CORPORATE PARTICIPANTS

Madeline Sarracini
Investor Relations

Scott Antoniak
Chief Executive Officer

Robert Armstrong
Chief Financial Officer

Steve Hodgson
Chief Operating Officer

CONFERENCE CALL PARTICIPANTS

Brad Sturges
Industrial Alliance Securities

Jonathan Kelcher
TD Securities

Chris Couprie
CIBC World Markets

Blair Welch
Trustee

Himanshu Gupta
GMP Securities

Matt Kornack
National Bank Financial

PRESENTATION

Operator

Good morning. My name is Lisa and I will be your conference operator today. At this time, I would like to welcome everyone to the Slate Office REIT Second 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 second 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 Q2 2019 investor update, which is available now.

I will now hand over the call to Scott Antoniak.

Scott Antoniak, Chief Executive Officer

Thanks, Maddie, and good morning, everyone.

Slate Office REIT remains focused on our mission of owning and operating a portfolio of well located, quality office assets that deliver meaningful total returns to unitholders through an attractive monthly yield and growth in net asset value. Our strategy is simple: We acquire high-quality office assets at a discount to replacement cost, apply best-in-class asset management to create value, and dispose of the fully-valued assets to crystallize value, reinvesting proceeds into our existing core portfolio and accretive new opportunities.

The REIT maintained positive momentum in the second quarter, as demonstrated by the team's ability to generate strong operating results that continue to build value for unitholders. During the second quarter, we completed over 149,000 square feet of leasing at attractive leasing spreads of 23%, highlighting the strong demand across our core leasing markets. As a result of the strong leasing and positive leasing spreads, the REIT achieved a 1.6% increase in same-property net operating income when compared to the same period in the previous year. Of particular note, this is the sixth consecutive quarter of positive same-property NOI growth for SOT with a quarterly average of 8.5%. On a per-unit basis, FFO, core FFO, and AFFO remained stable quarter over quarter while the REIT's AFFO payout ratio decreased from 101% in the first quarter to a healthy 60.4% in Q2.

With a weighted average in-place lease term of 5.5 years and over 60% of the REIT's income being generated by government and investment-grade tenants, the REIT's current yield of 6.75% is both sustainable and attractive relative to our peers. The REIT's loan-to-value ratio decreased in the quarter to 61.2%, a decrease of approximately 200 basis points. Over the midterm, we expect loan-to-value to decline to our target ratio of 55%, providing further balance sheet flexibility for future growth.

We continue to make progress on our strategic capital recycling program. Since announcing the program in 2018, we have completed seven transactions. These transactions were completed at a 6% premium to the REIT's IFRS net asset value and delivered a weighted average levered return of over 13%. In 2019 we have completed three transactions at a 6% premium to the REIT's IFRS net asset value, delivering a weighted average levered return of 24%. These market transactions provide empirical third-party validation of the REIT's net asset value of $8.53 per unit and generate capital to be redeployed into value-creating initiatives in our existing portfolio and accretive new investment opportunities. We believe our ability to consistently transact at values above our IFRS NAV is a significant differentiator from our peers, who continue to write-down their portfolio values as they execute asset sales.

Specifically, during the quarter we completed the previously announced sale of the 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. This transaction valued the assets at $527.2 million on 100% basis and represented a levered internal rate of return to unitholders of 19%. The joint venture arrangement provided the REIT with increased liquidity to fund future accretive investment opportunities and provided third-party validation for the net asset value of 28% of the REIT's portfolio. Including the recent US acquisitions, more than half of the REIT's assets have been effectively marked-to-market over the past year, providing significant confidence in the net asset value of $8.53.

The REIT's units continue to trade at a significant discount to our net asset value. We believe this presents unitholders with a compelling total return investment opportunity for the following reasons: Recent acquisitions, along with the completion of the Wafra joint venture, validate the current net asset value of the REIT. With an annual yield of 6.75% and a current AFFO payout ratio of 60.4%, unitholders are being rewarded with an attractive and very stable income stream, particularly in comparison to our peers. The REIT has an established track record of buying well and applying best-in-class asset management to create value. Significant growth and value creation opportunities exist within the portfolio and through a pipeline of accretive acquisition opportunities that will continue to drive value creation.

