FINAL TRANSCRIPT

PRO Real Estate Investment Trust

Fiscal 2021 & Fourth Quarter Results

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PRESENTATION

Operator

Good morning and welcome to the PROREIT Fiscal 2021 and Fourth Quarter Results Conference Call. At this time, all lines have been placed on mute to prevent background noise. Management will make a short presentation, which will be followed by a question-and-answer period, open exclusively to financial analysts. In order to ask a question, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star two.

For your convenience, the press release, along with the fourth quarter financial statements and management's discussion and analysis, are available at proreit.com in the investor section and on SEDAR.

Before we start, I have been asked by PROREIT to read the following message regarding forward-looking statements and non-IFRS measures:

PROREIT's remarks today may contain forward-looking statements about its current and future plans, expectations, intentions, results, levels of activity, performance, goals or achievements, or other future events or developments. Forward-looking statements are based on information currently available to management and on estimates and assumptions made based on factors that management believes are appropriate and reasonable in the circumstances; however, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, levels of activity, performance, achievements, future events, or developments to differ materially from those expressed or implied by the forward-looking statements. As a result, PROREIT cannot guarantee that any forward-looking statement will materialize and you are cautioned not to place undue reliance on these forward-looking statements.

For additional information on the assumptions and risks, please consult the cautionary statement regarding forward-looking statements contained in PROREIT's MD&A dated March 23, 2022, available at www.sedar.com.

Forward-looking statements represent management's expectation as of March 23, 2022 and, except as may be required by law, PROREIT has no intention and undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

The discussion today will include non-IFRS financial measures. These non-IFRS measures should be considered in addition to and not as a substitute for or in isolation from the REIT's IFRS results. For a description of these non-IFRS financial measures, please see the 2021 fiscal year and fourth quarter earnings release and MD&A. A reconciliation of non-IFRS to IFRS results, as applicable, may be found in the earnings release and MD&A for the 2021 fiscal year and fourth quarter. Please refer to the non-IFRS measures section in the MD&A for the fourth quarter for additional information.

I will now turn the call over to Mr. James Beckerleg, President and Chief Executive Officer.

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Thanks very much, operator, for your introduction, and good morning and welcome, everybody. Joining me today, as always, is Gordie Lawlor, our Executive Vice President and Chief Financial Officer. But also joining us today on the call is Alison Schafer, recently promoted to Senior Vice President, Finance of the REIT and Mark O'Brien, also recently appointed to Senior Vice President of Leasing Operations and Sustainability. Many of you already know them, but both Alison and Mark have been key members of the PROREIT team for a number of years and I and Gordie would like to congratulate them on their well-deserved promotions. They will certainly be happy to expand today in analysts' questions as we continue our discussions later this morning.

Let me start off my remarks by saying that we are truly pleased with our performance in 2021. It was PROREIT's most successful year in history and I am proud of all that was accomplished from both a financial and an operational standpoint, so I want to acknowledge the achievements of the entire team.

In 2021 we solidified our strategy to become a much more industrial-focused REIT. I believe we have successfully executed on that plan to date, accelerating our accretive growth in the industrial sector. That of course continued to benefit all of our unitholders (inaudible) going-forward basis. Notably during the year we completed the acquisition of 34 institutional calibre industrial properties that brought 2.3 million square feet of new space into our portfolio. The total purchase price for these transactions was just under $279 million. During the year we also sold five non-core properties, all above their IFRS carrying values, realizing proceeds of just under $21 million, and that sale was about 184,000 square feet. As a result of that activity we now own 120 quality properties covering 6.6 million square feet and currently valued at $990 million on our balance sheet at year end. Geographically, our portfolio remains specifically focused on central and eastern Canada. Within our areas of geographic concentration, our strategic focus has been on midsized Canadian cities with robust economies. We believe this strategy has proven its merit and rental rate increases have been a key growth driver in our results.

