PRO Real Estate Investment Trust

Fourth Quarter and Annual Results Conference Call for Fiscal 2024

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PRESENTATION

Operator

Good morning, and welcome to PROREIT’s fourth quarter and annual results conference call for fiscal 2024. 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.

To ask a question, simply press the *, key, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press the *, key, followed by number 2.

For your convenience, the results released, along with fourth quarter and fiscal 2024 financial statements and Management’s Discussion and Analysis, are available at proreit.com in the Investors 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 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 12, 2025, available at www.sedarplus.ca.

Forward-looking statements represent management's expectations as of March 12, 2025, 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 fourth quarter and fiscal 2024 earnings release and Non-IFRS Measures section in the MD&A for fiscal 2024 for additional information.

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

Gordon Lawlor — President and Chief Executive Officer, PRO Real Estate Investment Trust

Thank you, Joanna. Good morning, everyone, and welcome to our fiscal 2024 earnings call.

Joining me today is Alison Schafer, our CFO and corporate Secretary. Zach Aaron, Vice President of Investments and Asset Management, is also joining us for the Q&A period.

I will begin with a high-level overview of fiscal 2024, before turning the call over to Alison for a more detailed discussion of our financial results.

In 2024, we navigated another year of macroeconomic turbulence and elevated interest rates despite some relief from the Bank of Canada. Against this backdrop, I'm pleased with our overall results.

Once again, our performance highlights the resilience and strength of our industrial-focused portfolio generating stable income across varying market conditions.

Through the year, we remained focused on advancing our long-term goal of becoming a pure-play light industrial REIT in Canada's strong secondary markets while maintaining a disciplined approach to balance sheet management.

By year-end, industrial assets accounted for 81 percent of our base rent, up from 73 percent at the end of 2023. Our medium-term goal remains to increase industrial exposure to 90 percent of base rents.

The key driver of our performance is our strategic focus on light industrial properties. As of Q4 2024 for Canada, small bay vacancy was 2.9 percent and mid-bay vacancy stood at 3.6 percent, both below the national industrial vacancy rate of 4.5 percent according to JLL's Q4 2024 data.

Our presence in Canada's robust secondary markets continues to be a differentiator, with 52.6 percent of our base rent coming from the Atlantic provinces. Notably, Halifax, where we are a leading industrial landlord with our partner Crestpoint, continues to outperform the national market.

This week, a significant development in Halifax was the Government of Canada's award of an $8 billion contract to Irving Shipbuilding to commence construction of three new River-class destroyers for

the Royal Canadian Navy. This is one of Canada's most ambitious shipbuilding projects since World War II, and Halifax is at the heart of it.

Over the next 15 years, this project will create over 5,000 jobs with more than half of them in Halifax. As a central hub for this initiative, the city will see the biggest benefits. That means steady employment, stronger local businesses, and a massive boost to the region's economy over the long term.

We've already capitalized on this momentum, selling a property in Halifax in February '25 to a key naval subcontractor at a very attractive price.

Turning to portfolio transactions. At year-end, we owned 115 investment properties totalling 6.1 million square feet of GLA compared to 123 properties at the end of 2023. Both periods included our 50 percent ownership interest in 42 properties.

During the year, we sold 9 noncore properties for gross proceeds of $71.2 million, using the funds to reduce debt and pursue strategic opportunities.

In September, we acquired a 134,000-square-foot industrial property adjacent to the Montreal Trudeau International Airport for $32.7 million.

By year-end, only four office properties remain in our portfolio, reflecting our continuous shift toward industrial assets.

As I just mentioned, in February of 2025, subsequent to year-end, we sold a 50 percent-owned property in Halifax for $5.4 million, our share, with net proceeds to repay a related mortgage and for general business and working capital purposes.

In February '25, we also entered into a binding agreement to sell one fully owned retail property in BC for $1.1 million. That property actually closed yesterday.

