



Office  
REIT

**SLATE**

Investor Update  
Q1 2017

# 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.

# EXECUTIVE SUMMARY (TSX: SOT.UN)

- **Focused Strategy:** a pure-play Canadian office REIT
- **Strong Operating Results:** stable and improving payout ratio with a durable, fully-covered distribution
- **High-Quality, Diversified Tenants:** investment grade tenants with geographic and industry diversification
- **Organic Growth:** below market rents and low cost basis
- **Alignment:** disciplined and dedicated management – Slate Asset Management (“SLAM”) owns ~11.2% of Slate Office
- **Significant Growth Opportunity:** “non-trophy” assets account for ~66% of the Canadian office space inventory, presenting an extraordinary opportunity to build scale

# FOCUSED STRATEGY

- A pure-play Canadian office REIT
  - 35 assets totaling 5.0 million square feet
- Acquire high-quality, “non-trophy”, downtown and suburban office properties that are often overlooked by large investors and available at a significant discount to replacement cost
- Deploy aggressive leasing and property re-positioning programs while cultivating relationships with key tenants



Photos: (left to right) Fortis Place, St. John's; Gateway Centre, Markham; Blue Cross Centre, Moncton

# FOCUSED STRATEGY *(cont'd)*

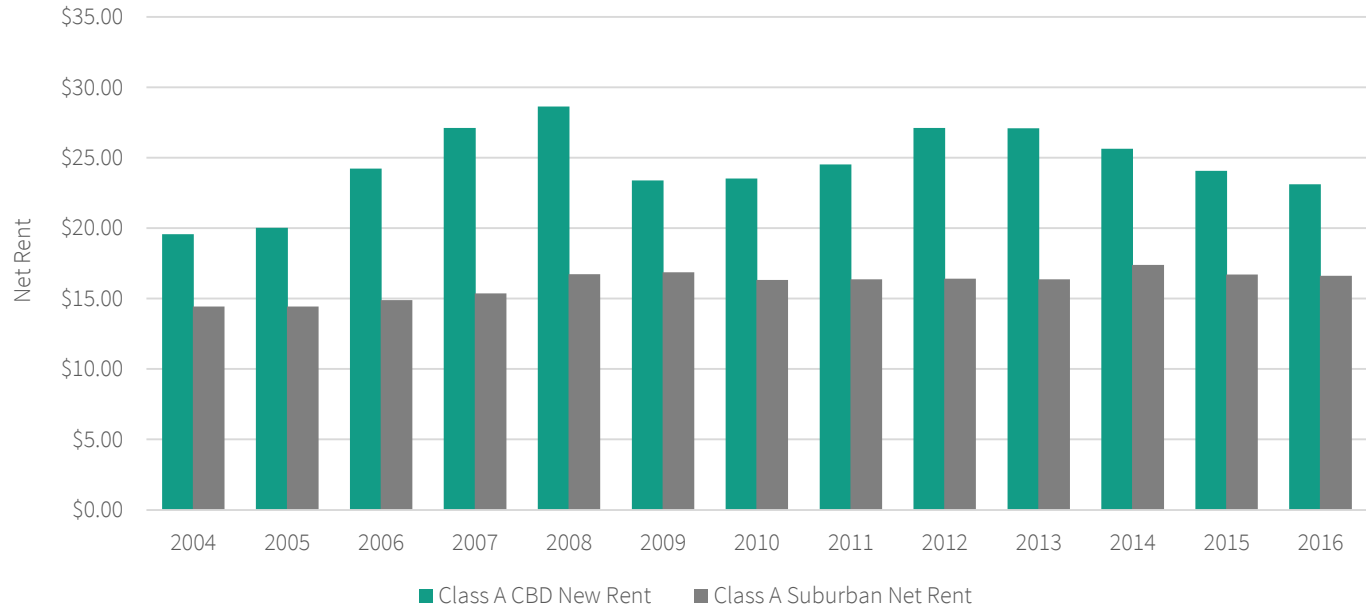
Acquiring high-quality “non-trophy” assets below replacement cost provides superior risk-adjusted returns relative to recent “trophy” asset sales