Our industrial segment now counts for 75% of our gross leasable area, a similar percentage of our NAV, and over 63% of our base rent. There is still significant growth potential in this segment. Rental rates are continuing in their upward trend in southwestern Ontario, Ottawa, Halifax, and Winnipeg, markets in which we have a particularly strong presence. In fact, we believe our mark-to-market net rent spread at the end of the year was still 18% of our total portfolio and specifically, in the industrial segment, 26%. More importantly, our portfolio also experienced significant fair value gains in 2021. We completed new independent appraisals on over 50 of our properties, of which 38 were industrial properties, and this process resulted in a net fair value gain of over $63 million for the year. The increased valuations resulted from combination of increasing rents and cap rate compression. We are, of course, continuing our regular review of the fair value of our properties in the current fiscal year. We expect to revalue about 55 properties during the year and are confident that we will recognize further increases in upcoming quarters as we expect additional cap rate compression and rental value increases for many of our industrial properties specifically. We even actually though continue to see some upside for the remainder of our portfolio, but of course this will be a little more modest.

2021 was also a record year on the financing with over $133 million of new equity raised. This was a result of a $70 million bought deal public offering as well as two private placements with a strong institutional investor who totalled (inaudible) $64 million. All of the funds were successfully deployed by the end of the year, in line with our objective to create long-term value for our unitholders, although results were a little constrained at times during the quarter from the un-deployed portion of the funds.

Let me now go over briefly some financial metrics for 2021. Our solid growth (inaudible) key indicators was mainly driven by acquisition activity that I've already spoken to in the outlook. Our property revenue grew to $77.7 million, an 11.3% increase compared to 2020. Net operating income reached $46.3 million, up 14.2% year over year. Our AFFO grew to $25.1 million, up 11.7% year over year. Our basic AFFO payout ratio stood at 87.7%, which is comparable to 88.3% from a year ago but, as I said, this number reflects the fact that we carried un-invested balances from our capital raises during parts of the year. Our stabilized payout ratios are lower and we will see that in our first quarter results when we report it for this current fiscal year. (Inaudible) and especially important for our future results is that same property net operating income was robust during the year with increases of 5.5% of Q4 and actually 4.3% for the full year. The performance of both our retail and office segments, in addition to the industrial (inaudible) highlighting what was a persistent COVID-19 (inaudible) for many. I think that this achievement reflects the quality assets we own in each of these segments coupled with the low-risk tenant roster we have in place.

Occupancy rates remained strong at 98.4% at year end. We have now renewed or replaced over 97% of all the leases which matured in 2021 with an average rental increase of over 10%, 10.2% for the maturing portfolio as a whole. We are particularly pleased a new 15-year lease with an engineering firm for a 30,000 square foot office building in Ottawa. The lease expired on December 31st and was replaced by a new tenant at a base rent 17% over the maturing base rent and those tenants will be occupying from April 1st of the current year. Much work has been done so far in the current year for maturing leases as well with almost half of our 2022 renewals completed by Mark and his team, positive spreads in excess of 10% compared to the maturing rates.

I also must point out that we made important strides in our ESG journey with the publication of our first sustainability report yesterday. Although, of course, much work needs to be done in that area, we were proud to note this marker of what we've achieved to date. Our first ESG report outlines the progress we have made across our material topics and more information on the areas that we will continue to focus on over the coming quarters and years.

I will now turn the presentation over to Gordie to discuss Q4 financial results in particular.

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Thank you, Jim, and good morning, everyone.

We recorded a robust financial performance in the fourth quarter. Revenues amounted to $22.9 million for the quarter, a 30.4% increase compared to the same period last year. Net operating income reached $13.4 million, an increase of 32.6% compared to Q3 2020. To Q4, sorry. We recorded a $58.6 million fair market value gain on investment properties in the fourth quarter of 2021.

Turning to AFFO for the fourth quarter of 2021, it totalled $7.4 million, a 37% increase compared to the same prior period. This solid growth across key indicators was mainly driven by net acquisition activity in the last 12 months. Basic AFFO payout ratio stood at 91.5% compared to 83.9% in Q4 2020. The change is mainly due to the timing between the cash received from our equity raise in the fourth quarter of 2021 and the deployment of funds to acquire the properties in that same quarter, ah, it was around, actually, the middle of November.

While successfully pursuing our growth strategy in 2021, we also significantly strengthened our balance sheet and cash flow position. We improved our debt profile, eliminating an expensive alternative lender from our debt stack and obtained $71.4 million in mortgage financing at lower rates on extended terms. These steps will further benefit our results going forward. We also renewed and increased our credit facility to $60 million from $45 million for three years on more attractive terms. At the end of the year we had $45 million in room available on our credit lie.

