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Brendon Abrams
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Himanshu Gupta
GMP Securities

Matt Kornack
National Bank Financial

Stephan Boire
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Jenny Ma
BMO Capital Markets

PRESENTATION

Operator

Good morning. My name is Denise and I will be your conference operator today. At this time I would like to welcome everyone to the Slate Office REIT First Quarter 2019 Financial Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

Madeline Sarracini, Investor Relations, you may begin your conference.

Madeline Sarracini, Investor Relations

Thank you, operator, and good morning, everyone. Welcome to the first quarter 2019 conference call for Slate Office REIT. I am joined this morning by Scott Antoniak, Chief Executive Officer; Robert Armstrong, Chief Financial Officer; and Steve Hodgson, Chief Operating Officer of Slate Office REIT.

Before getting started I'd like to remind participants that our discussion today may contain forward-looking statements and therefore ask you to familiarize yourself with the disclaimers regarding forward-looking statements as well as non-IFRS financial measures, both of which can be found in management's discussion and analysis.

You can visit Slate Office REIT's website to access all of the REIT's financial disclosure, including our Q1 2019 investor update, which is available now.

I will now hand over the call to Scott Antoniak.

Scott Antoniak, Chief Executive Officer

Thank you, Maddie. Good morning, everyone, and thanks for joining the call.

The REIT maintained positive momentum during the first quarter, highlighted by the team's ability to generate strong operating results that continue to build value for unitholders. In addition, we have completed a number of positive initiatives that have positioned the REIT for continued value creation.

At the end of the first quarter 2019 the REIT comprised over 7.5 million square feet of well-located, high-quality assets in target markets across North America. Approximately 53 percent of the REIT's assets are located in Toronto and Chicago, the third and fourth largest cities in North America, and over 61 percent of the REIT's income is generated by government and investment-grade tenancies. We believe that we have assembled a portfolio of stable and performing assets, as evidenced by the strong operating results achieved in the first quarter.

During the quarter the team completed over 250,000 square feet of leasing at an attractive positive leasing spread of 18.5 percent, increasing overall occupancy to 87.7 percent at quarter end. Tenant demand continues to be particularly strong at our two properties in Chicago where we completed over 44,000 square feet of leasing in the first quarter alone. As a result of the strong leasing, continued occupancy gains, and positive leasing spreads, the REIT achieved a 4.9 percent increase in same property net operating income. This is the fifth consecutive quarter of positive same property net operating income growth.

Subsequent to the quarter we were pleased to announce that on April 12th we completed the previously-announced sale of a 25% interest in six office properties located in the Greater Toronto Area to an investment fund advised by Wafra, a sophisticated global private equity and alternative asset investor. The transaction values the six assets at $527 million, representing a levered internal rate of return of 19% for unitholders. On closing, the REIT repaid approximately $70 million in debt and received incremental debt on five of the six properties, resulting in $30.4 million of additional proceeds to the REIT at share. This refinancing increased the amount of fixed-rate debt by approximately $101 million. On a pro forma basis, 78 percent of the REIT's debt is now subject to fixed rates after giving effect to interest rate swaps executed subsequent to quarter end.

This joint venture arrangement was a marquee transaction for the REIT on many levels. First, it establishes a joint venture relationship with a sophisticated global capital partner with a potential for future growth. Second, it provides the REIT with increased liquidity to fund future accretive investment opportunities. Finally, and most importantly, it provides third-party validation for the net asset value of 28 percent of the REIT's portfolio. Including the recent US acquisitions, more than half of the REITs assets have been mark-to-market over the past 12 months, providing significant confidence in our current net asset value estimate of $8.49.

Today the REIT's units continue to trade at a significant discount to our IFRS net asset value. We believe this presents a compelling investment opportunity. As a result of the gap between the trading price and net asset value, management is committed to repurchasing up to 10 percent of the REIT's units outstanding through a normal course issuer bid. This will reduce the number of outstanding REIT units, which is accretive to net asset value per unit and other per-unit metrics for unitholders. To date, we have repurchased for cancellation approximately 950,000 units via the normal course issuer bid for a total cost of just under $6 million. We believe, at current pricing levels, buying back units provides meaningful value to unitholders and we will continue to execute on this basis where possible. Furthermore, we announced today the suspension of the REIT's distribution and reinvestment plan until further notice. The suspension is intended to preserve value and eliminate dilution for the REIT's unitholders.

