Primaris REIT

Second Quarter 2025 Results Conference Call

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Bradley Sturges, Raymond Ltd., Research Division

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Sam Damiani, TD Cowen, Research Division

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Matt Kornack, National Bank Financial, Inc., Research Division

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PRESENTATION

Operator

Good morning and welcome to Primaris REIT's Second Quarter 2025 Results Conference Call.
I will now turn the call over to Claire Mahaney, Vice President, Investor Relations and ESG. Please go ahead.

Claire Mahaney

Vice President of Investor Relations & ESG

Thank you, operator. During this call, management of Primaris REIT may make statements containing forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Primaris REIT's control that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information.

Additional information about these assumptions, risks, and uncertainties are contained in Primaris REIT's filings with securities regulators. These filings are also available on our website at www.primarisreit.com. I'll now turn the call over to Alex Avery, Primaris' Chief Executive Officer.

Alex Avery

Chief Executive Officer

Thank you, Claire. Good morning. Thanks for joining Primaris REIT's Second Quarter 2025 Conference Call. Joining me today are Pat Sullivan, President and Chief Operating Officer; Rags Davloor, Chief Financial Officer; Leslie Buist, SVP, Finance; Mordy Bobrowsky, SVP, General Counsel; Graham Procter, SVP, Asset Management; and Claire Mahaney, VP, IR and ESG.

We're very pleased to deliver another excellent quarter of results, including strong same-property NOI growth and substantial FFO and AFFO per unit growth, driven by the secular recovery in the Canadian mall sector that we seem to be in the early to middle innings of this recovery.

We continue to exercise disciplined capital allocation, recycling capital from strategic dispositions and retained free cash flow into both strategic acquisitions and unit repurchases. Since the pandemic faded, Canadian malls have seen a very strong recovery in tenant sales, retailer leasing demand, recoveries, and NOI. Primaris' same-property tenant sales per square-foot are at all-time highs and are 33% higher at $723 per square-foot than comparable 2019 levels.

NOI has grown sharply, but still lags sales performance. To quantify this, our occupancy cost ratio remains depressed compared to historical levels, currently approximately 12% compared to the historical 14% to 15% range. This suggests Primaris' mark-to-market on in-place rents can drive 15% to 25% NOI growth over the next few years, even if tenant sales were to remain flat at current levels. This tailwind has been key to Primaris' strong operating and financial results. We expect to capture this mark-to-market over the next 2 years, supporting strong NOI growth.

To be clear, we haven't been sitting back, relaxing and enjoying this strong performance. We have been incredibly active using this time to reposition the business, so that Primaris is well situated to continue to drive above-average growth out of this portfolio of exceptional properties over the long-term once the current tailwind subsides.

With the acquisition of Lime Ridge Mall in June, Primaris has acquired $2 billion of Canada's top-tier malls since the spin-off, in addition to the $800 million we acquired concurrent with the spin.

Those acquisitions now represent approximately 60% of the portfolio by value. To say these acquisitions have been transformational would be an understatement. These acquisitions are designed to increase portfolio quality and to structurally increase the base level of internal growth in our portfolio to an above sector average 3% to 4% same-property NOI growth rate on a durable and recurring basis. The basis for that above-average growth in tenant sales, rents, and NOI can be framed as the moats we have around our business that form our competitive advantage. I'll describe 5 of them.

We showcased our first moat last September at our Halifax Investor Day being our management platform, which is specialized for enclosed malls. This platform provides us with better relationships with retailers because they have confidence in our platform and, as a result, have more conviction when they commit to our malls. The strength of our platform acts as a barrier-to-entry for investors looking to enter the mall market who lack an enclosed shopping center management platform.

There are only a few specialized mall platforms in Canada and this platform allows us to drive better performance and growth out of the malls that we own as compared to what another owner could produce without a similar platform.

We talk a lot about the second moat, our differentiated financial model. We are highly committed to maintaining very low leverage of below 6x debt to EBITDA and maintaining an FFO payout ratio of approximately 50%. We think of this as a moat that gives us structurally higher AFFO and FFO per unit growth as we retain and compound capital faster than if we had higher leverage and a higher payout ratio. As our public company track record continues to grow, we expect this to result in a cost-of-capital advantage relative to our peers with higher FFO and AFFO multiples.

Our third moat is our financing strategy. Our investment-grade credit rating made possible by our sector low financial leverage and low payout ratio allows us to access the unsecured debenture market. This greatly simplifies our ability to arrange debt financing for our acquisitions as the mortgage financing alternative for these large-value properties can stretch the limits of the secured mortgage market in Canada.

The unsecured structure also allows us to buy and sell properties as well as renovate and redevelop properties without the constraints that come with secured mortgages. This gives us a significant advantage over potential new entrants to the mall market and over smaller private groups.
Our fourth moat is the barriers to new supply. Hurdles discouraging new mall development are substantial.

At IFRS fair value, our properties are valued at roughly $330 per square foot. And at our current stock price, our enterprise value reflects about $270 per square foot. This compares to a replacement cost of approximately $1,000 per square foot in most of our markets and considerably more in markets where land values are higher.