At year end, total debt was $526.4 million with only $7 million in debt maturing in 2020. Debt to gross book value was reduced to 53.1% from 58.2% at the end of Q3 2021 and from 57.8% at December 31, 2020. We remain committed to our strategy of reducing our ratio to below 50%, which we intend to achieve in the medium term. The weighted average interest rate on our mortgage debt was 3.39% at the end of the year compared to 3.5% at the end of Q3 2021 and 3.73% at the same date last year. Distributions of 3.75% per unit were declared monthly throughout the fourth quarter of 2021.

Finally, our weighted average cap rate for the portfolio was approximately 5.9% at the end of the year, or $148 per square foot, down from 6.3% at the end of the third quarter 2021. By segment that's 6.9% for retail, 6.3% for office, and 5.9% for industrial. We expect further cap rate compression in our industrial portfolio going forward.

I'll now turn it back to Jim for closing remarks.

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Thanks, Gordie.

And just before we move to the question period I'll just make a few concluding statements. I can report to you, with 2022 well underway, I've already mentioned our recent activities (inaudible) strongly reflecting the expanding Canadian economy, so I think we are prudently optimistic. But of course, like everybody else, we're very cognizant of the unpredictable events which are occurring in the world around us. But within that I can say that we continue to optimize our strong and flexible financial position and I think we maintained a disciplined allocation.

We intend to pursue our accretive growth in the industrial sector especially, focusing on mid-size Canadian cities where we believe rent growth opportunities remain very strong. We will do so while aiming to achieve the right balance between growth and quality of cash flows. We will also consider, on an opportunistic basis, the sale of some non-strategic properties, mainly smaller buildings in the retail and office asset classes, which will result in further focus of our cash flows in the industrial sector. While optimizing the value and performance of our portfolio, this will also contribute to the decreasing of our leverage numbers.

We have confidence in those strategies, in our assets, and I certainly have confidence in our team to deliver on them. We remain fully dedicated to our ultimate goal, all of us, to creating sustainable value for our stakeholders.

So that's it. That's our outline for the year and the end of my formal remarks. I'm glad to turn the call back over to the operator to take any questions that the analysts on the call would like to address to us. Thanks very much.

Q & A

Operator

Thank you, sir. Ladies and gentlemen, we will now conduct the question-and-answer session. If you would like to ask a question, press star then the number one on your telephone keypad. If you would like to withdraw your question, press star two. If you're using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question comes from Mark Rothschild with Canaccord. Please go ahead.

Mark Rothschild — Analyst, Canaccord Genuity

Thanks and good morning, guys.

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Good morning.

Mark Rothschild — Analyst, Canaccord Genuity

Hey. Just following up maybe on the office portfolio, there was some slippage in occupancy, and then just wanted to understand if that already includes the vacancy you mentioned that occurred late in the year, if that was absolutely the entire thing. And then on that, should we expect some dip in FFO in Q1 from vacancy and then a decent pickup in Q2 as that lease takes effect or when the tenant starts paying rent?

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Yeah, it's Gordie here. So, occupancy at the end of Q4 compared to Q1, so the 30,000 square feet in Auriga, that would have been occupied as committed space at Q4. So that's about 30,000 feet. So there will be about 190,000 not in Q1 office gross revenues because that starts paying rent on April 1st or Q1. And then the only other piece, there's about 10,000 square feet of office that will come vacant in Q1, but 13,000 actually being committed for November. So there's a bit of tos and fros there but, the main thing you'll see, I think, is about 190,000 just on a one-quarter basis for the (inaudible).

Mark Rothschild — Analyst, Canaccord Genuity

Okay, great. And I know that—

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

The new in-place (inaudible)…

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Yeah, the old lease was at $12 and the new 15-year lease is at $14, so you'll see a bump on that specific building once it's in place.

Mark Rothschild — Analyst, Canaccord Genuity

Understood. I know that you're, for the most part, happy with the office and retail assets, but following this leasing and with the growth in your industrial portfolio, have there been any new thoughts to maybe selling some more of the office and retail assets? You sold a little, but not too much. Or do you view them as core properties that you want to own just because they are good quality and good cash flowing properties?