	“Trophy” Asset	“Trophy” Asset	“Non-Trophy” Asset
Asset	70 York St	Royal Centre	Fortis Portfolio
Location	Toronto	Vancouver	Atlantic Canada
Buyer	Anbang Insurance (China)	German Sov. Wealth	Slate Office REIT
Date	October 2015	January 2016	May 2015
Price	\$154 million	\$420 million	\$430 million
Per Square Foot	\$567	\$725	\$123
Replacement Cost	~\$500	~\$500	~\$350
<b>Premium / (Discount) to Replacement Cost</b>	<b>12%</b>	<b>31%</b>	<b>(65%)</b>
Cap Rate	4.0%	2.9%	8.2%
Occupancy	100% (above market)	94% (at market)	89% (below market)
Market Rent	~\$25 to ~\$23 (downward pressure on rents)	~\$34 (downward pressure on rents)	~\$10 to ~\$12 (upward pressure on rents)

# FOCUSED STRATEGY *(cont'd)*

Stability of suburban rents compared to core business district rents provides an attractive opportunity on a risk-adjusted basis



Source: Cushman and Wakefield

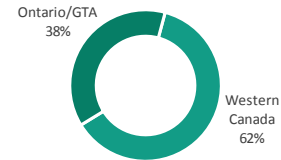


# STRONG OPERATING RESULTS

Transformation of the portfolio into a pure-play, geographically diverse Canadian office REIT has resulted in vastly improved operating fundamentals

	Q1 2017	% Change	Q3 2014 <sup>1</sup>
NOI (000's)	\$14,175	193%	\$4,843
Core FFO / Unit	\$0.22	(4%)	\$0.23
AFFO / Unit	\$0.19	12%	\$0.17
Payout Ratio	97.7%	(21%)	124%
Square Feet	5.0 million	194%	1.7 million
Exposure to Office Properties (NOI)	96%	54%	42%

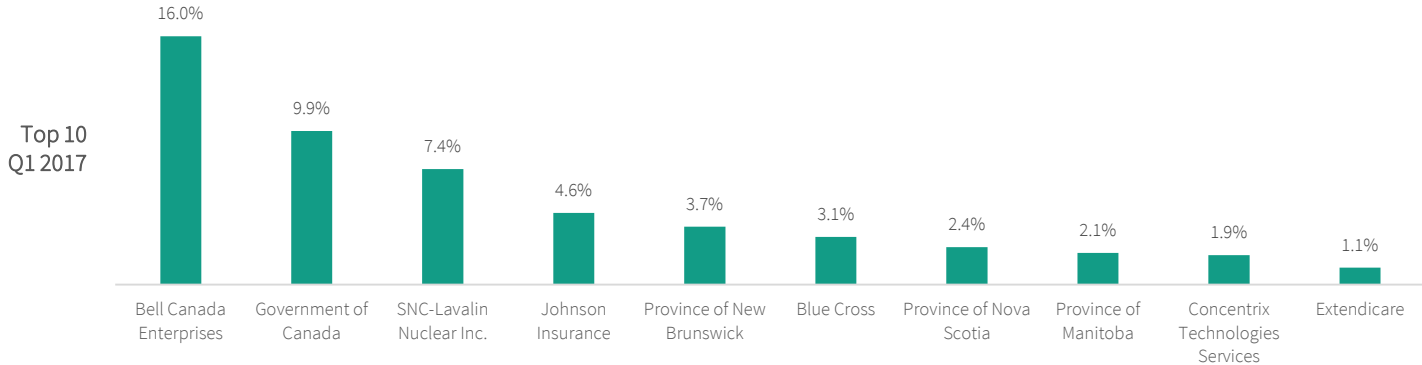
Portfolio by Geography  
(square feet)



<sup>1</sup> Comparison to Q3 2014 which represents the portfolio composition prior to Slate's management.

