

Office  
REIT

SLATE

SLATE OFFICE REIT

# INVESTOR UPDATE

Q3 2018

noodles & company

# SLATE OFFICE REIT



Pure play North American  
office REIT



High quality assets located in target  
markets with strong operating histories



Managed by Slate Asset  
Management L.P. ("SLAM") which  
owns 9.3% of the REIT

## Mission

Own and operate a quality office portfolio that provides a meaningful total return to unitholders through net asset value growth and an attractive yield

# SLATE OFFICE REIT

**7.9M**  
Square Feet

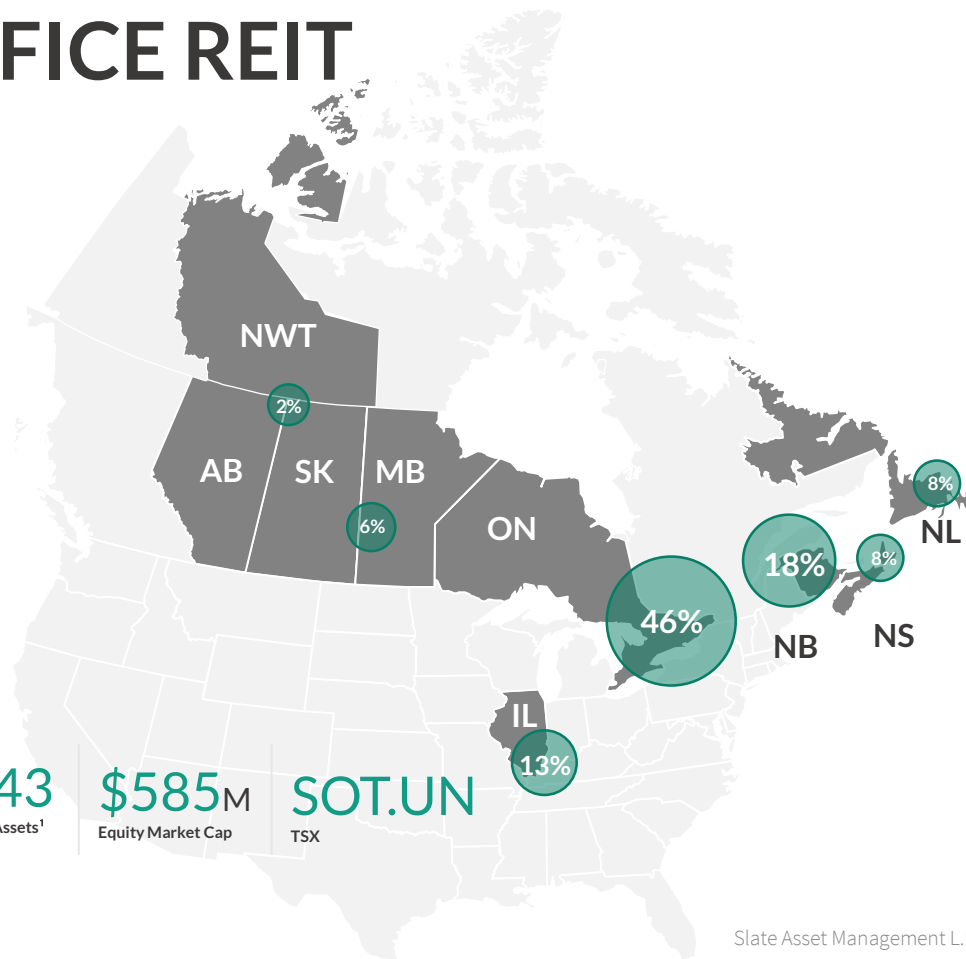
**\$1.8B**  
Total Enterprise Value

**43**  
Assets<sup>1</sup>

**\$585M**  
Equity Market Cap

**SOT.UN**  
TSX

<sup>1</sup>As at September 30, 2018



# HOW WE EXECUTE

## Acquisition Discipline

- Acquire at a discount to replacement cost with below market rents
- Source off market and/or complex deals
- In-place yield with value creation opportunity



## Best In-Class Management

- Leverage SLAM brokerage network
- Build tenant relationships
- Develop tailored asset strategy
- Hands-on, nimble operators



## Value Creation

- Improve rents
- Higher occupancy
- Better credit quality
- Reduced risk
- Extended lease term



## Recycle Capital

- Operating cash flow
- Sell fully valued non-core assets
- Consider strategic partnerships
- (Re)financing



# ACQUISITION STRATEGY

The REIT has acquired \$500M of assets in 2018



**20 South Clark<sup>1</sup>**



**120 S LaSalle<sup>1</sup>**



**March 2018 Portfolio**

Deal Sourcing	Off market transaction through existing SLAM relationship in Europe	Marketed deal through CBRE	Off market transaction in conjunction with larger SLAM portfolio transaction
Location	Chicago, Illinois, United States	Chicago, Illinois, United States	Greater Toronto Area, Atlantic Canada
Pricing	\$225 per Sq. Ft.	\$237 per Sq. Ft.	\$192 per Sq. Ft.
Estimated Replacement Cost	\$500 per Sq. Ft.	\$550 per Sq. Ft.	\$300 per Sq. Ft.
Strategic Alignment	The REIT's first U.S. transaction leverages SLAM's existing U.S. platform and market expertise	The REIT's second U.S. transaction furthers expansion objective in Chicago market	Strengthens the REIT's presence in existing Canadian target markets
Occupancy	84%	84%	93%
Premium/(Discount) to Market Rent	(18%)	(20%)	(1%)

