CT REIT 2015 Third Quarter Results Conference Call
Tuesday, November 10, 2015 – 8:00 AM EST

DISCLAIMER

The information contained in this transcript is a textual representation of CT REIT (the "Company") Q3 2015 results conference call and while efforts are made to provide an accurate transcription, there may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only. The information set out in this transcript is current only as of the date of the webcast and may be replaced by more current information. The Company does not undertake to update the information, whether as a result of new information, future events or otherwise. In no way does the Company assume any responsibility for any investment or other decisions made based upon the information provided on the Company's web site or in this transcript. Users are advised to review the webcast (available at www.ctreit.com) itself and the Company's regulatory filings before making any investment or other decisions.

FORWARD LOOKING INFORMATION

This document contains forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for CT Real Estate Investment Trust's ("CT REIT" or the "REIT") business and results of operations. Forward-looking statements are provided for the purposes of providing information about CT REIT's future outlook and anticipated events or results and may include statements regarding known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, the financial position, business strategy, budgets, capital expenditures, financial results, taxes, plans and objectives of or involving CT REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for CT REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this presentation include, but are not limited to, statements with respect to the following: CT REIT's relationship with Canadian Tire Corporation, Limited, ("CTC", which term refers to Canadian Tire Corporation, Limited and its subsidiaries unless the context otherwise requires); CT REIT's ability to execute, its growth strategies; CT REIT's capital expenditure requirements and capital expenditures to be made by the REIT and CTC; CT REIT's distribution policy and the distributions to be paid to its unitholders; CT REIT's capital structure strategy and its impact on the financial performance of the REIT and distributions to be paid to its unitholders; CT REIT's access to available sources of debt and/or equity financing; future compensation and governance practices by CT REIT; the expected tax treatment of CT REIT and its distributions to its unitholders; CT REIT's ability to meet its stated obligations; CT REIT's ability to expand its asset base, make accretive acquisitions, develop or intensify its property and participate with CTC in the development or intensification of the properties; interest rates and the future interest rate environment. CT REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain unchanged, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide CT REIT with access to equity and/or debt at reasonable rates when required and that CTC will continue its involvement with the REIT. Although the forward-looking statements contained in this presentation are based upon assumptions that management of CT REIT believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause CT REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These considerations, risks and uncertainties include, among other things, the factors discussed in our Annual Information Form dated February 23, 2015 (see "Cautionary Note Regarding Forward Looking Information" and "Risk Factors") and Management's Discussion and Analysis for the period ended December 31, 2014 (see "Part XII – Forward Looking Information" and "Part X – Enterprise Risk

Management – Risk Factors"). For more information on the risks, uncertainties and assumptions that could cause CT REIT's actual results to differ from current expectations, please also refer to CT REIT's public filings available on SEDAR at www.sedar.com and at www.ctreit.com. CT REIT cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Statements that include forward-looking information do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on CT REIT's business. For example, they do not include the effect of any dispositions, acquisitions, asset write-downs or other charges announced or occurring after such statements are made. The forward-looking information in this presentation is based on certain factors and assumptions made as of the date hereof. CT REIT does not undertake to update the forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

CORPORATE PARTICIPANTS

Ken Silver
Chief Executive Officer, CT REIT

Louis Forbes
Chief Financial Officer, CT REIT

CONFERENCE CALL PARTICIPANTS

Pammi Bir
Scotia Capital

Troy McLean
BMO Capital Markets

Mike Markidis
Desjardins Securities

Jimmy Shan
GMP Securities

Alex Avery
CIBC World Markets

Sam Damiani
TD Securities

Michael Smith
RBC Capital Markets

PRESENTATION

Operator

Good morning. My name is Wayne and I will be your conference Operator today. At this time, I would like to welcome everyone to CT REIT's Third Quarter Earnings conference call and webcast. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during that time, simply press star then the number one on your telephone keypad. To withdraw your question, press the pound key.

The speakers on the call today are Ken Silver, Chief Executive Officer of CT REIT; and Louis Forbes, Chief Financial Officer of CT REIT.

Today's discussion may include forward-looking statements. 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 CT REIT's public filings for a discussion of these risk factors, which are included in their 2014 MD&A and AIF, which can be found on the CT REIT webste and on SEDAR.