# HIGH-QUALITY, DIVERSIFIED TENANTS

Over 45% of income is derived from investment grade (ie. BBB- or better) tenants with a weighted average lease term of 6.4 years



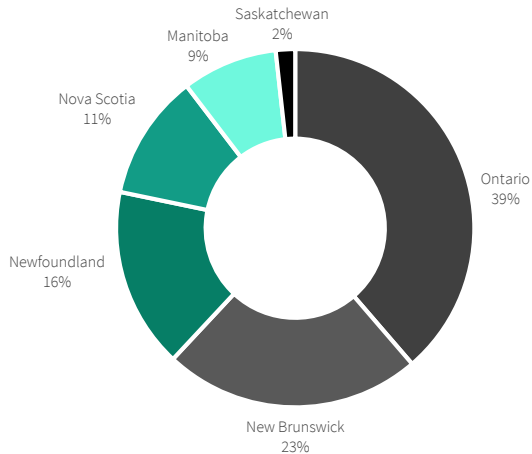
Credit Rating	BBB (high)	AAA	BBB	A	AA	Unrated	AA	AA	Unrated	B (high)
Industry	Telecom	Gov't	Power & Utilities	Insurance	Gov't	Health Care	Gov't	Gov't	Technology	Real Estate



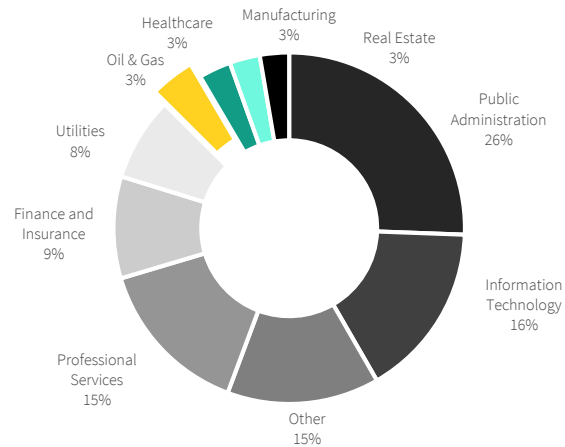
# HIGH-QUALITY, DIVERSIFIED TENANTS *(cont'd)*

The REIT's portfolio has zero exposure to the Alberta office market and less than 3% of net operating income is affiliated with the oil and gas industry

Office GLA by Geography

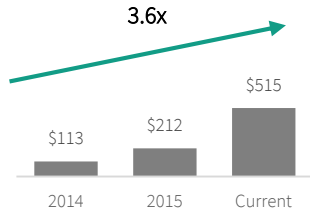


Office GLA by Industry

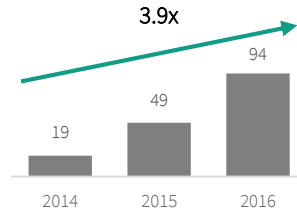


# SIGNIFICANT TRANSFORMATION

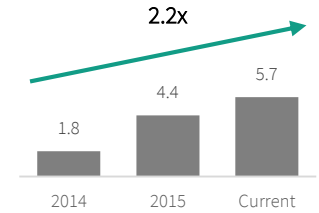
Market Capitalization  
(\$ millions)



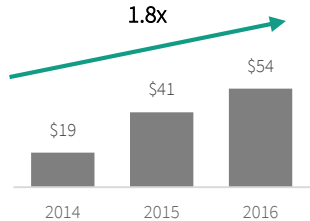
Daily Average Trading Volume  
(thousands)



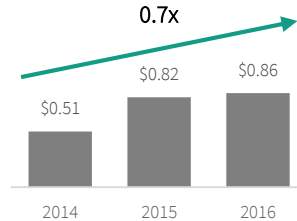
Total Gross Leasable Area  
(millions sq. ft.)



