**H&R Real Estate Investment Trust**

**Third Quarter Earnings Conference Call Transcript**

**November 16, 2021 - 9:30 A.M. Eastern**

**Operator**: Good morning and welcome to H&R Real Estate Investment Trust's 2021 Third Quarter Earnings Conference Call. Before beginning the call, H&R would like to remind listeners that certain statements, which may include predictions, conclusions, forecasts, or projections and the remarks that follow, may contain forward-looking information, which reflect the current expectations of management regarding future events and performance and speak only of today's date.

Forward-looking information requires management to make assumptions or rely on certain material factors and is subject to inherent risks and uncertainties and could cause actual results to differ materially from the statements in the forward-looking information.

In discussing H&R's financial and operating performance and in responding to your questions, we may reference certain financial measures which do not have a meaning recognized or standardized under IFRS or Canadian generally accepted accounting principles, and are therefore unlikely to be comparable to similar measures presented by other reporting issuers.

Non-GAAP measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of H&R's performance, liquidity, cash flows, and profitability. H&R's management uses these measures to aid in assessing the REIT's underlying performance and provides these additional measures so that investors can do the same.

Additional information about the material factors, assumptions, risks, and uncertainties that could cause actual results to differ materially from the statements in the forward-looking information and the material factors or assumptions that may have been applied in making such statements, together with details on H&R's use of non-GAAP financial measures, are described in more detail in H&R's public filings, which can be found on our website and www.sedar.com.

I would now like to introduce Mr. Tom Hofstedter, Chief Executive Officer of H&R REIT. Please go ahead, Mr. Hofstedter.

**Tom Hofstedter**:  Thank you, operator, and good morning, everyone. I'm Tom Hofstedter, H&R's CEO. I'd like to thank you for joining us today to discuss our third quarter financial and operating results and an update on our strategic repositioning plan. With me on the call are Larry Froom, our CFO; Alex Avery, Executive Vice President, Asset Management and Strategic Initiatives and future CEO of Primaris REIT; Pat Sullivan, COO of H&R's Primaris Division and future President and COO of Primaris REIT; and Philippe Lapointe, President of Lantower Residential.

I'm very pleased to report strong third quarter results reflecting the quality of our portfolio and strength of our balance sheet. Our transformational strategic repositioning plan announced just a few weeks ago provides a clear path forward to simplify our business model, creating significant value and growth for our unitholders.

With our path forward now clearly established, our teams have turned to execution. We are committed to executing efficiently and effectively on our plan to create a simplified, growth-oriented company focusing on multi-residential and industrial properties to surface significant value for our unitholders.

Our target is to be a leading owner, operator, and developer of multi-residential and industrial properties, creating value through redevelopment and greenfield development in prime locations within Toronto, Montreal, Vancouver, and high growth U.S. sunbelt and gateway cities.

As a reminder, our strategic repositioning plan comprises four key steps; the tax-free spin-off of Primaris to our unitholders, including all of H&R's enclosed malls; exiting over time H&Rs remaining retail assets by selling our grocery-anchored and essential service retail properties and our interest in ECHO Realty; exiting all office properties that do not have any significant near-term future redevelopment potential; finally, growing our multi-residential and industrial portfolio through development and redevelopment of properties in prime locations, primarily within the GTA and high growth U.S. sunbelt and gateway cities.

Our $3.4 billion disposition program is ambitious and achievable. Our $600 million grocery-anchored and essential service disposition portfolio is comprised of high-quality properties anchored by strong covenant tenants such as Lowe's, Metro, Sobeys, and Walmart.

This 56-property, 2.8 million square foot portfolio primarily located in Ontario is 98.5% leased and is a ready source of capital at favourable pricing. In fact, following our press release last month, we have had numerous inquiries from retail property owners and investors looking to buy our retail assets individually or as a portfolio, and the indicative pricing is very attractive.

Our investment in ECHO Realty LP comprises 236 grocery-anchored shopping centers, which is 95.9% occupied primarily by Giant Eagle, the largest supermarket chain in the Ohio and Pennsylvania markets.

