this five-story wrap development which will include approximately 351 units, and we expect to break ground on Lantower Midtown in the first quarter of 2022. Lastly, we are commencing construction drawings for our garden stall property called Lantower Bayside in Tampa, Florida. This development is approximately 271 units, it’s adjacent to Highway 19 and dominant thoroughfares in all of Pinellas County.

This development is also expected to break ground in the first quarter of 2022.

As a follow-up to our ESG initiatives mentioned in previous quarters, it is worth noting that we are carrying that same focus into our Lantower development efforts. Every Lantower development will be pursuing a national green building standard or NGBS certification, which is one of the most prominent and recognized certifications in the residential sector. In addition to these pipeline developments, we have additional owned sites and sites under contract that will soon join the Lantower development pipeline. For context, if we continue our projected development pipeline on developments under our control, we will add over 2,000 units or over half a billion U.S. dollars' worth of multifamily over the next few years, eclipsing the 10,000-unit portfolio mark.

From a return perspective, we are targeting development yields between 5.5 and 6% for all projects in Lantower's development pipeline. The expected development yields, relative to historically-low class A cap rates, provide strong value creation in risk adjustment returns, and with over 175 bits of yield coverage coupled with the benefit of retaining the upside economics, and almost just as importantly designing to Lantower's best-in-class design and quality standards, our intent is to continue the expansion of this highly-accretive growth strategy for the foreseeable future.

On the Lantower River Landing front, our leasing pace continues to beat our expectations in the budget. As of today, we are 78% occupied and have leased 466 apartments or over 88% leased. In September, when we open our doors, we have averaged over 45 leases per month and have increased rents multiple times while simultaneously decreasing leasing concessions without any noticeable reduction in traffic.

On the Jackson Park front, we would like to share a very promising update. As we have disclosed in recent weeks, Jackson Park’s recovery has been nothing short of exceptional. Signed leases over the past few months have returned the property to stabilization. For example, Jackson Park signed a record 456 leases in June, which represented the most leases ever signed in a single month at Jackson Park by a large margin. For context, the most leases signed in one month during the original 2018 lease up was under 200 leases. When including pending applications and leases up for signature, the property is 99% leased as of July 31. We expect the occupancy to catch up to our lease percentage at the end of the third quarter or the fourth quarter, as this is when the majority of our pre-lease units will take occupancy.

On the JV development front, we and our partners have taken advantage of the favorable disposition environment and have successfully marketed for sale of a few of our JV developments. Over the next 60 days, we intend to close on a disposition of Hercules phase one in Hercules, California, and Esterra Park in the Seattle, Washington market. With a weighted IOR of nearly 30% and an equity multiple of 2X, we are proud to dispose of these two successful developments and redeploy into accretive opportunities. We would also like to highlight the hard work of our JV partners and just as importantly, congratulate them on two very successful developments. As for the JV developments that are not currently on the market, the Pearl in Austin, Texas is scheduled to fully deliver in the third quarter of 2021. Leasing has begun and been met with incredible demand as evidenced by a lease percentage of 42%. Construction of phase two of our Hercules development named The Grand has remained on schedule and is set to be delivered in the third quarter 2021. Lastly, Shoreline Gateway, our 35-story tower in Long Beach, California, is also on schedule and expected to obtain final CO in early September 2021.

In summary, there’s lots of good news coming from Lantower Residential and I’m excited to deliver more news next quarter. And, with that, I will pass along the conversation to Pat.

Patrick Sullivan: Thank you, Philippe.

The 39.9% increase in retail same-asset property operating income for the quarter was primarily due to a material improvement from the enclosed mall portfolio. Same-asset NOI rose due to a significant decline in bad debt expense within the enclosed mall portfolio to approximately $0.6 million, down from $22.8 million in Q2 2020. Q2 same-asset NOI was also impacted by lease surrender revenue of $2 million related to a Starbucks termination of two locations and a payment related to the SEDAR’s CCAA filing. On a sequential basis, the retail portfolio delivered continued momentum, with Q2 same-asset NOI rising 3.9% for the retail division and 6.9% for enclosed malls compared to Q1 2021.