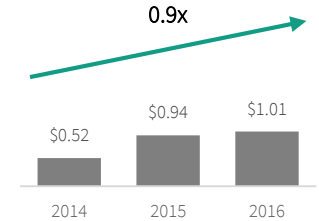
Net Operating Income  
(\$ millions)



Adjusted Funds From Operations  
(per unit)



Core Funds From Operations  
(per unit)

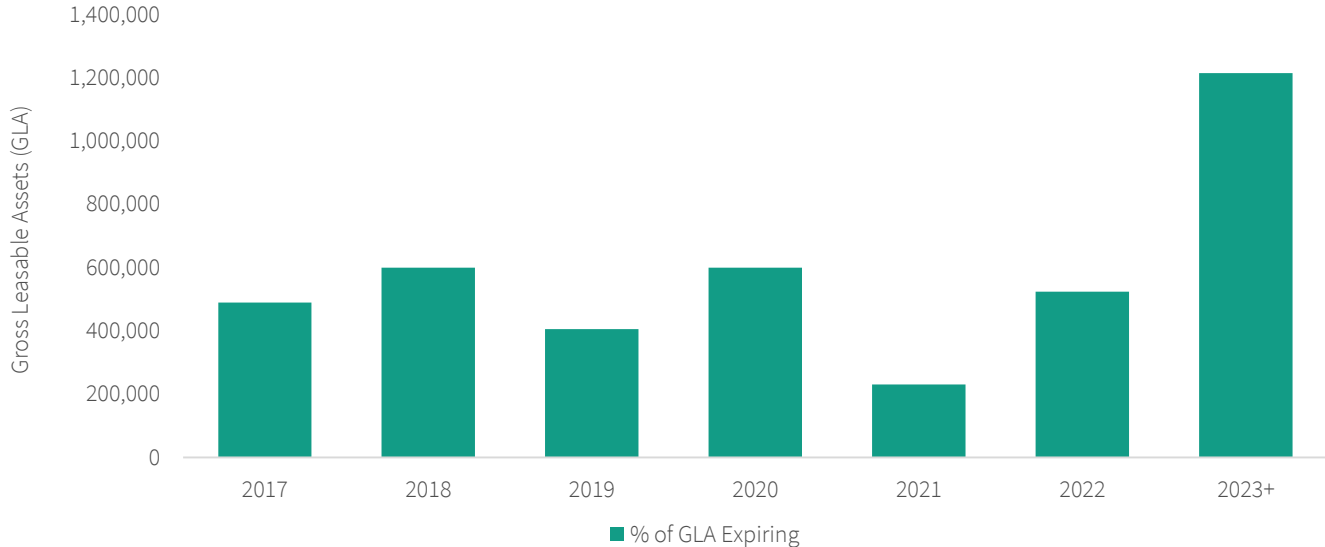


The REIT currently trades at ~9.5x 2017 AFFO multiple, significantly below the peer average of ~15.9x  
As market capitalization and liquidity continue to increase, a multiple re-rating will be warranted

# EMBEDDED ORGANIC GROWTH

Lease expiry profile demonstrates stability of cash flow and opportunity for rental rate growth

- Weighted average in-place rent is \$14.61 per square foot, ~\$1.37 or ~9% below market value



# SIGNIFICANT EXTERNAL GROWTH OPPORTUNITY

- “Non-trophy” assets account for ~66% of the Canadian office space inventory, 220 million square feet, presenting an extraordinary opportunity to build scale
- We are the only public-focused REIT aggregating in this space
  - There are very few private investors competing for similar assets
- Dislocation in Alberta provides significant opportunity
  - Those with large exposure may be forced to sell assets outside of Alberta
- The REIT continues to assess acquisition opportunities that meet its disciplined investment criteria

# ALIGNMENT

- Slate Asset Management provides a dedicated Slate Office REIT management team
- The Slate Office team is led by Scott Antoniak, CEO and Robert Armstrong, CFO who together have over 35 years of commercial real estate experience
- Additionally, the Slate Office team has access to the resources and bench strength of Slate Asset Management and its team of over 55 professionals
- Slate Asset Management is aligned via its ~11.2% ownership
- Fees are consistent with market
- Path to internalization at the Board's discretion
  - Fees of 1x trailing 12-month annual management fees
- Strong independent governance

# 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		Chair	
Pam Spackman	Yes	Member		Chair
Georges Dubé	Yes			Member
Al Mawani	Yes	Chair		Member
Nora Duke	Yes	Member	Member	
Blair Welch	No		Member	
Brady Welch	No			