Finally, with strong organic growth driven by leasing and market rental rate upside, consistent operating performance in AFFO and FFO, and a strengthened balance sheet, Slate Office REIT is very well positioned for future growth. There has never been a better time to invest in Slate Office REIT.

We look forward to continuing to execute on our strategy and thank you for your continued support. With that, I'll now open the call for questions.

QUESTION AND ANSWER SESSION

Operator

At this time, I would like to remind everyone in order to ask a question press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Our first question comes from the line of Brad Sturges from IA Securities. Your line is open.

Brad Sturges, Industrial Alliance Securities

Hi there.

Scott Antoniak, Chief Executive Officer

Hi, Brad.

Brad Sturges, Industrial Alliance Securities

Starting with the same-property metrics, 1.6% in the quarter, it's been a little bit stronger previous to that and I think last quarter you were talking about more like 2% to 3% growth. Just curious if that's still the range you're expecting going forward and should we view this quarter as more like a trough given some of the strong leasing spreads and potential for further occupancy improvements?

Robert Armstrong, Chief Financial Officer

We're coming off of our sixth straight NOI increase, as you mentioned. It's also coming off the back of a double-digit Q2 2018 growth rating, of which we did in Q3 and Q4 as well, so we think it's more just a reflection of the fact that the last years have had extremely strong growth. I think 2% to 3% is still a good target, but it's going to oscillate. We're really happy with what we've been able to achieve. We've done some great leasing this quarter, which should continue to drive that going forward, but by no means do we think that's a trough. We're happy with the double-digit growth we've done over the last year in that respect.

Scott Antoniak, Chief Executive Officer

I'd add, Brad, even though with the 23% or 24% of rental rate increases over in-place rent, when we look at the entire portfolio going forward we still see a number that's 6% to 8% across the board in all markets, so I think that would continue to drive—and Bobby said it may be a little bit lumpy, but it will continue to drive overall consistency in property numbers for the next few quarters.

Robert Armstrong, Chief Financial Officer

That number, too, excludes 120 South LaSalle from the same store number where we're doing some great leasing. We've had some strong success on our US strategy in Chicago. That's still contributing additional NOI throughout the portfolio. But we're hitting above where we were budgeting and expectations both in NOI and leasing.

Brad Sturges, Industrial Alliance Securities

From an occupancy perspective, you're still targeting over 90% by the end of the year?

Robert Armstrong, Chief Financial Officer

We think we're 89%.

Scott Antoniak, Chief Executive Officer

Yes.

Brad Sturges, Industrial Alliance Securities

Okay. In terms of 2599 Speakman, signed an 18,000 square foot lease there. I think the last call you were talking about activity for potentially half the building. Just wanted to get an update on what activity you're seeing at the property right now.

Steve Hodgson, Chief Operating Officer

Yes, Brad, it's Steve. We have had tours over the last few weeks from some larger prospective tenants. Having done that first deal with an engineering company, it is known in the market that we are open for business and it repositions the building as not just a vacant building but a tenanted building. We have had some success recently. We still expect the same lease-up timing we've messaged in the past.

Brad Sturges, Industrial Alliance Securities

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

Scott Antoniak, Chief Executive Officer

Thanks, Brad.

Operator

Our next question comes from the line of Jonathan Kelcher from TD Securities. Your line is open.

Jonathan Kelcher, TD Securities

Thanks. Good morning.

Scott Antoniak, Chief Executive Officer

Hey, Jonathan.

Jonathan Kelcher, TD Securities

First question, you had about $800,000 of lease termination income in the quarter. Was there any in Q2 2018?

Robert Armstrong, Chief Financial Officer

Yes, there was. There was just under $500,000.

Jonathan Kelcher, TD Securities

Okay. And secondly, what does it relate to?

Steve Hodgson, Chief Operating Officer

It relates to a tenant at 191 The West Mall. [And we had expected when we acquired the assets.] We have a plan to backfill some space. It allows us to consolidate a larger block of availability and attract some of the larger tenants that are in the market in that node.

Jonathan Kelcher, TD Securities

Okay. Is there more lease term coming from there? You said you expected that one; do you expect any more?