We recognize there may be some questions about the timing and pricing of the planned disposition of our $2.3 billion office portfolio. There are two important things to note in this regard. Number one, H&R owns uniquely high-quality office properties located in the key business districts in major cities across the United States and Canada. The 15 properties included the disposition portfolio, are 99% occupied with a very long weighted average remaining lease term of 9.5 years leased to strong, investment-grade, credit-rated tenants.

And number two, we recently commenced the execution of our strategy to exit the office market with the successful sale of the Bow, a two million square foot office building in Calgary, Alberta, as well as our Bell Campus in Mississauga, Ontario. Selling the remainder of this disposition portfolio should be relatively straightforward compared to what we have already accomplished.

Our disposition program will carefully synchronize property sales to match our capital funding requirements. We evaluate each disposition opportunity, whether a one-off asset sale or a portfolio sale, while considering and managing tax implications, our investment-grade credit-rating, and the impact on our earnings. Our strategic repositioning will create a more compelling investment profile for unitholders.

By exiting retail and office, we are streamlining our operating platform, expanding our exposure to high-growth, multi-residential and industrial properties. Our exposure to major markets will increase over time as our development pipeline completions begin to come online. This streamlined operating platform will allow us to focus on development and redevelopment opportunities in our existing portfolio to drive future growth.

I'll turn it over now to our team to provide details of the third quarter financial and operating results and to provide an update on our strategic repositioning plan execution to date. Alex and Pat will provide an update on the Primaris spinout and its performance, Philippe will follow with a review of our multi-residential operations, followed by Larry, who will provide a brief update on the office and industrial portfolios before providing some context for our financial results. And finally, I'll make some closing remarks. Over to you, Alex.

**Alex Avery**: Thank you, Tom, and good morning. We are very excited about the upcoming spin-off expected to close December 31st, 2021. Primaris REIT will be exceptionally well-positioned to take advantage of market opportunities at an extraordinary moment in the evolution of the Canadian retail property landscape.

The REIT will have significant scale with a $3.2 billion national portfolio of enclosed shopping centers that are dominant in their trade areas. Economies of scale are achieved through its full-service, internal national management platform, which will comprise over 300 dedicated team members.

The spin-off will result in H&R and Primaris becoming two completely independent entities. The Primaris business plan is anchored in beginning with and maintaining a very well capitalized financial position. This will limit the REIT's reliance on external capital sources and allow the REIT to grow with an optimal cost of capital.

We anticipate leverage to be one of the lowest amongst its Canadian peers with a debt to gross book value of 29%, forecast debt to EBITDA of just 5.3 times, and are targeting an FFO payout ratio in the range of 45% to 50%. These metrics reflect a clearly differentiated financial profile. Our size, scale, portfolio composition, and capital structure were designed to allow Primaris REIT to grow and thrive in the new retail landscape.

Primaris's strategy will focus on three key strategic pillars: number one, providing affordable retail space to profitable retailers; number two, a disciplined internal capital allocation across investment opportunities; and number three, consolidation of retail assets in a market with limited institutional competition.

The Primaris spin-off is proceeding as planned, with a broad variety of activities underway to deliver on our year-end closing. We have advanced our financial--our financing plans towards final commitments and are pursuing a credit rating.

H&R's management information circular relating to the Primaris spin-off was filed on SEDAR on November 11th, and the unitholder meeting is scheduled for December 13th, 2021. We have applied to the TSX for the listing of Primaris and expect the stock to trade under the ticker symbol PMZ.UN in the new year.

Since our announcement, we've received a warm reception from the investment community with interest in our strategy, our unique positioning within the market, and our exceptionally low leverage structure. We've also caught the attention of institutional investors as a well-capitalized owner of enclosed shopping centers.

The team and I are very excited about the future of Primaris REIT. We are ready to tackle the opportunities and challenges ahead at such a unique and exciting time in the Canadian retail property environment.

With that, I will turn it over to Pat.

**Pat Sullivan**: Thank you, Alex, and good morning. During the third quarter, we continue to see positive signs that retail is rebounding.

