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Steve Hodgson
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Robert Armstrong
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CONFERENCE CALL PARTICIPANTS

Brad Sturges
Industrial Alliance Securities

Stephan Boire
Echelon Wealth Partners

Chris Couprie
CIBC World Markets

Jonathan Kelcher
TD Securities

Brendon Abrams
Canaccord Genuity

Matt Kornack
National Bank Financial

Jenny Ma
BMO Capital Markets

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Slate Office REIT Third Quarter 2019 Financial Results Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. To ask a question during this session, you will need to press star one on your telephone.

Please be advised that today's conference is being recorded. If you require any further assistance, please press star zero.

I would now like to hand the conference over to your speaker today, Madeline Sarracini, Investor Relations. Please go ahead.

Madeline Sarracini, Investor Relations

Thank you, operator, and good morning, everyone. Welcome to the third 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 would 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 Q3 2019 investor update, which is available now.

I will now hand over the call to Scott Antoniak.

Scott Antoniak, Chief Executive Officer

Thanks, Maddie. Good morning, everyone, and thank you for joining the call.

Slate Office REIT remains focused on owning and operating a portfolio of well-located, quality office assets that deliver meaningful total returns to unitholders through an attractive monthly yield and continued growth in net asset value. Our track record of value creation is predicated on a simple and consistent investment thesis: to acquire well-located quality office assets at a discount to replacement cost and apply an aggressive and tailored approach to asset management to create value for unit-holders.

The REIT maintained positive momentum in the third quarter, as demonstrated by the team's ability to generate strong operating results that continue to build value. During the third quarter we completed over 124,000 square feet of leasing at an attractive average leasing spread of 25.4%, highlighting the strong demand across our core leasing markets. With in-place rent across the portfolio at a 12% discount to market rent, the REIT is well positioned to generate strong organic growth going forward.

On a per-unit basis, FFO, core-FFO and AFFO each increased by \$0.01 quarter over quarter to \$0.19, \$0.20, and \$0.17, respectively. The REIT's AFFO payout for the quarter was a healthy 59%. Combined with the fact that 62% of the REIT's income is generated from government and investment-grade tenancies, our current distribution yield is both secure and very attractive relative to our peers.

The REIT's loan-to-value ratio further decreased in the quarter to 59.7%. Over the mid-term we expect loan-to-value to decline to a target ratio of 55%, providing the REIT with enhanced balance sheet flexibility for future growth.

The REIT's net asset value per unit increased to \$8.86, up 3.9% from the second quarter of 2019 and 5% year over year. Including our recent US acquisitions and the Wafra 25% joint venture investment in our GTA office portfolio, more than half of the REIT's assets have been effectively marked to market over the past year, providing third-party validation of the REIT's net asset value.

While the units are currently trading at a significant discount to net asset value, we believe this presents unitholders with a compelling total return investment opportunity for the following reasons: completion of capital recycling plan enhances liquidity and provides the REIT with capital to invest in existing assets and new acquisition opportunities; an established track record of buying well and applying best-in-class asset management to create value; significant growth in value creation opportunities exists within the portfolio and through a substantial pipeline of accretive acquisition opportunities in Chicago and other key markets in the Midwest and Southeastern United States; recent transactions provide third-party market validation of the current net asset value of the REIT; with the current distribution and an AFFO payout ratio of 59%, unitholders are being rewarded with an attractive and stable income stream.

Embedded organic growth across the portfolio will be driven by increased occupancy and moving in-place rental rates to market. At present, in-place rents are, on average, 12% below market. With consistent operating performance in FFO and AFFO and a strengthening balance sheet, Slate Office REIT offers a compelling investment opportunity and is well positioned for the future. We look forward to continuing to execute on our strategy and we thank you for your continued support.

With that, I will open up the call to any questions.

QUESTION AND ANSWER SESSION

Operator

Ladies and gentlemen, to ask a question, please press star then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

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

Brad Sturges, Industrial Alliance Securities

Hi. Good morning.

Scott Antoniak, Chief Executive Officer

Good morning, Brad.

Brad Sturges, Industrial Alliance Securities

Just looking at your lease maturity schedule, I think in the MD&A you noted 64,000 square feet vacating in Q4. Can you elaborate on what that is or what is driving that vacancy?