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

That's something reviewed regularly by the board, Mark. We have about $30 million of properties currently in or entering the marketplace and we'll see how those sales go and we expect the net proceeds to be applied to debt reduction. I guess we'll continue to review the portfolio after that. The core part, I think, as we've said before publicly, the core part of our retail and office portfolios are performing well, as Gordie just touched on, and much of our retail legacy properties are in strong, community-based centers, many led by Sobeys or (inaudible) anchored, and they're performing well, so we're probably not looking to be robust sellers of those unless we have a very specific place to redeploy. But our new funds are being focused more on or continue to be focused on the industrial sector. So I think you'll see those properties becoming a smaller percentage and yeah, sure, we'll continue to review them on a quarterly basis, but they're providing strong cash flows right now.

Mark Rothschild — Analyst, Canaccord Genuity

Okay, great. Thanks so much.

Operator

Thank you. Your next question comes from Lorne Kalmar with TD Securities. Please go ahead.

Lorne Kalmar — Analyst, TD Securities

Thanks. Good morning, everybody. Just switching, I guess, from dispositions, on the acquisition front obviously you guys had a great year last year. What do you guys see and what does the pipeline look like and what do you think you can do in 2022?

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

I think over the next few years, I'm not going to put a specific timeline on it, the next couple of years we'd like to see the Company move toward $2 billion of assets from the $1 billion we're at right now. So, at the right opportunities, we see ourselves being positive acquisitors of new portfolios. There is some activity in the market. It slowed down a little bit, from our point of view, in the last couple of weeks, just what we're seeing in the marketplace, but I think we'll see opportunities as the year goes forward and it'll depend a little bit on how capital markets perform.

I'm of course sort of qualifying my answer to you based on the possible black swans out there that we all think about every morning when we get up and look at Bloomberg.

Lorne Kalmar — Analyst, TD Securities

Fair enough. Have you guys thought, you know, I think Alberta has kind of had a bit of a comeback on the industrial front. Have you guys thought of looking out there for possible opportunities?

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Yes. We have, and I think it's worked well for us, sort of not invested west of Manitoba in any significant way to date and have not been and I think that's been to our advantage. I think probably, historically, although I know things are doing much better now, I think before we enter in a very significant way we've got to make sure we know any specific new markets we go into well and I think it probably would be something, unless it was a triple net lease, something of a portfolio scale where we could take our economies of scale and our property management platform to robustly establish there. So it's not an area that we're focused on right now but I recognize that the Alberta economy is being viewed much more positively than it was a couple of years ago.

Lorne Kalmar — Analyst, TD Securities

Absolutely. Okay. And then maybe just outside of office, how has occupancy trended in the portfolio year to date 2022?

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Mark?

Mark O'Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

So we've been, I mean just quarter over quarter we're 98.4%, 98.45%, so it's been relatively flat. We had a small dip this quarter just due to some of the acquisitions we took on in the Q4. There was a bit of vacancy in the industrial portfolio that we purchased in Atlantic Canada, which we will aim to lease up in the next quarter or two, but we've been trending at 98.4%, 98.5% for multiple quarters and been over

98% occupied for, I think, 16 consecutive quarters. So we're always focused at getting the last little bit of vacant units done, but we see ourselves as predominately close to full occupancy.

Lorne Kalmar — Analyst, TD Securities

Okay. And then just one last one. On the portfolio you guys bought in Q4, what kind of NOI growth do you think you can get out of there?

Mark O'Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

From a lease-up perspective, in terms of the acquisition we did, again, the majority, ah, Burnside Halifax was our Q4 acquisition, there was one in Moncton that was part of that portfolio, then another asset went off in Winnipeg, but in terms of the Burnside portfolio that we picked up, it's been performing, I would say, above our expectations. We're halfway through the year, sorry, halfway through the GLA for 2022 on leasing across the portfolio, but predominately halfway through the industrial leasing as well, and we're seeing 30% to 35% rent increases, year one increases, specifically in that portfolio, so well above what we anticipated.

Lorne Kalmar — Analyst, TD Securities

That's always nice when that happens. All right, thanks so much. I'll turn it back.

Operator

Thank you. Your next question comes from Jenny Ma with BMO. Please go ahead.

Jenny Ma — Analyst, BMO Capital Markets

Thanks. Good morning. Mark, Alison, congrats on your promotions.