Leasing activity is strong, committed occupancy is growing, and rental collections have improved to a normalized status. Retail sales across our portfolio of shopping centers are trending upwards, with the majority of our malls posting retail sales during the past few months that are up--that are on average 90% to 110% as compared to pre-pandemic levels.

The transition of Primaris to a fully integrated independent entity is well underway, and we are on track with all operational changes required. We are actively recruiting for a number of new positions, including a CFO and experienced enclosed mall leasing professionals, and are pleased to announce that we are in advanced discussions with individuals for these key roles.

In January of 2022, upon the closing of the spin-off, Primaris will welcome eight new properties being contributed from HOOPP, comprised of enclosed shopping centers and one large format open-air retail center into our portfolio. Our team is experienced at on-boarding significant acquisitions, and we anticipate a smooth integration of the properties into our platform.

Last week Primaris and Dropit Shopping, a leading multichannel digital retail platform, announced an exclusive Canada first, strategic partnership and the launch of the digital marketplace, PRIMARCHÉ. PRIMARCHÉ was launched across five Primaris shopping centers earlier this month, including Dufferin Mall in Toronto, with additional malls to follow. Primaris will capture retail sales at the mall and will receive a percentage of marketplace sales.

The PRIMARCHÉ online collection allows customers to purchase products from different brands and stores, adding items to one cart with orders processed as a single shipment, for a faster, more sustainable operation. PRIMARCHÉ's unique proposition is its ability to utilize the existing store inventory and convert the physical shelf into a distribution point for online fulfillment.

As store stock can be simultaneously available for sale in the mall and online, Primaris is enhancing the sales potential of its retailers beyond traditional shopping hours. The PRIMARCHÉ approach reduces shipping cost by shortening transit time within the Primaris portfolio of shopping centers, already located in highly populated areas across Canada.

This enables high-speed delivery, reduces delivery cost, and overcoming supply chain bottlenecks, last-mile challenges and other logical disruptions. I encourage you all to try out the new PRIMARCHÉ service and the smooth, simple, user experience.

Thank you, and I will now turn the discussion over to Philippe.

**Philippe Lapointe**: Good morning, everyone. I'm delighted to be on this call today to provide you with the latest progress made within Lantower Residential as we continue to make strides in our pursuit of becoming among 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 income from our portfolio in U.S. dollars increased by 12.3% and 7.4% respectively for the three, and nine month periods ending on September 30th, 2021 compared to the respective 2020 periods.

As we mentioned last quarter, we are experiencing substantial rental growth momentum in all of our U.S. sunbelt markets. By a way of example, our new lease trade out for our entire portfolio, excluding Jackson Park, was approximately 18% across all of the third quarter. This represents five consecutive months of over 14% leased trade out increases over new leases across our entire portfolio.

As an additional interesting data point, we have only renewed or re-leased approximately one-third of our entire rent roll during those five months. Thus, we are encouraged by the strong demand fundamentals in the residential sector and are very excited by the future potential of value creation.

As mentioned in H&R's recent strategic repositioning plan, one of the primary growth strategies will be Lantower Residential, and we plan on delivering on those growth plans as we always have, by way of three initiatives; firstly, through the opportunistic acquisition of newly constructed properties in our existing U.S. sunbelt markets, our local expertise and in-depth market knowledge allow us to unlock hidden value as evidenced by our last acquisitions that have outperformed their respective submarkets; secondly, through our value-add program, which consists of acquiring five to 15 year old properties in our existing sunbelt markets and renovating the apartments to current Class A standards; and lastly, and frankly the primary focus for us, is Lantower's wholly-owned development platform.

We currently have five active development projects in our U.S. sunbelt markets. Firstly, I would like to provide an update on the Lantower West Love, our infill site in Dallas, Texas with proximity to the Dallas Love Field Airport and its medical district. The five story, 413 unit wrap development is expected to break ground around the end of this year.