I will now turn the call over to Ken Silver. Ken?

Ken Silver, Chief Executive Officer, CT REIT

Thank you, Operator, and good morning everyone. We're very pleased to welcome you to CT REIT's third quarter 2015 investor conference call. I'll lead off with a discussion of our distribution increase, follow up with an update of our investment activity, and Louis will then briefly review certain financial matters.

Yesterday, we announced that CT REIT's distribution rate would increase by 2.56 percent to $0.68 per unit on an annualized basis. This increase will be effective beginning with the January 15, 2016 payment. This marks the second increase in CT REIT's rate of distribution since our IPO and comes as we complete our second year of operations. Our expectation is that similar to this year, the expected growth in AFFO per unit in 2016 will be shared between this increase in distributions and a further reduction in our payout ratio, although the reduction in our payout ratio is not likely to be to the same extent that we are seeing this year.

Turning to our investment activity, we announced seven new investments yesterday, including the acquisition of five existing Canadian Tire stores from CTC and two intensifications of existing Canadian Tire stores in the REIT portfolio. All told, these new investments represent $88 million of capital, approximately 438,000 square feet of incremental gross leasable area, and are expected to earn a 6.24 percent weighted average going-in cap rate upon completion. We expect the acquisition of one of the stores to be completed in December while the remaining six investments should be completed in the first quarter of 2016.

This portfolio of stores, including a nine-acre property across the road from Vaughn Mills, has a higher concentration in the Greater Toronto and Montreal areas and therefore a lower cap rate than in prior announcements. Valuation metrics used for each property are consistent with those we have been using on the portfolio since Q1 2014.

Yesterday's press release also provides an update on a number of our previous announcements, which I'll touch on now. During the third quarter, the REIT completed two previously announced projects, the intensification of a Canadian Tire store in Saskatoon, Saskatchewan and the development of a Sport Chek and a Mark's store on land we acquired adjacent to our Canadian Tire store property in Swift Current, Saskatchewan. We invested $6.1 million in these two properties. The third quarter press release also provides details on the development pipeline. At a high level, projects are running on time and in total on budget. Of note is the completion of the new Canadian Tire store and the new Mark's store in High River, Alberta during October, as well as the completion of the Canadian Tire store in Martinsville, Saskatchewan, also in October. This will put some of our cash to work for the fourth quarter.

With that, I will turn it over to Louis for a review of our financial results.

Louis Forbes, Chief Financial Officer, CT REIT

Thanks Ken. Our third quarter results continue our positive earnings trend and represent strong growth in AFFO per unit over the reported results for Q3 2014. In Q3 2015, we reported FFO per unit of $0.26 as compared to $0.247 per unit in the third quarter of 2014. AFFO per unit was $0.203 as compared to $0.185 in the comparable period, representing a very healthy 9.7 percent growth rate.

Net operating income was $67.5 million, an 11 percent increase over the $60.8 million of NOI reported for the third quarter of 2014. Our MD&A breaks this headline growth into its components: 3.2 percent growth on a same store basis, 4.1 percent growth on a same property basis, and the balance as a result of acquisition and development activity. The same store growth is the result of the annual 1.5 percent average increase in minimum rent on January 1 of this year, as well as the contribution earned from the growth in expense recoveries from capital expenditures together with interest earned thereon. The same property growth layers in the effect of intensifications on our results. Both of these metrics showed solid improvement over Q2 as a result of an increase in our estimated expense recovery rates.

With respect to the balance sheet, the financial position is strong and liquid. At September 30, the REIT's indebtedness ratio was 48.1 percent. We also have $200 million available on the credit facility with an accordion feature for an additional $100 million, and there was roughly $44 million of cash on hand.

Debt as compared to earnings before interest, taxes and fair value adjustments was a solid 7.44 times. Two hundred and eighty of the REIT's assets are not encumbered, representing in excess of $4.1 billion of assets; or said another way, more than 95 percent of our assets are unencumbered.

In addition, interest coverage for the quarter continues to be a strong 3.22 times. Our AFFO payout ratio improved to a solid 82 percent, reflecting the benefits of our investing activity on operating results.