Steve Hodgson, Chief Operating Officer

No.

Robert Armstrong, Chief Financial Officer

I think it is important to note, on those assets where the termination came from, that was something where we wanted this to happen because the availability of contiguous space and being able to deal with a large user in that node actually puts us in a better position.

We are hopeful that having some additional capacity to go make some moves would allow us to put a bigger user in with a better credit.

Jonathan Kelcher, TD Securities

Okay, makes sense. And then just secondly on the, I guess post the Duncan Mill sale, what would your pro forma leverage be?

Robert Armstrong, Chief Financial Officer

It should be 59 or so.

Jonathan Kelcher, TD Securities

Okay. Do you expect that to sort of stick there through Q3 or to be active on the NCIB again?

Robert Armstrong, Chief Financial Officer

The way we look at leverage even absent asset sales, and call it, 2% to 3% NOI growth in the portfolio, if you just take that growth at the same cap rate we are applying to the valuation you get a natural 300 to 350 basis points a year of LTV creeping downwards, plus we have debt and continue to push that down. Additionally, with the distribution revision, we'll retain the additional $26 million of capital, which is all going to pay down debt. So, we think we are in a really good spot structurally to continue to have that number push down. We don't need to sell assets in order to get that number down; it is just going to be a natural flow in that direction.

Jonathan Kelcher, TD Securities

Okay. And then just lastly, what were the cap rates on the Waverley and the Duncan Mill transactions?

Steve Hodgson, Chief Operating Officer

Waverley was a low 6 cap and about $225 a foot, which is, interestingly, similar metrics to what we are buying in downtown Chicago.

Scott Antoniak, Chief Executive Officer

We like that trade, Jonathan, that we can trade suburban Winnipeg at 6.25 and $225 for what we're buying in downtown Chicago at exactly the same metrics.

Steve Hodgson, Chief Operating Officer

Yes - at Duncan Mill, the head lease would be burning off at the end of June or it had burned off at the end of June, so we didn't look at that from a cap rate perspective, necessarily, Jonathan.

Jonathan Kelcher, TD Securities

Okay. But if I'm looking at it, I'm looking at it more how much NOI to take out for Q3.

Scott Antoniak, Chief Executive Officer

Nothing in Q3.

Steve Hodgson, Chief Operating Officer

Zero.

Scott Antoniak, Chief Executive Officer

Yes - it'd be zero, Jonathan, on the go forward.

Jonathan Kelcher, TD Securities

Okay. Well, another way to ask is how much NOI did it give you in Q2?

Steve Hodgson, Chief Operating Officer

The head lease was not included in the NOI.

Robert Armstrong, Chief Financial Officer

Jonathan, with the sales, just on the cap rate, I think the things that are important to us that we have executed over the last six months are one, we have averaged a 25% IRR on all the sales we have done for the year to date. Duncan Mill, the Waverleys, and the sale to Wafra, secondly, all of those were at or above IFRS. And that's been the consistent track record for the last three years as we've been selling, selectively, assets and recycling capital into new opportunities.

I think that's really compelling from our perspective and it keeps coming back in the message Scott talked about in his conversation before the Q&A that we think that is really compelling and is a good source of proof and it's a huge differentiator to what our competitors have been doing. We are selling assets at or above IFRS, we are validating our NAVs, and the large majority of the rest of the REIT market has a consistent track record of selling assets significantly below NAV, consistently, and not taking write downs in the rest of the portfolio. We have been selling at NAV or above NAV in each and every case and taking that capital and recycling opportunities and we have not been writing up the rest of our portfolio. And that is a huge differentiator from where we stand relative to others in the market.

Scott Antoniak, Chief Executive Officer

I would add even, Jonathan, we have another $75 million to $100 million of potential dispositions to culminate here with the recycling plan and that trend will continue. We are going to see the same kind of returns and the same kind of premium to IFRS value. I think it is incredibly important to us that that message gets out, because it is consistent and it has been repeatable and it is everything we have done over the last two years and then the next six months going forward. So, it is a big part of what we are doing.

Jonathan Kelcher, TD Securities

Okay. Fair enough. I will turn it back.