# VALUATION

Selected Companies	Market	Enterprise	Current	Implied	TEV	Price/ AFFO <sup>(3)</sup>		AFFO Payout Ratio <sup>(3)</sup>		Debt	Debt Breakdown	
	Cap <sup>(1)</sup>	Value <sup>(1)</sup>	Yield <sup>(2)</sup>	Cap	/ Sq. Ft.	2017E	2018E	2017E	2018E	/ GBV	Fixed	Floating <sup>(4)</sup>
<b>Diversified (Large Cap)</b>												
H&R REIT	\$ 6,993	\$ 12,996	6.0%	6.5%	\$ 278	14.6x	13.6x	87.4%	81.5%	43.5%	91.1%	8.9%
Canadian REIT	3,603	5,773	3.7%	5.8%	227	17.5x	17.1x	65.3%	63.7%	38.6%	90.0%	10.0%
Cominar REIT	2,590	7,000	10.4%	6.8%	156	10.8x	10.2x	112.3%	105.8%	52.9%	93.5%	6.5%
Artis REIT	2,210	4,884	8.0%	6.7%	190	11.2x	10.9x	89.8%	87.6%	49.6%	71.6%	28.4%
Morguard REIT	930	2,253	6.3%	7.3%	258	12.2x	11.6x	76.6%	72.8%	45.9%	100.0%	–
<b>Diversified REITs Average</b>			<b>6.9%</b>	<b>6.6%</b>	<b>\$ 222</b>	<b>13.3x</b>	<b>12.7x</b>	<b>86.3%</b>	<b>82.3%</b>	<b>46.1%</b>	<b>89.2%</b>	<b>10.8%</b>
<b>Office</b>												
Allied Properties REIT	\$ 3,135	\$ 5,050	4.1%	5.5%	\$ 426	19.6x	18.0x	81.2%	74.7%	36.7%	96.4%	3.6%
Brookfield Canada Office Properties	3,042	5,829	4.0%	5.1%	501	24.2x	22.8x	97.4%	91.8%	46.1%	71.5%	28.5%
Dream Office REIT	2,163	4,704	7.7%	7.0%	273	12.5x	13.6x	95.9%	104.4%	49.1%	87.0%	13.0%
NorthWest Healthcare Properties REIT	1,040	3,067	7.5%	7.5%	326	12.1x	11.6x	90.2%	86.7%	47.1%	81.8%	18.2%
Inovalis REIT	226	507	8.5%	6.6%	483	11.3x	10.8x	96.3%	91.9%	49.6%	92.0%	8.0%
<b>Office REITs Average</b>			<b>6.4%</b>	<b>6.3%</b>	<b>\$ 402</b>	<b>15.9x</b>	<b>15.4x</b>	<b>92.2%</b>	<b>89.9%</b>	<b>45.7%</b>	<b>85.8%</b>	<b>14.2%</b>
<b>Small Cap</b>												
Dream Industrial REIT	\$ 672	\$ 1,539	8.3%	7.4%	\$ 95	11.1x	10.9x	91.3%	90.1%	52.6%	100.0%	–
Plaza Retail REIT	498	1,035	5.6%	6.7%	133	14.6x	13.8x	81.0%	76.4%	52.1%	97.9%	2.1%
OneREIT	328	1,031	8.1%	7.4%	153	10.1x	9.6x	81.8%	77.6%	57.3%	97.5%	2.5%
Agellan Commercial REIT	373	725	6.8%	7.8%	123	11.5x	10.8x	78.1%	73.6%	46.3%	89.0%	11.0%
Summit II REIT	280	605	7.6%	6.4%	115	11.9x	11.4x	90.8%	87.3%	54.2%	85.8%	14.2%
Melcor REIT	219	570	7.9%	7.4%	205	9.9x	9.7x	78.2%	76.9%	53.0%	95.3%	4.7%
BTB REIT	205	627	8.7%	6.7%	122	11.5x	11.5x	100.0%	100.0%	66.0%	98.1%	1.9%
Automotive Properties REIT	292	527	7.2%	6.2%	415	12.6x	11.1x	90.6%	79.6%	46.9%	100.0%	–
Partners REIT	123	468	6.9%	6.9%	188	n/a	n/a	n/a	n/a	69.0%	89.1%	10.9%
<b>Small Cap REITs Average</b>			<b>7.5%</b>	<b>7.0%</b>	<b>\$ 172</b>	<b>11.6x</b>	<b>11.1x</b>	<b>86.5%</b>	<b>82.7%</b>	<b>55.3%</b>	<b>94.7%</b>	<b>5.3%</b>
<b>Slate Office REIT</b>	<b>\$ 523</b>	<b>\$ 1,241</b>	<b>9.2%</b>	<b>6.8%</b>	<b>\$ 218</b>	<b>9.5x</b>	<b>9.1x</b>	<b>88.1%</b>	<b>84.3%</b>	<b>56.4%</b>		

