FINAL TRANSCRIPT

PROREIT

Second Quarter Results Conference Call for Fiscal 2026

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CORPORATE PARTICIPANTS

Gordon Lawlor
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CONFERENCE CALL PARTICIPANTS

Sam Damiani
TD Cowen — Analyst

Brad Sturges
Raymond James — Analyst

Kyle Stanley
Desjardins — Analyst

PRESENTATION

Operator

Good morning and welcome to PROREIT's second quarter results conference call for fiscal 2026.

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 the number 2.

For your convenience, the results release, along with the second quarter 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 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 August 12, 2026, available at www.sedarplus.ca.

Forward-looking statements represent management's expectations as at August 12, 2026 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 second quarter earnings release for fiscal 2026 and non-IFRS measures section in the MD&A for the second quarter of fiscal 2026 for additional information.

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

Gordon Lawlor — President and Chief Executive Officer, PROREIT

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

Joining me today is Alison Schafer, our CFO and Corporate Secretary. Also joining us for our Q&A session is Zachary Aaron, Vice President of Investments and Asset Management.

We're pleased with our second quarter performance and the positive momentum across the business. Let me start with our investment activity.

The second quarter was particularly active for PROREIT. In June, we completed the acquisition of 17 industrial properties in Quebec City and Winnipeg for a combined purchase price of $136.8 million. These acquisitions meaningfully expand our industrial platform in two markets with strong underlying fundamentals.

In Quebec City, we established immediate scale of 13 industrial properties representing approximately 609,000 square feet of GLA, acquired for $112.8 million.

In Winnipeg, we further strengthened our position in one of Canada's tightest industrial markets, where we are now the second-largest industrial landlord. We added four properties representing approximately 159,000 square feet of GLA for $24 million.

Together, the two portfolios were funded through a combination of proceeds from our recent equity financing, which I will discuss in a few minutes, and $89.4 million of new mortgage financing.

During the quarter, we also completed the previously announced acquisition of a newly built, fully leased industrial property in Moncton, New Brunswick, for $12.3 million. Built in 2024, the single-tenant property comprises approximately 60,000 square feet of GLA.

Our investment activity continued following quarter-end. We acquired four additional industrial properties in Winnipeg, totalling approximately 165,000 square feet of GLA for $21.7 million.

At the same time, we continued to optimize the portfolio with the sale of a retail property in Bathurst, New Brunswick, for gross proceeds of $1.4 million.

Altogether, year to date, we've acquired 22 high-quality industrial properties for $170.8 million, bringing our portfolio to 126 income-producing properties, representing approximately 7.4 million square feet of GLA.

We also completed $107.3 million of equity financing during the quarter, including an $83.3 million bought deal offering and a $24 million private placement. The private placement included participation from our strategic partners, Collingwood Investments and Parkit Enterprise. The financing strengthened our liquidity and financial flexibility and supported the execution of our growth plan.

Let me now turn to our operating performance in the second quarter.

Revenue, NOI, and FFO all increased year over year, while Same Property NOI continued to grow despite the impact of two previously disclosed vacancies. These results reflect the contractual rent growth, strong renewal activity, and the continued mark-to-market opportunity embedded in our portfolio.

Our core geographic markets continue to present strong fundamentals.

Nova Scotia, one of our key markets, is well positioned to benefit from the anticipated boom of federal defence spending investment over the coming years.

In Halifax, Amazon’s recently announced operation hub is under construction in our Burnside Industrial Park, where we are one of the largest landlords.

Together, with increased defence and infrastructure investment, we believe these developments provide additional long-term demand drivers for this key industrial market.

Turning to leasing activity, momentum remained strong during the quarter.

As of today, we have renewed approximately 83 percent of our 2026 lease maturities at positive average spreads of 36.8 percent.

Within our industrial portfolio, 80.4 percent of the 2026 maturities have been renewed at an average positive spread of 40.6 percent.

Several completed lease renewals will begin contributing incremental cash flow during the second half of the year. More than 400,000 square feet will begin generating higher rental rates in September, with the full quarter impact reflected in Q4. Notably, five lease renewals commencing in ‘26, including rental increases ranging from approximately 40 percent to 45 percent.