Also in Dallas is Lantower Midtown, a 4.2 acre infill site with direct frontage and visibility to North Central Expressway and its over 275,000 vehicles per day. The five-story wrap development will include approximately 351 units, and we expect to break ground in the first quarter of 2022.

Additionally in the Dallas market, we have just kicked off this month the schematic design process for Lantower's CityLine, a 306 unit, five-story, mixed-use development in the Richardson, Texas submarket. The 186-acre CityLine development includes major employers, like State Farm's regional headquarters that employs over 10,000 employees, with walkable access to a Whole Foods Market. We are expecting to break ground of this development in the third quarter of 2022.

In Florida, we are finalizing construction drawings for a garden style property called Lantower Bayside in Tampa, Florida. This development, with approximately 271 units, is expected to break ground in the first quarter 2022.

Lastly, we have recently launched schematic design for phase I of our Sunrise development in Orlando, Florida. This 320-unit garden style development is located within a short drive of Disney World and I-4 commercial corridor of Orlando. Disney recently announced that they are moving over 2,000 corporate jobs from its California headquarters to Orlando over the next 24 months, an example of yet another white-collar employer choosing Orlando for their long-term corporate relocation. And we expect to break ground on this development in the third quarter of 2022.

In addition to these active developments, we have additional owned and under contract land sites that we expect to soon join the Lantower active development pipeline. 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 relatively to historically low, Class A cap rates provide strong value creation with over 175 to 200 bps of yield coverage.

In addition to these active developments, excluding redevelopment opportunities in Canada, Lantower has over 6,800 units of potential development properties on its own sites to drive future growth. On the Lantower River Landing front, our leasing pace continues to beat our budget expectations. As of today, we are 93% occupied and 95% leased, thus reaching stabilization over a year earlier than originally budgeted.

River Landing is truly a one-of-a-kind asset for the Miami market, and we believe that its exceptional design will provide us with a tremendous competitive advantage for years to come.

I would also like to commend our on-site property management and operations team on this outstanding achievement.

Regarding Jackson Park, the asset has experienced a remarkable recovery in leasing activity as New York City reopened from COVID-19. As we mentioned on last quarter's call, Jackson Park's occupancy percentage was able to catch up with the extraordinary amount of leases signed in the second quarter. The asset is currently 98% occupied and is successfully burning off concessions that were used to re-stabilize the property.

While Q3 operating income growth is still suppressed, this is primarily due to concessions. The move-in concessions and broker fees are payable at time of move-in, and thus our operating income is temporarily impaired by the cascade of tenants moving in during the third quarter that leased over the summer.

The largest driver was approximately $10 million of tenant concession and broker fees that the property paid in the third quarter. For context, we are expecting those same concessions and fees to total approximately $2 million in the fourth quarter. And as the property scales back commissions and concessions, we expect operating income to normalize in the very near future.

On the JV development front, The Pearl in Austin, Texas is scheduled to fully deliver before the end of the year. Strong leasing absorption has continued over the quarter.

As you may remember from last quarter, we are taking advantage of the favourable disposition environment by selling some of our JV developments. And to that end, we are soon to be under contract to sell The Pearl at a substantial spread to our cost basis. Preliminary return calculations are yielding an IRR to H&R unitholders of over 50%, illustrating our desire in disposing at great returns, to then redeploy in new ground-up development projects.

Construction of phase II of our Hercules development named The Grand at Bayfront is nearing completion and has received a temporary certificate of occupancy, which has allowed move-ins to begin. Lastly, Shoreline Gateway, our 35-story tower in Long Beach, California, has remained on schedule and obtained final certificate of occupancy over the quarter. The project is now 19% leased and is achieving rental rates higher than originally budgeted.

Paramount to our future growth plans, forging our long-term executive and leadership team has been a primary focus of mine in 2021. And to that end, I am delighted to announce the promotions of two very key personnel in our operating platform.

I would like to congratulate Emily Watson, Lantower's new Chief Operating Officer, and Colleen Grahn's promotion to President of Property Management. Together, they make one of the most impactful duos in the multifamily property management industry, and we are delighted that they're leading our platform to quickly becoming one of the premier, multi-residential operating companies in our industry.