Throughout the pandemic, our primary focus has been to maintain occupancy. Occupancy at the end of the second quarter was 91.4% of the retail division as compared to 91.5% at the end of Q1, and higher than the 90.5% at the end of Q2 2020. For enclosed malls, occupancy at the end of Q2 2021 remained relatively stable at 87.1% compared to 87.2% at the end of Q1 2021, but has improved from 85.8% at the end of Q2 2020. There have been no significant CCAA filings to date in 2021 and we do not anticipate additional filings to occur the remainder of the year.

Moving on to rent collections. Collections in the retail portfolio continue to trend higher, since their low point of May

2020. In Q2 we collected 89% in enclosed malls compared to 94% in Q1 2021. Our four Ontario malls--our four Ontario enclosed malls account for just over 20% of gross rent and they were closed for the entire second quarter. In June, we received 95% of rent from malls outside of Ontario, despite continued occupant restrictions--occupancy restrictions in many provinces, and just under 71% for rent--from rent for malls in Ontario.

With all malls now open and occupancy restrictions lifted in a majority of our markets, we anticipate a return to normal collections moving forward. With Ontario malls closed during the majority of 2021 and occupancy restrictions in place in other provinces, leasing momentum that was realized in Q1 was slow in Q2. Over the past 30 days, our leasing team has experienced a recovery in leasing activity, with a number of national tenants based in Eastern Canada and the United States, including fashion tenants. Due to restrictions lifted and sales rebounding, we believe that we will continue to improve our occupancy levels throughout the remainder of the year.

In terms of impact, we anticipate approximately 1.1 million incremental contributions from new lease investments with large format tenants through the remainder of 2021. In addition, we have completed significant transactions that would create incremental rental growth of over $3.2 million in 2022, including rents from 65,000 square feet of new tenant leasing that has been with medical and office tenants.

Throughout the past year, our suburban malls located primarily in secondary markets have performed well compared to urban centers. With restrictions easing in the second quarter, mall sales in our properties outside of Ontario and Manitoba posted strong sales figures compared to pre-pandemic levels in 2019. By way of example, in June 2021, Place du Royaume in Chicoutimi reported sales that were 112% of June's 2019 amounts. For the most part, our malls in Ontario and Manitoba--outside of malls in Ontario and Manitoba, reported sales for June 2021 that were 90% or more compared to June 2019. With Ontario malls now open and occupancy restrictions lifted--easing in Manitoba, we anticipate sales to rebound to levels similar to those generated prior to the pandemic for the remainder of 2021.

While challenges remain for retailers selling goods and services related to work apparel, we've seen strong sales numbers from junior and casual apparel retailers as well as footwear retailers. We have been encouraged by strong sales productivity reported during the past several months by many national fashion tenants as well as tenants in the health and beauty, jewelry, and footwear categories. Food court tenants and other fast-casual food tenants located inside our malls are realizing improved sales and have generally rebounded to 80% or more of their 2019 sales figures.

I’ll now move on to an update on several development projects. We’ve recently sold just over two acres of land at Northland Village for approximately $5.8 million to a residential development company who has commenced construction on a six-story building, incorporating approximately 240 residential units. The overall plan for Northland Village is to redevelop the Walmart-anchored enclosed mall into a mixed-use open-air center over the next few years in several phases subject to pre-leasing.

In July 2019, we submitted combined applications for rezoning and redevelopment for the north end of the property at Dufferin Mall to create Dufferin Grove Village. The project is anticipated to include approximately 1,200 residential units. Discussions with the city are almost complete and we anticipate rezoning and site approval in Q4 2021 and commencement of construction Q4 2022. Upon completion, this redevelopment project will transform a successful established inner city regional shopping center into a vibrant mixed-use development.

Thank you, and I’ll now turn it back to Larry.

Larry Froom: Thank you, Pat, and good morning, everyone.

For the second quarter of 2021, our SFO was $0.38 per unit, no change from the $0.38 for Q2 2020. On last quarter’s call, we spoke about a few items which were expected to influence 2021 financial results, and I'd like to now review their impact on Q2 results.

Firstly, as our River Landing development has been completed, less interest has been capitalized to the project. The aggregate interest capitalized on all development projects amounted to $550,000 for Q2 2021, compared to $5.2 million for Q2 2020. With accelerated leasing momentum, as Philippe mentioned, the operating income from River Landing will begin to offset this interest factor. Property operating income on a cash basis from River Landing was $2.3 million U.S. dollars for Q2 2021 and we expect that to grow to approximately $6 million U.S. dollars per quarter in 2022.