On an operating basis, our portfolio continues to be 99.9 percent occupied. Canadian Tire represents 94.2 percent of our annualized base minimum rent, and when combined with other CTC banners represents 96.5 percent of our annualized base minimum rent. All metrics are largely unchanged from a year ago.

As last quarter, I would like to take a minute to speak to the trend in our book value per unit. This metric reflects the fair value of our real estate. Our real estate valuation metrics have been virtually unchanged since we reported our first quarter of 2014, so we now have seven quarters of reported results with no change in cap rates, discount rates, or other valuation assumptions.

At September 30, 2015, the book value per unit was $11.51, representing 5.6 percent growth over the book value of $10.90 a year ago. A number of factors contributed to this growth in book value: a higher value for the income-producing properties due to ongoing growth in cash flow resulting from the annual rent increases - I would remind you that the valuation metrics have not changed; also, retained cash flow, a higher receivable balance due to the recoverable capex spend, and accretive investing activity financed in part by equity issuance that is accretive to this book value per unit.

With that, I will turn it back to Ken.

Ken Silver, Chief Executive Officer, CT REIT

Thanks Louis. Since we've just recently celebrated our second anniversary, I can say I'm very pleased with how the REIT has performed but I'm not surprised, and we will continue to execute on the elements of our strategy laid out at the time of our IPO as we move into 2016.

Now Operator, I will turn the call back to you for any questions from our listeners.

QUESTION AND ANSWER SESSION

Operator

Thank you. At this time, I would like to remind everyone that in order to ask a question, please press star, then the number one on your telephone keypad. We ask that you please pick up your handset or step close to your speakerphone system when asking your question to provide maximum audio clarity. We'll pause for just a moment to compile the Q&A roster.

Our first question is from Pammi Bir from Scotia Capital. Please go ahead.

Pammi Bir, Scotia Capital

Thanks, good morning.

Ken Silver, Chief Executive Officer, CT REIT

Good morning.

Pammi Bir, Scotia Capital

With respect to the $88 million of investments, can you provide the split between the vend-ins and the intensifications, and then for the five drop-downs from Canadian Tire, what was the range of cap rates on those assets versus the 6.2 percent average?

Ken Silver, Chief Executive Officer, CT REIT

Hi Pammi, it's Ken—pardon me. The two intensifications—excuse me, was about 8,000 square feet of the total 438,000 square feet, and the range of cap rates on the vend-ins range between mid-5's to high 6's.

Pammi Bir, Scotia Capital

Sorry - mid-5's to high 6's? Okay. Then as you look into next year, what's your sense of the pipeline from Canadian Tire over the next maybe six months or so, or even I guess for the full year?

Ken Silver, Chief Executive Officer, CT REIT

From a development perspective, or from the perspective of vend-ins, or--?

Pammi Bir, Scotia Capital

Both, actually.

Ken Silver, Chief Executive Officer, CT REIT

Well, Canadian Tire's development pipeline, I would say is similar to what it's been in recent years. They continue to infill occasionally with incremental stores, replace some stores on occasion. Of course, their focus going into 2016 is a little bit different, given the number of Target stores that they've picked up, and of course those will be stores that will be leased from other landlords. As we've discussed before, there may be some other opportunities flowing out of that from redundant stores that will be available to the REIT.

In terms of the vend-in pipeline, we continue to work with the Canadian Tire real estate team to source opportunities from a vend-in perspective, together with new development. You know, from a pace, it's difficult to say at this point. It kind of remains to be seen relative to third party activity that we might be pursuing.

Pammi Bir, Scotia Capital

Would it be fair to think that perhaps the pace from a drop-down perspective would be close to maybe what you did this year?

Ken Silver, Chief Executive Officer, CT REIT

It's difficult to say. You know, relative to—we've got two full years of operation. I can tell you, we did more third party acquisitions in 2014 than we did in 2015, and obviously that's reflective of opportunities that we saw in the market or we thought were a good fit for our portfolio. It's difficult to say what that mix between third party acquisitions and vend-ins might be in 2016; again, it will depend on the opportunities we see to acquire interesting properties.

