

# H&R REIT First Quarter Earnings Call

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## OPERATOR

Good morning and welcome to H&R Real Estate Investment Trust's 2026 First 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 as 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 actual results could 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.

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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.

### **THOMAS HOFSTEDTER**

Good morning, everyone, and thanks for joining us. Larry Froom, our CFO, is not available today. Cheryl Fried and Jason Birken will be taking the questions, and in light of that, we're going to bypass Larry's introductory comments and go right to Emily Watson, head of our Lantower Division to bring us up to date.

### **EMILY WATSON**

Thank you, Tom, and thanks to all of you for joining us. I'll begin with status update on externalizing property management and some operational highlights, followed by an overview of our first quarter performance before turning to development progress.

Q1 operating conditions progressed as we anticipated. We successfully transitioned property management to Greystar as of April 1st. We are encouraged by our early post-

transition indicators. April lead volume increasing 18% over prior year. Completed tours were 13% higher than April of last year, and approved leases increased over 70% year-over-year for the month of April. Additionally, our bulk Wi-Fi projects are progressing well. Four communities have launched and are expected to drive roughly \$800,000 in revenue for 2026, with another seven projects in the pipeline.

Greystar's early results, paired with strong demand driven by steady wage growth, low rent-to-income ratios, and high retention rates, reinforce our confidence that we are well positioned to capitalize on a market recovery across our Sunbelt portfolio. Same property net operating income on a cash basis from residential properties in U.S. dollars increased by 2.3% for the three months ending March 31st, 2026, compared to the respective 2025 period. This growth was primarily driven by the lease-up of Lantower West Love and Lantower Midtown, both in Dallas, Texas. The increase was partially offset by a decrease in rental income from H&R Sunbelt properties as a result of higher vacancies and concessions. Same asset occupancy ended the quarter at 90.9%, a decrease of 1.2% from Q4, and 30 basis points from prior year.

Sunbelt blended lease trade-outs were negative 3.5% in Q1, a 50-basis point decrease over Q4, and 114 basis point decrease over Q1 of 2025. New lease trade-outs were negative 14.8%, and renewal lease rates increased 3.8%. Importantly, our Sunbelt resident retention remained strong at 58.3% in Q1.

Turning to developments, our new REDT projects in Florida, of which H&R has a 29.1% ownership interest, continue to progress well and remain on budget. Sunrise in Orlando

received their TCO this week, expecting first move-ins by June. We expect Lantower Bayside in Tampa, Florida to receive TCO next week and also expect first move-ins in June. Construction completion for both assets is expected before the end of June.

Lantower currently has nine Sunbelt developments in the pipeline, totaling approximately 2,900 suites at H&R's ownership interest. Multiple sites are fully permitted and ready for construction, and we are advancing design, drawing, and permitting on the remainder.

In summary, the partnership between the Greystar teams and our asset management, development, and accounting teams has begun well. We believe this transition will result in long-term value creation through efficiency at scale, enhanced oversight, and significant overhead savings. We are encouraged by the strong fundamentals in the multifamily sector and specifically our markets. Improving market conditions, a laser-focused operating platform with buying power and market presence of our third-party management company has positioned our portfolio to take advantage of the recovery expected in the second half of this year.

Short-term pricing power remains soft in a few regions, but the broader fundamentals for multifamily are gaining traction. Supply pipelines are thinning, and affordability continues to draw demand, and our early operational indicators under Greystar are moving in the right direction.

I also want to recognize and thank our team for a successful transition to Greystar and for their continued partnership and drive to deliver strong performance across the portfolio. And with that, I'll turn the call back to Tom.

## **THOMAS HOFSTEDTER**

Thanks, Emily. Operator, you can open up the call for questions.

## **OPERATOR**

Ladies and gentlemen, we will now begin the question and answer session. Should you have a question, please press the star followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. If you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question. First question comes from Jimmy Shan with RBC Capital Markets. Please go ahead.

## **JIMMY SHAN**

So, hi, thanks. So, maybe just on Lantower, occupancy did decline sequentially, as you mentioned. I'm just kind of wondering what do you think drove that and where is occupancy sitting today?