NOTE: Market data based on closing price as at April 27, 2017; financial information as at December 31, 2016 or latest available.

(1) In millions; based on fully-diluted units outstanding

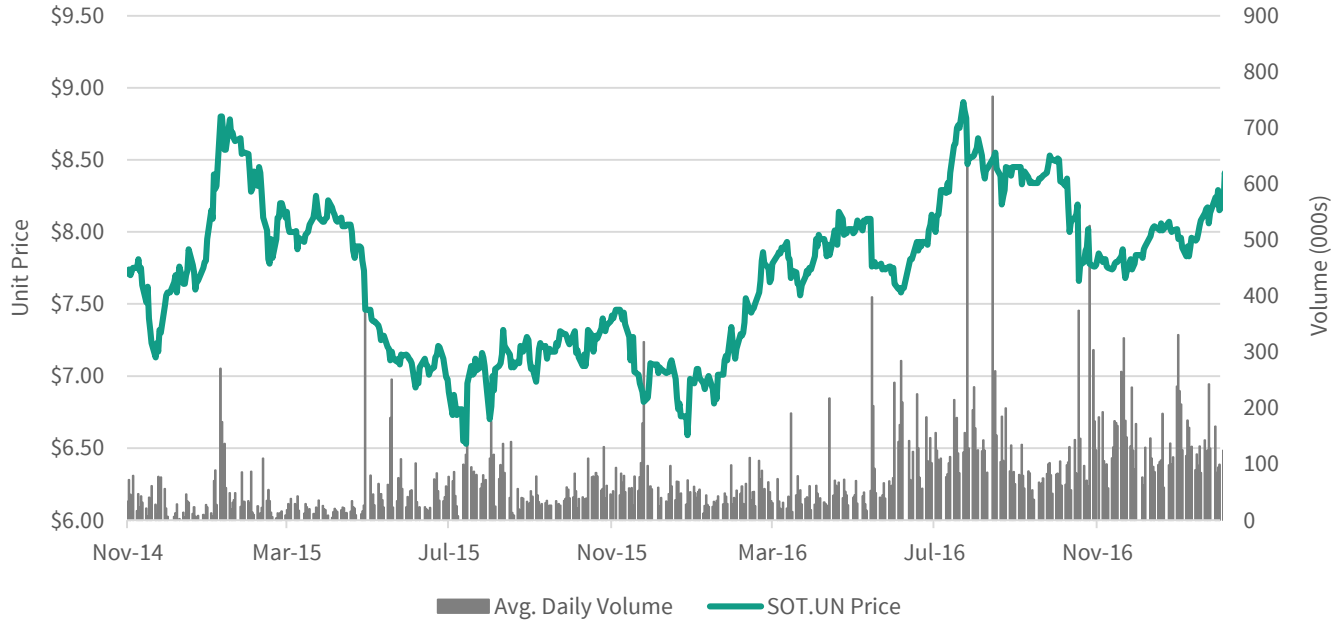
(2) Based on last distribution annualized

(3) Based on average of analysts' 2016/2017 estimates

(4) Excludes floating rate debt hedged with interest rate swaps

# ENHANCED LIQUIDITY

## SOT.UN Price / Volume



As at May 1, 2017.