In summary, we are extremely pleased with our portfolio of assets and confident in our ability to continue to deliver strong operating results that drive value for unitholders. Recent acquisitions, along with the completion of the joint venture (inaudible), validate the current net asset value of the REIT. At current trading levels, we believe the best investment we can make is buying back units. By doing so, we are effectively investing in assets we already know and like at a discount to their net asset value.

We thank you for your continued support and I will now hand over the call for questions.

QUESTION AND ANSWER SESSION

Operator

Ladies and gentlemen, to ask a question, please press star then the number one on your telephone keypad. To withdraw your question, press the pound key.

Your first question comes from Brad Sturges with IA Securities. Your line is open.

Brad Sturges, Industrial Alliance Securities

Hi there. Good morning.

Scott Antoniak, Chief Executive Officer

Hey, Brad.

Brad Sturges, Industrial Alliance Securities

I guess maybe just starting with, I guess, an update on your plans for asset sales and your thoughts on leverage by the end of the year, is it still the same target of $50 million to $80 million in assets? And where would you see leverage trending to by the end of 2019?

Scott Antoniak, Chief Executive Officer

So, we'll maybe split that in half and I'll let Bobby speak to the leverage, but on the asset sales, it will be, Brad. We're in process on about $50 million and I think there could be an incremental maybe $50 million on top of it, so $80 million to $100 million in total. It'll be opportunity driven, you know, market driven in terms of where liquidity is for assets and the opportunity to reinvest, et cetera, going forward.

Robert Armstrong, Chief Financial Officer

And then on the LTV, looking at, you know, with about $80 million of asset sales we'd expect the LTV to get down to about 57 percent or so. But the big change there will be how quickly we execute on the normal course issuer bid.

Brad Sturges, Industrial Alliance Securities

So that 57 percent does include expectations to execute on the NCIB.

Robert Armstrong, Chief Financial Officer

No, it does not.

Brad Sturges, Industrial Alliance Securities

Okay. And in terms of timing of asset sales, sort of second and third quarter is still the game plan there?

Robert Armstrong, Chief Financial Officer

That's correct.

Brad Sturges, Industrial Alliance Securities

And then I guess when you're comparing the opportunity to use funds into the NCIB versus reducing leverage, is there a preference given where the stock is trading today to deploy into either or, either bucket?

Robert Armstrong, Chief Financial Officer

Yes, we definitely want to do both, and I don't think it's an all-or-nothing strategy from our perspective. When we look in terms of the LTV, it's one aspect of how we're doing the lower side of the balance sheet, but importantly is around our maturities and what we have coming up. We've already had advanced discussion with lenders throughout the remainder of the year for everything coming up and we feel very confident about being able to do those on commercially reasonable terms. So, from that perspective, we just think that, simply, the best investment we can make for unitholders is buying back our units at below $6 or $6 when we know NAV is close to $8.50.

Brad Sturges, Industrial Alliance Securities

Okay. Thank you.

Robert Armstrong, Chief Financial Officer

Thanks, Brad.

Operator

Your next question comes from Lorne Kalmar with TD Securities. Your line is open.

Lorne Kalmar, TD Securities

Good morning, guys.

Scott Antoniak, Chief Executive Officer

Good morning.

Lorne Kalmar, TD Securities

Just quickly, factoring in the leases you guys completed post Q1, where does occupancy go?

Scott Antoniak, Chief Executive Officer

Sorry, we couldn't hear you, Lorne.

Lorne Kalmar, TD Securities

Sorry about that. I said factoring in the leases you guys did post Q1, where does that take occupancy to?

Steve Hodgson, Chief Operating Officer

So, can't speak to that directly, but our expectation for the end of the year is still in the 90 percent range.

Lorne Kalmar, TD Securities

Okay, fair enough. And then any updates on the leasing at 2599 Speakman or at the Maritime Centre?

Steve Hodgson, Chief Operating Officer

Sure. I'll star with the Maritime Centre. So, as you know, we've leased a significant portion of the space that came back to us from Bell Aliant at 46 percent higher rents than Bell had been paying, and so we've replaced all the income and more from that lease and still have some upside with about 60,000 square feet to lease. That space, it's been used as swing space for some of the new tenants that we brought in or new deals that we've done with existing tenants where we're moving them around the stack of the building, so we haven't been able to actively market that. So I think, you know, those leases are now commencing, so by the end of the year we'll have some incremental leasing activity. We're sitting at about high 80s right now and expect to be in the low 90 range by the end of the year.