<sup>1</sup>All figures shown in USD

# ASSET MANAGEMENT

The REIT deploys active asset management to create long-term property and unitholder value

## Long Term Lease Renewals

- Securing key tenants:
  - This quarter, the REIT completed three new leases totaling over 46,000 square feet at the Sheridan Exchange
  - In 2017, the REIT completed a 10-year renewal and expansion with Johnson Insurance at the Johnson Building at a 32% increase to expiring rent
  - In 2016, the REIT completed a 11-year renewal with Medavie Blue Cross at the Blue Cross Centre, increasing building WALT by 4.7 years

## SLAM Platform

- Leveraging relationships:
  - Preferred broker counterparty
  - Access to capital markets
  - Equity research coverage
  - Acquisition pipeline
  - Community involvement/outreach

## Asset Repositioning Strategies

- Unlocking value:
  - Repositioning Chicago acquisitions through an enhanced, modern amenity offering and retail opportunity
  - Redevelopment of Maritime Centre in Halifax including a new food court, increased parking, and improved pedestrian experience. This project is on schedule to begin this year
  - Completed property improvement plan at Delta Brunswick Hotel which resulted in a ~25% increase in average rates and material improvements in occupancy



# CASE STUDIES

## Case Study: Maritime Centre

- Acquired as part of the Fortis portfolio with Bell Aliant vacating 194,958 sq. ft. of office space
- The REIT secured leases with six credit quality tenants including the Province of Nova Scotia, Salesforce, and Volta Labs for 135,488 sq. ft.
- The rental rates on the new leases represent a 43% increase to the expiring Bell Aliant rent, and the REIT has now made back all income after ~70% of GLA has been leased
- The remainder is expected to be leased in 2018 at similar rates, resulting in almost \$1M of incremental income



## Case Study: 427 Corridor

- In Spring 2017, the REIT acquired West Metro Corporate Centre and Commerce West, comprising over 1M sq. ft. on the 427 Corridor in Toronto
- At acquisition, in place rents were estimated to be 12% below market
- One year after acquisition, the weighted average lease term at West Metro has increased by 20%
- Successfully renewed the largest tenant resulting in rental increases of 4%
- Harvested over \$20M of equity through a refinancing



# CASE STUDIES

## Case Study: 4211 Yonge Street

- The property is now 96% occupied, an increase from 88% in 2014, and rents have increased by over 12% over the same period
- The property is still showing strong leasing momentum, and it is expected to continue to see rental increases in the future
- Harvested over \$8.5M through a refinancing based on increased valuation