Scott Antoniak, Chief Executive Officer

Thanks.

Operator

Our next question comes from the line of Chris Couprie from CIBC. Your line is open. Chris, your line is open.

Chris Couprie, CIBC World Markets

Good morning, guys. I just wanted a clarification with respect to the lease termination income. In the MD&A you talk about tenants representing 172,000 square feet will be vacating in the remainder of 2019. So, is that already, is that what this is relating to or is this something else?

Steve Hodgson, Chief Operating Officer

No. That would be the number that we reference in the MD&A in reference to the balance of the year. Then this was Transat at 191 and it was somewhat related to the acquisition by Air Canada.

Chris Couprie, CIBC World Markets

Okay. So then in terms of the vacancies for the balance of the year, what markets will those be? Any kind of progress on backfilling that vacancy?

Steve Hodgson, Chief Operating Officer

Yes, the vacancy has not come on line yet, we have had some progress on backfilling the vacancy but not a lot, mostly in Toronto and then one vacancy in Halifax.

Scott Antoniak, Chief Executive Officer

Chris, I would add, the 89% to 90% occupancy number for end of year includes that. So that space coming back plus what we view, either leasing that we have done or incremental leasing we expect to do over the next two quarters, we still think will be between 89% and pushing 90% occupancy.

Steve Hodgson, Chief Operating Officer

As Bobby mentioned, we expect to be at 89% by the end of the year. What that includes is we are at 87.2% today. With the sale of Duncan Mill, that will decrease occupancy by 0.2%. Expected vacancies represent 2.3% of the GLA. We have completed new leases that are already complete but have not yet commenced that represent 1.7% of the GLA. The balance, 2.5% of the GLA, are deals that we expect to do throughout the balance of the year which is new leasing.

Chris Couprie, CIBC World Markets

Okay, great. Thanks for that colour. And just one final clarification with respect to the question Jonathan asked. So, is it in your calculation of AFFO you have a guaranteed income supplement. So is that essentially going away with the sale of Duncan Mills?

Robert Armstrong, Chief Financial Officer

That's correct.

Chris Couprie, CIBC World Markets

Okay. Switching gears, looking at Chicago, it looks as though the state is undergoing a property reassessment cycle and just in terms of how you're thinking about that impact on property taxes. I mean leasing and the fundamentals for the market appear to be very strong at the moment. The investment, sorry, the investment market less so, at least for the last kind of six to nine months. Just kind of what's your outlook for the Chicago market, call it, over the next year or two?

Blair Welch, Trustee

Hi, it's Blair. Chicago is one of the major cities in North America. It has had half a million square feet of positive absorption. I don't know too many cities in North America that aren't going through a property tax re-evaluation and taxes aren't going up. So, I appreciate the colour on Chicago, but if you can show me a town that has taxes going down, let's all move there tomorrow.

I think that it's a diverse economy that has people going into the core of Chicago because of its proximity to transit that is hard to recreate. We believe that tax increases, unfortunately, are borne by the consumer and the businesses that are our tenants. So, taxes going up, yes, impact, but we feel in Chicago we are still, where we bought those buildings, mid-30 gross rents, which we were thinking are high teens, are already low-20 net rents.

So yes, taxes will go up in Chicago. Yes, taxes are going up everywhere. I would like to point out that Toronto downtown A-Class office is $25 a square foot of taxes. Chicago isn't there yet. So, we feel confident that we can pass this to businesses. We still think Chicago is a vibrant market. We'll keep an eye on it but we don't think looking at the taxes in Chicago in isolation is necessarily different to any other market where we see taxes going up and a burden to any tenant.

Chris Couprie, CIBC World Markets

Fair enough. It definitely is an attractive value market in the US given the talent pool available. Thanks for the colour, Blair, and I'll turn it back.

Operator

Our next question comes from the line of Himanshu Gupta from GMP Securities. Your line is open.

Himanshu Gupta, GMP Securities

Just to follow-up to Chris's question on the leasing side, so 172,000 square feet will be vacating for the balance of the year, and so just to clarify, this is out of the 350,000 square feet which is expiring for the balance of the year? And on the same lines, what are your expectations for 800,000 square feet which is expiring next year? Any early indications of any expected vacancies? I mean I know you mentioned Exxon previously; any other indications?