Overall portfolio occupancy was 95 percent at quarter-end compared to 97.8 percent a year earlier. As noted on previous calls, the change was primarily driven by the impact of two vacancies.

The first one is our 176,000-square-foot industrial property in Saint-Hyacinthe, Quebec, which became vacant in 2025. As previously announced, we signed a 15-year lease for approximately 74,000 square feet, representing 42 percent of the property that will be cash flowing July 1, 2026. The new base rent of that space represents an increase of more than 122 percent compared to the previous tenant’s rent for the same GLA. With rent commencement on July 1st, the new lease will contribute incremental cash flow beginning in the third quarter.

The second vacancy relates to approximately 81,000 square feet in Woodstock, Ontario, which became vacant April of this year. These are high-quality properties and we continue to actively market the available space.

Excluding these two property vacancies, portfolio occupancy would have been approximately 97.4 percent at quarter-end.

Alison, over to you.

Alison Schafer — Chief Financial Officer and Secretary, PROREIT

Thank you, Gordie, and good morning, everyone.

We are pleased with our second quarter performance.

Property revenue totalled $27 million, up 7.7 percent year over year. The increase was mainly driven by contractual increases in rent and higher rental rates on lease renewals and new leases and contributions from four additional properties compared to the prior year.

NOI was $16.5 million, an increase of 6.5 percent year over year, driven largely by these same factors.

Same Property NOI, representing 97 of our 122 properties at June 30th, was $14.3 million, up 3.3 percent year over year.

Industrial Same Property NOI increased 2.9 percent. The increase reflects contractual rent escalations, stronger renewal rates, and higher rents on new leases. This was achieved despite a decline in overall average occupancy related to the two vacancies Gordie mentioned earlier.

FFO totalled $8.5 million for the quarter, an increase of 6.1 percent year over year, primarily reflecting higher contractual rents and stronger renewal and new lease rates, partially offset by increased interest and financing costs.

On a per-unit basis, basic FFO was approximately $0.12 compared with $0.13 a year ago, reflecting the higher weighted average unit count following the equity financing and the timing of capital deployment.

The basic AFFO payout ratio was 98.9 percent in Q2 compared with 89.8 percent in the same quarter last year. The increase primarily reflects the timing differences between the June equity financing and the deployment of those proceeds into acquisitions, as well as higher interest and financing costs.

As we deploy the proceeds from the equity financing and benefit from the contribution of our recent acquisitions and completed lease renewals, we expect these factors to support our financial performance going forward.

Net cash flows provided from operating activities were $10.6 million in the quarter, up 54.3 percent, mainly impacted by the timing of cash receipts and the settlement of payables.

The weighted average capitalization rate for our portfolio remained stable year over year at approximately 6.7 percent at June 30, 2026.

Turning to the balance sheet, we remain focused on maintaining financial flexibility while reducing leverage over time.

Total debt to total assets was 47.4 percent at June 30th, down from 50.6 percent a year earlier. Adjusted debt to gross book value was also 47.4 percent compared with 50.7 percent a year earlier.

Adjusted debt to annualized adjusted EBITDA was 10.0 times at June 30th compared with the 9.8 times a year earlier, reflecting the timing of the deployment of proceeds from the equity financing.

We remain focused on maintaining financial flexibility and reducing leverage over time. At quarter-end, our total debt including current and noncurrent portions totalled $609.2 million compared to $562.4 million at the same date last year.

At June 30th, we had $71.7 million of remaining mortgage maturities in 2026. As of today, all of those maturities have either been refinanced or are subject to renewal commitments.

Subsequent to quarter-end, approximately $32.9 million of maturing debt was refinanced with $40.4 million of new mortgages, while approximately $38.8 million was committed for one-year renewal.

Looking beyond 2026, we have $55 million of mortgage maturities in 2027 and $66.8 million in 2028. The weighted average interest rate on those maturities are 4.8 percent and 3.5 percent respectively.

Finally, our distribution of $0.0375 per unit was maintained for the second quarter of 2026.

That wraps up our financial review. Gordie, back to you for closing remarks.

Gordon Lawlor

Thank you, Alison.