The weighted average net rent in our portfolio is about $29 per square foot. To justify new construction, rents need to rise between $80 and $100 per square foot or roughly 3x our current rents. That's before you contemplate trying to assemble 50, 60 or 70 acres of land in the center of a large population center, something that can only be reasonably achieved well outside of the city limits, which is by definition an inferior location to all of our malls. That is a serious moat.

Four serious moats, but as I mentioned earlier, we have not been resting on our laurels enjoying the ride. We've been working hard reshaping the portfolio to achieve structurally higher internal growth.
How are we doing that? By acquiring some of the best malls in the country and recycling capital from our non-core property portfolio. In 2025, we have acquired Southgate Centre, Oshawa Centre and Lime Ridge Mall, 3 market leading malls with sales per square foot in the $800 to $1,400 per square-foot range and aggregate CRU sales of $250 million to over $300 million per mall.

To put this into context, at the end of 2022, Primaris' largest mall by CRU sales volume was just under $200 million and today we have 6 malls at $200 million or higher. Even better, all of these acquisitions were completed with modest FFO accretion on an NAV neutral basis and while keeping leverage below 6x debt to EBITDA.

These malls are important centers for retailers in Canada, dominate their markets and elevate Primaris' stature in the mall industry. The resulting scale and quality of our mall portfolio makes us a strategically important landlord to retailers across Canada, forming a fifth moat around our business.

Moving on from moats. And equally important as our recent acquisition activity is our capital recycling. In the past 13 months, we have executed the sale of over $300 million of non-core properties, including St. Albert Centre, Sherwood Park Mall, Edinburgh Market Place and Northpointe Town Centre, among others.

Notably, we are preparing for the sale of Northland Village, our recently-completed redevelopment of Northland Mall into one of Canada's best power centers. The center is anchored by Walmart, Winners, Best Buy, GoodLife, Dollarama and Spinelli Italian Centre Shop, a specialty grocery store and restaurant similar to Eataly, all in an affluent trade area in Northwest Calgary with an average household income of $155,000. Northland Village represents almost 40% of the $400 million in our assets held-for-sale at June 30 by dollar value. We expect to find a broad pool of interested buyers for this property.

With all of the transactions we have completed over the past few years, we have substantially repositioned Primaris' portfolio to deliver the outcome our investors want the most. High quality and durable NOI with sustainable same-property NOI growth in the 3% to 4% range, translating to above average FFO and AFFO growth per unit. We're taking advantage of the current tailwinds we are enjoying to invest in the quality of our business, enabling us to achieve sustainable above-average long-term NOI growth.

I'll now turn the call over to Pat to discuss operating and leasing results, followed by Rags, who will discuss our financial results. Pat?

Patrick Sullivan
President, COO & Trustee
Thank you, Alex. And good morning.
Our shopping center portfolio continues to perform very well in 2025 with NOI growth coming from strong rental revenue growth and rising operating cost recoveries. The underlying fundamentals for shopping centers continued to be supported by both low retail supply, strong tenant sales, population

growth and continued tenant demand for quality space as well as our national full-service platform and team.

Our same-property cash NOI was up 5.5% for the quarter compared to Q2 2024 and 7.5% for the first half of the year. Q2 same-property shopping center cash NOI growth was 5.7% over 2024 and 7.9% for the first 6 months of the year. The primary drivers were higher rents, step-up rents as well as higher percentage rent and prior year tax refunds.

Recovery ratios for the quarter were 80.8%, 1.2% higher compared to Q2 last year and consistent with the guidance we provided at the Investor Day in September of last year. For context, every 1% in CAM and tax we recover equates to approximately $2 million annually. This number directly impacts the bottom line.

Portfolio in-place occupancy was 88.8%, down 4.2% from Q2 last year. This is due to the impact of 5 disclaimed HBC leases, an impact of approximately 3.6% and the addition of Lime Ridge Mall, which has elevated vacancy primarily related to 2 vacant department store boxes, an impact of approximately 0.7%. The average rent paid by HBC in our portfolio in the 5 disclaimed locations is $4.72 per square foot compared to the average large-format rents of $15.62 per square foot in our portfolio.

At Lime Ridge, our acquisition underwriting did not include any rents for either the Sears or the HBC locations. Having said that, we are in advanced stages of negotiation to replace the vacant Sears department store at Lime Ridge with a single-tenant and expect to provide further updates in the third quarter. Without the impact of HBC and the Lime Ridge acquisition, occupancy would have been 93.3% ahead of Q2 2024.

Increasing occupancy represents a tremendous opportunity for Primaris. Since our spin-out in 2022, the acquisition of 6 enclosed malls since, we have demonstrated our ability to grow NOI through driving occupancy higher. By way of example, since acquiring Oshawa Centre in February 2025, we have leased approximately 35,000 square feet, which will have strong positive impact on NOI growth at that property in 2026. With respect to HBC locations, we are in very advanced discussions with tenants and we look forward to sharing more information with you once the deals are firm.

We are adjusting our 3 year in-place occupancy target to 94% to 96% as a result of the impact of HBC as well as recent acquisitions with below portfolio ave age occupancy. We do not anticipate any negative impact in our ability to execute on new lease transactions or increased rents on renewals as a result of HBC store closures based on our experience with both Target and Sears closures and maintain 96% occupancy as a medium to long term target.