Steve Hodgson, Chief Operating Officer

That is correct that the vacancies I mentioned are out of the expiries for the balance of the year. Next year, in 2020, we do expect a couple of vacancies in Newfoundland at TD Place, about 30,000 square feet, and then the previously mentioned Exxon departure from Cabot Place for 96,000 square feet. Both of those will occur at the end of April 2020. The Transat termination where we received the penalty this quarter, there's 12 months notice on that, so they will expire at the end of June 2020 for 15,000 square feet.

Himanshu Gupta, GMP Securities

Sure. And then the follow-up on 2599 Speakman Drive, I think 18,000 was leased to Hatch. What are the rents there and what was the leasing cost?

Steve Hodgson, Chief Operating Officer

I'll speak generally about that, Himanshu, because, for privacy reasons with respect to tenants' economics, but we are doing deals. If you recall when we achieved the SNC redevelopment, we spent a lot of capital and we did rents that were in the $17 to $19 range. We are achieving rents in that range at 2599 without having to incur significant leasing cost. The leasing cost we'll incur will be in line with the market at probably $40 to $60 a foot on seven- to ten-year deals.

Himanshu Gupta, GMP Securities

Okay. And then just switching gears, on the NAV calculation, and thanks for the additional disclosure on page six, so question is, so you recorded a fair value of vacant and redevelopment properties of $47 million. Which properties are you including in this calculation for $47 million?

Robert Armstrong, Chief Financial Officer

It's primarily 2599 Speakman.

Himanshu Gupta, GMP Securities

Okay. And that's recorded at $47 million?

Robert Armstrong, Chief Financial Officer

No. There are some other things in there as well.

Himanshu Gupta, GMP Securities

Okay. And then for the calculation of NAV there, I think you use $100.4 million and cap it by, I think, 6.28. So is this $100 million in-place NOI or is it normalized NOI? I mean do you do any occupancy adjustment for this calculation for your NOI of $100.4 million?

Robert Armstrong, Chief Financial Officer

It is what we would think a very conservative one year forward. We have been very, very happy. And to step back from the calculation and, Himanshu, we have highlighted it before and I know you do believe this, but when we look at the NAV there's a calculation to get there but with Wafra coming in and giving us a trade for $527.2 million of our portfolio for a minority interest, non-controlling position, they're a very sophisticated global investor. We think that provides a good benchmark for effectively a third of our portfolio plus the US acquisitions.

And then every asset we have sold over the last two, three years has been at or above IFRS. As mentioned before, that is in contrast to a number of peers. We think that is a pretty good benchmark for there to be belief in our NAV of $8.53. We are really happy with that. We think that is probably conservative given our continued ability to sell above IFRS. But notwithstanding that in the calculation, we have been consistently fairly conservative in the way we have done that. We think that is shown in the results. But effectively, to answer your question directly, it is simply a one-year forward-looking NOI.

Himanshu Gupta, GMP Securities

Is it at the in-place occupancy? Or are you assuming any upside to your occupancy as well for this number?

Robert Armstrong, Chief Financial Officer

Just known leasing.

Scott Antoniak, Chief Executive Officer

It is in-place, Himanshu. So, there is upside. If we continue to outperform and increase occupancy, there's upside. So, it is in-place.

Himanshu Gupta, GMP Securities

Sure. And probably the final question is on Duncan Mill disposition. Obviously, 20% higher than the purchase price last year. Has the overall market also moved or is it very specific where you are able to achieve that kind of upside?

Steve Hodgson, Chief Operating Officer

Himanshu, it's Steve. I think it's reflective of where we were able to buy through the larger Cominar transaction that Slate Asset Management completed and SOT had the option to purchase certain assets that it wanted to own that fit its strategy at what we thought was a wholesale price. That is reflective of what we were able to sell it to an individual who was eager to own an asset in a value-add scenario. We were comfortable owning it. We had an action plan to deliver returns, and the price that we were able to execute on opportunistically and unsolicited was compelling enough to allow us to sell it sooner than we anticipated at a 50% levered IRR.