Steve Hodgson, Chief Operating Officer

Hey, Brad. The 64,000 that is vacating in Q4 is a number of small tenants, some in the US where we either were not able to accommodate their growth or the tenant was not willing to pay the rents that we were asking for as we move the buildings up market, and then some was just regular churn in the portfolio in Atlantic Canada and Toronto. Nothing major.

Brad Sturges, Industrial Alliance Securities

On the last call I think you were looking at, by the end of the year, like an 89% occupancy rate. What would be the target based on what leasing activity you have seen so far to date?

Steve Hodgson, Chief Operating Officer

It is always difficult to predict, Brad, because there are a few larger transactions that may or may not happen at this juncture; however, we are mostly in line with what we have messaged in the past, but are probably scaling it back slightly to about 88%.

Brad Sturges, Industrial Alliance Securities

Okay. And then for 2020, in terms of the lease maturities, can you just remind us what are the expected vacancies right now?

Steve Hodgson, Chief Operating Officer

Sure. So, in Atlantic Canada, in April of 2020 Exxon is vacating, and that is 96,000 square feet, and also in St. John's another tenant at TD Place is vacating at the end of April for 30,000 square feet. And in Halifax, at the end of this year, a 30,000 square foot tenant is vacating.

Brad Sturges, Industrial Alliance Securities

Okay, great. Thanks. I will turn it back.

Operator

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

Stephan Boire, Echelon Wealth Partners

Thanks. Good morning. I will first start off with a very general question, but in light of the most recent economic announcement, has your base scenario changed in terms of the macroeconomic environment and ultimately on the demand for office space in the US?

Scott Antoniak, Chief Executive Officer

Sorry, Stephan, can you repeat the announcement?

Stephan Boire, Echelon Wealth Partners

In light of the most recent economic announcements, especially in the US, has your base scenario changed in terms of the macroeconomic environment? I mean what is your scenario for 2020 in terms of organic and external growth?

Scott Antoniak, Chief Executive Officer

A couple things there, Stephan. As you know, we did a significant amount of diligence in Chicago, and it was not just predicated on a near-term thesis. In terms of in-migration into Chicago, job growth burgeoning, if you will, to use that word, the tech market in Chicago, I think not all individual markets are created equally but we continue to be optimistic about the central loop in downtown Chicago and increasing occupancy and having rents move. And given the fact that we own the real estate at $230 a foot and in-place rents on a gross basis for the space that we have are 50% to 60% of what some of the competition in that space are at, I think we see continued upside there.

We have spent some time in the last few months looking at other markets in the Midwest and the Southeast and we are picking our spots, but there are significant opportunities in various markets in the US, like Jacksonville, for example, or Orlando or Tampa Bay, where there is real economic activity, there is an increasing younger workforce who are choosing to look at markets that have lower taxes, a better cost of living and, not to be trite about it, but a better climate. That is a real thesis that is emerging that we are seeing and so we are looking at that.

But I think we look at each market individually, but there is nothing about the broader economic situation in North America that would change our outlook for 2020 or beyond.

Stephan Boire, Echelon Wealth Partners

Do you still see the Chicago market as being, I guess, the most attractive of the markets you are looking at?

Scott Antoniak, Chief Executive Officer

Among the most attractive, for sure. There are a number of opportunities out there that we continue to evaluate. There is a significant pipeline of opportunity in Chicago but also in other markets in the US.

And I think it is back to the investment thesis, find the right assets at the right cost base where we can create value, whether that is through just migrating in-place occupancy to the mean where it should be or increasing rents or doing something that is more involved on an amenity or capital program where we can drive outsized returns. For sure there is a focus on the overall market, but it is also very specific to the individual asset, because, as you know, there are good and bad assets in every market and it is incumbent on us as management to find those opportunities.

Stephan Boire, Echelon Wealth Partners

Right. Okay. Okay, thanks. And can you tell us what was the cap rate at which you sold 5500 North Service Road in Burlington?

Steve Hodgson, Chief Operating Officer

It is a little bit skewed, depending on how you are looking at it, because we have a committed lease deal with a large accounting firm. So, the in-place occupancy is about 63% but the committed occupancy is 88%, so on a committed basis the cap rate was in the mid sixes but obviously on in-place income it was in the fours.

Stephan Boire, Echelon Wealth Partners

You said on an in-place income it was in the fours?

Steve Hodgson, Chief Operating Officer

That is right. Because there is a contractual committed lease deal with a large accounting firm that takes the occupancy from 63% to 88%.