2599, 120,000 square feet vacant building currently. We've got active conversations on 50 percent of that building right now. I expect, you know, we had always been underwriting a third, a third, a third, six months, six months, six months, so we're right on target with that and hopefully by the end of the year we'll have executed on at least a third of the building leasing.

Lorne Kalmar, TD Securities

Okay. And then just lastly, you guys got some pretty good uplifts on renewals and new leases; where were you seeing the biggest uplifts? Which regions?

Steve Hodgson, Chief Operating Officer

Chicago and GTA.

Lorne Kalmar, TD Securities

Okay, great. That's all for me. I'll turn it back.

Operator

Your next question comes from Chris Couprie with CIBC . Your line is open.

Chris Couprie, CIBC World Markets

Hi, guys. Just in terms of lease maturities, on know on the last call you called out an Exxon vacancy sometime in Q1 of next year. Is there anything else that we should be made aware of that's coming due?

Steve Hodgson, Chief Operating Officer

No, in 2019 that the Fortis Tower in Corner Book just lost a tenant. They vacated at the end of April and that was about 40,000 square feet paying about $10 a foot net rents. And then the other is Irving Oil at Brunswick Square. They were actually expected to vacate at the end of 2018 as they're building the new building in St. John, New Brunswick, but they actually extended by three months and then extended by three months again. So, at the end of June they'll be vacating and that's about 67,000 square feet. And then I think everything else we had previously messaged, highlighted by last quarter highlighting that 96,000 of Exxon Mobil space will come back at the end of April 2020 in St. John's.

Chris Couprie, CIBC World Markets

Okay, thanks. And then just an administrative question in terms of your fixed-rate debt post Wafra. You're aiming to get to about 90 percent. Roughly what does that work out to and what type of terms are you looking to put on for the swap?

Robert Armstrong, Chief Financial Officer

We have, as we announced before, a target of getting to 90 percent. We're currently, subsequent to Wafra plus what we've done additionally in the portfolio, we're at 78 percent today from a fixed-rate debt perspective. And then looking to get to 90 percent we're simply just going to pick our timing in the market and execute a swap that would be an average maturity based on where our portfolio is today. But we'd either done fixed-rate financing or where we have done it synthetically through swaps, we've tried to place it similar to something we have maturing within the portfolio.

Chris Couprie, CIBC World Markets

Okay. Thanks, guys.

Steve Hodgson, Chief Operating Officer

And Chris, I just wanted to highlight that those known vacancies that I spoke to, those are included in our forecast to the end of the year that we are still forecasting an uplift in occupancy to that 90 percent range.

Chris Couprie, CIBC World Markets

Right. Okay. Thanks.

Robert Armstrong, Chief Financial Officer

Thanks, Chris.

Operator

Your next question comes from Brendon Abrams with Canaccord Genuity. Your line is open.

Brendon Abrams, Canaccord Genuity

Hi. Good morning, everyone. Just focusing on the leasing spread, a quite healthy number, can you just provide some colour into kind of what drove that and, I guess, your expectations going forward given, I guess, you still see about a 12 percent discount from portfolio rent to market?

Steve Hodgson, Chief Operating Officer

Yeah. So, as I mentioned earlier, it was primarily driven by the GTA and Chicago. I don't want to get into the specifics of which deals, for obvious reasons, Brendon, but we purchased 120 South LaSalle and 20 South Clark with rents, in our view, about 10 percent below market, so we've been able to execute on that.

And in the GTA it continues to be in the 427 corridors, for example, rents were about $15 when we acquired the buildings. We had an asking rent last year of $17 and we've recently increased the asking rent to $19. And it's really just a function of that being a strong leasing node driven by the tightness downtown and the offsetting effect of more tenant demand in the suburbs for key transit-orientated nodes.

Brendon Abrams, Canaccord Genuity

Right. Okay. And just—I just want to make sure I heard it correctly in terms of potential asset sales for the remainder of the year of $80 million. Would these be assets that would potentially be marketed or that you would just have maybe conversations within the Slate kind of group with different investors and other third parties?