Scott Antoniak, Chief Executive Officer

Himanshu, let me just run with this a little bit. I think, it is not a universal phenomenon across all nodes in the GTA, but I think that is the part of the whole SOT story. Whether it is through portfolio acquisitions or off-market deals, we have been able to buy a certain kind of office real estate where we think we can generate outsized returns. I would point you to the 427. I mean, yes, we sold 25% of it to Wafra. It is important to note, I think, we wanted to keep 75% of this, because we think there is continued upside there. As you know, I have sold those buildings three different times to different public entities over the last 20 years and we saw an opportunity there. I think, for the first time in that 20-year period, rents have really moved. We are starting to see downtown tenants who either cannot find space or do not like the cost of space downtown moving out there. So, we are trying to acquire assets. And the story might always be a little bit different but what is consistent is that we can create value.

Perhaps it is unique to our portfolio, but we think we do a really good job on the buy and then add value through asset management. And that's the whole story, right? The ability to create this. And not just to tell you that we are doing it but to actually prove that we are doing it every time we sell and transact. Whether it is a kind of wholesale-to-retail trade like Duncan Mill was or something that's a more 427 market-specific phenomenon, I think we've shown we are pretty good at identifying those opportunities and I think we'd look for more of that across the portfolio.

Himanshu Gupta, GMP Securities

Sure. Thanks for the colour. SNC-Lavalin, have you heard anything from them as you look to right size your business?

Scott Antoniak, Chief Executive Officer

No, we have not. And I would take two things here. Our two exposures are Winston Park in the 427, or Sheridan rather. Sheridan we've spent a lot of capital in there. They've got their research facility for the nuclear division there. That's kind of mission-critical. Whether that is called SNC-Lavalin or Atomic Energy Canada, that business is not going away, so we are highly insulated there from the build form of the product, the length of the lease term, and they are sticky because of the research facility. So that's A.

B, the second big exposure would be 427 and 195 West Mall. That is more project-based engineering folks. As you know, that is incredibly overbuilt space. It was Nortel space. That is downtown quality, double-A office space in a suburban location with tons of parking, so it is good. We have not heard anything from them but I would say this, if we did hear something from them, it would not necessarily be a bad thing there. Their in-place rent is probably 20% to 25% below market and our biggest challenge right now in the 427 is availability of space. There is lots of tenant demand. And if that upside came to us, I think that that would be a positive thing. But to date we haven't heard anything from them.

Himanshu Gupta, GMP Securities

Okay, thank you. Thank you so much guys. I'll turn it back.

Scott Antoniak, Chief Executive Officer

Thanks, Himanshu.

Operator

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

Matt Kornack, National Bank Financial

With regards to the new and renewal leasing, the spreads that you've been able to achieve and whether or not that's been a function of the market moving capital invested and what geographic regions you're seeing those type of spreads in.

Steve Hodgson, Chief Operating Officer

Yes, it continues to be Toronto and Chicago where we're seeing it most. And then I would add Halifax, specific to Maritime Center.

Blair Welch, Trustee

Matt, it's Blair. I think that we have seen it everywhere. We are fundamental basis buyers and when we buy an asset, we look at what we are paying per square foot compared to in-place market rents. Do not get me wrong, cap rates are extremely important, but it is really someone else's rent roll that went back five or ten years in a totally different market. It is important and you need to judge yourself on a cap rate, but we feel it is more important what I am paying for a hard asset under current market rents and what can it be in the future. I think we are very disciplined at that and I think the team has done a great job and that is why we have been able to create double-digit IRRs.

I think when we look at selling an asset, we do not need to sell assets, but if we have marked an asset at our NAV and someone comes in and says, "I'm going to pay you more." It's our responsibility to go to the board, which represents the unitholders, and say, "Look, someone is going to pay more. Why don't we recycle that money? If we give the investor a 20% return, let's go do it again." And I think that starts with what's our basis, what are market rents, and let's go do it. So, yes, the market rents go up and down, but we feel very confident that we are basis buyers and our in-place rents have room for growth across the portfolio. We are seeing that.