Additionally, in March 2025, we sold a fully owned retail property in Nova Scotia for $5.9 million, with net proceeds used to repay a related mortgage and for general business and working capital purposes.

Despite owning eight fewer properties than at year-end 2023, I'm pleased to report that we were able to maintain stable net operating income for both Q4 2024 and the full fiscal year.

Our strong leasing momentum, driven by rent lifts on renewals and new leases, as well as contracted rent escalations, contributed to a 7.7 percent growth in same store property NOI for the full fiscal year, a significant improvement over 1.7 percent in 2023.

Looking ahead, we anticipate future upside, supported by robust leasing activity. For example, 90.9 percent of our GLA maturing in 2024, or about 675,000 square feet, was renewed at an overall rental spread of 39.1 percent, including 50.5 percent for industrial properties.

To date, 47 percent of our GLA maturing in '25, or approximately 430,000 square feet, has already been renewed at an overall rental spread of 32 percent. And 45 percent of our GLA maturing in 2026, or another 425,000 square feet, has already been renewed at an overall rental spread of 38 percent.

With these strong incremental spreads, combined with our contracted rent escalations, we expect mid to high-single digit NOI growth in both 2025 and '26.

At year-end, our portfolio occupancy rate, including committed occupancy space and excluding a 50 percent-owned property sold after year-end, stood at 97.8 percent compared to 97.2 percent at the end of the third quarter of 2024 and 98.3 percent a year ago.

While our retail and office assets saw high occupancy rates year-over-year, the slight decrease in industrial occupancy in the fourth quarter of 2024 was due to transitional vacancies, most of which have since been released.

We have secured leases starting in April and May of 2025 for a total of 68,000 square feet of industrial space that was vacant for 2024.

For 2025 lease expiries, we signed a 128,000-square-foot industrial lease with a new international tenant for 15 years with rent increase exceeding 30 percent. We renewed two industrial leases with two single credit-quality tenants totalling 137,000 square feet for terms ranging for five and seven years, achieving rent increases of 20 and 40 percent.

We secured a 21,000-square-foot industrial lease with a national tenant on a 10-year term, locking in 120 percent rent increase. With a neighboring tenant absorbing the remaining 8,000 square feet, we replaced 29,000 square feet of previous vacancies.

This week, we also secured a lease for our 39,000-square-foot industrial vacancy in Woodstock, Ontario, with a significant rent increase compared to the recent tenant. That lease is not included in our year-end committed occupancy.

Looking at 2026 expiries, we renewed a 155,000-square-feet industrial lease for three years with a 40 percent rent increase. In February of '25, we renewed four industrial leases totalling 325,000 square feet, each for 5 years with a 45 percent rent increase.

On a pro forma basis, incorporating secured and renewed leases for '25 and '26, our weighted average lease term extends to 4.5 years. For our top 10 tenants, pro forma weighted average lease term increases to 6.2 years.

With that, I'll now turn the call over to Alison for a deeper dive into our financial results.

Alison, over to you.

Alison Schafer — Chief Financial Officer and Secretary, PRO Real Estate Investment Trust

Thank you, Gordie, and good morning, everyone. We are pleased with our full year and fourth quarter results.

In Q4, 2024, property revenue amounted to $24.9 million compared to $25.6 million in the same quarter last year. The change was primarily due to the net decrease in the number of properties in our portfolio, partially offset by contractual rent increases and higher rental rates.

Net operating income, or NOI, for Q4 was $14.7 million, stable compared to $14.9 million last year due to these same factors.

Same Property NOI reached $13.9 million in Q4, up 3.9 percent year-over-year, largely as a result of contractual rent escalations and higher rental rates predominantly for our industrial assets.

For the full year, same property NOI reached $54.8 million, up 7.7 percent year-over-year, as Gordy mentioned earlier.