Leasing activity was very strong during the quarter with 122 leases renewed at spreads of 6.7%. In addition, we completed 32 new deals encompassing 87,000 square feet during the quarter, including a new 4,700 foot square foot lululemon store at Orchard Park, a 15,500 square foot UNIQLO at Les Galeries de la Capitale, and a 6,600 square foot JD Sports at Dufferin Mall.

Year-to-date, we have completed 56 new lease deals for 150,000 square feet, with 49 of those deals being CRU tenants equating to 100,000 square feet. In 2024, we completed 121 new transactions, including 100 that were CRU tenants encompassing 224,000 square feet. New CRU leasing has a significant impact on our NOI, given our average CRU rents of $47.37 per square foot, and those deals have a positive impact on our recovery ratios.

Our weighted average net rent per square foot for the quarter increased to $28.88 per square foot versus $25.28 at year end. This material increases the result of our acquisition activity of properties with higher rents and the 5 disclaimed HBC leases with net rents significantly lower than our portfolio average.

During the first half of 2025, approximately 200,000 square feet of large-format tenants opened, including a 20,000 square foot medical facility at Sunridge. Over the second half of the year, we have approximately 136,000 square feet of large-format and exterior tenants opening, including a 29,000 square foot Sport Chek and an 18,000 square foot Mark's, which opened last week at Devonshire Mall, plus another 71,000 square feet scheduled to open during 2026. Combined with our strong CRU leasing, these new transactions will contribute to our anticipated growth in NOI over the coming years.

Tenant sales within our properties continue to grow. Same-property same-store sales productivity have grown to $723 per square foot at Q2 versus $710 per square foot at Q2 2024. If we add any acquisitions, total sales productivity climbs to $784 per square foot.

Our sales productivity numbers continue to grow as a result of strong tenant performance and capital recycling, including the strategy of acquiring leading shopping centers in growing markets.
Over the long-run, we anticipate sales growth at our properties will occur due to strong fundamentals in the enclosed shopping center industry due to a 30-year low in per capita enclosed mall square footage in Canada coupled with population growth.

A few final comments on HBC. As we have said many times over, Primaris has prepared for the departure of HBC for over 15 years. As its department stores peers downsize and cease operations including Zellers, Target, and Sears. This departure enables future value-creation for our stakeholders, paving the way for optimal use of space that better reflects the evolving needs and desires of the growing communities.

At present, 5 leases have been disclaimed and 5 leases remain subject to CCAA process. On July 15th, one of the HBC debtor and possession lenders brought a motion asking for the asset purchase agreement between HBC and Central Walk's owner to be terminated. Although the monitor supported this motion, and therefore, the disclaimer of the affected leases, including the 5 remaining Primaris locations, the court adjourned the motion in order that it be brought back in conjunction with the motion for forced lease assignments.

In the meantime, rent continues to be fully payable by the Monitor. We expect the next hearing to be scheduled before the end of August and maintain our position that the proposal brought forward by Central Walk's owner does not conform with the terms of the HBC leases and should not qualify for a forced assignment.

As a reminder, the 5 leases not yet disclaimed earned gross rental revenue of approximately $0.5 million per month. While we patiently wait out the CCAA process, we are aggressively moving ahead with surfacing value on the 5 disclaimed leases. We are already in advanced leasing negotiations with grocers, sporting goods and other high-quality large-format retailers. There are a number of opportunities where tenants are considering the entire box, others will be subdivided and one or 2 could be demolished or the malls sold.

Tenants are looking to expand their footprint and/or relocate into the mall. We are having conversations with municipalities on potential redevelopment plans and are in discussions with residential developers. All of these conversations have now been accelerated and we are finally in a position to source the highest and best use out of these sites with site control restrictions eliminated.

Based on our analysis to date and as a general statement, we estimate it will cost approximately $25 million to $30 million to redemise an HBC box and approximately $8 million to $9 million to demolish, including all site works. Where a single tenant takes an HBC box, the cost to Primaris could be as little as 12 months free rent. We are currently estimating a total HBC-related spend of $125 million to $150 million over the next few years.

Furthermore, we expect yields on the invested capital between 7% and 12% or more or a lower 3% to 6% when including only the incremental NOI beyond the foregone HBC rent. The analysis of the impact of HBC's departure gets a little more nuanced when you consider the value of the land that becomes available with the elimination of restrictions embedded in the HBC leases.

We expect the value could fund the cost of the HBC-related spend. However, servicing such value will take time, and because Primaris has ample capital, we don't need to monetize this value to fund HBC related spend. Rather, we can maximize that value by pursuing monetization at the optimal time for each property.

These financial estimates also don't factor in the qualitative benefits to our shopping centers, the halo effect on sales and rents from tenants adjacent to the former HBC locations that will be reinvigorated with new retailers nor the impact on cap rates and valuations for a property that replaces questionable tenancies with new stronger retailers.

Assuming all leases are eventually disclaimed, we anticipate that, over time, the sites will be fully optimized with the removal of site restrictions, enabling redevelopment, improved traffic flow, better sidelines, financially stronger and more relevant tenants contributed to an enhanced merchandise mix and the opportunity to sever and sell excess land for its highest and best use.