Pammi Bir, Scotia Capital

Okay. Maybe just lastly, with the improved expense recovery rate, should we expect that that higher rate would persist going forward, or was there some sort of a catch-up at all in the quarter?

Louis Forbes, Chief Financial Officer, CT REIT

That's a good question, Pammi. It's Louis speaking. I would look to the year-to-date recovery rate as guidance, because I think there was a little bit of a catch-up in Q3 for a little bit of an understatement that we had in Q2. So, look at the year-to-date numbers for guidance.

Pammi Bir, Scotia Capital

Got it. Okay, thank you.

Operator

Thank you. The following question is from Troy McLean from BMO Capital Markets. Please go ahead.

Troy McLean, BMO Capital Markets

Good morning. Have you seen any slowdown in leasing interest for the projects you have not committed to lease but want to build in Saskatchewan and Alberta?

Ken Silver, Chief Executive Officer, CT REIT

Hi Troy, it's Ken. No, we have interest. Our priority in those developments was to get the Canadian Tire store and the other banner stores open. That was the priority, first and foremost. At the same time, we've been soliciting interest on the pad sites, and there is a fair amount of interest, it was just a question of prioritization and sequencing.

From a leasing perspective, we see no harm in leasing space when—you know, instead of off a plan, you've got a Canadian Tire store open and operating on a site.

Troy McLean, BMO Capital Markets

Then just on third party acquisitions, have you seen a pick-up in opportunity, maybe versus last quarter?

Ken Silver, Chief Executive Officer, CT REIT

I think we're seeing more properties coming available this quarter. It certainly was quiet earlier in the year. I think Target's announcement in January caused a lot of retail landlords to throw their 2015 plans in the garbage and start all over again, and that impacted some of their activities or disposition activities. But, I think that's beginning to settle down, and we are, I think, seeing more properties come onto the market.

Troy McLean, BMO Capital Markets

The properties that you would be interested in, are they more stabilized or is it maybe lower vacancy cheaper, where you can add some value?

Ken Silver, Chief Executive Officer, CT REIT

Well, we're always interested in adding value, so I wouldn't—you know, I wouldn't draw a specific conclusion. We could very well buy a property in a market that we really liked that is fully leased or close to fully leased. Similarly, we could buy something that others would view as disadvantaged.

Troy McLean, BMO Capital Markets

Thank you. I'll turn it back.

Operator

Thank you. The following question is from Mike Markidis from Desjardins. Please go ahead.

Mike Markidis, Desjardins Securities

Thanks. Ken, just a quick question. To the extent that you do find a property, a value-add opportunity that you like, potentially in another market, what's your appetite to buy a building if CTC doesn't necessarily have a need for space in that centre?

Ken Silver, Chief Executive Officer, CT REIT

Well, I think it's very situational specific. There are markets where we feel we may have some insight because of the way Canadian Tire and the other Canadian Tire banners are performing, where we might say, that's a market where we would like to invest further. At the same time, it's clearly a pretty significant advantage to us to have a bunch of potential tenants in tow when you're looking at re-leasing or redeveloping or repositioning a particular property. So, I wouldn't say it's all of one and none of the other, or the other way around. We're certainly keen to seek out opportunities that create some value.

Mike Markidis, Desjardins Securities

Okay. Just turning to the distribution and the payout ratio comments you made, obviously you guys have been driving pretty spectacular AFFO growth of, call it 10 to 12 percent all year on a year-over-year basis. It seems like you passed through a slightly higher distribution increase and you expect the payout ratio improvements to be lower, so should we take that, putting that together, take that to mean that you expect your AFFO growth rate to slow down this year?

Louis Forbes, Chief Financial Officer, CT REIT

Mike, it's Louis speaking. We do not expect to reproduce the same AFFO growth rate in 2016 as we did in 2015. We know that the sector's long-term growth in AFFO per unit has run about 4 percent, and our ambition is to beat that; but I won't give you any more guidance than that.

Mike Markidis, Desjardins Securities

Okay. But I guess in terms of—you know, maybe just putting it all together, would that suggest that your outlook for additional investment next year would be lower than this year?

