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PROREIT

Fourth Quarter and Annual Results Conference Call for Fiscal 2023

Event Date/Time: March 21, 2024 — 9:00 a.m. E.T.

Length: 39 minutes

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Brad Sturges
Raymond James — Analyst

Sam Damiani
TD Cowen — Analyst

Matt Kornack
National Bank Financial — Analyst

PRESENTATION

Operator

Good morning and welcome to PROREIT's fourth quarter and annual results conference call for fiscal 2023. At this time, all lines have been placed on mute to prevent any background noise.

Management will make a short presentation, which will be followed by a question-and-answer period open exclusively to financial analysts. To ask a question, simply press the *, followed by the number 1 on your telephone keypad. If you would like to withdraw your question, please press the *, followed by the number 2.

For your convenience, the results released along with fourth quarter and fiscal 2023 financial statements and Management Discussion & 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 events, 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

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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 20, 2024, available at www.sedarplus.ca. Forward-looking statements represent management's expectations as at March 20, 2024, and except as may be required by law, PROREIT has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of 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 fourth quarter and fiscal 2023 earnings release and Non-IFRS Measures section in the MD&A for fiscal 2023 for additional information.

I will now turn the call over to Mr. Gordon Lawlor, President and Chief Executive Officer. Please go ahead.

Gordon Lawlor — President, Chief Executive Officer and Trustee, PROREIT

Thank you, Ludi (phon). Good morning, everyone, and welcome.

Joining me today is Alison Schafer, our CFO and Corporate Secretary. Zach Aaron, our Director of Investments and Asset Management, is also present and will be able to answer any questions during the Q&A session.

I will begin with a high-level look at fiscal 2023 before turning the call over to Alison for a more in-depth review of the financial results.

Throughout 2023, we continued to operate in a complex macroenvironment and high-interest rate environment. Against this backdrop, I'm pleased with our overall performance.

We delivered as planned both from an operational and financial standpoint. We stayed focused on our strategy to rotate capital away from less attractive assets and toward growing our industrial footprint while managing our balance sheet.

As part of that strategy, in 2023, we sold a total of seven noncore strategic properties for $26.6 million. In Q4 2023 specifically, we sold three noncore retail properties.

In November, we sold two retail properties, one in Halifax, Nova Scotia, and one in Levis, Quebec. These two noncore properties totalled 49,000 square feet and were sold for gross proceeds of about $10.9 million. The proceeds were used to repay about $4.4 million of related mortgages with the balance used for general business purposes.

Then in December, we sold a third noncore retail property in Quebec City that totalled $19,000 square feet for gross proceeds of over $2.3 million. The proceeds of this sale were used for general business purposes.

With these dispositions, we ended the year with 123 investment properties, corresponding to approximately 6.4 million square feet of GLA.

At the same time last year, we owned 130 properties, both years with 50 percent ownership interest in 42 properties.

In total at year-end, we managed approximately 10.9 million square feet of GLA; 6.4 million square feet relating to our owned portion; plus another 4.5 million square feet that we do not own. Of the owned properties, our industrial segment represents 82.2 percent of GLA and 73 percent of base rent at December 31, 2023.

Subsequent to year-end in February and March 2024, we sold three noncore properties totalling approximately 135,000 square feet for gross proceeds of $26.1 million. The proceeds were used to repay about $21.1 million in related mortgages with the balance used for general business purposes.

These asset sales have aided in increasing liquidity, reducing certain debt, and puts us in a position to purchase industrial assets opportunistically when the time is right.

We started 2024 on a strong footing. Our portfolio is strong and stable, including a significant position in the high-growth Halifax region. We continue to benefit from successful renewal rates and the significant value embedded in our portfolio. We renewed 93 percent of GLA maturing in 2023 at an average lease spread of 45.6 percent.

For leases maturing in 2024, we've renewed 43.7 percent of GLA at an average spread of 32.8 percent.

In addition, we continued to enjoy a sustained high occupancy rate, which was 98.3 percent at the end of fiscal 2023, including committed space and excluding one industrial property held for redevelopment.

Our quarterly numbers are beginning to show the organic portfolio cash flow growth we see in our properties. Below-market rents of nearly 40 percent are beginning to positively impact our cash flow as our rents roll to market rates. A recent five-year cash flow exercise gave us insight of potential of 6 percent compound annual rent growth over that period, which is exciting, all other things being equal.