## **EMILY WATSON**

Occupancy is right around that 90 mark. Jimmy, thanks for the question and good morning. I would not be surprised and obviously can't put an attribution to it, but, you know, the Q1 was our transition month to Greystar. So, I think that we had a lot of operational focus on transitioning our websites, transitioning our property, our folks learning new roles - If you can remember back when you started a new job. So, I do think that that had an effect. To what extent? I don't know. Is it one, two percent? Probably, but I do think that, you know, the April getting everybody marching in the right direction proves that everybody's settling in and expect that number to continue to grow.

## **JIMMY SHAN**

Okay. And the \$5 million of savings, you still think that's going to be realized over the course of 26?

## **EMILY WATSON**

I do. You know, just our management fees alone is a big bump and we just continue to get better savings on virtually almost every line item. I think I shared the painting, our discount last year or with that on the last quarter was 40 percent and theirs is 85. It's stuff like that and group insurance alone for our employees is a 30 percent discount to what we were able to. So, just kind of in every corner, you just get better buying power

when you're a million units versus 9,000 units. So, yeah, I feel very confident for our overhead cost and things that are hitting the property that we'll see those savings.

## **JIMMY SHAN**

Okay. And then just turning to a couple of kind of big leases. The industrial lease, the former HBC, I'm wondering if there's any update on leasing that space and then the 330 Front Street, the RBC move out, kind of what's your expectation of re-leasing that space?

## **THOMAS HOFSTEDTER**

No. Hey, good morning. Thanks, Jimmy. The HBC is currently just leased on a temporary basis to a film studio. I can't tell you which movie it is and there's some activity. It's a weak market, but we're optimistic. I hope by the end of the year it will be leased out. The office in Front Street is seeing large demand from large users. So, we have the financial institutions as you'd expect. Again, we're optimistic that we should see some leases signed this year, hopefully this quarter actually, for the RBC space that's currently available. I'm hoping that all of it will be taken by one tenant, but we are seeing, as I said, large user demand for Front Street.

## **JIMMY SHAN**

Okay. And I guess just on Front Street asset sales, I suspect that's going to be pushed further out once you get the lease done. And maybe if you could also update us on some of the asset sales that you're working on right now.

## **THOMAS HOFSTEDTER**

So, Front Street is not on the market. We're not going to be selling it until we get further ahead in leasing. So, my guess is that it won't be put on the market this year.

26 Wellington is on the market. We have an conditional deal signed right now. We're hoping that it gets signed up firm in the second quarter. 25 Sheppard, I can say the same thing. And Gowanus, we also hope to have something firm to be able to announce probably this quarter. So, those three assets, I'm hoping this will be this quarter, maybe the next, and Front Street off the market.

## **JIMMY SHAN**

Okay. That's it for me. I'll turn back. Thank you.

## **OPERATOR**

Thank you. The next question comes from Tal Woolley with CIBC Capital Markets. Please go ahead.

## **TAL WOOLLEY**

Hey, good morning, everybody. Just on the savings from the Greystar transaction, that's all going to be captured within operating expenses. There's no impact on the trust corporate expenses?

## **EMILY WATSON**

Yeah, there will be considerable amount on the trust as well, just from the overhead that we had in our property management vertical that is now on Greystar's payroll and not on ours, and doesn't encumber our NOI at the property. So, I can't tell you the split off the top of my head, but there was considerable savings on trust as well as the operational things that hit NOI.

## **TAL WOOLLEY**

Okay. And then, Tom, I think you have one unsecured bond issue coming to you this year. I know when you were in the debt review process, you had looked maybe at using credit facilities more. I'm just wondering how you're thinking about addressing that maturity.

## **THOMAS HOFSTEDTER**

We have the asset sales that I talked about just now should cover the unsecured that rolls. So, we do not plan on issuing a new unsecured right now.

**TAL WOOLLEY**

Okay. And then, just lastly, any comments on that? I think the fees this year - your management fees were sort of flat roughly year over year. Any sort of expected changes to those over the course of 2026?

**THOMAS HOFSTEDTER**

No.

**TAL WOOLLEY**

Okay. That's great. Thanks very much, everyone.

**THOMAS HOFSTEDTER**

Thank you.