Louis Forbes, Chief Financial Officer, CT REIT

No, I wouldn't say our investments outlook has changed. It's just I think there were some unique things that—you know, we were sitting on some cash and put it to work. There were just maybe some unique things, maybe the interest rate—you know, the debentures we issued in June went out at a coupon that maybe that can't be reproduced, so there are a number of things that just make us a little more cautious.

Mike Markidis, Desjardins Securities

Okay. Still lots of time there in terms of your 2016 Class C unit maturity. Maybe Louis, if you could just comment on obviously spreads have widened out in the unsecured market. Is your preference, if we don't see a material improvement in spread, to still, providing that you do need to refinance that, to do it on an unsecured basis, or given your substantial unencumbered pool, would you actually look to doing a property-specific mortgage or pool of mortgages?

Louis Forbes, Chief Financial Officer, CT REIT

Mike, we would look to keep all options open, so it's—you know, it is out there, and it's just way too early to say anything other than we're lucky to be able to have the options before us.

Mike Markidis, Desjardins Securities

Okay. Last question from me is just on your point about the book value per unit growth, which I think is obviously a very good point, to see the 5 percent growth. I guess when you guys do the IFRS valuations, are you doing it on a 10-year DCF basis or is it strictly on an implied cap rate basis?

Louis Forbes, Chief Financial Officer, CT REIT

It's a combination of both, and our note to the financials splits out the number of properties we used the long-term model versus a shorter term going-in cap rate model, so it's a bit of both. The DCF models aren't necessarily all 10-years. If a property has something unusual going on in the tenth year, we might make it an 11 or a 12-year model, that kind of thing. But they are longer term models, to answer your question.

Mike Markidis, Desjardins Securities

Okay. I guess where I was going with that question is—obviously we've got lots of time there, but presuming we're five or six years out and there's no change in the market environment - demand is still strong, an interest rate environment. Because the lease duration starts to get shorter, would that, all else equal, cause sort of a reversal just to the reduced time value associated with those leases and uncertainty on an actual extension towards the end of the term?

Louis Forbes, Chief Financial Officer, CT REIT

Well, I can tell you that we have models on assets that have included the expiry of the initial term in the CTC lease, so the earliest CTC leases roll in 2023, I think it is, and some of those are valued using a DCF model, and so we have had to estimate renewal probabilities and downtimes and so on. The impact of those assumptions is already beginning to trickle into our valuation models, if that was the point of your question.

Mike Markidis, Desjardins Securities

Okay. Yes, no, that's where I was going. I was just curious, so I guess that's something you would move to more of a DCF-based model as we got further and further down the line, because I guess you've got some in 2023 but a lot of them still have a term of, call it 14 years-plus.

Louis Forbes, Chief Financial Officer, CT REIT

Exactly.

Mike Markidis, Desjardins Securities

Okay. That's all. That's great. Thanks very much.

Operator

Thank you. Once again, please press star, one if you have a question. The following question is from Jimmy Shan from GMP Securities. Please go ahead.

Jimmy Shan, GMP Securities

Thank you. So, just a point of clarification on the occupancy. Is that a leased occupancy, and I assume that would be the same as physical occupancy?

Louis Forbes, Chief Financial Officer, CT REIT

Yes. In our situation, they are the same statistic.

Jimmy Shan, GMP Securities

Okay, so to the extent that they would be, let's say for instance, there is a store closure, then you would report both, or you would report it to the extent that it's material?

Louis Forbes, Chief Financial Officer, CT REIT

I don't know if we've had that factual situation yet to force the question, Jimmy. We don't have vacant space where someone is paying us rent, so we don't have any dark space, I guess is the term that's used. I don't think we have any vacant space where someone has committed to lease it and they have not yet taken possession, so those would be the two situations that I think would respond to your question. We just don't have that set of facts with us.

Jimmy Shan, GMP Securities

Okay. Then following up on, I think, Troy's line of questioning a little bit, just given what's happening with the energy market, can you talk a little bit about what you're seeing in terms of store activity in some of the Alberta markets, and recognizing that these stores are on a long-term lease basis but whether you think there's any risk at all in seeing some rationalization of sorts by Canadian Tire in some of those smaller markets.