In terms of same property NOI for the fourth quarter of 2023, we are particularly pleased with the overall notable growth of 7.5 percent achieved.

On a segmented basis, our industrial sector, which represents close to 75 percent of our same property NOI, delivered 7.9 percent growth in the fourth quarter compared to last year.

The weighted average in-place rent for our industrial portfolio at December 31, 2023, was $8.39 per square foot, an increase of 7.8 percent compared to the same date last year.

We're also pleased with the performance of our office segment, representing 8.2 percent of total same property NOI. In Q4 2023, our office portfolio achieved a notable increase of 17.1 percent in the fourth quarter compared to the same quarter last year.

Finally, our retail sector, mainly comprised of necessity-based properties, achieved a 1.8 percent increase in same property NOI for the year.

Before I pass the call over to Alison, I'd like to take a moment to mention that over the past year, we've also been making progress on the sustainability front. Our entire team has been working diligently to improve both tracking and reporting. As we continue our ESG journey, we persistently look for ways to do things better and do more. We look forward to sharing our progress with you when we publish our 2023 sustainability report in May of this year.

Alison, the call is yours for a more fulsome review of our quarterly results.

Alison Schafer — Chief Financial Officer and Secretary, PROREIT

Thank you, Gordie, and good morning, everyone.

I will begin by noting that total assets at December 31, 2023, amounted to $1.03 billion.

Our property revenue for the fourth quarter increased by 2.2 percent from $25.1 million to $25.6 million, and net operating income was $14.9 million, up also 2.2 percent from $14.6 million in Q4 of 2022.

Both our property revenue and NOI increased as a result of contractual increases in rent and higher rental rates on lease renewals. This was offset by the decrease in the number of properties in our portfolio, as Gordie previously mentioned.

General and administrative expenses for the quarter were down 7.1 percent to less than $1.3 million compared to Q4 2022.

Net cash flows provided from operating activities in Q4 2023 was $9.5 million, up from $8.3 million in the fourth quarter last year.

Our basic and diluted FFO unit performance in the quarter both came in slightly above Q4 2022. AFFO totalled $7.6 million for the quarter, relatively flat compared to the same quarter last year. Our AFFO payout ratio was 89.8 percent for Q4 2023, up only slightly from 88.5 percent in Q4 2022.

It’s worth noting that our 12-month results were negatively impacted by some one-time CEO succession and related costs of $2.2 million, as well as a successful repositioning of our 100,000-square-foot Montreal industrial property, which negatively affected cash flow results for the middle six months of the year.

On our balance sheet, our liquidity position remains strong, with $43.0 million available on our credit facility, in addition to $13.2 million in cash at December 31, 2023.

This year we were able to reduce the indebtedness under our credit facility by $20.0 million.

Our total debt reached $515.2 million at December 31, 2023, which was relatively flat compared to the $514.3 million at the same date last year.

Our total debt to total assets also remains stable at 49.8 percent at the end of fiscal 2023 compared to 49.6 percent at the end of fiscal 2022.

Our adjusted debt to gross book value was stable at 50.2 percent at December 31, 2023, compared to 49.7 percent at December 31, 2022. We intend to remain focused on reducing this ratio over the medium term.

We continue to benefit from a well-staggered debt profile with limited and material mortgage maturities until 2026 and only about 3 percent of our total debt at a variable rate.

Our weighted average interest rate on mortgage debt was 3.88 percent at December 31, 2023, compared to 3.70 percent at the end of 2022.

Our weighted average cap rate for the portfolio was approximately 6.2 percent at year-end, or $159.07 per square foot, up from 5.8 percent at the end of 2022.

Finally, distributions of $0.0375 per unit were declared monthly throughout the fourth quarter of 2023.

I will now turn the call back to Gordie for closing remarks.

Gordon Lawlor

Thank you, Alison.

As it has been nearly 12 months since I became President and Chief Executive Officer of PROREIT, I'd like to thank the entire team for a great year. I would also like to thank the board for their support and guidance. At every level, I am proud of our ability to navigate these challenging times, and of the high-quality portfolio we have built over the last decade.

Looking ahead, we remain steadfast in our commitment to stakeholders to create sustainable value. Our capital allocation strategy remains on course, which includes paying regular distributions to our unitholders while focusing on our debt level.