Stephan Boire, Echelon Wealth Partners

Okay.

Steve Hodgson, Chief Operating Officer

There was contractual growth in the NOI, in other words, that is not reflected in our Q3 results. So, if you are trying to extrapolate what the impact would be to NOI, it is more-so a four cap.

Stephan Boire, Echelon Wealth Partners

Okay. Okay. And finally, I understand that most of the same store NOI decrease was due to the decrease in occupancy for the Brunswick Square asset and also the Yonge Street asset in Toronto. Can you give us a bit more colour on your expectations in terms of occupancy at those properties by year end and your expected time-frame before seeing improvement there?

Steve Hodgson, Chief Operating Officer

Sure. 4211 Yonge Street, since we took over the REIT in 2014, that asset has been between 95% and 99% occupied, so it is a very strong market. It is walking distance to the subway and the North Yonge corridor, a node in Toronto that has benefited greatly from the supply constraints downtown, so we are really not concerned about re-leasing that space and the timeframe to do so would be this year or early next year.

Brunswick Square is an asset in the Saint John market. We lost Irving Oil from our building and that was because they built a new building, a headquarters for themselves in Saint John, and so they vacated our building and a handful of other buildings in the market. It will take some time for that space to absorb. We have been quite pleased with the pipeline of activity that we do have but I would say that it would be in the later part of 2020 where we really start to get some traction on that.

Stephan Boire, Echelon Wealth Partners

Okay. Can you just, sorry if I missed it but can you just remind me what is the space that they vacated, the size?

Steve Hodgson, Chief Operating Officer

They vacated, I believe it was 70,000 square feet. Yeah, approximately 70,000 square feet.

Stephan Boire, Echelon Wealth Partners

Okay. Okay, perfect. Thanks so much for the answers. I will turn it back.

Operator

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

Chris Couprie, CIBC World Markets

Good morning. I just want to stick with the leasing environment a little bit. Kind of looking at the properties that show sequential changes quarter over quarter, it looks like, as you highlighted on the prior call, that you are expecting vacancies in Atlantic Canada. So, just maybe beyond Brunswick Square, can you comment on the leasing environment for the rest of the properties in New Brunswick and Halifax? And then looking at Chicago, it looks like you had some success at 20 South Clark offset by, I think you talked about the tenant departures at 120 South LaSalle. Just maybe overall how is the Chicago leasing experience tracking versus your expectations?

Steve Hodgson, Chief Operating Officer

Just to clarify on the US comment, the tenant departures were not at 120 South LaSalle. We did have one tenant relocate within the building and downsize but the intent of that was to free up some space for another tenant to expand, which is not yet reflected in the occupancy. So, it is a timing issue more so there. At 20 South Clark we do have some tenants expected to vacate the balance of the year and that is, perhaps, the comment that you are referring to.

In Atlantic Canada, St. John's, we continue to be well occupied. We are having quite a bit of traction on the upcoming vacancy that we have, both at TD Place and Cabot Place. Again, those are currently occupied spaces but we have been touring them actively in anticipation of those tenants vacating. The market there, I mean there has been a lot of good news on the offshore development side, highlighted at the most recent oil and gas conference out there. There have been some announcements from Statoil and Husky and the larger players out there that are all positive and moving in the right direction. There is demand from tenants that had previously been in the suburbs and are looking at opportunities to consolidate in space downtown, because it was a market that was historically difficult to get into.

In New Brunswick, aside from Saint John, which we spoke to, Fredericton, we are practically fully occupied. It is still a very tight market there, 5% vacancy, and we are just focused on some key renewals to stabilize our portfolio there. In Moncton we have Blue Cross Centre, which is the best asset in the market, and 81 Albert. Both buildings are 100% occupied with a long weighted average lease term and overall it is a good market for us.

Chris Couprie, CIBC World Markets

And then, so just clarifying the Chicago comments you made, so the occupancy at 120 South LaSalle is temporarily down sequentially but you expect that to kind of pick back up as a tenant expands?

Steve Hodgson, Chief Operating Officer

Yes.

Chris Couprie, CIBC World Markets

Okay. And then just on the acquisition comments you were making, should we be, you know, in terms of thinking about how you guys plan to allocate capital and acquisitions, do you think Chicago will be a focus before you start looking at some of these other Midwest and Southeastern US markets?