Excluding the impact of a temporary 102,000-square-foot industrial vacancy fully leased in 2024, a onetime revenue adjustment, and a 50 percent co-owned vacant industrial property, same property NOI was up 5.4 percent in the year.

Net cash flows provided from operating activities was $11.7 million in Q4, up 23 percent, largely due to the timing of cash receipts and the settlement of payables.

FFO reached $6.8 million for Q4, an $800,000 decrease year-over-year. This was mainly due to higher debt settlement costs from property sales and a slight increase in vacancies, partially offset by contractual rent increases and higher leasing spreads despite owning eight fewer properties compared to last year.

Our basic AFFO payout ratio was 96.1 percent for Q4 2024 compared to 89.8 percent in 2023, primarily due to an increase in stabilized leasing costs, partially offset by a property acquisition in Q3 2024,

general increases in contractual base rent, and higher rental rates despite owning eight fewer properties in our portfolio.

Since the start of the year, we continued to manage our balance sheet prudently. We efficiently recycled capital and increased our holdings in quality industrial properties.

At year-end, our total debt, including current and noncurrent portions, totalled $498.6 million, a $16.7 million reduction from last year. Debt-to-gross book value remained on target at approximately 50 percent, in line with year-end 2023.

We also reduced our adjusted debt to annualized adjusted EBITDA ratio to 9.2 times at year-end, down from 9.6 times a year ago, and we will continue to prioritize further leverage.

The weighted average interest rate on mortgage debt was 3.9 percent as of December 31, 2024, compared to 3.88 percent at year-end 2023 and 3.39 percent at year-end 2021.

Despite the higher interest rate environment over the last few years, we have effectively managed our interest rate exposure, limiting the increase in weighted average interest rates to just 51 basis points over this period.

At year-end, the weighted average cap rate for the portfolio was approximately 6.7 percent, up from 6.2 percent a year ago.

Finally, we maintain our distributions of $0.0375 per unit for each month of 2024.

Of note, we received this week a commitment for approximately $12 million in incremental financing with respect to an Ontario industrial property from our current lender at market rates. The financing is expected to be funded in the coming weeks and will mature in September 2026, which is consistent with the original financing.

Gordie, back to you for closing comments.

Gordon Lawlor

Thank you, Alison. To summarize, 2024 was a year of strong execution.

We continued to advance our strategic transition towards a pure-play light industrial REIT while executing on a disciplined capital recycling strategy.

Our leasing performance remained a key strength, with robust rent spreads and long-term commitments from quality tenants. The demand for light industrial properties in secondary markets remains solid, reinforcing our confidence in our portfolio's positioning.

Looking ahead, we continued to prioritize sustainable growth and sound capital allocation in order to create long-term value for all of our stakeholders.

With that, I'd like to thank our team for their dedication, our trustees, and our unitholders for their continued support.

Joanna, we're now happy to take questions.

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 1 on your touch-tone phone. You will hear a prompt that your hand has been raised.

Should you wish to decline from the polling process, please press *, followed by the 2.

And if you're using a speakerphone, please lift the headset before pressing any keys.

The first question comes from Kyle Stanley at Desjardins. Please go ahead.

Kyle Stanley — Desjardins

Thanks. Good morning, everyone.

Gordon Lawlor

Morning, Kyle.

Alison Schafer

Morning.

Kyle Stanley

You made really solid progress, obviously, on your 2025 and ‘26 lease maturities. So I just had two questions relating to that progress so far.

First, how much of the leasing that you’ve completed has occurred in the last month or two when we’ve had this tariff threat overhang? I think, obviously, you mentioned the Woodstock lease that you signed post quarter. So clearly, that’s happened very recently, but would just love to hear how those discussions are going today with this threat.

Gordon Lawlor

I’ll turn it over to Zach to answer that. He and the Compass team does all the work. So I’ll let him talk to you.