Scott Antoniak, Chief Executive Officer

We forecast they'll be marketed processes for the two assets that are underway plus what we thought will be in the pipeline going forward. I expect those will be on a marketed basis. And you're right, that doesn't account for what, you know, there's often inbound interest on an unsolicited basis.

We will manage that in terms of pricing and return expectations. But anything that we'd contemplated sort of in the remainder of 2019 would be on a marketed basis.

Brendon Abrams, Canaccord Genuity

Right. Okay. And then just last question for me, just, I guess more administrative, but the NCIB, does 10 percent include Class B units? Like up to 10 percent, does that include Class B units or exclude that?

Robert Armstrong, Chief Financial Officer

Yeah, correct, it'd be on the fully diluted basis.

Brendon Abrams, Canaccord Genuity

Okay. That's great. Thank you.

Operator

Your next question comes from Himanshu Gupta with GMP Securities. Your line is open.

Himanshu Gupta, GMP Securities

Thank you and good morning. Just to follow-up on the leasing side, you have a total of 285,000 of expected vacancy in the remainder of 2019, so what is the associated NOI with respect to this vacancy? And do you budget any of the space getting backfilled by the end of the year?

Steve Hodgson, Chief Operating Officer

Yes and no. We will have backfilled not necessarily that particular space that's coming vacant but we'll have, you know, we're at 87.7 now of occupancy and we're forecasting just over 90 for the end of the year, so we'll have increased the overall occupancy of the portfolio. That particular space that's coming back to us may or may not be where that comes from, because I expect most of it, you know, most of it comes back in the third quarter, which means that there'll be some downtime in leasing that we'll see in the fourth quarter and probably trailing into the first quarter of 2020, and then that space will come back to us.

In terms of NOI impact, it's fairly—some of the bigger leases are concentrated in Atlantic Canada where there are lower rents, so I would say the average net rent on that would be in the low teens, but I don't have that number, Himanshu. We can follow up with it after the call.

Himanshu Gupta, GMP Securities

Sure. No, I think that's helpful. And on the same topic of the leasing and CapEx reserve in the books, so you have around 10 percent of NOI provided for. Do you think, I mean can you remind us how you are tracking, you know, the actual amount spend versus the reserve? And is the 10 percent a reasonable assumption in the context of the market vacancy in almost double digits?

Robert Armstrong, Chief Financial Officer

Yes, we think 10 percent is reasonable from a stabilized perspective. We still have certain assets that require larger TIs and there will be a significant amount of leasing costs in there, so maybe it will be a little below what we think the current run rate is in order to be able to stabilize, but on a stabilized basis we think it's probably fair.

What I would say though is, just given where the distributions are at the current moment, if you took the new distribution rate and applied it into the quarter, we still had two of the original $0.75 distributions for January and February within Q1. We're at a 65 percent AFFO payout ratio. I think we're well covered no matter how you cut it.

Scott Antoniak, Chief Executive Officer

And Himanshu, I'd add on that too. So, where we have, name it what you will, maybe a little incremental capital to the run rate capital we see on a stabilized basis going forward, that's, at least on a dollar-for-dollar value amount, you know, value accretive to the bottom line. And I think we've kind of run it at that.

We are investing a dollar in probably Maritime Centre, Brunswick, and Chicago are the best examples of that that we're not showing a multiple on that internally and I think there probably will be in the fullness of time. So those invested dollars are value-added dollars insofar as they're incremental to the run rate capital.

Robert Armstrong, Chief Financial Officer

Yeah. I guess to reiterate, our hope is that we spend a bunch of capital and have a lot of leasing costs this year, because it just means we're adding value to the portfolio.

Himanshu Gupta, GMP Securities

Right. I think that's helpful. And just to follow up on Maritime Centre, I think you've committed to around $10 million redevelopment. How much have you spent there and how much is remaining to be spent?

Steve Hodgson, Chief Operating Officer

By the end of this year we'll have spent $5 million and so the balance will be spent in 2020. To date we would have spent about $1 million.

Himanshu Gupta, GMP Securities

Okay. Okay, that's helpful. And probably the last question, you know, bigger picture on the validation of the portfolio, I mean we have good understanding with the Wafra transaction and recent US acquisitions, so in terms of validation of the portfolio, so now really the Atlantic portfolio is left for some kind of validation. So what cap rate is the Atlantic portfolio being marked at for IFRS valuation and how does that compare to your acquisition cost?