**OPERATOR**

Thank you, ladies and gentlemen. As a reminder, if you have any questions, please press star 1. Next question comes from Sam Damiani with TD Cowen. Please go ahead.

**SAM DAMIANI**

Thank you, and good morning, everyone. Maybe just looking at the top tenant list there, there's two or three with relatively short remaining terms to their maturity. One of you

had commented on the prospects for renewing some of those tenants. I'm thinking of Bell and OI Canada Corp.

### **THOMAS HOFSTEDTER**

So, the answer to the question is Bell. I don't see why we would have Bell. Oh, the only Bell we have is Bouchard, and that comes up at the end of the year, and we do not expect them to renew. That asset is being rezoned for residential townhouse use, not for high-rise residential. So, we expect to demolish that building and build a residential development on that. We are not even talking to them about that. So, as far as the other one that you mentioned, we're in discussions.

### **SAM DAMIANI**

Okay. And just on some of the remaining office tower, office buildings, you discussed a few, but there's the big one in Calgary, the big one in Long Island City.

### **THOMAS HOFSTEDTER**

Both of those tenants are sticky tenants. We're not going to be selling them right now until we negotiate some kind of extension. And they're sticky, we're very optimistic that we will get an extension. But it won't happen, we will not do anything this year. We are not in discussions with either one of them at this point.

## **SAM DAMIANI**

So, when would you envision sort of entering into those discussions in order to extend the lease and then open the door to a sale?

## **THOMAS HOFSTEDTER**

Okay. So, TransCanada, I'm pretty sure that they've had some changes on the real estate side recently. I expect that they're very comfortable having renewal, right so there's not exactly anybody to talk renewal. They are occupying the entire building. And so, again, if they're using it fully, they work in the office five days a week. I don't expect them to have any reason to talk to us for another year or so.

I would say exactly the same thing with 2 Gotham. It's occupied by a tenant that uses the space four days a week. It's used fully, and I know that they don't like, because of the nature of their use, they don't like to have other tenants within their building. So, I expect optimistic results in discussing renewals over there as well. They have another two years to go before, or just under two years to go before they have to give us notice, and then they have a renewal for a 10-year option, and the rent is only pegged a year and a half after that.

So, I don't expect to have any discussions with them for probably, I don't see any reason to have for another 18 months or so, maybe 12 to 18 months. We would not be selling that asset either until we enter those discussions. Again, they're sticky tenants, both of them, and as such, we're optimistic in getting renewals, and therefore, there'd be no

point in taking the small chance that they'd be leaving and reducing the price of selling at this point in time.

### **SAM DAMIANI**

Okay. All right. I understood. And then, just lastly, Emily, thank you very much again for the good overview of the business, and it's great to see that the transition has been smooth and is opening up some new opportunities. You did answer, I think, Jimmy's question on the occupancy, but would you say a similar response on the slight worsening and leasing spreads that, I guess, seem to occur in Q1?

### **EMILY WATSON**

I think they're going to stay stable in Q2. We see a lot of the supply really coming down in Q3 and Q4, so we see a much better pricing power. Probably the end of Q2, we'll start seeing a little bit of the new lease tradeouts get a little bit more favorable, but I do expect similar results for Q2, higher occupancy, and then Q3, Q4 should be much, much better positioned for, really, multifamily market, but definitely our markets should be stronger in Q3 and Q4.

### **SAM DAMIANI**

That's great. Okay, thanks very much, and I'll turn it back. Thank you.

## **OPERATOR**

Thank you. The next question is a follow-up from Jimmy Shan with RBC Capital Markets.

Please go ahead.

## **JIMMY SHAN**

Thanks. Yeah, just in terms of capital allocation, should we expect the proceeds from further asset sales to go towards NCIB, that your leverage metrics has improved quite a bit?

## **THOMAS HOFSTEDTER**

Yes, you could expect us initiating NCIB activity once we hopefully get through the sales of the three assets that I mentioned.

## **JIMMY SHAN**

Okay, and then maybe tell me a big picture question on strategy. It's been five years since you did the last strategic plan - office, and now I'm down to 10% or so of the portfolio. It's almost there. When should investors expect a refreshed strategic plan in terms of what the go-forward plan would be to close the NAV gap?