To conclude, it's a very exciting time to be in the mall business. Primaris continues to perform very well and we are very well-positioned to capture continued growth within our malls.

And with that, I'll turn the call over to Rags to discuss our financial metrics. Rags?

Rags Davloor
Chief Financial Officer
Thank you, Pat. And good morning, everyone. Our operating and financial results for the quarter continue to remain very strong. We are seeing very strong NOI growth from our portfolio, specifically the acquisition properties and our many operating metrics are continuing to improve.

Our business is reaching critical mass as can be seen in our G&A as a percentage of rental revenue, which is now more in line with our retail peers of 4.5% for the quarter and 4.3% year-to-date.

These results are flowing through to our cash flow metrics with FFO per unit diluted up 5.5% for the quarter and AFFO per unit diluted at a very strong 24.6%. We achieved these impressive per unit results despite higher interest costs and increased unit count. Internal growth and accretive high quality acquisitions completed over the last 12 months are drivers of our outperformance.

During the quarter, we closed on the sale of Lansdowne Industrial in Peterborough, Ontario, for $10 million. Subsequent to quarter end, we also completed the disposition of 3 strip plazas in Medicine Hat, Alberta for proceeds of $12.7 million and the disposition of Northpointe Town Centre, an open-air plaza in Calgary, Alberta, for $54.5 million. This brings our total dispositions year-to-date to $246.1 million. These dispositions, in addition to our assets held-for-sale pool, align to our strategy to own a growing high quality portfolio of leading enclosed shopping centers in Canada.

Our average net-debt to adjusted EBITDA was 5.8x and within our range of 4x to 6x. As a reminder, this range forms part of our executive compensation structure with the top end of the range of 6x.

Near the end of June, Primaris published its inaugural Green Finance Framework and subsequently issued $200 million in senior unsecured green debentures at 4.835%. The net proceeds from the issuance will fund eligible green projects as described in our Green Finance Framework. The debt ladder was further extended as the debenture is for a later term, maturing in June 2033. Our weighted average term to maturity is now 4.4 years versus 4 years at year end and our weighted average interest rate is now 5.17% as compared to 5.28% over the same period.

With unencumbered assets of $4.4 billion, $584 million in liquidity and no debt maturing until 2027, we have eliminated refinancing risk in the medium-term and have access to significant liquidity.

Primaris has been in the market repurchasing units since March 9, 2022 under the NCIB. As at quarter end, we have purchased for cancellation for 2.2 million units at an average per unit value of approximately $14.5 million or an approximate 33.5% discount to our NAV of $21.43. Repurchases under the program in 2025, funded in part by proceeds from dispositions, have already exceeded all repurchases completed in 2024. This program is very accretive to unitholders.

Given our strong results to date and confidence in the strength of our business, we are increasing our 2025 guidance for cash NOI to $340 million to $345 million and FFO per unit to $1.74 to $1.79. These adjustments account for accretive acquisitions completed during the year, an additional $1.5 million of expected HBC gross rental income through the end of September and disclaimant for the remainder of the HBC leases. We do not anticipate any significant CapEx spend with respect to the HBC boxes in 2025 due to the timing of the CCAA process.

We anticipate same-property's cash NOI growth to remain in the range of 3% to 4%. Our guidance includes the impact of an additional $1.5 million of HBC gross rent anticipated through the end of September, the acquisition of Oshawa Centre, Southgate Centre and Lime Ridge Mall and over $300 million of dispossessions throughout the year, of which approximately $245 million has now been completed. No additional acquisitions are incorporated into the guidance. Further details of our 2025 guidance can be found in Section 4 of the MD&A titled Current Business Environment and Outlook.

Overall, we are very pleased with our results for the second quarter and are optimistic of the outlook in 2025 and beyond. Maintaining a conservative financial model and generating free cash flow after distributions and operating capital is a core focus from which we will not deviate from.
And with that, I'll turn the call back to Alex.

Alex Avery
Chief Executive Officer
Thank you, Rags. As you have heard, the first half of 2025 has seen strong operating and financial results and we expect continued strength in the second half as well. Looking at Primaris as a stock, there are a few notable developments worth highlighting. These observations are byproducts of our strategy and don't drive our decision-making, but are of interest to our investors.

In September, S&P will complete its quarterly index rebalancing, which will capture the almost 9% increase in Primaris units outstanding due to the stock issued as consideration for our Lime Ridge acquisition. This rebalancing should elevate Primaris to the 13th position in the S&P TSX Capped REIT index from its current 14th position and up from the 19th position when Primaris was first added in early 2022. Combined with one or 2 potential index deletions over the next 2 or 3 quarters, Primaris is getting close to cracking the top 10 names in the index.

Another byproduct of our recent acquisitions last October and this June where the vendors chose to sell the units issued as consideration is the increased float and increased trading volume of our units. The 90-day average trading volume of Primaris units has increased by over 130% over the past 12 months to $7 million a day from $3 million a day a year-ago. This substantial improvement in trading liquidity opens up a very large pool of institutional investors that manage large funds and have minimum trading liquidity thresholds.