Robert Armstrong, Chief Financial Officer

Just for some context, and I think this is really important, if you look at where we're trading right now and you assume that Wafra came in and purchased their 25 percent interest at a market price, because we got a sophisticated investor who wasn't compelled to act, we weren't compelled to act, you're effectively at, um, and that's a good number, that's the market price. Plus what we did in Chicago over the last, call it, year and a bit. Those are effectively market trades. That's over half of our portfolio where there is empirical evidence that that's our NAV.

If you take the residual portfolio based on where we're trading today, which would be, you know, some of the GTA, some of what we have in Manitoba and Atlantic Canada, and you apply the market cap, it's an 8.6 percent cap rate, which we don't really think makes sense and, you know, there hasn't been deals in those markets at those rates for the quality of buildings we have ever. And we think that's really important. Generally, we've got that stuff marked at a 6.6 cap rate. So, if you pull our Wafra and what bought in Chicago, the residual of the portfolio is at a 6.6.

Himanshu Gupta, GMP Securities

6.6. And I mean 6.6 for the Atlantic portfolio I would say.

Scott Antoniak, Chief Executive Officer

Himanshu, it'd be a little bit more in Atlantic. That'll carry like 2599 Speakman and things like that (inaudible). So I think the Atlantic assets on a weighted average basis would be in excess of 7. And that includes Blue Cross, RSA Insurance, et cetera, so a significant number of credit tenancies. And I know for sure there hasn't been an 8.6 percent cap rate office trade and there haven't been a whole lot in the 7s anywhere in Canada, or North America for that matter, in the last 36 months, so we're pretty confident in terms of valuation.

And then with respect, you know, and I think part of the investment thesis has always been that we know what we're doing when we buy, so we own the Atlantic Canadian assets on a compelling basis from a per square foot value, which leads to all kinds of opportunities on the leasing side, et cetera. That's really the—the Maritime Centre is the best example of that. I mean that acquisition, it was plus or minus $100 a square foot, so we can afford to put $10 million into this building. The Bell lease came off $9 I think on an effective basis and we've re-leased 75 percent of that space already at low teens, like $13, $14 rents. So I think we're seeing rental growth in that. But to the extent we invest further in those assets we'll still be well inside replacement cost. We'll still be well inside comp cost. So that can be, you know, significantly compelling from a leasing perspective in terms of what we can offer tenants.

Himanshu Gupta, GMP Securities

Got it. Okay, that's helpful. And sorry, just one last question. On 2599 Speakman, and I know you already provided an update, it's more of a general question. How is the demand for old product versus the new and renovated office buildings in the GTA suburban market? And do you think 2599 will require some kind of CapEx to be spent before you can optimize the leasing on this building?

Steve Hodgson, Chief Operating Officer

No, I think it's—it is an older building but it had been improved over time and, as you may recall, we spent some money from a landlord's work perspective last year to white-box the space, so it shows quite well.

The other dynamic, you know, looking back to when we did the SNC deal where rents were in the $17 to $19 range and we spent considerable CapEx to bring the buildings to that level, we're actually seeing rents and demand for 2599 starting at $18, and that is with a fairly modest TI package.

Robert Armstrong, Chief Financial Officer

And what I would add that's important there is in that market specifically is certain new build that has been available and we'd been competitive in that market and we'd been winning deals in that market that are economically attractive to us against new build because of our lower cost base, which provides us the ability to invest.

The whole SNC campus was a great example of that because our major competition was a brand-new building next door and what we were able do there by investing reasonable capital with our attractive cost base lets us win the day more often than not.

Himanshu Gupta, GMP Securities

Sure. Thank you, guys. I'll turn it back there.

Robert Armstrong, Chief Financial Officer

Thank you, Himanshu.

Operator

Your next question comes from Matt Kornack with National Bank. Your line is open.

Matt Kornack, National Bank Financial

Hi, guys. A quick question. On the 90 percent occupancy figure, is that a committed or in-place figure? And then also where do you think, longer term, you'd be happy with this portfolio running at on an occupancy basis?