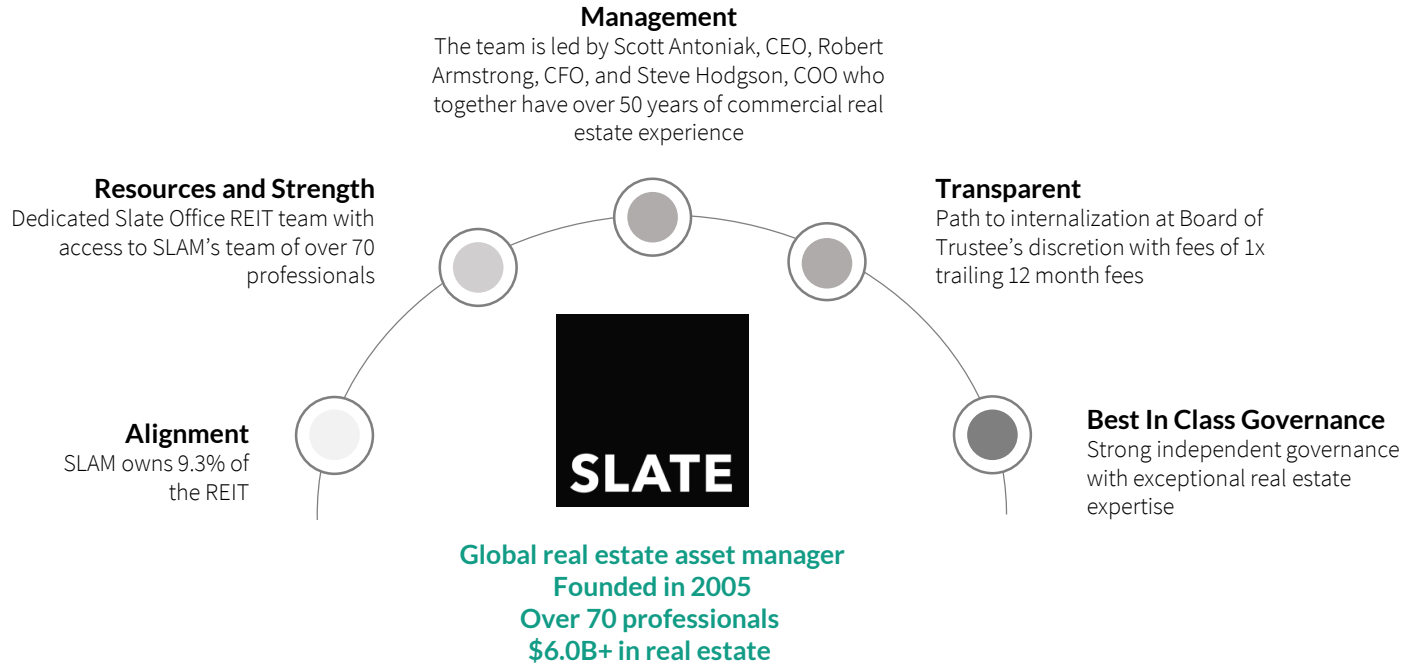
## Case Study: SNC Campus

- \$46M commitment to revitalize Sheridan Park facilities as the REIT's largest Tenant, SNC-Lavalin, extended its lease for 10 years significantly below new construction rents
- Successful reposition of existing assets into state of the art facilities for a research and development campus and headquarters for SNC-Lavalin's nuclear division
- Recipient of "Office Lease of the Year" at the 2016 REX awards





# SLATE ASSET MANAGEMENT L.P.



# ACQUISITION ACTIVITY

	Fortis Portfolio	2251 Speakman	Gateway Centre	Atlantic Canada	365 Hargrave	427 Corridor	20 South Clark	Cominar Portfolio	120 S LaSalle
Date	Jun. '15	Oct. '15	Jun. '16	Aug. '16	Jun. & Sep. '16	Apr. '17	Jan. '18	Mar. '18	Aug. '18
Off Market		✓		✓	✓	✓	✓	✓	
Price Per Sq. Ft.	\$119	\$80	\$251	\$384	\$171	\$224	\$225 <sup>1</sup>	\$192	\$237 <sup>1</sup>
Size	\$430M	\$9M	\$58M	\$73M	\$12M	\$260M	\$86M <sup>1</sup>	\$191M	\$156 <sup>1</sup>
Commentary	Transformational \$430M acquisition of office portfolio from Fortis Inc. The deal was 3x the REIT's market cap	SLAM warehoused 2251 Speakman Drive making redevelopment with SNC possible	Marketed deal building scale in existing markets	Purchased remaining 51% interest in Places assets from equity partners through SLAM's relationship	Acquired 100% control from partner of 3 premier Atlantic Canada assets \$12M acquisition of 365 Hargrave property	\$260M acquisition providing consolidation of key assets in the GTA's 427 Corridor	Off-market transaction to enter the Chicago market, sourced via European relationships	\$192M portfolio of 7 properties in the GTA and Atlantic Canada from SLAM's \$1.14B Cominar transaction	2 <sup>nd</sup> acquisition in Chicago Loop provides enhanced presence and leasing opportunities

<sup>1</sup>All figures shown in USD

# BEST-IN-CLASS GOVERNANCE

The independent trustees are characterized by strong and experienced members with significant leadership and real estate experience

	Independent	Audit	Investment	Compensation, Governance and Nominating
John O'Bryan (Chair of the Board)	Yes		Member	
Nora Duke	Yes	Member	Member	
Tom Farley	Yes		Chair	Member
Monty Baker	Yes	Chair		Member
Pam Spackman	Yes	Member		Chair
Blair Welch	No		Member	
Brady Welch	No			

# LOOKING AHEAD

The REIT will continue to deploy a prudent acquisition strategy and asset management approach to provide investors with an attractive yield while meaningfully increasing net asset value

## Enhanced Diversification



- Build out the REIT's U.S. platform
- Continue to pursue opportunities in target markets in the U.S.

## Proven Track Record



- Continue to build scale in existing Canadian Markets
- Opportunistically engage in asset repositioning and redevelopment to unlock value

## Leverage Relationships



- Leverage SLAM relationships to complete off-market transactions that are opportunistic for the REIT

# CAUTIONARY STATEMENTS

## Forward-Looking Statements

This presentation contains forward-looking information within the meaning of applicable securities laws. These statements include, but are not limited to, statements concerning the REIT's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Readers should not place undue reliance on any such forward-looking statements. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, the continued availability of mortgage financing and current interest rates; the extent of competition for properties; assumptions about the markets in which the REIT and its subsidiaries operate; the global and North American economic environment; and changes in governmental regulations or tax laws. Although the forward-looking information contained in this presentation is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this presentation may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this presentation. Except as required by applicable law, the REIT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## Non-IFRS Measures

This presentation contains financial measures that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board. Slate Office uses the following non-IFRS financial measures: Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI"), and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the REIT's performance and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. In addition, they do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries.

## Use of Estimates

The preparation of the REIT financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management's estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions.



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