We're pleased with the progress we made during the quarter and entered the second half of 2026 with a larger industrial portfolio, meaningful leasing momentum, and increased financial flexibility.

Our recent acquisitions have strengthened our presence in key Canadian markets, where our leasing results continue to demonstrate the embedded growth potential within our existing portfolio.

Looking ahead, our priorities remain clear: driving growth, integrating our lease and acquisitions, maintaining a disciplined approach to capital allocation, and continuing to strengthen our balance sheet. We believe we are well positioned to build on this momentum and continue to create long-term value for our unitholders.

Thank you for joining us today. Vanessa, we're now ready 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 the *, followed by the 2. If you're using a speakerphone, please lift the handset before pressing any keys.

We have our first question from Sam Damiani with TD Cowen.

Sam Damiani — TD Cowen

Thank you and good morning, everyone.

Gordon Lawlor

Morning, Sam.

Sam Damiani

Yeah. Good morning. Just first question for me, just the headlines on the sort of defence spending have seemed to continue building in recent months. So I'm just wondering if there's anything you're seeing in any of your leasing markets that materialize as a result of that government spending.

Gordon Lawlor

Yeah. I'll let Zach jump in on that. He's on daily calls in Halifax and whatnot, so he probably can describe that to you a bit better.

Zach Aaron — Vice President, Investments and Asset Management, PROREIT

Yeah. Sure. Zach here. Hi, Sam.

Yeah. There is definitely a lot of buzz related to the defence spending and what that might mean, especially for a market like Halifax and Atlantic Canada in general. In our portfolio specifically, we haven't seen anything just exactly direct yet on that front, but we are starting to see some rumblings about that. And I think just in the last quarter or two between some of the leasing in Bayer's Lake and some other chunkier spaces in and around Halifax and Burnside, that we believe some of that has been tied to defence spending and related contracts to those kind of projects.

So we are starting to see that heat up here significantly. I think you're seeing it in the office side as well. I know Lockheed had a recent kind of larger announcement with more jobs to come here in Halifax.

So it's definitely real and palpable here. And I think we'll start to see more effects of that as some of these contracts get awarded out and more progress is made on that front.

Sam Damiani

Oh, thanks, Zach. That's interesting and helpful.

I guess over to the acquisitions, which just recently closed. Anything surprising that you've seen since closing?

Gordon Lawlor

It's Gordie. So no. I mean, as expected to date, the Winnipeg eight assets, former Artis assets that were very close to our portfolio, no major leasing to be done in the next couple years there. Kind of picked up the keys in a day and just part of the portfolio, so nothing there.

Quebec City, no negative surprises. At this point in time, we're setting up our process of setting up our property management office in Quebec City. Zach's heavily involved with the leasing there and the rent roll that we assumed in those transactions.

Zach can jump in because he's talked to the leasing there specifically. But I think there's a little bit of a buzz in Quebec City as well compared to even six months ago. So maybe Zach can highlight it.

Zach Aaron

Yeah. Not too much to add. I mean, Winnipeg, I would say, status quo to what we expected and what we kind of already know about Winnipeg.

Quebec City, obviously, a bit more of a learning experience there. We're working closely with the CBRE team locally in Quebec City who knows that market super well. And I mean, just already just little tidbits in terms of working with some tenants on renewals already this year and for next year, some activity on some vacancy, and things like that, it seems to be performing the way we kind of underwrote and are expecting. So I think Quebec City will be kind of a great complement to our existing platform and I think we'll do well there.

Sam Damiani

Okay. Great. Thank you. And last one for me.

Just you've got the two sort of chunkier vacant spaces in the portfolio. Do you see any other known or expected move-outs in the near term of any consequence in terms of size as well?

Gordon Lawlor

It's Gordie. So nothing in 2026. We've told you about anything material for 2026. I mean, we're starting to knock on the doors in 2027. Nothing formal there yet for positives or negatives really, so just rolling through the business.

Sam Damiani

Great. Thank you. I'll turn it back.

Gordon Lawlor

Thanks.

Operator

We have our next question from Brad Sturges with Raymond James.

Brad Sturges — Raymond James

Hey. Good morning.

Gordon Lawlor

Morning.