I also take tremendous pride in reporting the Lantower's executive team not only consists of 50% women, but is also fully prepared to take on the challenges of the upcoming repositioning years, and I'm thankful to have such a committed team as we continue our important work at Lantower Residential.

In summary, I've never been as excited about the future value creation at Lantower. Since our inception, we have consistently delivered compelling investment returns for our unitholders. And on behalf of our entire team, I can confidently state that we will continue to build on our strong track record.

And with that, I will pass along the conversation back to Larry.

**Larry Froom**: Thank you, Philippe, and good morning, everyone. Our Q3 2021 FFO was $0.40 per unit, compared to $0.41 for Q3 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 the impact on Q3 results. Firstly, as our River Landing development was completed in Q2, less interest has been capitalized to the project, which has negatively impacted FFO.

The aggregate interest capitalized on all development projects amounted to $585,000 for Q3 2021 compared to $5 million for Q3 2020. With accelerated leasing momentum as Philippe mentioned, the property operating income from River Landing will begin to offset this interest factor. Property operating income on a cash basis from River Landing was $3.4 million for Q3 2021, and we expect that to grow to approximately $6.2 million per quarter in 2022.

Secondly, Jackson Park in Long Island City, New York was particularly hard hit by COVID. As Philippe mentioned, it has also recovered. Property operating income on a cash basis from this property in Q3 2021 was approximately $1.1 million at H&R's ownership interest compared to the pre-COVID stabilized property operating income of approximately $8 million a quarter.

This quarter's result at Jackson Park has led to a significant improvement in occupancy results, but also had a significant amount of leasing costs. We are encouraged by the recent pickup in leasing activity and the committed occupancy, which should result in a significant improvement in the results from Jackson Park in Q4 of this year.

Finally, bad debt expense continued to decrease dramatically from the $12.6 million recorded last year in Q3 to $116,000 for Q3 of this year. As of September 30th, 2021, we had a provision for expected credit losses of $12 million against the gross accounts receivable of $25 million.

Turning to our office segment, same asset property operating income on a cash basis increased by 1.2% as compared to Q3 2020, and was primarily due to contractual rental escalations. On a sequential quarterly basis, Q3 2021 same asset office property operating income increased 12.9% from Q2 2021, driven by Hess's free rent period ending in June of 2021.

The successful sale of the Bow and Bell office campus, which closed on October 7th, significantly reduced H&R's Calgary office exposure, improved the REIT's asset and concentration risks, and improved the overall credit metrics. This transaction was critical to enable the spinout of Primaris.

Turning briefly to our industrial segment, same asset property operating income on a cash basis decreased 0.8% compared to Q3 2021 due to the decrease in occupancy from 98.4% to 97.4%. In July, 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, equating to a weighted overall capitalization rate of approximately 4%.

Moving to the balance sheet, at quarter end debt to total assets of the REIT's proportionate share was 48.5% compared to 51.1% at the start of the year, and unencumbered assets as a percentage of unsecured debt was 1.8 times coverage, an improvement from 1.65 times at Q2 2021.

At quarter end, H&R had ample liquidity, with cash on hand of approximately $52 million and $1.1 billion available under our unused lines of credit. In addition, we have an unencumbered property pool of approximately $4.3 billion.

And with that, I'll turn it back to Tom.

**Tom Hofstedter**: Thanks, Larry. As the result of our 2021 dispositions, H&R has declared a special distribution to all unitholders of record as at December 31, 2021, of $0.73 per unit in total, payable $0.63 per unit in units and cash of $0.10 per unit.

The purpose of this special distribution is to distribute capital gains realized from transactions completed during 2021. H&R is making this special distribution payable partially in cash units to provide unitholders with the cash to help fund any additional tax that may arise. Most of the net cash proceeds generated by the sale transactions have been used to repay debt to enable the Primaris spin-off.

Immediately following the special distribution, the outstanding Units of the REIT will be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units held prior to the special distribution. The amount of the special distribution payable in Units will increase the tax cost basis of Unitholders' consolidated Units. The remaining portion of the special distribution will be paid in cash on January 12, 2022.