Secondly, Jackson Park in Long Island City, New York was particularly hard hit by COVID. It has recovered, as Philippe mentioned, as well. Property operating income from this property in Q2 2021 was approximately $2.3 million U.S. dollars at H&R's ownership interest, compared to $6.9 million U.S. dollars in Q2 of 2020. We are encouraged by the recent pickup in leasing facility and the committed occupancy which should result in a return to more normalized operating results from Jackson Park in Q4 of this year.

Thirdly, in January 2021, H&R converted a $146 million U.S. dollar mezzanine loan on a 12.4-acre development park in Jersey

City to an equity ownership position. This is the primary reason for the reduced finance income of $4.3 million earned in Q2 2021 compared to $9.2 million earned in Q2 of 2020.

Finally, bad debt expense decreased dramatically from the $23.5 million recorded last year in Q2 to $1.2 million for Q2 of this year. As of June 30, 2021, we had a provision for expected credit losses of $14 million against the gross accounts receivables of $29 million.

Turning to our office segment, same-asset property operating income on a cash basis decreased by 9.9% as compared to Q2 2020 and was primarily due to Hess receiving a seven-month free rent period commencing December 2020 as part of a lease extension and amending agreement completed in November 2020. Under this agreement, Hess agreed to extend the term of its lease on approximately two-thirds of revolving for an additional term of ten years beyond its current expiry of June 30, 2026. Excluding the impacts of the Hess lease amendment, same-asset property operating income increased by 2.5% for the quarter. Hess' free rent period ended on June 30, 2021, so we will see an improvement in our office segment beginning in Q3 2021.

As Tom has already mentioned, last week we announced the $1.5 billion office portfolio sale, including the Bow and Bell office campus. Once these sales are closed, we will have significantly reduced Calgary office exposure, improved asset and concentration risks, and improved credit metrics.

Turning briefly to our industrial segment, same-asset property operating on common or cash basis decreased 3.4% compared to Q2 2020 due to the decrease in occupancy from 99% to 98%. In June 2021, H&R sold its 50% ownership interest in a portfolio of five single-tenant industrial properties, closing 215,000 square feet located throughout Atlantic Canada for approximately $21 million. In addition, H&R sold its 50% interest in a 37,000 square foot multi-tenancy property located in Kitchener, Ontario for $12 million. Subsequent to quarter end, H&R sold its 50% ownership interest in a portfolio of nine single-tenant and cold storage properties located across Canada for $117.5 million. These industrial transactions resulted in total proceeds of approximately $150 million, compared to the authorized value of $121 million as of March 2021. The weighted overall capitalization rates for these dispositions was approximately 4%.

Moving to the balance sheet, at quarter end, debt to total assets of the least proportionate share was 50% compared to 51.1% at the start of the year, and unencumbered assets as an advantage of unsecured debt was 1.65 times coverage, consistent with Q1. Debt to EBITDA was 9.85 times.

Proforma second quarter results, taking into account the office properties dispositions announced last week and the lease up of River Landing in Jackson Park, we expect our credit measures metrics to improve dramatically and are modelling debt to EBITDA of 8.6 times, debt to total assets of 43.7% and unencumbered assets to unencumbered debt of 2.25 times. At quarter end, H&R had ample liquidity with cash on hand of approximately $60 million and $990 million available under our unused lines of credit. In addition, we have an unencumbered property pool of approximately $4 billion.

With that, I'll turn it back to Tom

Tom Hofstedter: Thanks, Larry.

It's a challenging 17 months. We are seeing and experiencing signs of recovery. We think activity has accelerated dramatically, lifting off sharply at Jackson Park, and we are seeing strong leasing momentum at our largest leasing development, River Landing in Miami. Vaccination rates are climbing every day and where restrictions have been lifted, retail sales have surged.

Over the last few quarters, we've outlined plans to create at least one new entity development in 2021, and as is evident by the Bow and Bell office campus sale, we remain on track to achieve that goal. We are currently working through the final stages of this initiative and appreciate the patience of

Corduroy unit holders and investment community, with the board providing more details in this regard in the coming weeks and months.

We’d now be pleased to answer any questions from the call-up participants. Operator, please open the line for questions.

Operator: Thank you. At this time, I’ll just remind everyone, if you’d like to ask a question, please press star then 1 on your telephone keypad. Again, star-1 to ask a question. We’ll pause just a moment to compile the Q&A roster.