Scott Antoniak, Chief Executive Officer

Well, I think we would look at all of them. As you know, Chris, a big part of the thesis is our belief in the clustering of assets and 20 South Clark and 120 South LaSalle are in close proximity to each other, so I think the ability to add within the central core with the positive news on an economic and leasing front is interesting to us if we can continue to acquire those at the kind of pricing where we think we can generate the returns that we want to. We will continue to evaluate all the opportunities.

Not dissimilar to SRT, I think the Midwest and Southeast are both interesting and we will look to deploy capital in the coming months. Chicago is certainly at or near the top of that list, but we would not be doing our job if we were just looking there. So, we are going to continue to look in other markets where we can do similar deals to the ones that we have done in Chicago in terms of cost basis and upside.

Chris Couprie, CIBC World Markets

Thanks. I will turn it back.

Operator

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

Jonathan Kelcher, TD Securities

Thanks. Good morning. Just sticking with Chicago, when you underwrote that, where did you think you could get the occupancy up to?

Steve Hodgson, Chief Operating Officer

Between 90% and 92%.

Jonathan Kelcher, TD Securities

And that would still be your goal?

Steve Hodgson, Chief Operating Officer

Yes.

Jonathan Kelcher, TD Securities

Okay. And how long do you think it will be until you guys are somewhere close to that level?

Steve Hodgson, Chief Operating Officer

I think we will probably hit those numbers in 2020.

Jonathan Kelcher, TD Securities

Okay. And then just on North Service Road, when does that deal close?

Steve Hodgson, Chief Operating Officer

It closes tomorrow.

Jonathan Kelcher, TD Securities

Okay. That is good. And then on the leasing that you guys did, approximately how much were the TIs to get the Deloitte deal done?

Steve Hodgson, Chief Operating Officer

The TI on the Deloitte deal was $60, I believe.

Jonathan Kelcher, TD Securities

Okay. And then for next year—

Steve Hodgson, Chief Operating Officer

Just to be clear, on a 15-year term as well.

Jonathan Kelcher, TD Securities

Yeah, for sure. And then for next year, what are your expectations on leasing costs? Or what are you budgeting right now?

Steve Hodgson, Chief Operating Officer

I think we can provide some more guidance on that. We have not yet finalized our budget for 2020. We can certainly provide some more guidance on that on the next call or next conversation, but I think nothing has really changed in that regard. It would just be what part of the portfolio constructs that, because different assets have different leasing costs, so depending on what the weighted average is, I cannot speak to that at this point.

Jonathan Kelcher, TD Securities

Okay. And then just lastly on the known vacancies you have, I guess particularly the Exxon one, how is the expiring rent compared to market rents and what do you guys think you can get when you get it re-leased?

Steve Hodgson, Chief Operating Officer

That is a very good question. It is at or below where we think we can lease even in today's market.

Jonathan Kelcher, TD Securities

Okay. And then just lastly, any more capital recycling this year or is North Service Road the sort of last?

Robert Armstrong, Chief Financial Officer

There are potentially a couple more deals but what we have out in the market right now where we had active conversations, that will be the end of it. There will not be any more dispositions going into 2020. We are looking to continue to buy in the markets we spoke to. We are effectively almost done our disposition plan at this point.

Jonathan Kelcher, TD Securities

Okay. So, no dispositions, other than North Service Road, in Q4 and then I guess we should not really model any for next year at this point. Would that be fair?

Robert Armstrong, Chief Financial Officer

Yeah, we have some stuff we are working on right now that would likely close in 2019 that we have not announced yet but, yes, in 2020 we do not foresee any dispositions, unless it was completely opportunistic. We expect to be buyers in 2020.

Jonathan Kelcher, TD Securities

Okay. And roughly how much are you working on right now for 2019, ballpark?

Robert Armstrong, Chief Financial Officer

About $60 million, $70 million. And then our pro forma target for acquisitions going into next year would be $100 million to $150 million.

Jonathan Kelcher, TD Securities

And that would all be on your current balance sheet?

Robert Armstrong, Chief Financial Officer

Yeah, we think so, unless the markets improve, but we see a lot of great opportunities in the markets that Scott spoke to. We think there are a lot of great assets out there that would fit in our portfolio, we would either add in Chicago or potentially a new market in the US.

Jonathan Kelcher, TD Securities

Okay. And then how do you think of north of $100 million of acquisitions with trying to get to a 55% leverage ratio?