We are well positioned for the future and look forward to capitalizing on opportunities in the industrial sector. We anticipate that the market stabilized, and interest rates will start to come down in the near term. In the meantime, we'll continue the disciplined management of our balance sheet while structuring our portfolio for future growth.

As this concludes our formal remarks, I'll now turn the call back to Ludi to begin with the question-and-answer portion of our call. Thank you.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the *, followed by the number 1 on your telephone keypad. You will hear a three-tone prompt acknowledging your request, and your questions will be polled in the order they are received. Should you wish to decline from the polling process, please press the *, followed by the number 2. 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 the line of Mark Rothschild from Canaccord. Your line is open.

Mark Rothschild — Canaccord

Thanks and good morning, everyone.

Gordon Lawlor

Good morning.

Alison Schafer

Morning.

Zach Aaron — Director, Investments and Asset Management, PROREIT

Good morning.

Mark Rothschild

Hey. Gordon, maybe just following up or trying to fill in a little bit on your last comment in regard to growth picking up as far as on the acquisition side. Is the expectation that you'll be able to do more deals more a comment on that you expect there to be better pricing or more clarity on pricing and more deal flow? Or is it the hope that the unit price will offer you a better return, a better cost of equity?

And to what extent does that matter as far as how you're looking at growth and doing deals in 2024?

Gordon Lawlor

I wake up every morning hoping for both, Mark. Stock price, obviously, is driven by the interest rate environment that we're in. And there's an expectation we will see some better rates towards the end of the year. That said, we've sold some assets, and we're going to sell some more. So we have a little bit of room for some industrial acquisitions when it makes sense.

Honestly, we don't see a lot out there. We still see disconnect on pricing. So we're not jumping up and down at anything right now. But from being around in the three months and marketing and that type of thing, we feel it is a bit of a turning point coming somewhere in 2024, and we really look forward to that.

Mark Rothschild

Okay. Great. And then just on the leasing. Obviously, the leasing spreads were really strong in '23. You see anything slowing down in that regard from the leases that you have under negotiations than what you're working on now?

Gordon Lawlor

I'll just turn that to Zach, and he can make a couple comments there.

Zach Aaron

Sure. Thanks, Gordie, and hi, Mark.

To touch base on the leasing, so obviously, pretty good start of the year for 2024 as well with overall spread of just over 32 percent. And specifically, in our industrial deals, we're already trending around 49 percent, 50 percent again for 2024. So being almost halfway through our '24 expiries, and we're essentially in contact with most remaining tenants in the portfolio, we feel pretty good that what we're achieving so far will kind of stay throughout the year.

With a good portion of our portfolio being small- to mid-bay tenants, leverage still remains really high with landlords where on a lot of 2,000- to 5,000-square-foot units, whether it be Halifax, Winnipeg, Ottawa, we're still in scenarios where, if a space comes available, it's typically the neighboring tenant who's interested. Or we'll have two or three offers in a matter of a week for that unit that allows us to continue to push rent and kind of minimize TI. So we see that as continuing to be a bit strong.

On the larger format spaces, which we don't really have that many of, it's definitely slowed down a bit in terms of momentum of getting deal flow. But tenants continue to renew. And then it's the new deals where things are a bit slower, but rents are still at an attractive basis.

Mark Rothschild

Okay. Great. That's helpful. Thanks. I'll turn it back.

Operator

Thank you. And your next question comes from the line of Brad Sturges from Raymond James. Your line is open.

Brad Sturges — Raymond James

Hi there. Good morning.

Gordon Lawlor

Good morning, Brad.

Brad Sturges

Just to touch on the asset sales and your comment there that you could be looking to do a little bit more. Do you have anything else in the market right now for sale?

Or I guess put a different way, how do you think about the volume of potential asset sales over the next few quarters?

Gordon Lawlor

Yeah. I mean interestingly enough, a lot of the deals that we've done have been basically unsolicited offers on certain of our assets. And so that's interesting because you don't have to go market them and that you get an independent quote on them on the value and see if there's something of interest there.

I mean we sat down the end of 2023, and besides what's already announced, we circled maybe about $40 million more in dispositions for the year. But it truly depends on it's all private buyers, and there's long due diligent periods. They're not totally adept from the financing side. So they think they can get financing, and then they go to the bank, and they can't.