Alison Schafer — Senior Vice President, Finance, PRO Real Estate Investment Trust

Thank you.

Mark O'Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

Thank you.

Jenny Ma — Analyst, BMO Capital Markets

I wanted to go back to your comments about acquisitions. I think, Jim, you said that, if everything goes well, you hope to have $2 billion of assets in the next couple of years. I think I heard you correctly?

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Correct.

Jenny Ma — Analyst, BMO Capital Markets

So that's a pretty big number, basically doubling from now. So, putting aside all the geopolitical risks and everything else that could muddle the picture, when we're thinking about that kind of a growth, do you expect it to be within the markets that you're in now or does that contemplate spreading out? I know we talked a bit about Alberta. So that's the first question. And then number two is, are you seeing that magnitude of opportunities out there in terms of portfolios available for sale? Because I presume that would be a big part of getting to $2 billion.

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Yeah, let me—I guess I'll start by saying I guess I used, and you correctly repeated what I said, but I think a couple of years to me isn't, we didn't set like a board objective that that's specifically two years. We just think over the next, let me call it few years, we should double the size of our portfolio. That partly helps to diversify risk and it draws, we believe, a stronger institutional base. But how we would do that would be historically, yeah, of course we'd have to revisit capital markets, but I think that we could scale up acquisition opportunities and portfolio transactions when they present themselves.

And as far as expansion is concerned in markets, I think there will be continued opportunities in Halifax, in Ottawa, in Winnipeg, certainly southwestern Ontario. I think, in answer to one of the early questions, at the right moment, on the right basis, we would look at some expansion in the Alberta market after we reviewed tenancies and (inaudible) within it. So, yeah, we see possibilities in all those markets. Demand is high. But there is constant circulating of assets.

Jenny Ma — Analyst, BMO Capital Markets

I guess my question is are there these sizeable portfolios being traded and are you saying that it’s a matter of getting to some scale on PROREIT’s side to be able to sort of play in those larger portfolio transactions?

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Yes. I mean we think we can do, I’m just pulling a number from the air, Jenny, but $200 million portfolio transactions. We’ve got a strong institutional investor investing beside us and we think that we can play in those kind of acquisition transactions. I mean we did in the latter part of last year and I think there will be opportunities. I mean we understand portfolios of that magnitude will probably be coming to market this year in some of the markets we’re interested in.

I did just say, in answer to a little earlier question, we have seen some pause in portfolios going to market right now, because I think people are just trying to assess all the geopolitical risks that are happening in the market, so there’s a bit of a pause, but having said that, I think there remains both intended selling and intended (inaudible).

Jenny Ma — Analyst, BMO Capital Markets

Okay, great. Now last quarter’s call you talked about same property NOI outlook of about 2% to 5% for 2022. You had a nice strong finish to the year, so I’m just wondering if that’s something that you would reiterate or has that view evolved a bit in the last four months since that call?

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Hi. It’s Gordie. I missed that call, but I listened to it. It was a good call. Yeah, I mean that 2% to 5% is still a good number, because we’re seeing the growth in the industrial, but we still have some retail and office in there as well. So we haven’t stepped back in retail other than one small space. We’re still getting modest growth there. And just in the two deals that we mentioned, the two office deals, one we got a $2 step in rent from $12 to $14 and then the 13,000 feet that’s going to come in in November, what’s the rent on that one, Mark, as well?

Mark O’Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

It’s moving from $14 to $15.

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Moving from $14 to $15. So we’re seeing that in the office as well. But just conservatively we’re still using that target of 2% to 5%, but we’d like to beat it, obviously. With the tos and fros though, I think that’s a good number.

Jenny Ma — Analyst, BMO Capital Markets

Okay, great. Thank you very much. I’ll turn it back.

Operator

Thank you. Your next question comes from Himanshu Gupta with Scotiabank. Please go ahead.

Himanshu Gupta — Analyst, Scotiabank

Thank you and good morning. So, just on 2022 lease expiries, adding 50% on that 10% spreads, any colour on the remaining lease expiries in 2022?

Mark O'Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

Mark here. As you mentioned, we're halfway through portfolio-wide and asset class-wide, but also halfway through about the industrial as well, so certainly on the industrial side we're going to see the majority of the year one net increases. We're trending actually, and we have enough data now to pull it out for the asset class and geography to have some meaningful stats and we're just under 20% if you just pulled the industrial side out of the year one renewals, so we're happy with that and I'm confident that we'll continue on that path. Again, the retail and the office side is more modest, but I feel that, you know, 10% is probably a good trending number.