Robert Armstrong, Chief Financial Officer

Leverage is down 340 basis points since the beginning of the year, so it is definitely going in the right direction. The further asset sales plus North Service Road definitely help. But realistically, there is probably about 300 to 400 basis points of natural push in that direction every year, for a couple factors. One, we are retaining a fair amount of capital. Right now, our core-FFO payout ratio is ~50%, so all of that capital that we are retaining is either going to be invested in our properties or to repay debt. Either way, that lowers LTV. Plus, if you assume that we are growing NOI at 2%, 3% a year and you just keep cap rates the same, again, we are growing value and that is pushing LTV in the right direction as well.

Jonathan Kelcher, TD Securities

Okay, thanks. I will turn it back.

Operator

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

Brendon Abrams, Canaccord Genuity

Good morning, everyone. Most of my questions have already been asked, but just following up on Jonathan's expiring rent versus market. You provided some colour on the Exxon lease. What about the Irving Oil lease in Saint John?

Steve Hodgson, Chief Operating Officer

Yeah, Irving was paying a below market rent as well. Having said that, with the vacancy in that market right now, we are going to be very competitive, so I guess, in short, I do not expect downside in rent, but I do not expect much upside either in that particular market.

Brendon Abrams, Canaccord Genuity

And then just with some of these more near-term vacancies, should we expect capital expenditures to increase in 2020 relative to prior years?

Steve Hodgson, Chief Operating Officer

I do not think so, because at the same time we also have some fairly large — Maritime Centre redevelopment aside, we have just completed some very large projects, such as the parking garage redevelopment in Brunswick Square, so year over year we are not anticipating an increase in capital expenditures overall, but perhaps some of that leans more towards leasing costs than building CapEx.

Robert Armstrong, Chief Financial Officer

And just maybe a comment on the leasing as well, we continue to be very happy with the way the team is performing from a leasing front. We do think we are creating tremendous value. Even some of the declines, say, in the US market, are totally strategic to be able to create space for bigger deals that we have in process right now.

And I think a great example of where we are creating value is 5500 North Service Road, being able to get a 15-year term with someone like Deloitte, who is an outstanding credit, to be able to turn that asset around in under two years and sell it at something like 20% in excess of where we bought it, that is the type of value that we are creating with leasing. We are continuing to do that throughout our portfolio. We did have a couple losses in St. John's, but overall, we see that being eclipsed by what we expect to have happen in the US market. Plus, we have a really good track record of continuing to do exceptional leasing spreads. So, again, 25% leasing spreads this quarter. We have had a really good history of doing that quarter over quarter over quarter. So, we continue to be, if anything, as positive as ever on the leasing front.

Brendon Abrams, Canaccord Genuity

Okay. And then the last question from me: I think in the press release you kind of referenced the implied cap rate of your other properties I guess outside of the Wafra JV and US acquisitions are, I guess, inconsistent with the current market. But on the other hand, the bulk of your dispositions have been in Ontario. How would you characterize the disposition environment, maybe for you guys specifically, for some of your Atlantic Canada assets?

Scott Antoniak, Chief Executive Officer

Can you just make that a little more clear for me, Brendon? Were you asking about cap rates in Atlantic Canada?

Brendon Abrams, Canaccord Genuity

Well, I am just thinking about the bulk of your dispositions have been in Ontario yet what you guys are saying is the implied cap rate of your other properties, most of which are in Atlantic Canada, are inconsistent with the current market, so meaning the implied cap rate is too high relative to the market. So, I am just thinking about, if that is the case, how do you see the disposition environment? Like why not sell more assets in Atlantic Canada in order to kind of continue to narrow that gap?

Scott Antoniak, Chief Executive Officer

So, it is not just the Atlantic Canada assets that are in that, if you want to call it, that disconnect in terms of where the market is valuing the balance of the portfolio at a mid-8 cap rate and we have it at a 6.5 cap rate. That is the rest of the GTA assets. It is a datacentre in Winnipeg with a 14-year lease term with Bell Canada where we simply collect cheques; it is Blue Cross, which is 100% leased practically to Blue Cross and the law firms in Moncton; it is RSA on a credit for 85% of the building in downtown Saint John. So, I think we need to be cognizant of what is in that bucket and, you know, there have not been 8.5 cap trades for office product in North America in the last 10 years for assets of this quality with tenants like this. So, that is how we look at it and, you know, I think it is pretty straightforward in terms of the value of the tenancies, the credit and the quality of those buildings.