Over the past few years, we have held recurring meetings with many of these investors who have shared their enthusiasm to invest in Primaris, but frustration with trading liquidity constraints. We believe our most recent acquisition and the subsequent secondary offering of units has only partially been reflected in our trading liquidity and that our trading liquidity will continue to rise as our index weighting has increased.

Also on the topic of indices, effective with the anticipated distribution increase we typically announced with our Q3 results in November, Primaris is expected to be added to the Dividend Aristocrats Index, further enhancing trading liquidity.

Moving on, we are very much looking forward to hosting analysts and investors at our property tour at the end of September. We will be showcasing Les Galeries de la Capitale in Quebec City acquired last October, as well as showcasing our mall management team and we'll be bringing in local industry experts to provide market context. We hope to see you there.

In conclusion, we are very pleased with how our business is performing. The future looks very bright and we are committed to executing on the opportunity ahead of us.

We'd now be pleased to answer any questions from the call participants. Operator, please open the line for
questions.

Question and Answer

Operator
The first question comes from Sam Damiani with TD Cowen.

Sam Damiani
TD Cowen, Research Division
My first question, Alex, is just on the GROC ratio, trending around 11% currently and targeting back up to that 14% to 15% historically. Is that a goal that is shared by many of your industry competitors? I'm just wondering, is that a realistic target for the industry or do you see that as a realistic target for Primaris for some unique reason?

Patrick Sullivan
President, COO & Trustee
Hello, Sam. It's Pat. I'll take that. Yes, I think tenant affordability has always been important to us, but there's certainly a case to be made that that's well within the means to have a GROC level around 14%, 15%. It has been low for the past couple of years, partially coming out of the pandemic, partially because sales have really lifted off quite substantially in the last few years and rents just haven't caught up yet. But it's a target we have and I know a lot of our other peers that own shopping centers are aligned and thinking the same way.

Sam Damiani
TD Cowen, Research Division
And just my follow-on is just back to HBC. You gave a lot of good information in your opening remarks. Just wondering if you could be a little bit more specific on perhaps some of the types of tenants you're talking to, when the earliest cash rents could commence and are discussions that are going on?

Patrick Sullivan
President, COO & Trustee
Sure. I think we're talking to a variety of tenants. Most of them are national box stores. There's a couple of malls where we're looking at adding CRU and we've got some very good pre-leasing activity going on all these boxes. I think just because of the nature of the boxes, getting the permits, doing the demolition, doing the buildout, especially if they're subdividing, you're really looking at about probably 18 to 24 months before rent commences. And if it's a single box taking the whole space, which we do have a couple of those that we're dealing with right now, you're looking at, say, less than 18 months.

Operator
The next question comes from Lorne Kalmar with Desjardins.

Lorne Kalmar
Desjardins Securities Inc., Research Division
Just on the up FFO guidance, I was wondering if you could give us an idea of what sort of has to happen operationally to achieve the low-end versus the high-end.

Rags Davloor
Chief Financial Officer
Well, okay. Well, the low-end is really if sales drop-off a bit and so our percent rent comes off or if we have bad debt expense. The high-end is really the opposite, the exact opposite if the sales productivity keeps going and some of the acquisitions are outperforming. So that can contribute to the high-end. Also if there's any further delays on some of the dispositions, we've sort of spread it out September to December. December doesn't really move the dial, but if September dispositions get delayed for some other reason, then that could move us more to the high-end.

Lorne Kalmar
Desjardins Securities Inc., Research Division
And then, just on the Northland Village, it sounds like based on the disposition guidance for the year, you're not expecting to sell that this year. Could you maybe give us a bit of an idea on timing and maybe expected yield?

Patrick Sullivan
President, COO & Trustee
Hello, Lorne. Yes. I think we're targeting to close a transaction by the end of the year. It's a property that we expect to have a lot of interest in given the nature of the property. It's basically a lot of new construction. It's anchored by Walmart and another grocery store with a lot of national tenants. So we expect quite a bit of interest in the property and we're going to work towards completion by the end of the year.

Operator
The next question comes from Mark Rothschild with Canaccord Genuity.

Mark Rothschild
Canaccord Genuity Corp., Research Division
Alex, you went over a number of variables that have driven the stronger fundamentals. I'm just curious if you see any risk to the downside, whether it's from slowing population growth or the impact of tariffs and how retailers react and could we potentially see some softness that you don't necessarily expect over the next year or is there just enough demand coming in right now that you should be able to withstand that and continue to drive the same comparable organic growth?

Alex Avery
Chief Executive Officer
Yes. Thanks, Mark. I mean, there's a lot in that question, but I would say that what's really driving our business are, generally speaking, longer-term decisions from retailers. And while we haven't seen any change in the tenant sales to reflect what could be a possible softening economy, we haven't seen that in our in our tenants results. But we also haven't seen any change in the leasing intentions from the retailers.