## **THOMAS HOFSTEDTER**

Your question is very, very apropos and valid. We are pretty close to finishing our plan.

The assets that I mentioned that we'll be keeping are probably not going to be sold at

this point in time, so you can basically assume by the end of the year the strategic plan will be completed, at which point in time we'll be really having industrial and Lantower at that point in time, we'll have to really figure out before the year's out is my guess to give you some indication as to timing, figure out what is next, if it's going to be a roll out of one of the assets, keeping them, or what we're going to be doing. But we're on top of it. We're having discussions among our trustees, and we hope to have a resolution before the year's out.

### **JIMMY SHAN**

Okay, thank you.

### **OPERATOR**

Thank you. The next question comes from Mario Saric with Scotiabank. Please go ahead.

### **MARIO SARIC**

Hi, good morning. Maybe just coming back to Emily on the lease spreads for Lantower, the expectation of them getting better in the second half of the year. Where would you like to see kind of the new lease spread and the blended lease spread kind of end the year? Like, how much upside do you think there is once the supplier really tapers off heading into 2027?

## **EMILY WATSON**

Great question. I think that, yeah, Q3, I think that we should get back to kind of a flat, well, by the end of Q2, early Q3, get back to a flat lease spread, and to see maybe positive 2%, positive 3% going into the end of the fourth quarter, which obviously has some seasonality, so might be a little bit tepid there. But, yeah, 2% or 3% favorable or positive on the blended should be where we have some inverted rent rolls out there, but we see concessions starting to taper down. We see folks starting to be a little bit more resilient. We want to get our pricing power for the leasing season and get really strong, and then Q3, Q4, with the fundamentals really falling back into line, we should revert back to the pre-COVID leasing seasons that we've had historically.

## **MARIO SARIC**

Okay. And then last quarter, there was some discussion of potentially exiting some Lantower markets. Can you perhaps give us an update in terms of where that stands today?

## **THOMAS HOFSTEDTER**

The market we're referring to is Austin, and at that point in time, last quarter, we told you that we're going to wait a quarter. We're still waiting a quarter, so that is the next target that we're putting on the market. I would tend to say probably later on this year, we'll probably be putting that on the market. We also have the Hercules project with

Ledcor, our JV, outside San Francisco that is on the market, and we hope to be able to tell you the results of that asset sale this quarter.

### **MARIO SARIC**

Okay. And then just sticking to the asset sales, Tom, based on the commentary with respect to some of the long lease duration office assets, is it fair to say the targeted \$500 to \$1 billion plus that we talked about last quarter, maybe it's a bit lower than that, or is that still the plan going forward?

### **THOMAS HOFSTEDTER**

\$500 is definitely achievable. \$1 billion is not on the guaranteed horizon but I would be comfortable with it at the \$500 level.

### **MARIO SARIC**

And how much of the \$500 would be attributable to the three assets that you highlighted?

### **THOMAS HOFSTEDTER**

Round numbers, \$300.

**MARIO SARIC**

Is there a cap rate range you'd like to provide on the \$500 million?

**THOMAS HOFSTEDTER**

No. A cap rate would not be very relevant. I don't think it's relevant when you have a piece of land, the largest part of that is a piece of land. I can't really talk cap rate on that.

**MARIO SARIC**

Yeah, no, I guess I'm trying to understand the potential FFO impact associated with the \$500.

**THOMAS HOFSTEDTER**

So, on the 500, Gowanus has zero, and therefore the cap rate on the office buildings, I don't know, I'd say probably around 8%, 7.5% in that range.

**MARIO SARIC**

Got it. Okay. And sorry, last one for me, just on Caledon. Any update there in terms of the transaction?

**THOMAS HOFSTEDTER**

We are in discussions, no updates, it's in their court to decide. My guess is you'll have something done by the end of the quarter as well. As far as what that decision is, I have

zero visibility because they haven't decided. All I can tell you is that they're building the highway, so something's going to happen. What it is, though, we really don't know.

**MARIO SARIC**

Okay, that's it for me. Thank you.

**OPERATOR**

Thank you. We have no further questions. I will turn the call back over to Tom Hofstedter for closing comments.

**THOMAS HOFSTEDTER**

Thanks, everybody. Have a great long weekend.

**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.