Zach Aaron — Vice President, Investments and Asset Management, PRO Real Estate Investment Trust

Yeah. Sure. Thanks, Gordie, and hi, Kyle. In terms of the 2026 leasing deal, some of those, pretty much all the big ones were kind of started on at the end of Q4 and completed in early Q1 this year. And these were tenants who had long-term contracts and business in place and were comfortable doing early extensions now, so not really the peak of times.

In Woodstock, as noted, we signed a short-term deal for the 39,000 square feet for a tenant who’s aware of, obviously, of the tariff concerns. But for their specific business, they’re not exporting or

importing anything from the United States. And they're just a Canadian supplier. So they didn't think that this would cause too much harm to them. So they were comfortable to do the deal in the meantime.

Other than that, we continue to speak with tenants every day specifically on renewals across our portfolio, which is predominantly small bay. And obviously, some tenants note some hesitation. But at the end of the day, in terms of staying in place in renewals, those conversations are continuing at status quo, I would say, so far in 2025.

Kyle Stanley

Okay. Thank you for that. The second part of my question, I mean, you kind of hit on it a little bit, but just with regards to the progress in 2026, I mean, that seems very encouraging.

Would you say it's normal to have this much of your leasing done this early? And what is causing maybe the desire to complete these early renewals if this isn't maybe as normal?

Zach Aaron

Yeah. I would definitely say it's probably not normal looking back at our history in terms of how we've done our leasing. In this specific case, we had two large tenants: one that's in four individual single tenant buildings and one that's in one building in Ontario. Both reached out to us directly first, actually. It wasn't us engaging them, where they reached out and basically said, due to ongoing contracts and business that they have, they wanted to engage us to basically lock up their space and secure a term to not have to worry about that in 2026.

So it's a conversation we're always open to if it makes sense, and for these specific deals, they made a lot of sense and that's kind of evidenced by the terms we got and the meaningful leasing spreads we were happy to lock into place now.

Gordon Lawlor

And just to add to that, as Zach said, included in there, though, there's some Sobeys renewals, and I think that was almost instigated by us with the reach out to them pretty close to them on some of our Atlantic Canadian properties and said, you're up next year; hey, like, do you want to work on this now? And there was interest in that for sure.

So it was a little bit of both for sure.

Kyle Stanley

Okay. Okay. No, thank you. That's very helpful. Just the last one from me just on the capital recycling outlook for 2025. Obviously, you've been active thus far.

Just curious if you have a target set for the year.

Gordon Lawlor

We've got some assets circled. We're thinking 30 million to 60 million perhaps. You may see some of that stuff come to market nationally in the next month or two.

That said, if we don't get the prices that we're looking for them, they won't be transacted and we'll keep them. So as we've done in the past number of years with this calling, there's no fire sales. There's no sales of things that don't make sense to us, but it's just part of the plan to transition to the 90 percent industrial. So we'll see how that goes.

That'll depend on the markets. That'll depend on the tweets from down south and all the other things that go on. But yeah, that's the $30 million to $60 million range would be probably what we have circled right now.

Kyle Stanley

Okay. Thank you very much for that. I will turn it back.

Gordon Lawlor

Thanks.

Alison Schafer

Thank you.

Operator

Thank you. The next question comes from Brad Sturges at Raymond James. Please go ahead.

Brad Sturges — Raymond James

Hey. Good morning.

Gordon Lawlor

Good morning.

Zach Aaron

Morning.

Alison Schafer

Morning.

Brad Sturges

I guess maybe just starting on the leasing side of things, and congrats on getting a lot of your transitional vacancies addressed. Just how are you thinking about occupancy this year, given what you've done today on the leasing side and what you're expecting to do for your upcoming expiries?

Gordon Lawlor

Yeah. So as we look right now, we've got half of a 50,000-square-feet industrial building in Halifax that may affect us in Q1 or Q2. So that's 25,000 square feet. Got a larger renewal midyear, but they've reached out for an extension. So I think they'll be into 2026.