So there's just a lot of that noise that goes on. So we circled 40, but whether any of that will close, honestly, it's up in the air. And some of it's office too, which we'd like to sell. But, again, it's really dependent on the buyer, whether they can come through at the pricing that we think the assets are worth.

Brad Sturges

And with the three assets sold already this year, what type of average cap rate or NOI contribution, what do those assets have?

Gordon Lawlor

The strip mall in Tantallon, Nova Scotia, that was about a 7.3 cap. That was a pretty strong asset for us. We were indifferent. If the deal went away, we would have been happy to keep it.

The other one, it was an asset we had held for develop in industrial a long-term Hydro Quebec tenant that left. So we put some money into it. Leased about 25,000 of the 65,000. Then when we did the math about what we needed to finish versus an offer that we got, we sold that. So I think on an in-place, it would be like a 4 cap. But it was really more priced per square foot on that one.

Brad Sturges

Yeah. Okay. And last question. Just how do you think about same property NOI growth this year just given the strong leasing spreads that you're achieving?

And given that you've had, I guess, a lease-up of some of the vacancies, how are you thinking about the near-term organic growth outlook?

Gordon Lawlor

We've got some to's and fro's coming in the year, I guess, in some of these, some moving parts. But when we sat down and looked at it, we'd like to see 4 percent NOI growth for the year. That would be a successful year for us but that really depends on occupancy. If we have any downtime in some of our leasing or anything like that in renewals, but that would be a good year for us if we achieved that for '24.

Brad Sturges

At this stage, are you expecting some transitional vacancy then? Or anything material of note—

Gordon Lawlor

The only thing—

Brad Sturges

—that you're—

Gordon Lawlor

Sorry. Yeah. The only piece that really hits me right now or Zach can allude to, but there's 40,000 square feet in one of our Woodstock, Ontario properties. That tenant left the end of February, and we don't have a new tenant there. So that'd be 40,000 feet really affecting Q2, not so much Q1.

Zach Aaron

And just to add onto that about the tenant in Woodstock. So that was a scenario where the tenant needed 60,000 square feet, and we just couldn't accommodate them. But on the 40,000 square foot unit that they left it's a 28-foot clear distribution warehouse centre in great shape. One of our best assets I would say. And they're coming off a $6.20 space rent, where market for that space would be kind of in the $11-to-$12 range.

So we might see some downtime there, and we're marketing it currently, but we expect the new tenant to have a significantly higher rent than the previous tenant. So a good problem to have at the end of the day.

Brad Sturges

Okay. That's great colour. I'll turn it back. Thanks a lot.

Zach Aaron

Thanks, Brad.

Operator

And your next question comes from the line of Sam Damiani from TD Cowen. Your line is open.

Sam Damiani — TD Cowen

Thanks. Good morning, everyone. Most of my questions have been answered, actually. But I guess just on the debt that was raised on a couple properties, I think late in the quarter, I think the coupon

was in the higher sixes. What is market today for mortgage debt on properties you're looking to refinance in 2024? What kind of spread is that?

Gordon Lawlor

Yeah. So those two specifically, Sam, they were office. So we put one- and two-year tranches on them. So that was part of it. But right now, we've got a four-year deal on $10 million that we've got commitment letters in the inbox there. That'll pencil out about 5.5, so give or take, 200 over.

Our borrowing piece generally ranges from between 180 to 210 over, depending on five-, seven-, or ten-year money. So that's what we're kind of around 5.5 right now. And we're hoping that'll get better towards the end of the year.

We do have one building where we're just going to do another year on it, an industrial building. So that'll be a little pricier. That'll be more in the seven range. That's about $8 million. We're doing that on purpose just because we want to lease up that 28,000 feet that their input was another building that we're leasing up at the same time and put a longer-term piece on it.

So we're just being advantageous and hoping that we can clean that up better towards the end of the year.

Sam Damiani

Thanks. And sorry. That 7 percent one, that was a one-year term. That's why it was so high? Is that what you said?

Gordon Lawlor

Yeah. Yeah.

Sam Damiani

Okay.

Gordon Lawlor

Yeah. With a lender that we assumed, so it wouldn't be one of our normal lenders. So a little bit higher rates for that one.