Matt Kornack, National Bank Financial

That's a fair point. On that note, with regards to capital recycling, it was mentioned, I guess, $100 million of potential further dispositions. Are you going to be a net seller of assets from this point on? Or is the view that you'd take that capital and put it in Chicago or elsewhere?

Scott Antoniak, Chief Executive Officer

The latter.

Matt Kornack, National Bank Financial

Okay. And is there a timing sort of on the dispositions versus acquisitions?

Scott Antoniak, Chief Executive Officer

Yes. I think, Matt, the dispositions kind of the third and fourth quarter this year, they may leak into the first, but I think principally done by the end of this year and then turned to start doing what we are best at, which is finding opportunistic office with a story where we can do it again, to Blair's point, right? If we can show double digit, 20% levered IRRs to unitholders and sell assets at a premium to NAV and all the while kind of up-tier the location, quality, tenant quality, lease term, et cetera, that's a pretty good story for unitholders. So that's the plan.

Matt Kornack, National Bank Financial

And as much as you are basis buyers, it sounds like from a cap rate standpoint as well you can sell sort of secondary Canada to buy primary US at relatively similarly going-in yields.

Scott Antoniak, Chief Executive Officer

Yes, that has been our experience. I would add on the pipeline side, Matt, I know we talked about this when we were in Chicago, we see that there's a significant amount of opportunity in assets and markets that we like, whether that's adding to Chicago. We have had significant success, whether it's 427, whether it's downtown Chicago, or whether Woodbine or even St. John's, for that matter where we're clustering assets where we can take advantage of those economies of scale and the ability to move tenants and offer varying solutions in the specific market. So, from that perspective, Chicago makes sense, and then we'll be opportunistic. I think doing brokered, let's call them, retail-ish office trades in Canada is maybe not best execution for us right now, but that said, there's a track record of being creative here as well, so who knows what happens on the bigger front, we'll be looking to kind of rinse and repeat into 2020, so to speak.

Matt Kornack, National Bank Financial

Fair enough. And then you spoke about some of the vacancies in 2020 but, I mean, you're gaining 200 basis points or so of occupancy in the back half of this year, potentially. I mean is your view that this should be low 90s in-place occupancy portfolio? Or what is stabilized ideally in the future?

Scott Antoniak, Chief Executive Officer

I think stabilized is 90% to 92%, and that is going to be subject to adding to the portfolio. And if you look at the kind of stuff we bought and where we bought it, I think you could probably infer that is what it would look like going forward. But once we're stabilized on a run rate basis, it's 90% to 92% for this kind of office product.

Robert Armstrong, Chief Financial Officer

On the occupancy, we are getting there. If you look at the last three years, we have had a very consistent basis of quarter over quarter either keeping leasing or occupancy stable or growing it. So, we just think it takes time, but we have full confidence that we'll get to the low 90s and just continue the track record from that perspective we've had for the last three years.

Matt Kornack, National Bank Financial

Then the last question for me on the buyback, I know it was opportunistic, share price is still opportunistic when you look at that implied cap rate. If you're selling assets, is that also going to be a potential destination for some of those funds as well?

Robert Armstrong, Chief Financial Officer

Absolutely. We think the NCIB is still a very compelling opportunity. We do not need to underwrite any of these assets. It is instantly accretive to unitholders. We have already spent $13 million doing it this year. But, at the same time, to balance that, our acquisition pipeline is well over $1 billion of assets that we are looking at and underwriting currently, so we have got lots of opportunities.

To the point we made earlier, we have great capital allocation choices at this point. Our units are trading at a discount to NAV. That is very much attractive. But if we have a ton of opportunities where we can just take our capital and recycle back into 20 IRR deals, we'll continue to do that to the extent we can and continue to grow NAV for unitholders.

Matt Kornack, National Bank Financial

Makes sense. Thanks, guys.

Scott Antoniak, Chief Executive Officer

Thanks, Matt.

Operator

And again, if you'd like to ask a question, it's star one on your telephone keypad.

And we have no further questions in queue. I'll turn the call back over to Ms. Sarracini for closing remarks.

Madeline Sarracini, Investor Relations

Thank you, everyone, for joining the second quarter 2019 conference call for Slate Office REIT. Have a great day.

Operator

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