Brad Sturges

Just following on Sam's last question there, just on just looking ahead to next year in terms of the '27 lease expiries. Do you have a sense or have a rough estimate of what the potential mark-to-market could be on rollover for next year?

Gordon Lawlor

Zach, I'll turn that over to you. He just spent some significant time on a five-year model reforecast, so I'm sure he can enlighten you a bit on that one.

Zach Aaron

Yeah. Hi there. Yeah. I think we're in line to see more of the same. I think we're still kind of achieving 35 percent spreads and up on a weighted average basis. I think we'll probably be, just realistically, maybe closer to kind of 25 percent, 30 percent. But still overall very healthy spreads as we still see a lot of rents coming out of Winnipeg, Ottawa, and Burnside that are still quite significantly below market. So still a healthy amount of runway looking into 2027.

Brad Sturges

Okay. And the two larger vacancies you're working on, I guess just to understand a bit better, where do things stand today?

And when you think about timing of re-leasing and rent expectations, have much changed as you've been progressing through some of your discussions?

Zach Aaron

Sure. I'll jump in. So we have the vacancy in Woodstock, Ontario, the 80,000 square feet. That's really class-A space on the highway, effectively turnkey ready for a tenant to come in and operate pretty quickly there.

So we're coming off sub-$9 rent there. We're marketing the space at $11.50 right now, which, looking at kind of competing space in that area and other areas nearby, we think that's a very competitive rate and offers healthy upside to the space.

Activity is definitely on the slower end when it comes to southwest Ontario and closer to kind of that Windsor-London corridor, just as the automotive users aren't in peak demand mode right now. But we've seen a few kicks of the can, but nothing noteworthy.

And then on our Picard building in Saint-Hyacinthe, obviously we did the 75,000-square-foot deal we had talked about in Q1. We're seeing a decent amount of activity on the remaining 100,000 square feet.

I would say most likely that 100,000 will get split up into two units, somewhere along the lines of a 40 and a 60 or a 50 and a 50. We have some groups at the table now that we're talking to, getting a bit more serious kind of in that 40,000, 50,000 range. We'll see if that materializes to something real, but we are still seeing some good demand there.

Brad Sturges

Okay. And just if you do split up that remaining space, what would be the CapEx spend potentially for that?

Zach Aaron

It depends, is the soft answer. Obviously, you'd have to kind of build out a demising wall and improve some entrances. There are already some doors there and existing mechanicals that we could all feed off of, so that helps and saves a lot on cost.

So it frankly just depends on what these users will need. If the need is basically just warehouse, it's kind of good to go as is and then you just have to put in a demising wall. If there's a need for a bit more, then we'll have to look into that at that time.

But really, in terms of splitting it up today, it would just be improving some entrances that exist and then adding some demising walls and maybe a washroom or two.

Gordon Lawlor

And when you look at that, Brad, I mean, we're looking and hopeful for 10-year deals on these. So when you think about those costs relative to 10-year rates jumping from the historic $4 to $10, these would be significantly positive NERs in any respect. Right?

Brad Sturges

So what type of contractual rent growth do you think you can get on a 10-year deal right now? Are you targeting like 3 percent plus?

Zach Aaron

Yeah, 3 percent. That's what we achieved on our [audio gap] sort of a deal. It's 3 percent annual rent escalations. And see no reason we wouldn't be able to achieve the same on any future deals at the property.

Brad Sturges

Okay. I appreciate it. I'll turn it back.

Operator

We have our next question from Kyle Stanley with Desjardins.

Kyle Stanley — Desjardins

Thanks. Good morning, everyone.

Maybe just going back to Halifax and kind of talking about the strength there. What is your availability in Halifax today? And what's the lease maturity profile in that market? I'm just trying to think about what the near-term upside for PRO could be as you start to benefit from maybe some of the structural tailwinds we talked about kind of going forward.

Zach Aaron

Sure. So Zach here again.

So I mean, we have one chunkier vacancy in Burnside. It's a 50,000-square-foot unit. So again, 25,000 of that hits our books. I think that's a specific unit that we'll see some significant tailwinds from all the recent kind of defence spending demand. We have some good activity on that space right now where that was coming off of a single-digit rent and we'll be comfortably into the double-digit rents. So just a question of time there and that will kind of add a nice bump once we get something there.