Sam Damiani

Gotcha. Did notice that the—looked like the contribution from Compass property management was quite a bit above normal in the fourth quarter. Just wondering what drove that and how you expect that to play out in 2024?

Gordon Lawlor

Yeah. I mean that one's a bit lumpy. I think we targeted between $1.5 million and $1.8 million for that for a year. It's driven for them because that's the third-party piece of it, so not related to us. So project management fees, when they're doing tenant fit-ups where they manage a lot of office buildings in Halifax as well. And then they have a little brokerage arm, so they do some asset sales. So sometimes you'll get a $200,000 or $300,000 pop there for an asset sale. So that's really the driver there. But if they do 1.5 or north on that we're happy with that.

Sam Damiani

Gotcha. And I guess just back to sort of I guess the main topic I guess is on obviously dispositions and eventual acquisitions. Is it your intention, if you can, to reach that 45 percent goal in 2024?

Do you need to get there before you're willing to start to deploy capital on acquisitions?

Gordon Lawlor

No. That would be a three-to-five-year plan. I mean we went from 58 to 50 in the last number of years obviously and purposefully. And people would say that affected our AFFO per unit growth, but we did it on purpose because we want our balance to be in a better spot.

The 45 percent, I mean we're happy at the 50 here. So we don't need to do anything overnight on that. The reality is getting to the 45 would be driven by eventual—some equity issues where you take your little piece and pay down debt on that basis. So at the 50 range where we are today, we may do an acquisition or two because we're comfortable with that. But the 45 is directional really, and it just depends on the market for us.

Sam Damiani

Last one for me. Just on acquisitions, when they do resume, what's the goal in terms of evolving the geographic footprint of PROREIT's industrial portfolio?

Gordon Lawlor

Yeah. So I mean we like buying assets around our platforms. So, obviously, what we own in Halifax is 50/50 with our partner Crestpoint. We see some opportunity there. They're happy to grow the footprint there as well. We're in Moncton basically by ourselves. There's one asset with Crestpoint, but that's been a strong market for us. But we're looking at assets back on the island here in Montreal; just off island as well. Whether we be able to execute on them, that's the question mark eventually.

But really, back in greater Montreal here, Ottawa, we've got a full platform of folks there. Love to get more industrial in Ottawa, Southwestern Ontario, and then Winnipeg as well. So we're just looking in all of those areas.

We're pretty full up on Atlantic Canada, and that's partially driven with our partner to what we want to do there. But Ottawa's an hour and half down the road from us here in Montreal. Seeing great growth, constrained land, it's just harder to buy assets there.

And then when you talk about out West, as you see, we're selling our retail out there. We've got a couple of cold storage facilities in Edmonton. We haven't really been looking out West. I said it before,

if there was a large portfolio in Calgary, perhaps, that we could get our head around that would allow us to put a platform there, we'd do that, but that's kind of like not top of our list for '24 really.

Sam Damiani

That's very helpful. Thank you and I'll turn it back.

Gordon Lawlor

Thanks, Sam.

Operator

Thank you. And once again, if you would like to ask a question, simply press the *, followed by the number 1 on your telephone keypad.

Your next question comes from the line of Matt Kornack from National Bank Financial. Your line is open.

Matt Kornack — National Bank Financial

Good morning, guys. Just a quick follow-up on Sam's line of questioning there just in terms of what you're seeing for stabilized cap rates, different type products that you're looking at. Can you give us a sense on that?

Zach Aaron

Sure. Zach here. So, yeah. It's a bit of an interesting conversation, and it's one that seems to be evolving every day. Speaking with brokers and particularly speaking with brokers in the GTA where you just see the highest level of transaction volume, I think the philosophy now in industrial—and again, it depends on the exact asset in the market—but I think the view is that the asset needs to kind of stabilize around a 6.5 to 7 cap. And that's really, again, market and kind of product dependent.

So you're still seeing deals, and hearing about deals where they're trading at 4.5, 5 caps. But there's a story there of short-term wallets and below-market rent where the buyer has a view that they can stabilize the asset in year two, three, or four at that 6.5 percent, 7 percent said range.

And then, yeah. If you're looking at an asset that's long-term lease at market rents with 2 percent, 3 percent growth, I think the idea's is that yeah. You need to be ideally looking the 6.5, 7 cap range on something more stabilized like that.