And when you think about how things are likely to evolve from our business perspective, the bigger driver is really just the shortage of retail space in Canada. It's the same thing that the other retail REITs are seeing. Retailers are, I would say, in an aggressive mode in terms of trying to secure store locations. I mean, the -- embedded in the increased guidance that we provided today is maybe not a mathematical or a quantifiable dynamic, but the pace at which discussions for HBC replacement tenants has been moving, the volume of interest, there's a big difference between having a space and having a tenant that wants it and having a space and having 5 tenants that want it. It's a very constructive market right now. And so I can imagine that if tenants were to see an erosion in their business, they may take the foot off the gas in terms of their leasing intentions, but we're seeing none of that. And if retailer operations were to moderate, it's also entirely possible that they won't take their foot off the gas on leasing intentions. But right now, we're increasing guidance because the mood of retailers is expansion and doing a lot of leasing.

Rags Davloor
Chief Financial Officer
I just want to add. Sort of building on the previous question also, downside risk versus upside risk in our forecast and our guidance, I would say there's more bias to the upside than we see risk on downside.

Mark Rothschild
Canaccord Genuity Corp., Research Division
And then maybe just one other one. On the unit buyback, to what extent have you been maximizing what you'd like to do or have you been -- whether this blacked out more than you'd like, held back on that? And I guess part of that question is just what should we expect over the remainder of the year?

Alex Avery
Chief Executive Officer
Yes. Thanks, Mark. We have bought back stock every day that we can. We like to buy-back stock. We spent $60 million in the first half of the year. We completed those buybacks at a 30% discount to NAV, which delivers about a 43% return on every dollar that we invest, which is pretty difficult to find elsewhere. And so it's something we like to do a lot of.

I would say this year, we have front-half weighted it. And in previous years, what we've sometimes found is that we've been in a position where we weren't able to -- I guess, actively manage the NCIB because of blackouts, whether they be reporting based or because we had transactions on-the-go. We did get a lot of buyback activity done in the first half of the year. We also got a lot of acquisition activity done in the first half of the year.

And I would say as we look into the back half of the year, it will be at a slower pace, for sure. What is enclosed there, the subsequent events notes show that we've been buying back units at a much lower pace since we went into blackout at the end of June, 2,500 units a day. We're at one point doing 60,000 units a day and some blocks.

But we've accomplished a lot of -- I mean, in general, we've accomplished a lot of what we wanted to accomplish in 2025, $1 billion of acquisitions. We're $300 million of dispositions since June of last year. We bought back $60 million worth of stock. It's been an extremely active year. And as we look forward, we have now these 3 great acquisitions that we've completed, Southgate, Oshawa and Lime Ridge. Each of them come with significant vacancy that will power our results over the next couple of years.
We've also had HBC open up a compelling set of capital investment opportunities for us. Some of them are re-tenanting spaces, some of them are land that has been made available because of the elimination of the restrictions in the leases. And so I would say we front-end loaded 2025, for sure.

Operator
The next question comes from Tal Woolley with CIBC Capital Markets.

Tal Woolley
CIBC Capital Markets, Research Division
If we go back 10, 15 years, you saw some retail chains experiment moving out of the malls into the off mall environment, arguably to mixed results. Given that space is very tight in power centers and stuff like that, are you seeing maybe different types of retail tenants consider looking at spaces in malls than you were before? Like, you mentioned in your opening remarks an 82,000 square foot Mark's that typically maybe 10, 15 years ago is probably an off mall store and now it's in the mall. Are you seeing more of that just because the space is available?

Patrick Sullivan
President, COO & Trustee
Hello, Tal. We've definitely seen a lot of traditional power center boxes gravitating to the shopping centers. That really started back when Target went under when they realized that there was this really good visible space available in high-traffic malls that hadn't been available in the past. So you really saw guys like Mark's and Best Buy, Indigo, guys that typically weren't as often going into shopping centers, but they are now.

Likewise, having said that, there are some small tenants that have gone to power centers as well. And I think there's just a general lack of space and tenants are looking to grow their footprint across the country and there's really a shortage of space in general.

But the one thing that shopping centers do provide for a lot of these guys that used to go in power centers is really high profile locations. That's what Target afforded, that's what Sears afforded and that's what HBC is going to afford.

So like you said, 15 years ago, you didn't see many grocery stores and shopping centers. And now you see grocery stores being added. And we're trying to add them in the bay boxes and we're having some dialogue about that right now.

Tal Woolley
CIBC Capital Markets, Research Division
And then, you updated the guidance on the Lime Ridge acquisition. I'm just wondering the lift in the NOI guidance, can you maybe just detail a little bit more clearly? I know there's a property tax recovery and then you've got some extra bay rent, I think. Is the balance just like leasing activity, percentage rent assumptions, that kind of stuff? Can you just bridge that maybe a little bit more early for me?

Rags Davloor
Chief Financial Officer
Yes. That would be the most part of it. Just better visibility into where we think NOI is going to go from a leasing perspective. Also there was a delay in some of the dispositions that actually does move the dial a fair bit. But we are increasing our own internal growth forecasts.

Operator
The next question comes from Brad Sturges with Raymond James.

Bradley Sturges

Raymond Ltd., Research Division

Hello, there. Just on the dispositions and specifically the pool of assets held for sale. I guess there were a few assets sold post-quarter. But how should we think about the potential kind of average cap rate or NOI contribution of that pool of assets? Obviously, I think Northland could skew to the low end, but how would the rest of the pool of assets held-for-sale kind of be composed in terms of potential cap rate if you were to execute a sale?