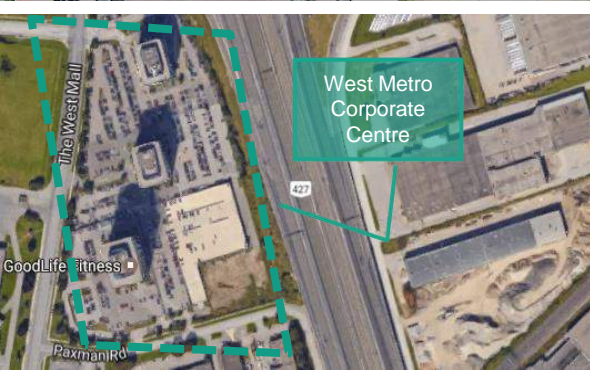


# EQUITY ANALYST COVERAGE

The REIT has seen a significant increase in equity research coverage over the last two years. There are currently 6 analysts who cover the REIT

Company	Analyst	Email	Rating <sup>1</sup>
BMO	Troy MacLean	<a href="mailto:troy.maclean@bmo.com">troy.maclean@bmo.com</a>	Market Perform
Canaccord Genuity	Mark Rothschild	<a href="mailto:mrothschild@canaccordgenuity.com">mrothschild@canaccordgenuity.com</a>	Buy
Echelon Partners	Rob Sutherland	<a href="mailto:rob.sutherland@echelonpartners.com">rob.sutherland@echelonpartners.com</a>	Buy
GMP Securities	Jimmy Shan	<a href="mailto:jshan@gmpsecurities.com">jshan@gmpsecurities.com</a>	Buy
National Bank Financial	Dawoon Chung	<a href="mailto:dawoon.chung@nbc.com">dawoon.chung@nbc.com</a>	Outperform
TD Securities	Jonathan Kelcher	<a href="mailto:jonathan.kelcher@tdsecurities.com">jonathan.kelcher@tdsecurities.com</a>	Buy

<sup>1</sup>As of latest available equity research report.



# WEST METRO CORPORATE CENTRE AND THE FREDERICTON ASSETS

In Q1 2017, the REIT announced the \$165 million acquisition of The West Metro Corporate Centre in Etobicoke, Ontario and 250 King Street and 460 Two Nations Crossing in New Brunswick, Fredericton

## WEST METRO ACQUISITION OVERVIEW

- 93% occupied with SNC-Lavalin as the largest tenant, occupying 234,000 sq. ft.
- West Metro is the REIT's largest asset
- Strong location in the GTA with high visibility in the 427 Corridor
- WALT of 6.4 years
- Immediately accretive

## FREDERICTON ACQUISITION OVERVIEW

- 2 properties in Fredericton which are 100% occupied by the Province of New Brunswick (high quality, investment grade tenant)
- 250 King Street has a WALT of 3.0 years with two options to renew, while 460 Two Nations Crossing has a WALT of 11.6 years
- Immediately accretive

## TRANSACTION HIGHLIGHTS

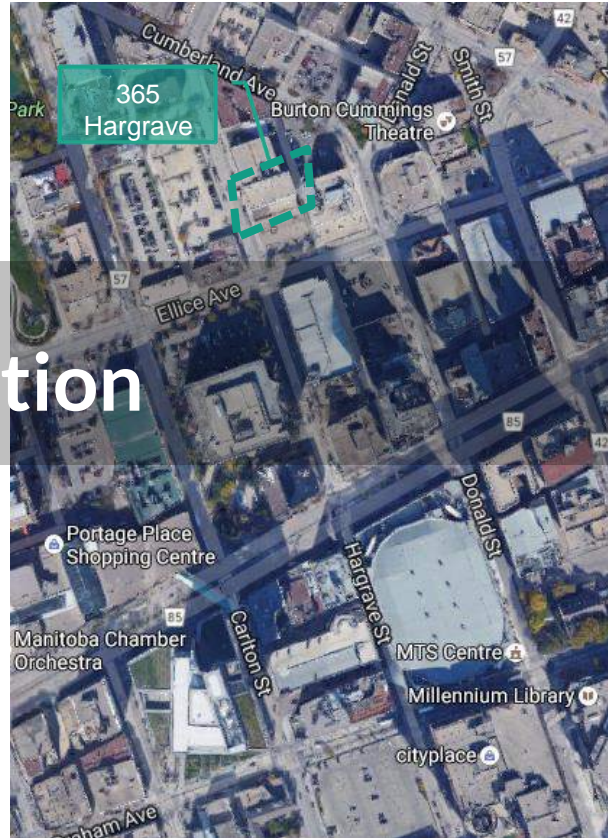
- Strategic acquisition makes SNC-Lavalin the largest tenant for the REIT
- Acquisition price of \$235 per square foot is below replacement cost
- High parking ratio with 3.6 stalls for 1000 square feet
- Strengthens the REIT's presence in the suburban GTA
- Positions the REIT as a prominent landlord in the 427 Corridor