In terms of liquidity in Atlantic Canada, I think over time we will look at our portfolio in Atlantic Canada. We may be opportunistic there at some point in the future. But I think with what we wanted to accomplish in 2019, we are pleased.

Robert Armstrong, Chief Financial Officer

I would say as well, even though certain of the dispositions we have had have been in the GTA, it has really been focused on areas that we are not necessarily committed to. So, as an example, with 5500 North Service Road, being able to turn that asset in under two years at a 20% premium to our purchase price we will do, because it is a single asset we had in Burlington, so that makes a ton of sense for us to get rid of. Again, Duncan Mill, effectively that was vacant and we turned that and made a 50% return in under a year and a half, again, not where we had concentration from a node perspective, so even though it was in the GTA it made sense for us to sell. And we were selling Winnipeg as well last year but it was all very strategic as to where we want to continue to focus the portfolio.

We are focused and have a large presence in Atlantic Canada but it made sense to continue to prune throughout the year in the GTA selectively, but we were thoughtful about where we wanted to do that. I think where we are focused now is being able to grow the portfolio and take that capital and make additional acquisitions into 2020.

Brendon Abrams, Canaccord Genuity

Okay. That is very helpful. Thank you.

Operator

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

Matt Kornack, National Bank Financial

Good morning, guys. I guess quickly, would you strategically or are there strategic assets that you would necessarily want to buy to round out your portfolio in Atlantic Canada, maybe in Halifax or elsewhere, or are you happy with where you are at this point?

Scott Antoniak, Chief Executive Officer

No, I think we are happy with where we are.

Matt Kornack, National Bank Financial

Okay. Fair enough. Your lease renewal spreads continue to be impressive the last two quarters on both the renewal and new leases. You have identified a 12% mark to market opportunity but you are getting well in advance of that. Is that where you are doing the leases or what is the component of that performance?

Steve Hodgson, Chief Operating Officer

Yeah, it is where we are doing the leases, Matt. GTA.

Matt Kornack, National Bank Financial

Okay, so it is the GTA primarily?

Steve Hodgson, Chief Operating Officer

GTA and Chicago.

Matt Kornack, National Bank Financial

Okay. And if you had to break down that sort of 12% mark to market across the portfolio just in the buckets of Chicago, GTA, Atlantic, and Western, where would you place those?

Steve Hodgson, Chief Operating Officer

Again, heavily weighted to the GTA and Chicago.

Matt Kornack, National Bank Financial

Are we talking 20%-plus mark to market in the GTA and Chicago and the others are flat or even maybe marginally down? Or how would you look at it?

Steve Hodgson, Chief Operating Officer

No, I think it would be a much narrower standard deviation than that.

Scott Antoniak, Chief Executive Officer

Yeah. Like I think, Matt, thinking through Atlantic Canada, with the exception of Saint John, which is probably flattish to market, like I think of Maritime Centre, there is significant upside in those rents. I think where the leases are coming off in St. John's there continues to be upside. So, I think it is not kind of 30% in Chicago and Toronto and 2% or 1% in other places. I think it is, to Steve's point, a little bit closer than that with the one outlier being Saint John to a certain extent. But the rest of Atlantic Canada, I think there is still room to move those leases to market.

Matt Kornack, National Bank Financial

Okay. Makes sense. On 2599 Speakman, I think it was originally destined to be a single tenant building but it looks like you are doing it in multiple tenancies. How do you see the leasing taking place now at that asset?

Steve Hodgson, Chief Operating Officer

I mean there is a logical demise to do it into four units, Matt. The initial tenant for 15% of the building is on the main floor in one of those demised units. We have a tenant looking at the balance of the main floor, which would bring occupancy to 50%, and then the market would sort of dictate whether the top floor gets filled by a single tenant or we could fill it logically with two tenants as well.

Matt Kornack, National Bank Financial

Okay. And by, I guess, going for four tenants, does that expedite the process in terms of lease-up of the asset?

Steve Hodgson, Chief Operating Officer

Yes. Having said that, we have never not had that approach. We have always had flexibility with this asset. But once we have tenants in, it does help the sales story.

Matt Kornack, National Bank Financial

Okay. And then on 4211 Yonge, I think all the other mark to market on rents have been addressed with regards to vacancies but for that one was the tenant expiring at market or below market, similar to what your comments were on being below market generally across the GTA?

Steve Hodgson, Chief Operating Officer

Yeah, below market.