So where we sit here today, we don't see a lot of movement on the occupancy. We'll be just on that, give and take, probably where we are around today, high 97s, low 98s, I would say, other than surprises that may come up.

Brad Sturges

Okay. And so when we put together the mark to market on the rents and occupancy in that 97, 98 range, where do you think that puts you in terms of same property NOI growth?

Gordon Lawlor

Yeah. So that's the $50 million question. I mean when we look at our five-year model, it's very robust and we're just looking at marking it to market rates. So we would like to see, or achieve 5 percent or better in same store growth in 2025 and '26.

Brad Sturges

Okay. And last question just on the debt financing that you're working on. Is that rate locked right now? Or how should we think about the market rate at the moment?

Gordon Lawlor

Yeah. I mean, it's in the 5-ish range. It's just a top-up to a larger piece of the debt coming due. So I think we got a quote of on the commitment letter of like 4.83, or something, Zach, wasn't it?

Zach Aaron

Yeah. It was 1.50 over the bank cost of funds.

Gordon Lawlor

Yeah. So that penciled out to 4.83 as of that day. So we hope to close that in the next couple of weeks.

Brad Sturges

By the end of the quarter, I guess, at this point.

Gordon Lawlor

Yeah. Hopefully.

Alison Schafer

Hopefully.

Gordon Lawlor

Subject to lenders.

Brad Sturges

Yeah. Understood. Thanks a lot.

Operator

Thank you. The next question comes from Sam Damiani at TD Cowen. Please go ahead.

Sam Damiani — TD Cowen

Thanks. Just want to say also congratulations on the leasing that you've obtained quarter-end and into Q1. Just wondered if you can talk about tariffs again. That's always been overhang for the sector to a degree.

To what extent are you seeing differences in that sort of cloud over leasing discussions geographically across your portfolio? And I guess on that point, what's your expectation for potential bad debt expense in 2025 versus 2024?

Gordon Lawlor

So I'll start at a high level. We'll give a specific example and then probably not answer the last question.

No. At a high level, I mean, we sat down as a team. So first, let's talk Trump tariffs first. So goods in Canada going south, and we have some more. So when we look at it, we have, okay, we own a Canada goose facility in Winnipeg. So do they sell those coats in Canada? Or do they ship them to the US? We don't know, but it's 95,000 square feet.

You go down the list, there's local logistics guys. They could be hauling north and south, east, and west. There's some auto related in Woodstock, Ontario as well. We have some exported auto there.

We have a couple of parts, single-tenant parts distributors notably Moncton and St. John. We would view those as local parts distributors versus shipping to the States.

So I think we added up, say, 15 percent, 700,000 or 800,000 square feet of exposure maybe going to the US. When we break that down and think about the weighted average lease term on that stuff, we don't feel very exposed, other than it's somebody closing up shop and a bankruptcy. So based on lease maturities, we don't feel that exposed there.

But I'll give a good example of what the tone is in the market. So this Woodstock 39,000 feet, unfortunately we've been talking about it for a year and a half, I think. It's some of the best space. We have 28- or 30-foot clear, great building.

We've had two or three logistic deals on it, and then the deal goes away when the logistics group doesn't get the contract. Then we entered into an RFP with a major foreign auto manufacturer. Before the tweet weekend, I call it, we came back and we had secured a five-year lease on the entire space with renewal options. That was a Thursday.

We were doing some high-five around the office, and the tweet weekend happened, and Monday everything was stalled. So we leased the space to somebody else that wanted the space on a short-term deal because we don't want to wait for them.

So that's the thing. It's just the uncertainty around it to make decisions and pull long-term triggers. I don't think anybody that we're talking to thinks they're going bankrupt next week, but clearly it's concerning. So that's the thing.

As far as bad debt expense, we haven't had too much of that. We will see a bit of it in—well, we don't usually do bad debt expense. We just offset it against our NOI if we haven't collected the rent. So it goes against our NOI line.