Our first question is from Sumayya Syed with CIBC. Your line is open.

Sumayya Syed: Thanks, good morning. Just in the disclosures for tenant inducements for office, there was a reference to a major tenant sign and trial. Can you share anything about size, which property and just anything on the terms of that lease?

Larry Froom: Good morning. Are you referring to the $1.4 million of tenants leasing expenditures in the quarter?

Sumayya Syed: Yes.

Larry Froom: I actually don’t know offhand. I’ll look afterward and get back to you on that.

Tom Hofstedter: It’s not in the materials. I don’t know offhand either. We’ll get back to you.

Sumayya Syed: Okay, that's fine. And, then just wondering with the reopening and recovery that's underway, and I guess improving prospects for asset values, do you intend to revisit fair values in the near term or are you comfortable with the gains you've recorded year to date?

Larry Froom: It's a regular process of every quarter, revaluing our fair values. So, we're comfortable with the position we have at June 30 and September 30 will be revalued on our regular process. I can't say now what we expect that to be, but we don't expect material changes.

Sumayya Syed: Okay, then just turning to Lantower and the strategy there, just maybe a reminder for us in terms of what's the criteria for what stays in the REIT versus what could be marketed for sale?

Tom Hofstedter: Are you specifically referencing the JV developments?

Sumayya Syed: Yes.

Philippe Lapointe: So, if you'll recall, initially the JV developments were a great idea for a variety of reasons, but really what it boils down to is optionality. So, at the time, we decided to do it with a best-in-class developer in a high-barrier market. what it's really afforded us was the opportunity to see if we wanted to build the position around the development and ultimately take ownership of the development to add to our position in that market. What we quickly realized, frankly, is while those markets are strong in their own respect, frankly we thought it would be a better and probably a more worthwhile investment to consolidate our position in the Sun Belt markets, so the JV developments--unless a material change in circumstances, will all eventually be marketed for sale.

Sumayya Syed: Okay, that's helpful. Thank you.

Larry Froom: Thanks, Sumayya. Just before you go, I did find that first question you asked about the tenant leasing. It was from our property 25 Shepherd, so there was a renewal of a lease for $1 million of tenant inducement or a leasing incentive that we granted on that property.

Sumayya Syed: Okay, thanks, Larry.

Operator: The next question is from Matt Kornack with National Bank Financial. Your line is open.

Matt Kornack: Good morning, guys. Apologies if you mentioned this, it's a bit tight on conference calls this morning. But with regards to the Jackson Park lease up, Larry, I think you said it's going to be fully stabilized or back to normal in Q4. But can you give us a sense as to--I mean, it seems like a pretty massive improvement in occupancy from June until August, but when those leases ultimately would commence and is the character of that leasing, is it student leasing or young professionals returning to the office in that?

Larry Froom: Philippe made some comment--Philippe, do you want to answer that question?

Philippe Lapointe: Sure, happy to. Morning, Matt. So, we'll deal with the easiest one. I would say it's a blend of both. There's obviously going to be a healthy representation of international students and by all accounts, all of the universities and colleges are having in-person class in New York, and so that's an explanation for--frankly, for the outstanding momentum. But there is also young professionals, although I think that while their impact has been felt--I mean, the property's 99% leased, so I'm not sure how much more we'll see in the upcoming months.

But to answer your question succinctly, it's an interesting blend of both and as far as the leases are concerned, we think that it's probably going to materialize in the fourth quarter. So, by the time some of the concessions or tenant inducements flush out, the net operating impact will be felt in the fourth quarter.

Matt Kornack: Okay, so sequentially, we should expect kind of flat performance and then really to ramp up substantially into Q4?

Philippe Lapointe: So, I'd have to get back into the exact timing because obviously, June, July and September will kind of overlap, so depending on how many are recognized at the end of this month and September--but if you think about conceptually, 456 leases being signed in July and 99% leased, it's going to skyrocket fairly quickly. So, we're delighted in being able to announce that we're back to regular business and obviously excited to see Jackson Park outperform the more urban city markets as it had prior to COVID.