Ken Silver, Chief Executive Officer, CT REIT

Jimmy, it's Ken. It's worth remembering that Alberta enjoyed growth in retail sales over a fairly significant period of time that was way in excess of the Canadian average. As a result, I think many retailers have stores in Alberta that are probably more productive than stores in some other parts of the country. So, I can say from the Canadian Tire perspective, and I would probably generalize this to other retailers, that I would not expect to see a lot of store rationalization in Alberta, certainly in the short run. I mean, it obviously depends on when the Alberta market recovers, but I would not expect to see a ton of store closures there.

Jimmy Shan, GMP Securities

Okay, and you wouldn't expect to see that even within your portfolio? Don't see anything on the horizon?

Ken Silver, Chief Executive Officer, CT REIT

No, not at all. No, nothing.

Jimmy Shan, GMP Securities

All right, thank you.

Ken Silver, Chief Executive Officer, CT REIT

Thanks.

Operator

Thank you. The following question is from Alex Avery from CIBC. Please go ahead.

Alex Avery, CIBC World Markets

Hi. Louis, on the IFRS valuation approach you were talking about, you noted no change to the discount rates and the cap rates. You've clearly got a very unique portfolio in terms of scale, lease term and credit tenancy. Is it Management's view that the IFRS fair values that you're using are reflective of what the portfolio might garner in an outright sale?

Louis Forbes, Chief Financial Officer, CT REIT

Oh boy. I'm not sure we have an opinion as to what the portfolio would get in an outright sale. It's not a question we've explored. I think on a one-off basis, the valuation metrics might be a little stronger or prices higher, cap rates lower kind of thing. It would depend on the size of the store and the market it's in.

Alex Avery, CIBC World Markets

I guess it's almost a hypothetical question, because the portfolio really isn't for sale.

Louis Forbes, Chief Financial Officer, CT REIT

Right. That's why we haven't asked the question.

Alex Avery, CIBC World Markets

And, I guess you'd be taking a conservative approach getting to your 1150 IFRS value.

Louis Forbes, Chief Financial Officer, CT REIT

Well, I wouldn't say we're taking an aggressive approach. I don't know if by default, that makes us conservative. We think it's an even-handed approach, so we're trying to be balanced here and not push the needle one way or the other.

I can tell you, we get external input into our valuation metrics every quarter-end, and that external input has been quite constant or consistent with respect to our portfolio over the last seven or eight quarters. Valuation metrics have strengthened in certain situations on portions of our portfolio, but the value changes aren't material enough for us to record anything, so if that speaks to market sentiment or directionality from where we are, well, that's where we are.

Alex Avery, CIBC World Markets

Okay. Then Ken, I think in previous conference calls, you've sort of alluded to the potential for opportunities to arise from Targets going dark. Have you seen anything in the third party acquisition market that might suggest that you're likely to see some more opportunities?

Ken Silver, Chief Executive Officer, CT REIT

Nothing that I could refer to specifically, but I do think that once properties are stabilized, that you may see some of them come onto the market.

Alex Avery, CIBC World Markets

Once they're stabilized with replacement tenants?

Ken Silver, Chief Executive Officer, CT REIT

Yes.

Alex Avery, CIBC World Markets

And not before?

Ken Silver, Chief Executive Officer, CT REIT

It depends. It could be either they've been stabilized with replacement tenants, or they are not stabilized at all and somebody is selling them as is.

Alex Avery, CIBC World Markets

Okay, so basically a little bit more time before you see any opportunities, you think?

Ken Silver, Chief Executive Officer, CT REIT

I think so, yes.

Alex Avery, CIBC World Markets

Okay, that's great. Thank you very much.

Ken Silver, Chief Executive Officer, CT REIT

Thank you.

Operator

Thank you. The following question is from Sam Damiani from TD Securities. Please go ahead.

Sam Damiani, TD Securities

Thanks and good morning. Ken, just on the Canada Square, it's been another three months since our last update. Have you further refined your plans and timing on that redevelopment?

Ken Silver, Chief Executive Officer, CT REIT

Good morning, Sam. Great to have you back on the call.

Sam Damiani, TD Securities

Thank you.