We are executing on our strategic repositioning plan. As a result of the recently closed Bell and Bow office transactions, we have significantly reduced our Calgary office exposure from $1.1 billion as at June 30th, 2021, to $377.7 million on a proforma basis, immediately post-spin, and enhanced our balance sheet with reduced leverage from 50% to 46.8%.

In addition, immediately post Primaris spin, our retail exposure falls from $4.2 billion as at September 30th to $1.8 billion. Our strategic repositioning initiatives will have a favourable impact on operating and credit metrics.

We are very excited about the future of H&R. We plan to complete the balance of the transformation within the next five years, investing in high-quality distribution facilities and upscale multi-residential through our Lantower platform targeting the GTA in Canada, and the sunbelt and gateway regions in the United States.

As I mentioned at the top of the call, our teams have turned to execution, where we are committed to executing efficiently and effectively on our plan to create a simplified, growth-oriented company focusing on multi-residential and industrial properties to surface significant value for our unitholders.

Before I turn the call over to the operator for questions, this will be the last earnings call that we have Alex and Pat with us. I want to sincerely thank Alex for the tremendous hard work that you have done during your time with us here at H&R. You have played an instrumental and invaluable role in the evolution of H&R and in the creation and formulation of our transformational plan.

And Pat, with your excellent retail property operating expertise, we are confident that Primaris will continue to position itself as a leading Canadian enclosed mall operating platform. Thank you for your valuable contribution to H&R. We are excited to watch both of you lead Primaris to thrive and to grow.

We're now pleased to answer any questions from call participants. Operator, please open the line for questions.

**Operator**: Certainly. If you would like to ask a question, please press star followed by the number one on your telephone keypad. To withdraw your question, please press star-one again. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Matt Logan from RBC Capital Markets. Please go ahead. Your line is open.

**Matt Logan:** Thank you and good morning.

**Tom Hofstedter:** Good morning.

**Matt Logan:** Looking at your residential segment, the same property NOI growth was 12% excluding Jackson Park. How much of this was driven by the top line? And maybe some color on what sort of lease trade out figures you're seeing for the portfolio.

**Pat Sullivan:** Hey, Matt. So, great question. So, most of that is driven by top line. We've had a lot of revenue growth--or very strong revenue growth leading into the year. And in obviously second quarter, we saw things, you know, turning up in a pretty aggressive manner. In the third quarter, our rental growth ramped up quite significantly. So, as I mentioned on the call, you know, five--the last five months 14%, last quarter 18%.

I think moving forward, as we look forward, frankly we're particularly excited about the fact that two-thirds of our portfolio still hasn't turned, either through renewals or new leases. And I would probably say that, in light of what we've seen in the last month or two, those figures, although obviously they're going to change, have not slowed down one bit. And so, we anticipate having a very, very strong 2022 in terms of top line revenue.

**Matt Logan**: Excellent. So, I guess if you think about your mark-to-market opportunity, it's probably somewhere in the mid to high teens potentially, excluding Jackson Park?

**Philippe Lapointe**: Yeah, I think--you know, it's a tricky question only because we do daily pricing and it moves all time. And so, I think the question you're trying to ask is what is our loss to lease in comparison to market rates.

And I--without giving you a specific figure only because it's a moving bogey, I think if you utilize anything between 14% to 18%, I think you'd be pretty safe.

**Matt Logan**: Okay, appreciated the colour. And maybe just changing gears to your development pipeline, can you talk about what impact inflation is having on your costs and if labour shortages are delaying the timelines at all?

**Philippe Lapointe**: So, labour shortages have not--I hope I don't jinx myself by saying that on today's call, but so far they have not been impactful to our scheduled starts.

As it relates to inflation, we're certainly feeling it, both obviously on the labour cost and frankly on materials costs, but we're also seeing on the numerator the yield, which is obviously underwriting today's rents. And so, as of right now, the numerator, which is obviously the NOI, has outstripped the increase in costs that we're seeing due to inflation.