But the only thing we've seen lately is, like, we said, this 25,000 square feet logistics group. And there are already discussions with the neighbour and somebody else to potentially take that space. So maybe it'll be down for a couple of months.

So definitely the uncertainty is there. Yes, we talk about it all the time. Everybody watches their phones and all those things, but it's just the general just unease around it all, I think, is what we see with our tenants.

But that said, we're 98 percent occupied in signing leases.

Sam Damiani

So far, so good. Thanks. That's really great colour. So thank you. And I guess this last one for me, just on the big leases that you did announce last night. Was there much, if any, incentives, or TIs required to get those across the finish line?

Zach Aaron

No, not really overall. In terms of the four-building, single-tenant portfolio I mentioned with one tenant, we're giving a $1 per square foot TI there on the five-year extension, not meaningful increases. So nothing really significant there.

On the other tenant in Ontario, the 155,000-square-feet extension, there's no TI there.

And then on the Sobeys ones we've been discussing, there's no TIs in those as well. So so far, really minimal incentives provided.

Sam Damiani

Okay. Thank you very much, and I'll turn it back.

Gordon Lawlor

Thanks, Sam.

Operator

Thank you. Your next question comes from Matt Kornack at National Bank Financial. Please go ahead.

Matt Kornack — National Bank Financial

Good morning, guys. Just quickly on the larger leases that are turning over in 2025, are those seamless? Or will there be a period of downtime between the existing and new tenants?

Zach Aaron

On which deal specifically?

Matt Kornack

I'm thinking the Ottawa one in particular, like that's a '25. Right?

Gordon Lawlor

Oh that? They came in February 1st. There was zero downtown.

Zach Aaron

Oh, yeah.

Matt Kornack

Okay.

Gordon Lawlor

Zero downtown.

Matt Kornack

Okay.

Gordon Lawlor

So if we're talking about TI incentives, now that the tenant's in the space—and I'm sure everybody can Google who the tenant is—the defence contractor tied to the Halifax military builds, actually, but that's a 15-year deal. The TI in that was $23, but it was over 15 years and no downtime.

So that was a bit structured that way, if you will, Matt.

Matt Kornack

And you mentioned the Halifax expansion and the building of the new destroyers. I mean, that's a huge economic benefit to that market.

Do you expect to see any of that directly within your portfolio? Or is it more tangential in terms of kind of just broader economic performance of the market?

Gordon Lawlor

I'd say there's lots of folks in the Burnside Industrial Park tied to that contract in some way. We don't have anything deal specifically yet. We haven't rented 4 million square feet to Irving or anything like that, but I think I'd call it tangential.

When we step back, 20 years ago when I was much younger, there was 300,000 people in Halifax. In the last 20 years, we've had a lot of ship contracts, whether they were frigates, Coast Guard cutters, all of those things, which has increased definitely in the last 10 years. And now when we see this another 15 years, it really solidifies Halifax and all the pieces that are tied to that, Atlantic Canada.

I mean, Moncton probably will be affected by this positively as well. And we have a 128,000-square-foot tenant in Ottawa that we didn't realize until a little while ago that's tied to that contract as well.

So I think it could affect all of Eastern Canada positively.

Matt Kornack

Fair enough. And then just last one for me. On the CapEx side, this quarter was a little elevated after having dropped for the last two. I don't know if there was anything specific within those numbers and maybe it's just catch-up for the year because it's a trailing number.

Gordon Lawlor

Yeah. No, just catch-up. You don't do too many roofs in the winter. So usually that's kind of getting paid for that stuff, the work that was done July, August, September, that type of thing. So usually we have some bigger numbers clean up towards the end of the year.

Matt Kornack

Okay. Makes sense. Thanks then.

Operator

Thank you. The next question comes from Sumayya Syed at CIBC Capital Markets. Please go ahead.