Steve Hodgson, Chief Operating Officer

It's an in-place figure and it's low 90s. 92 percent I think is where this portfolio stabilizes.

Matt Kornack, National Bank Financial

Okay. And in terms of timeline to get there, is that, and in terms of the space, I think someone asked earlier, that's coming off line, are there any meaningful sort of re-leasing that you've done on that space with tenants and what would be the timeframe for re-leasing those spaces?

Steve Hodgson, Chief Operating Officer

Nothing that we can formally announce yet, Matt. The timeline for re-leasing those spaces in particular would be likely—so, when we're talking about vacancies that are coming back in 2019, we're really talking about Fortis Tower and Brunswick Square. The larger Exxon lease is not until 2020. With Brunswick Square and Fortis Tower we do have some demand. There are offers out there. I expect we won't make meaningful re-leasing efforts until late 2019 through 2020. But the increase in occupancy is going to come from elsewhere. It's going to come from our portfolio in the GTA, it's going to come from 2599 Speakman, and it's going to come from Chicago.

Matt Kornack, National Bank Financial

Okay. And when you spend money on sort of expansionary CapEx, what type of returns are you targeting? I mean it gets kind of caught up in same property NOI growth but we don't have the full picture because there's CapEx associated with it. I'm just wondering when you're underwriting a lease and spending money on tenant improvements or trying to get a new tenant in this space, what type of returns are you looking at on that capital that you're deploying?

Steve Hodgson, Chief Operating Officer

When we look at the allocation of our capital, we have the same sort of investment thresholds that we would have on a new acquisition, which is a 10 percent plus IRR on a levered basis. There's some element to CapEx that is defensive and we view that in our 10 percent of our reserve. So, anything beyond that has to be accretive from an IRR perspective.

Matt Kornack, National Bank Financial

And then given liquidity, and obviously it's improving with some of these asset sales, is there anything that you're not currently doing in the portfolio that you'd like to be doing if you had more capital? Or are you basically able to operate and get the portfolio up to the standards that you'd like it to be at given your current liquidity position?

Robert Armstrong, Chief Financial Officer

There's nothing in the portfolio that we've shelved.

Matt Kornack, National Bank Financial

Okay.

Steve Hodgson, Chief Operating Officer

Just on that point, like I don't think we would ever allow that to happen. We're real estate investors and that's, you know, we're not going to sacrifice the real estate in order to (inaudible) certain metrics.

Matt Kornack, National Bank Financial

Okay, fair enough. And then same property NOI growth, I don't know if—it's been volatile lately and some of it was occupancy gains and I think we expected it to decelerate a little bit into Q1. I don't know if you can provide it but, guidance wise, are you expecting it to at least remain positive? And what would be your view for 2019? And if you could provide a 2020 sort of ballpark figure, that would be awesome, but I doubt it.

Robert Armstrong, Chief Financial Officer

Yeah, I think over the last year, as you know, for the last five quarters we've had some pretty strong same property NOI growth. I think the 4.9 we had this quarter was the lowest we had since the beginning of 2018. We have been really pleased with that, because we've seen a number of quarters where we've had double-digit NOI growth, so we're happy with that volatility because it's been extremely positive. We think that will taper off.

What you're seeing in this quarter, 4.9, that's already on top of a double-digit NOI growth from Q1 of 2018. So, on a run-rate basis going forward, we think kind of going into later 2019 and into 2020 we'll continue to see that taper down to about 2 percent to 3 percent would be our general expectation. There are still some lumps within the portfolio, so sometimes it will be higher, sometimes it will be lower based on, you know, when we have larger lease deals coming in.

Matt Kornack, National Bank Financial

Okay, perfect. Thanks, guys. That's great.

Operator

Your next question comes from Stephan Boire with Echelon Wealth Partners. Your line is open.

Stephan Boire, Echelon Wealth Partners

Hi. Thanks. Good morning. Most of my questions have already been answered but I was just wondering regarding the asset disposition program, and obviously given the unit price and the focus on the buybacks, do you expect to make any acquisition this year? And, if so, do you expect to be net sellers for the year?

Robert Armstrong, Chief Financial Officer

We expect to be net sellers for the year at this point. The $90 million of sales, we've got a number of transactions where we're fairly decently further along, but nothing to announce at this point, so we feel really good about that. Also, consistent with how we've done it for the last three, four years, you know, those will be at or above IFRS from where we've had them marked previously. So we feel really good about the capital. Any time we can sell at or above IFRS and buy back our units at significantly below, we think that's a fantastic trade. But overall, we'll definitely be net sellers throughout 2019.