Himanshu Gupta — Analyst, Scotiabank

Got it. And if you do like 10% on the other half as well, so it's technically 10% for the full 2022 expiries, which is very similar to 2021 as well, so do you think same property NOI growth should be on the higher end of your guidance range of 2% to 5% in that case?

Mark O’Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

Yeah. Yeah.

Himanshu Gupta — Analyst, Scotiabank

Okay. Okay, so that’s fair enough. And then just sticking to the—

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

The reason, I think you fully understand, but the reason, the difference between those two numbers, the 18% and 20% pickups and then same property performance, is that some of the renewals that Mark’s referring to come in over the year, right? He’s renewing some leases now where the increases are only reflected in later quarters, not the date of agreement.

Himanshu Gupta — Analyst, Scotiabank

Absolutely. It’s timing impacted, for sure. Thank you, Jim, there.

And then I’m looking at your in-place rents and market rents, so mark-to-market opportunity is fairly meaningful at 26% for industrial portfolio, what you guys laid out. Is it any specific market which is driving that or are you seeing that across the portfolio?

Mark O’Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

Again, we broke it down by geography, because we have some meaningful data now that we’re more geared towards industrial, so we’re seeing, again, the main pick up on the industrial side, the 26%, which is driving really the 18%. And then if you break down the geographies on the industrial side, again, Halifax is really the number that we’re focused on, you know, where there’s the big spread, the big delta from where we are and where we can be on a market basis. Ontario, again, is attractive, and Winnipeg as well.

Himanshu Gupta — Analyst, Scotiabank

Yeah. And (inaudible), you know, what is the dollar per foot rents right now? Like (inaudible) talking, you know, rents are moving from $12 to $15 perhaps, so how do we compare like Halifax market or Atlantic Canada market compared to, for example, GTA on the rent side?

Mark O’Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

Oh, on the rent side? So we’re about half. I mean on your current market rents we’re about half of Ontario, I would say. Well, Ottawa specifically is probably double what Halifax is now. And they’re very similar markets; they in smaller, secondary, but good household income markets with constrained geographies, ah, small business parks. So we’re currently about $7, just under $7 in-place rents in Halifax and, you know, we’re pushing that up to $10. Ottawa would be, ah, currently we’re about, I would say closer to $9 and pushing that up to, you know, $12 and $13. So those two markets are high-growth areas for us.

Himanshu Gupta — Analyst, Scotiabank

Got it. And on the same lines, your IFRS cap rate, like I can see you have done some sizeable fair value gains this quarter, so what cap rate are you marking your industrial portfolio now?

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Our industrial for this quarter is, ah, I think I mentioned on the call 5.6, so we went from basically 6 to 5.6, I think, on this quarter. And then we've got some more growth. We're revaluing some of our southwestern Ontario assets this quarter. Obviously, significant deals got done at the end of Q1, sorry, the end of Q4 2021, so we still see some compression in that for sure, and then modest cap rate compression in actually the office and the retail. But at 5.6 we still have some room on our industrial and I think you'll see some of that reflected in Q1.

Himanshu Gupta — Analyst, Scotiabank

Yeah. So 5.6, which is down 40 basis points quarter over quarter. Okay. So that makes sense.

In the same context, like in GTA we are seeing transactions at like twos and threes and sub-threes now. Do you think the spread will remain that wide? I mean we're almost double the cap rate what you are seeing in some of your other markets or probably GTA market.

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

So I mean we're not GTA proper. I guess we'd be called GTA extra fringe. I mean our southwestern Ontario stuff is Woodstock, Hamilton, Ayr, you know, just outside of Cambridge, but those properties we bought a couple of years ago at six to seven caps. I mean Woodstock was a seven cap. And the last, most recent deal, I think that, if you would have followed, by another purchaser, a re-purchaser there, it was like a weighted average 4.3% on those deals, and that portfolio was a weighted average lease term of 5.4 years. So they're still pretty attractive, very attractive caps. It's not the twos and the threes, obviously, where the larger REITs are pure GTA, but I mean to think that you had a 7% cap in southwestern Ontario that (inaudible) sold at a 4.5%.