Patrick Sullivan

President, COO & Trustee

Yes. So I think if you're going to try to do it on a -- there's $400 million in the assets held for sale, what's the average cap rate? Northland Village, I think we disclosed, is about 40% of that $400 million and that would be, call it, a 6% cap kind of range and then the Northpointe and Medicine Hat dispositions that we've completed recently were at about a 7.4%. And we have some things in the assets held-for-sale that would be 8% to 9%. But I think on a blended basis, you'd probably be somewhere in the 7% to 7.5% range for the $400 million, would be a good proxy.

Bradley Sturges

Raymond Ltd., Research Division

And then, my other question would be just on Lime Ridge Mall. I think my understanding is you were more advanced on releasing the Sears box. Just any update there in terms of when possibly could enter a new lease and what that might infer in terms of occupancy and rent payments?

Patrick Sullivan

President, COO & Trustee

We're hoping to get a lease signed in the next 30 days to 45 days and have turn over to the tenant later this year. lease signed in the next 30 days to 45 days and have turned over to the tenant later this year.

Operator

The next question comes from Todd Voigt with Easterly Ranger.

Todd A. Voigt

Ranger Global Real Estate Advisors, LLC

Hello, Alex and team. A quick question on the slide deck, Slides 10 and 11. On Slides 10 and 11, we you talk about the potential mall acquisition pipeline and all of those dots in terms of the malls that you don't own, but you're targeting. Can you quantify what percentage of those malls are there willing and active sellers? And are those all pension funds? And can you just update us on current conversations and give us guidance on any of those owners of those malls that might be targets, what would be reasons that they choose not to sell?

Alex Avery

Chief Executive Officer

Yes, interesting question, Todd. Late last year, we started messaging that the acquisition pipeline was quite large. Since then, we've acquired $1 billion out of that pipeline. And your question is timely because as we've been moving through the year, that opportunity set has shrunken because we've taken $1 billion out of it, which is pretty substantial, and there are -- as you noted, there's a lot of bubbles on that slide. It doesn't necessarily mean they're all for-sale.

There are still opportunities. But as we've been moving through the year, we've also looked at some assets where you sort of peel the onion back and you find that it's not the exact same kind of onion that you thought it was. And so there's somewhere we would love to buy them, but the vendors may not be interested. There's somewhere on closer examination, we're less inclined ourselves. And so it's interesting, but taking $1 billion out of that pipeline has really had helped what I would describe as sort of rebalance things.

At the beginning of the year, it was sort of an overwhelming acquisition opportunity. And we've had a number of things I mentioned earlier, the HBC opportunity, buying back stock and we're quite focused on some of the dispositions.

And with the acquisitions that we've completed, not just this year, but over the last 3-1/2 years, a lot of the portfolio construction and composition objectives that we were targeting. we're much, much closer to the finish line than we were even a year-ago. Our average tenant sales are now $784 a square foot. It's been a dramatic shift in terms of a lot of the things we talk about.

We talk about the objective of becoming the first call for retailers and we've really seen a marked shift in our dialogue with retailers. On a fairly regular basis, retailers will come to us and say like, wow, you're our largest landlord in Canada. Kind of crept up on us and these acquisitions have been helpful. Even where we have alignment where we've got a vendor who wants to sell and we want to buy, often we don't align on valuation.

I would say we're in a much more balanced position than we were certainly 9 months ago or a year-ago. Hopefully, we'll be able to make some further acquisitions, but we've accomplished quite a bit.

Todd A. Voigt
Ranger Global Real Estate Advisors, LLC
Yes. No doubt that the accomplishment is legitimate. I know in your press release, you highlight the 3-year target, your goal more than $1 billion of acquisitions. You've done $1.3 billion. I think it's even more than that if you include the new stuff. So the question is, do you have or do you expect to put out in the next 6 months a new acquisition target for us to think about?

Alex Avery
Chief Executive Officer
Yes. We've thought about that. I think where we were a year ago, having an acquisition target reflected a lot of the objectives that we were targeting and it really was a -- we felt that we needed to acquire a number of these top-tier malls to really achieve that first call for retailers type of an objective. And we declined to update that because we don't really have the same stance, I would say, at this point. It's much more of an opportunistic type of a -- there are things that we would love to do, but they have to work for us and we're starting to see some competition in the mall market as well. There are some other private equity buyers who are willing to pay prices that we're not willing to pay, which is both good and bad.
I think having some other buyers participate in the market that we participate in -- we very much look forward to having a benchmark transaction for a top-tier mall. It's a challenge in trying to figure out things like NAV. And when we've been such a dominant buyer in the market, we're actually really thrilled to see some other people stepping in and paying prices that, frankly, we are not comfortable paying.

Operator
Our next question comes from Pammy Bir with RBC Capital Markets.

Pammi Bir
RBC Capital Markets, Research Division
Alex, I think you mentioned earlier on discussions with residential developers on some of those HBC boxes. Can you maybe just provide some more color there and potentially quantify that opportunity on selling some of that space? And if there's any sense of timing of when something like that could happen?