In terms of the greater portfolio, I think we're trending around 95 percent, 94 percent occupancy, plus/minus. Some of that included is some second-floor office, which is always a bit of a laggard.

But on our typical 5,000 to 10,000 industrials, we still see really good demand. We see tenants renewing at rents in kind of that $14, $15 range with minimal TIs, 3 percent steps. We're still seeing good demand that when tenants do churn, we're backfilling them with either existing tenants in the portfolio who want to expand or new tenants coming into the portfolio, again, at really solid market rents.

I don't know or have an exact WALT per se of the portfolio today, but I would suspect it's in that three to four-year range, just given the nature of a small-bay portfolio kind of typically doing three-to-five-year lease deals.

Kyle Stanley

Okay. No. That's, I think, very helpful.

Maybe just kind of sticking with Halifax. And you mentioned in your prepared remarks, obviously Amazon coming to Burnside, vote of confidence for the park and the market generally. I'm just wondering, do you have a sense of what the existing 3PL presence is in Halifax? Is there maybe a bit of a risk that some of the demand from those types of players steps back if Amazon is kind of running its own delivery? Trying to think about how to understand that.

Gordon Lawlor

Well, just as a Halifax guy, I see the Amazon trucks in my driveway all through the weekend. So Amazon in Atlantic Canada still delivers on the last-mile piece from them. So clearly this is 1 million square feet, so there's going to be more inventories moving to that piece.

I mean, in the Halifax side—I'm only reading on LinkedIn, we don't have intimate knowledge—but two brand new 3PL users are coming in on the Halifax side in the 400,000 square feet in Bayers Lake. You've got all the regular folks, Midland there, Armour Transport, all the big players that I see. The trucks drive between Halifax and Montreal weekly.

So I don't think it's going to be a negative to put that facility there, to the extent that they don't do all of their own 3PLs and there's probably more opportunities. And perhaps some of this new stuff is tied to that. We just don't know. We knew of the land sale. We knew who was going to build the building. And then, but the announcement kind of just broke this week on the size, which, unless I'm corrected, is probably the largest building, industrial building, in Atlantic Canada. So I'll ask ChatGPT about that later, but I think it's pretty close to being a pretty good-sized building.

Kyle Stanley

Okay. No. Thank you for that.

And then just the last one, more just thinking about the organic growth profile. Obviously, the temporary vacancy has maybe held that down a little bit this quarter. But you've dealt with a little bit of the space in Quebec and it sounds like there's some good upside in Woodstock.

Do you see the REIT getting back to the high-single-digit same property growth profile that we saw in the first quarter or in the fourth quarter of last year towards the end of the year? Or is that really going to be kind of a 2027 story?

Gordon Lawlor

Well, I think we'll see it. You'll see incremental from the 3 percent in Q3 for sure with this 74,000 coming on. And then Q4, I think you'll see the mid-to-high digits again.

I mean, we had 3 percent same-store rent growth in Q2 with 250,000 square feet vacant compared to the last year. So that really talks of the magnitude. And those empty spaces were $4 rents that now are going to be $10 or $9 rents that's hopefully going to be $11. So there's cranking to happen there. We just need to fill those spaces.

And then we honestly forget about the natural flowthrough of these 2,000-to-5,000-square-foot spaces that Zach approves these deals every second day with these bumps. And then, so they roll in and roll through. And then it's only when you're looking back you remember, oh, I did that deal eight months ago. I forgot rent's jumping by $4 a square foot.

So we're definitely seeing that. So we're looking for a much better Q3 and Q4 just with the 400,000 feet that I mentioned there with contracted rent jumps. But Q4 will be a very interesting quarter for us hopefully.

Kyle Stanley

Okay. Perfect. Thank you for that. I'll turn it back.

Operator

As a reminder, if you wish to ask a question, please press *, then 1.

Our next question is from Edward Zhang with RBC. Edward, perhaps you're muted. I'm not receiving a response from Edward. I will drop the line.

We have no further questions.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

Gordon Lawlor

Thanks very much.