Sumayya Syed — CIBC Capital Markets

Thanks. Good morning. Firstly on the rent steps, can you remind us what is the average in place you have for escalators? And also, what are you getting on the recent leasing that you've done?

Zach Aaron

Yeah. So on average, we're between 2 percent and 3 percent. I would say 3 percent is really the norm in most of our markets, especially on small bay. And then maybe on some larger spaces on longer-term deals that'll be 2 percent or 2.5 percent, but 3 percent is pretty much the norm these days in our portfolio.

Sumayya Syed

Okay. And then you guys don't have much exposure to the large bay new supply, but can you just share what you are observing for absorption trends for the newer big stuff that has hit the market?

Gordon Lawlor

Yeah. So I mean, you see then we communicate it quite often. I mean, I don't think we'd be defined as having one large bay asset in our portfolio. So we're small and mid-bay assets. We've given the quotes on how that occupancy has held up.

I mean the build is all large bay. So whether it's GTA, which we're not players, but we follow it all, millions of square feet there built that way. Montreal, off the island, there's a 1.5 million square feet of fancy shiny things that are off the island that still haven't been absorbed.

Halifax, three nice shiny buildings built on the Halifax side, I think, 30-foot clear buildings, but they're looking for larger tenants. Maybe some of the shipbuilding might pick up some of that, but that side is basically most of a retail park. So it's just a little different from trans shipment and trucking and things like that.

So everybody's saying the same thing. The build is large bay, and that's what's slowly getting absorbed, I think, especially if we talk tariffs and things like that and increased costs. Besides, I don't think we'll get to the point where industrial is going to be overbuilt.

So that large bay is eventually going to be absorbed, and then we'll see where it goes with all of this. But I don't think industrial in Canada is overbuilt, and I think the stuff that has been built recently will lease-up in the next year or two, so.

And I think you probably will see reduced—well, we have seen reduced development since then. So I think that'll clean itself up in the next 12 to 18 months.

Sumayya Syed

Okay. And then lastly just had a small question on the modelling. Would there be more debt settlement costs to flow in? What should we assume for that?

Gordon Lawlor

Alison, debt settlement costs? It just depends on—

Alison Schafer

It all depends on how much we close during the year. In terms of modelling, I'd probably do a little bit less this year because we're only circling $30 million to $50 million.

Gordon Lawlor

Yeah. And the stuff that we have circled has some mortgages coming due. So that's probably an accurate statement, but yeah.

Alison Schafer

Yeah. Maybe half of what we recorded this year.

Sumayya Syed

Okay. Thanks. I will turn it back.

Gordon Lawlor

Thanks.

Operator

Ladies and gentlemen, as a reminder if you have any questions, please press *, 1 now.

Next question from Sam Damiani at TD Cowen. Please go ahead.

Sam, if you can unmute your line, please.

Sam Damiani

Sorry about that. Sorry if this was asked already, but on the Compass revenue and expenses, that was a little bit light this quarter. Just wondering how you see 2025 playing out in terms of contribution from Compass versus 2024.

Gordon Lawlor

I think, what were we, a couple million for the year for '24?

Alison Schafer

Yeah. So we were about $2 million for 2024. We anticipate—

Gordon Lawlor

Yeah. Give or take the same for '25.

Alison Schafer

Yup.

Sam Damiani

Okay. Perfect. Thank you.

Gordon Lawlor

They're replacing some of the third-party business that they lose. They have some opportunity to manage some multi-res, which doesn't conflict with us at all. So they're working on some deals that way.

Just looking, as we've sold some assets they have some room to manage other assets as well. So there's a bit of quid pro quo there, but I think it'd be largely in line with this year.

Alison Schafer

Yeah.

Sam Damiani

Very helpful. Thank you.

Gordon Lawlor

Thanks.

Operator

Thank you. We have no further questions.

Ladies and gentlemen, this does conclude your conference call for today. We thank you for participating, and we ask that you please disconnect your lines.