I know there was a GTA asset sale in Mississauga, a new-build building, 150,000 square feet, long-term lease, market rent, and from what I was told by local brokerage, it sold at a 5.9 cap. And so to me that kind of shows a bit of a marker of, hey, Mississauga, stabilized GTA asset, long-term lease, 5.9 cap is kind of maybe the low mark there on a stabilized asset.

So that seems to be the kind of to and fro on stabilized versus non-stabilized asset cap rates in the industrial market. And so that's kind of the framework we're working with and having the view on assets as we do continue to look at opportunities on market and off market.

Matt Kornack

And do you have a preference whether to buy the higher kind of at-market cap rate, or value-adds with a bigger upside on renewals in the context just kind of where demand is in the market today?

Or are you bullish and would be kind of indifferent between those two as long as their priced appropriately?

Gordon Lawlor

I think we fell into a great opportunity since 2021 when we got a lot of assets with low WALTs and good under-market rents.

When you look at the portfolio as a whole, and it's not really a comment on where the economy's going. It's like if we had some nice stable assets that we didn't have to talk about every second day that would be helpful as we build the portfolio longer term.

So, yes. I mean if there were low cap rate assets or under-market rent assets with sort of WALTs around our platforms, we'd look at them. But some of the nice stabler 10 years with 2.5 percent, 3 percent steps, put some good debt on it and just leave it and have it tied up. I think we'd like to see a little bit more of that in the next couple of years just because we have all this internal growth already baked in to where we think we're heading. So it'd be nice to just get some stabilized assets to kind of balance the portfolio.

Matt Kornack

Makes sense. And then just on the demand side. I think you kind of noted it earlier. Your small-bay tenants, it seems like retention rates are high. But have you seen any kind of at least temporary pullback in demand on the industrial side? Or is it still pretty strong in the markets in assets that you own?

Zach Aaron

Yeah. I mean, again, our specific view when it comes to our portfolio which, again, is largely small- to mid-bays. That sector remains really strong. For example, we had a 2,000-square-foot unit in Ottawa come available, shipping door behind, 18-, 16-foot clear small office in the front. And we had three offers in it. And you're kind of bidding against one another $0.25 at a time to achieve a new high market rent.

And that's a similar story we're continuing to see in our Burnside portfolio. Similar story we even see in Winnipeg as well on the small bay front. So that side remains really strong.

There does seem to be a bit of a bifurcation between that small, mid bay and then larger bay. And that large bay always depends on the market what you mean large bay. But I think leasing and that stuff has slowed down just given the tenant roster that was going into these larger-format properties were your 3PL users, your Amazons of the world, who have been kind of the slower tenants of the last several months now.

So yeah. I think before where some of these larger formats were getting leased up within two, three months, now it's taking maybe six to nine months. And you've got to put in a little bit more TIs. But at the end of the day, I think the market rents are still pretty strong, and leases are still getting done.

So overall still a very good story. Vacancy remains low overall. And a lot of still construction and land supply constraints. And I have a bit of a view that as construction and development slows down over the course of this year and into next year, that should kind of help stabilize and improve absorption.

Gordon Lawlor

Yeah. Just to follow up on that. The only annoyance I have in the portfolio is basically 100,000 feet of industrial, and it's two 30,000 spaces, and the 40,000 that I mentioned earlier. Those are great spaces. They come off of low rents. They should be leased by now. It's not a comment on Zach. We work on it every day. But it's just a little annoying that it hasn't been as fleet of foot from leasing it up. It takes a couple more months. You got to get used to that world again because it wasn't like that for two years.

Matt Kornack

No. Fair enough. And last one for me, and it may be too early to ask this, but I just noticed on looking at the top 10 tenants, DRS matures, I presume, in 2025. I haven't had the benefit of going to that asset. I think it's a pretty unique space. But are you in discussions with them at this point? Or is that something that would be dealt with closer to maturity?

Gordon Lawlor

We will have a great story on that eventually.

Matt Kornack

Okay. I'll hold off then.

Gordon Lawlor

Thanks.

Matt Kornack

Thanks.

Operator

Thank you. And ladies and gentlemen, this concludes the Q&A portion of today's call. Thank you everyone for joining. That concludes today's conference call. You may now disconnect.

Gordon Lawlor

Thanks very much.