Scott Antoniak, Chief Executive Officer

Yes, Stephan, it is really the broader capital allocation strategy. The simple fact right now is that the most compelling investment is to repurchase units via NCIB. I think that's like almost irrefutable from a fact pattern perspective. But we'll monitor that, right? I mean, I think over the longer term we'd like to continue to grow this business and we won't stop looking at real estate transactions on the acquisition side, we'll just have to compare them to where we can allocate capital and get the best result for unitholders. So I do think we'll be net sellers, I think Bobby's 100 percent right on that, for the year, but it doesn't mean we're suspended from acquisition opportunities. We still think there are some compelling investments out there, maybe more in the US than in Canada at the present time, but we're still looking at those and measuring those against unit buyback, pay down of debt, et cetera, and managing all that on a weekly if not daily basis.

Robert Armstrong, Chief Financial Officer

And I think the strategy continues to be that, in the short term, if there was a compelling opportunity, because there are and we continue to underwrite all the deals in the market in the US market which we (inaudible), as well as Chicago, if there's an opportunity to buy something where we have the opportunity to create some value and sell something that's fully valued within our portfolio, we would definitely take that opportunity.

Stephan Boire, Echelon Wealth Partners

Right. Okay. I understand there's a lot of moving parts here but I appreciate the colour. Thank you.

Robert Armstrong, Chief Financial Officer

Thanks, Stephan.

Operator

There are no further questions queued up at this time. I turn the call—oh, sorry; we do have one question from Jenny Ma from BMO Capital Markets. Your line is open.

Jenny Ma, BMO Capital Markets

Most of my questions have been answered but, Scott or Bobby, I was wondering if you could speak to some colour on the buyer profile of some of the assets. You probably can't speak to where they are geographically but just wanted to get a sense of who's out there kicking the tires on these types of office assets.

Scott Antoniak, Chief Executive Officer

I think as a rule, Jenny, well, you know what? They're probably isn't a rule. I think it's all over. For some of the stuff that we would prune, that we would deem to be non-core in markets where we're not long-term to grow, I think there's a significant kind of private market for assets like this in some of the markets in Canada. I think they're not necessarily national or regional players but they'd be specific to cities.

And then on some of the bigger deals, there's still an institutional, like a smaller fund institutional bid for this. It's the usual suspects, I think, that are buying office in these markets. I think that you'd have a pretty good sense of who they were. I would say that it's a mixed bag. We haven't sold anything in the US and have no plans to that at this point, so it's probably a Canadian story for now, but I think it's a mix of local private and some of the smaller institutional capital.

Robert Armstrong, Chief Financial Officer

And just some addition context as well, where we have put stuff in the market for sale, the buyer that shows up can be pretty diverse, but we feel like the pool is pretty deep. We do get a number, you know, and the assets we have sold recently we've had significant tours, good interest, a lot of people digging in, so we feel really good about that. And that's simply just for the stuff we've had for sale, which would be kind of at the lower end of where our portfolio is, looking to improve some of this and definitely sell it where we've created some value. If we were to sell the GTA or the Chicago or a number of our properties elsewhere, we feel like the pool would be very deep.

Jenny Ma, BMO Capital Markets

That's fair. Do you have any colour on sort of the ability to obtain financing from some of these buyers? Has that come up as an issue at all for even one-off players here and there?

Robert Armstrong, Chief Financial Officer

No. We think, from what we've seen, other than what we did in St. John's when we sold Water Street where we provided a very, very small BTB, we think that, from what we've seen, all the buyers have (inaudible) without problem. Let me put it another way: Of everything we've sold or have in progress, we haven't ever needed to drop a deal because a buyer hasn't shown up because they don't have financing.

Jenny Ma, BMO Capital Markets

Okay, great. That's helpful. Thank you very much.

Operator

There are no further questions queued up at this time. I turn the call back over to Madeline Sarracini.

Madeline Sarracini, Investor Relations

Thanks, everyone, for joining the first quarter 2019 conference call for Slate Office REIT. Have a great day.

Operator

This concludes today's conference call. You may now disconnect.