The returns that we have shared with you guys are very, very conservative. They're--we've embedded the assumption that there continued--there would be a continued run-up in material prices and labor costs in our developments. And so, we feel pretty comfortable assuming no major changes in those development yields that we've communicated.

**Matt Logan**: Thanks, Philippe. And maybe just changing gears to the office portfolio, you guys have a few assets held for sale. Can you give us a little bit of colour on timing, what those assets are and if there's a kind of ballpark you'll--we could assume?

**Tom Hofstedter**: So, that's a general question. We have no answer to the currently on the market. As I--as we stated, we'll be timing sales to when we have needs for the cash. And we don't have any need for the cash right now, as we're basically having $800 million of free lines available to us post the Bell and the Bow transactions.

So, my guesstimation is it may be one office asset that maybe comes to the market mid 2022. That's a guess though. It could be retail. But there's nothing right now, an organized plan, which will come first. It'll really become an opportunistic decision at the time when we wanted to sell some assets to raise funds.

**Matt Logan**: So, just to clarify, the $525 million held for sale is the Bell Campus?

**Tom Hofstedter**: Yes.

**Larry Froom**: Yeah, that's right.

**Matt Logan**: Okay, thank you. I'll turn it back.

**Operator**: As a reminder, to ask a question, please press star followed by the number one on your telephone keypad.

Your next question comes from Sam Damiani from TD Securities. Please go ahead. Your line is open.

**Sam Damiani**: Thanks and good morning. Just on the retail side, I wonder if--Pat, if you could give a little more colour on what you're seeing with respect to the lease amendments that you've had to put through during COVID and how NOI might evolve over the next couple of quarters as a result of that.

**Pat Sullivan**: Sure. Hi, Sam. As you know, Toronto--Ontario malls were closed for the first six months of the year. Our rental collections have really normalized across the country. Ontario, we have a little bit of catch up to do from the periods while tenants were closed. That should be settled out by the end of this year, and really we're back--basically back to normal, I would think, more or less December forward for the entire portfolio.

And then just in terms of the NOI, it should be a much more stabilized number next year.

**Sam Damiani**: Sorry. Would that stabilize, you know, in the first quarter, or are there some lease amendments that will sort of trickle in over the course of 2022?

**Pat Sullivan**:  No, it should be stabilized in the first quarter.

**Sam Damiani**:  Okay. And with respect to the rent subsidy change, any impact that you expect as a result of the change in the subsidy programs?

**Pat Sullivan**:  No. For the most part, our sales are trending, I would say--you know, I said between 90% and 110% of 2019 comparable period. And to be honest with you, there is a number of tenants that are exceeding 100% of what they were doing in 2019. Traffic to the--back to the mall has been very strong, and a lot of the retailers are really experiencing strong sales right now, and we expect that to continue.

**Sam Damiani**:  Yeah, I was at one of your malls, I guess last week, and the--I had trouble finding a parking spot, actually.

**Pat Sullivan**:  Yeah. Yeah.

**Sam Damiani**:  And then just on the balance sheet, I wonder if--Larry, if you could just give a little bit of a sort of prediction into Q4 with the sale of the Bow and the Bell Campus closing. You know, what do you--what's your best guess on the debt to total assets on a proportionate share for the REIT today and also for post-spin?

**Larry Froom**:  Morning, Sam. I think we put out in our deck when we did the--when we announced the spin-off that we expect to finish off the year around 47%, 48%, somewhere between that, like for debt to total assets.

**Sam Damiani**:  So, that hasn't changed?

**Larry Froom**:  No. That's still the number, yep.

**Sam Damiani**:  Okay, great. Thanks, and I'll turn it back.

**Operator**:  We have no further questions in queue. I'd like to turn the call back over to the presenters for any closing remarks.

**Tom Hofstedter**:  Thanks, operator, and thanks, everybody, for joining us. Have a great end of the year, all the best. Bye.

**Operator**:  This concludes today's conference call. Thank you for your participation. You may now disconnect