Ken Silver, Chief Executive Officer, CT REIT

With respect to Canada Square, what I can report to you is we have been working and in touch with our co-owner, Oxford Properties, in regards to their plans for the site, which are evolving from developing concept plans and discussions with various city entities. So, I don't have anything specific to report, other than we are seeing progress in respect of the redevelopment plans.

Sam Damiani, TD Securities

Nothing imminent there, then?

Ken Silver, Chief Executive Officer, CT REIT

Nothing imminent. I have to reinforce that with the ongoing construction of the Crosstown LRT and the timelines around that, the complexities of dealing with the TTC and various municipal representatives, and the fact that we have a property here that's almost fully occupied, that this is a long-term redevelopment opportunity, one we're certainly very excited about and think will prove to be a significant addition to our value of the REIT in the long run. But at the moment, it's an income-producing property that we're obviously very pleased to own, and we're even more excited about the long-term prospects, but they are long-term.

Sam Damiani, TD Securities

Okay, thank you. On the vend-ins announced yesterday, what was the average lease term with Canadian Tire?

Ken Silver, Chief Executive Officer, CT REIT

Fifteen years.

Sam Damiani, TD Securities

Fifteen years with 1.5 percent bumps in January, like the others?

Ken Silver, Chief Executive Officer, CT REIT

Yes, they average 1.5 percent like the others.

Sam Damiani, TD Securities

We talked about cap rates. Another REIT did buy a Canadian Tire store in Canmore, Alberta recently. Are you aware of the cap rate on that one? Did you have a look at that one? Did you have a run at it?

Ken Silver, Chief Executive Officer, CT REIT

We did not. We did not have—Canadian Tire in its lease did not have any rights of first refusal or a right of first offer, so that was not one that we did take a run at, and I couldn't comment on what that one traded at.

Sam Damiani, TD Securities

Sure. Then just finally, with the nine stores that Canadian Tire did identify as redundant, just to confirm again that none of those are in the REIT's portfolio?

Ken Silver, Chief Executive Officer, CT REIT

None of those are in the REIT's portfolio, and we have not committed to acquire any of them at this point but we will be working with the Canadian Tire real estate team as they start to transition out of them and we consider what the opportunities are.

Sam Damiani, TD Securities

Okay, good. Thank you.

Ken Silver, Chief Executive Officer, CT REIT

Thank you.

Operator

Thank you. Once again, please press star, one if you have a question. The following question is from Michael Smith from RBC Capital Markets. Please go ahead.

Michael Smith, RBC Capital Markets

Thank you, and good morning. Ken, I know you can't speak for Canadian Tire, but I wonder if you could just talk about what you're seeing in terms of expansion of the various banners - Sport Chek, Mark's, Atmosphere, and how is that looking for you.

Ken Silver, Chief Executive Officer, CT REIT

Morning, Michael. Well, I would obviously refer you to Canadian Tire's communications around their growth plans. Suffice it to say that all of the retail banners have been performing very well and have their own growth strategies. They differ by banner, and we have obviously been focused primarily on Canadian Tire and Canadian Tire's development plans as a fit for the REIT. As we've announced, there are some ancillary developments we could do where we do some intensification or pad locations with some of the other banners, but the other banners have slightly different site selection strategies.

Sport Chek is more focused on regional malls, is the focus of their ongoing GLA growth.

But suffice it to say that we're plugged into the network development plans really in the long run. I mean, that's one of the virtues, benefits of our relationship with Canadian Tire, is that Louis and I are sitting in the development meetings with the Canadian Tire teams. So, as they are building—and we all know it takes a while to develop retail stores. As they're developing their pipelines for now '16, '17 and '18, we're at the table and it's allowing us to build our pipeline of growth, and gives us pretty good visibility to what our growth will look like.

Michael Smith, RBC Capital Markets

That's great. Thank you.

Ken Silver, Chief Executive Officer, CT REIT

Thanks.

Operator

Thank you. As there are no further questions at this time, I will turn the call over to Ken Silver, CEO for any closing remarks.

Ken Silver, Chief Executive Officer, CT REIT

Thanks Operator, and thank you all for joining us today. We expect our year-end results will be released the week of February 15, and we look forward to speaking with you then. Have a good day.

Operator

Thank you. That concludes today's conference call. Please disconnect your lines at this time, and we thank you for your participation.