Matt Kornack, National Bank Financial

Okay. I think that is it for me. Thanks, guys.

Operator

Again, as a reminder, to ask a question, please press star one on your telephone keypad. Your next question comes from Jenny Ma with BMO Capital Markets. Your line is open.

Jenny Ma, BMO Capital Markets

Thanks. Good morning. Just one more question on 5500 North Service Road. What was the LTV on that one?

Steve Hodgson, Chief Operating Officer

65%.

Jenny Ma, BMO Capital Markets

65%. Okay, great. So, when you are talking about the capital allocation you plan for 2020, how are you thinking about unit buybacks against acquisitions, particularly when you consider the acquisition volume that you are looking for next year?

Robert Armstrong, Chief Financial Officer

In 2019 so far we have done $13 million worth of buybacks. There is obviously value in that. It is immediately accretive. But the only thing with the buybacks is it continues to be hard to accomplish in scale. So, it is an attractive opportunity, I think we would be opportunistic in that potentially going forward, but we are really just focused on continuing to grow and that will continue to be where we are spending most of our capital going forward into 2020.

Scott Antoniak, Chief Executive Officer

I think, Jenny, if you compare the—obviously, there is a positive economic impact or just mathematical impact of the buyback, but if you compare what we have been able to do through the track record of dispositions and recycling, there is not too much of a difference between the economic impact of those two options, be it the buyback or acquiring new assets. We want to continue to do what we have shown that we are capable of doing in terms of generating returns. I think having a larger, more diverse portfolio in terms of geography, tenants, credit, is a better long-term strategy for unitholders. While I totally understand your question, and we spend a lot of time thinking about this, I think the kind of returns that we have been able to show and the kind of value creation that we have been able to show in a number of different markets over the past five years, I think we want to continue to roll that out going forward.

Robert Armstrong, Chief Financial Officer

But we do think the units, just from an investment standpoint, continue to be highly attractive. We are at a 30% discount to NAV. I think that has been proven out by what we have included within our investor report. Over the last year and a half on our dispositions, we have sold basically everything at or above IFRS, again proving out our NAV, and we are yielding ~6.6% with a 55%-60% payout ratio. The case can be made that it is a great opportunity but to grow this business we would like to be back looking at acquisitions and executing on that. We think there are a lot of great opportunities out there. But do not disagree with the sentiment that the units are an attractive position as well.

Jenny Ma, BMO Capital Markets

Um-hmm. So, I guess it is fair to say that an SIB would not be considered at this point.

Robert Armstrong, Chief Financial Officer

No, we do not have any considerations for that.

Jenny Ma, BMO Capital Markets

Okay. And then when you are looking at the acquisition pipeline, I think, you did not say this explicitly but it seems like it is mostly focused on the US. Are there any Canadian opportunities you are looking at or are the opportunities more attractive south of the border?

Scott Antoniak, Chief Executive Officer

Sure. I think, Jenny, the Canadian opportunities that we continue to evaluate would be not dissimilar to what we have done in the past. So, I think marketed individual asset transactions are extremely competitive up here right now in the markets that we are in, the GTA specifically, so I think in terms of being able to roll out our investment thesis in those kind of opportunities, it is a little bit more challenging. That said, one of the great benefits of the SLAM relationship at the top level in terms of the asset managers is the ability to source off-market transactions that may be a little bit more complicated than other groups are willing to take on. So, we are never going to ignore any markets and we are never going to ignore Canada. I think, from our perspective, as of right now, the more compelling opportunities are in the US, but we continue to look everywhere and we will put the right deal with the right capital and that is the biggest part of what we do.

Jenny Ma, BMO Capital Markets

Can you comment, from your current pipeline that you are seeing, what the proportion of Canadian versus US opportunities are?

Scott Antoniak, Chief Executive Officer

I would say it is like 75% US, 25% Canada.

Jenny Ma, BMO Capital Markets

Okay. And I know you cannot answer this directly, but is there anything in the SLAM portfolio that is sort of disposition ready into a REIT that you guys would be considering?

Scott Antoniak, Chief Executive Officer

There is nothing we are considering at the present.

Jenny Ma, BMO Capital Markets

Okay. All right, I think that is it for me. Thank you.

Scott Antoniak, Chief Executive Officer

Thanks, Jenny.

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 third quarter 2019 conference call for Slate Office REIT. Have a great day.

Operator

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