Matt Kornack: And, then I guess shifting to the enclosed mall portfolio--Pat, again I apologize. I missed most of your preamble and I'm sure it was pretty detailed, so I'll go back and listen to it and don't repeat that. But just interested in your thoughts, going into the balance of the year. Obviously, Christmas is going to be important from a sales perspective. We're seeing some normalization in shopping patterns. I think there's some stats out that traffic is up in the U.S., back to pre-pandemic levels. But in terms of what you're thinking--in terms of new tenants coming in versus maybe losses we'd have from businesses that have been challenged. Like where should we see occupancy kind of trend over the next year or so, if you had to guess?

Patrick Sullivan: I think, Matt, it's going to be--it's positive. I see a lot of leasing traction starting. We had some pretty good momentum in Q1 that then stalled in Q2 primarily because Ontario was shut down. We've done--we've had a lot of activity in the latter part of June into July and typically, these are slow months. We’re seeing activity from fashion tenants. We’re seeing activity from a bunch of U.S.-based tenants who are continuing their expansion in Canada, and some Canadian-based tenants as well.

I’ve got to admit, I’m really encouraged by the sales reports for June and reviewing them. The fashion tenants are actually performing very well, across the board, you know, junior units especially has done very well. Footwear is doing well. These are categories that were rather flat or down through the first quarter and even the fourth quarter of last year. so, they’ve actually shown some pretty good strength and I think that’s going to--as Ontario opens and the retailers kind of get back to business in Ontario, I think it’s going to put a lot of guys back in motion in terms of their expansion plans.

Matt Kornack: Okay, that makes sense. Then lastly from me, on the industrial portfolio. Obviously, you’ve generated some interest, got some good cap rates, clearly it’s an exceptionally hot sector. The same property NOI growth, is it a transitory vacancy? I don’t know if it was discussed on the last call there, and what the expectation is just in terms of how that portfolio will perform?

Larry Froom: Hi, Matt. Yes, the occupancy dipped a little bit, but we believe that’s a good thing, as the rent we will be able to get from releasing will be higher than the tenants leaving. So, we just expect it to be a short-term impact.

Matt Kornack: Which geography is that in?

Larry Froom: It was actually a mix of one property in Calgary and one property in Ontario.

Matt Kornack: Perfect. Thanks, guys.

Operator: The next question is from Sam Damiani with TD Securities. Your line is open.

Sam Damiani: Thank you and good morning. Just on the Bow and Bell transaction, I don't know. We had the call last week, but could you just review, I guess, the impact on FFO, when that goes through with the amortization, and also do you anticipate any fair value impacts once that closes?

Larry Froom: Good morning, Sam. So, first on the accounting treatment, as I mentioned because of the option to repurchase IFRS 15 reviews--regards that as if we had not given up complete control of the assets and therefore for accounting purposes, we will still keep that asset--the Bow. We're talking just about the Bow, that's not Bell. Bell will be regarded as a true sale. But because the repurchase option is on the Bow, the Bow will stay on our books. We will continue to fair value that every quarter, probably being a straight line down over the 17 years as they come closer to the end of that 17-year period. The proceeds we receive from the sale transactions will be set up as deferred revenue. That will kind of be amortized down with interest accretion factor.

So, that's all happening on our financial statements. Obviously--and sorry, we would continue to record the full impact, the full effective lease, so the full range at 100% on our financial statements. Of course, 85% of that is non cashflow because we will only be receiving 15% of the rents as opposed to 85%. So, on our disclosures, we will be giving you the non-cash items that are coming in and we will be adjusting--I don't know, we're not quite sure how we're going to do it but probably adjusted through AFFO the non-impact of the Bow transaction in terms of our rent and our interest accretion component for the deferred revenue going down.

So, but overall if you treat it as a true sale, our FFO would drop by--for both sales, Bow and Bell, would be dropping by approx. $0.20 per annum. So, if you're looking through the accounting, that's what you should expect to see from the sales, decrease of $0.20 per annum on our FFO. Again, that's largely offset by what we expect to get on the lease-up from River Landing and Jackson Park.

Sam Damiani: And, just on Jackson Park, is that a core asset or would you want to sell that? Is there any hindrance in selling that with your 50% ownership?

Tom Hofstedter: No, it’s a core asset. We don’t have any plans to dispose of them. It’s actually one of our best assets.

Sam Damiani: Okay, thank you. I’ll turn it back.

Operator: It appears that we have no further questions at this time. I will turn the call back to Mr. Hofstedter for any closing remarks.

Tom Hofstedter: Thanks, everybody. Have a great weekend and enjoy the rest of the summer, bye.