## TRANSACTION HIGHLIGHTS

- Strategic acquisition makes the province of New Brunswick the REIT's 5<sup>th</sup> largest tenant
- Acquisition price of \$153 per square foot is significantly below replacement cost
- Builds scale in Atlantic Canada where the REIT has significant presence

# APPENDIX I

# 365 Hargrave Street Acquisition



# 365 HARGRAVE STREET

In Q3 2016, the REIT announced the \$12.25 million acquisition of 365 Hargrave Street in Winnipeg, Manitoba

## ACQUISITION OVERVIEW

- Single tenant property leased to the Government of Canada through 2025
- Prime location in downtown Winnipeg with easy access from major regional thoroughfares
- 90.1% occupancy
- ~7.4% cap rate
- Immediately accretive

## TRANSACTION HIGHLIGHTS

- Strategic acquisition makes the Government of Canada the REIT's largest tenant
- Winnipeg office market has been resilient compared to other Western Canadian markets
- Acquisition price of \$171 per square foot is significantly below replacement cost
- Acquired for less than appraised value of \$12.44 million



# APPENDIX

# Gateway Centre Acquisition



# GATEWAY CENTRE

In Q2 2016, the REIT announced the \$57.5 million acquisition of Gateway Centre in Markham, Ontario

## ACQUISITION OVERVIEW

- 2 building complex totalling 236K square feet
- 95% occupancy
- ~6.7% cap rate
- Immediately accretive

## TRANSACTION HIGHLIGHTS

- Strategic acquisition adjacent to Woodbine Complex, one of the strongest performing GTA markets
- Acquisition price of \$246 per square foot is significantly below replacement cost
- In-place rents ~7.5% below market
- Adds high quality tenants such as Extencicare and Sun Life



# APPENDIX SNC-LAVALIN LEASE EXTENSION



# SNC-LAVALIN LEASE EXTENSION

\$46M commitment to revitalize Sheridan Park facilities as major tenant, SNC-Lavalin extends lease for 10 years, recipient of “Office Lease of The Year” at the 2016 REX Awards

## LEASE OVERVIEW

- Research and development campus to be constructed as the headquarters for SNC-Lavalin’s nuclear division
- Initially 215,000 square feet
- 10-year term
- Exercised option for additional 28,000 square feet in June 2016
- Consistent with the REIT’s stated strategy of focusing on well-located yet overlooked Canadian office properties

## HOW WE DID IT

- Ability to reposition existing assets as state-of-the-art facilities at rents significantly below new construction rents
- Excellent location including accessibility to major arterial roadways and public transit
- Secured the commitment from the City of Mississauga in Slate Office’s long-term vision for the revitalization of Sheridan Park



# APPENDIX ATLANTIC CANADA OFFICE PORTFOLIO

# ATLANTIC CANADA OFFICE PORTFOLIO

In Q2 2015, the REIT announced the \$430 million portfolio acquisition of Fortis Properties Inc.

## ACQUISITION OVERVIEW

- 14 properties totalling 2.8 million square feet
- 89% occupancy
- ~8.2% cap rate
- 10% accretive to AFFO per unit

## TRANSACTION HIGHLIGHTS

- Acquisition price of \$123 per square foot is significantly below replacement cost
- Portfolio includes the highest quality office properties in Atlantic Canada
- The acquisition nearly doubled Slate Office REIT's asset base, delivering on our stated growth strategy focusing on office



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