Alex Avery
Chief Executive Officer
Thanks, Pammi. It's an interesting dynamic. And I think I mentioned it at the, I guess, disclaiming of the 5 HBC leases that we've had have opened up fairly significant opportunities in terms of using land that was otherwise encumbered in the past. And I think the way to think about it is that value has or that opportunity set has accrued to us. We are fairly active in terms of figuring out what to do with that stuff. But from, I guess, a trying to get stuff done quickly to, for instance, pay for some of the construction and tenant allowance work to lease the bay boxes. Now, we have lots of liquidity and we have lots of capital. And so as we're approaching this opportunity set in terms of the excess land and residential opportunities, it's really more about executing it right than it is about executing it quickly.

And we want to have good residential developments to the extent that the residential at our shopping centers, we have discussions with developers, and a lot of these developers do residential, but they also will do hotels, they can do self-storage, they can do a lot of other things. And so we've got a team here that works a lot on what the best use for a lot of this excess land is.

And in fact, at our upcoming Les Galeries de la Capitale property tour on September 25, we'll have a local developer that we've been spending a lot of time with looking at the excess lands at Capitale. It's a 90 acre site and the mall probably requires 55 acres of that. It's a lot of excess land there and there's a lot of optionality.

So I think we'll provide some good insights in September on how we think about the different uses and what to do. But we have a land sale, to a residential developer that's in process elsewhere that predates the HBC news, but it's definitely something that we're moving on, but we're doing it in a manner to make sure it's the right fit for the shopping center. And again, we don't have liquidity or capital issues to motivate the speed with which we execute.

Operator
The next question comes from Matt Kornack with National Bank Financial.

Matt Kornack
National Bank Financial, Inc., Research Division
Hello, guys. You made a lot of progress last year on the recovery ratio front. It's been a little bit more stable, it looks like, for the first half of the year. And the second half of last year was quite strong. Can you give us a sense as to whether you'd expect kind of improvements on the back half of the year? And then also just quickly on the guidance, there's straight-line rents that's a pretty big step-up if you use the first half to the second half. Is that on kind of these larger leases that you're expecting to get done maybe as like a Lime Ridge?

Patrick Sullivan
President, COO & Trustee
Hello, Matt. So on the recovery ratio, I think there's a couple of different factors at play here. One is the acquisitions with the higher level of vacancy have muted the impact of the recovery ratio rising.
As for why it ticks up in the second half, it's typically because when we do remerchandising and we do new store openings, to which we're doing a lot of new leasing, generally, those stores open in the latter part of the year. And so that's when we'll start to see the recovery ratios rise when we're starting to receive the gross rents from those new tenants.

I can't recall the second part of your question. It had something to do with step rent.

Matt Kornack
National Bank Financial, Inc., Research Division
Yes. Straight-line rent, just the guidance is for -- I think it's like almost up to $7 million. You've had, call it, a little less than $3 million in the first half. I don't know if there's leasing that's going --

Rags Davloor
Chief Financial Officer
No, just to Pat's point, a lot more tenants take occupancy in the second half of the year and the fit-outs and handing it over. So you do see a pickup in straight-line rent during the second half of the year. That's normal.

Patrick Sullivan
President, COO & Trustee
And what we did do in the guidance was we brought down the low-end of the range, which in fact suggests that more of the rent we collect is in the cash form than the non-cash form.

Matt Kornack
National Bank Financial, Inc., Research Division
And maybe just very quickly on HBC. If you were to demise the space, should we think that you'd get kind of rents in that $50 range? And if it was a single tenant, would they be closer to kind of, call it, the high teens?
And then maybe if you could give a quick sense as to, if you demise, what is the cost per square foot to demise?

Patrick Sullivan
President, COO & Trustee
For CRU rents, I think you're going to see something similar to our average. And for box rents, the same kind of concept. I think you're going to see upper-teens for box rents. You're going to see 40, 50, maybe the 60, depends on the size of the space. It really depends on exactly how we carve it up and how big the tenants are and who they are. If it's a single-tenant, it's not likely to be in the upper-teens. It's probably to be in the lower teens at best.
But it also comes back to the deal. And some of these discussions we're having with large boxes, we're not putting any capital in. The tenant is going to put it all in, which means they're going to pay a lower rent.
But all of this comes down to exactly who we end up transacting with and what the square footage is.
In terms of the cost per square foot, I think if we're looking at a 100,000 foot box and we spend $25

million, it's $400.

Rags Davloor
Chief Financial Officer
$250.

Patrick Sullivan
President, COO & Trustee
$250, sorry. Yes.

Operator
Thank you so much.

Alex Avery
Chief Executive Officer
I was just going to say, I think we've also framed it as the return. So from a return perspective, if we put no capital in, the returns are undefined. But we're targeting sort of in that 9% range, would be a good expectation of the relationship between the cost and the NOI yield.

Operator
Thank you so much for your questions. There are no further questions at this time. Claire, I turn the call back over to you.

Claire Mahaney
Vice President of Investor Relations & ESG
Thank you, operator. With no further questions, we'll close today's call. On behalf of the Primaris team, we thank you all for participating and look forward to seeing you at our property tour in September. Thank you very much and have a great long weekend.

Operator
Thank you. You may now disconnect your lines.

.**- End -**