And then when we look at our Montreal industrial, we haven't bought in Montreal for a while, but we've got two properties that are, you know, billboard signs on the 20, the highway between Montreal and Quebec City, that they were seven caps as well and they're tradable at a 4.5 cap rate now. Because the island of Montreal is so expensive at the twos and threes, these 4.5s that are 40 minutes away and on the Trans-Canada Highway is still very attractive. We have a $4 rent in a building just outside the island here, you know, that's moving to $8.50 over the long term.

Himanshu Gupta — Analyst, Scotiabank

And probably the last question is, in terms of investor appetite, have you seen investors moving out from (inaudible), you know, like Toronto, Montreal, or Vancouver, to some of your markets like Winnipeg or Halifax, you know, given the spread in the rents and given the spread in the cap rates? I mean have you see that, anything on the ground yet?

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Winnipeg is more private buyers and then there's some private capital and some funds there, not so much REITs. Halifax, we kind of did the larger deal there in the last little bit, but there's (inaudible) coming from Toronto and people walking around for sure. So yeah, there's more people looking in our markets, I think. They have to, you know, we kind of come from that region, Atlantic Canada, myself specifically, they have to kind of understand the markets a bit to put significant capital in there though, I think. So we'll see how that goes.

Himanshu Gupta — Analyst, Scotiabank

Awesome. Thank you, guys, and I'll turn it back.

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

Thanks.

Operator

Thank you. Your next question comes from Sumayya Syed with CIBC. Please go ahead.

Sumayya Syed — Analyst, CIBC Capital Markets

Thanks. Good morning. So, sticking with industrial, obviously cap rates came in nicely in the quarter. Could you give some colour on the cap rate moves by market or are they largely in line with your earlier comments on, I guess, where mark-to-market looks like by market?

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Mark, do you want to…?

Mark O'Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

Yeah, I mean just generally, you know, if we went across our various markets, the lowest cap rates would be in Ontario. It's just a function of how much capital is chasing each market. So I would see, and to the previous question, I would see still probably a 200 basis point spread between the Ontario cap rates and then the Winnipeg and the Halifax cap rates, although those are compressing along with the influx of capital.

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Otherwise, we had especially strong growth (inaudible) cap rates.

Mark O'Brien — Senior Vice President, Leasing Operations & Sustainability, PRO Real Estate Investment Trust

Yeah, recently Ottawa saw quite a bit of compression with some recent buying in industrial.

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

I mean the compression we're seeing is things that we would have bought at a six cap, which includes, you know, Ottawa recently, the Winnipeg portfolio, and the Halifax portfolio, and those are moving to 4.5. That's what we're seeing in bids after our deals closed. So that's, that's really what (inaudible).

Sumayya Syed — Analyst, CIBC Capital Markets

All right. So, on that point, I guess last year you were able to transaction on industrial in the low six cap rate range, so do you still see opportunities on that level or are those getting to be fewer and far between now?

Gordon Lawlor — Executive Vice President & Chief Financial Officer, PRO Real Estate Investment Trust

It's Gordie. I mean one benefit we have is we have the property management in house as well, so when we're recording those cap rates there's a benefit from property management synergies as well. So, as we all know, the debt's gone up here 60 basis points in the last few months as well, but we're still looking at those deals, and if we do the math and we see significant upside in the rents in the next couple years, we'll still be going after those. So we're not sitting by the sidelines. We could still make the math work, just because of the numbers that Mark and Jim have mentioned as far as where the rents are going. There's still very accretive deals here to pick up.

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

We probably, using just traditional ways of measuring and the way people talk in the marketplace, that we're probably not seeing a lot of six cap portfolios coming out in the markets we're in. But as Gordie says, I mean we look at it, obviously, from a much deeper financial analysis point of view than (inaudible) cap rates, and so there can be synergies, there can be rental growth opportunities that haven't been fully discounted into the purchase price that will allow us to effectively buy at some accretive rates.

Sumayya Syed — Analyst, CIBC Capital Markets

Okay, great. Thank you.

Operator

Thank you. There are no further questions at this time. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a great day.

James Beckerleg — President & Chief Executive Officer, PRO Real Estate Investment Trust

Thank you, everybody.