

CORPORATE PARTICIPANTS

Brady Welch

Interim Chief Executive Officer

Robert Armstrong

Interim Chief Financial Officer

Evan Meister

Managing Director

Sarah Jane O'Shea

Vice President

Andrew Broad

Vice President

Jeremy Kaupp

Vice President

Jennifer Pyper

Investor Relations

CONFERENCE CALL PARTICIPANTS

Sairam Srinivas

Cormark Securities

Tom Callaghan

RBC Capital Markets

Golden Nguyen-Halfyard

TD Securities

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Slate Office REIT First Quarter 2024 Financial Results Conference Call.

At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star-zero for the operator. This call is being recorded on Friday, May 3rd, 2024.

I would now like to turn the conference over to Jennifer Pyper, Investor Relations. Please go ahead.

Jennifer Pyper, Investor Relations

Thank you, operator, and good morning, everyone. Welcome to the Q1 2024 conference call for Slate Office REIT. I am joined this morning by Brady Welch, Interim Chief Executive Officer; Robert Armstrong, Interim Chief Financial Officer; Evan Meister, Managing Director; Sarah Jane O'Shea, Vice President; Andrew Broad, Vice President; and Jeremy Kaupp, Vice President.

Before getting started, I would like to remind participants that our discussion today may contain forward-looking statements, and therefore we ask you to review the disclaimers regarding forward-looking statements as well as non-IFRS measures, both of which can be found in management's discussion and analysis. You can visit Slate Office REIT's website to access all of the REIT's financial disclosure, including our Q1 2024 investor update, which is now available.

I will now hand over the call to Brady Welch for opening remarks.

Brady Welch, Interim Chief Executive Officer

Thank you, Jenn, and hello, everyone. I'm pleased to report a number of operational, financial, and transaction highlights from the first quarter.

While the office sector continues to face headwinds, our team has remained focused on taking the necessary steps to position the REIT's portfolio for long-term stability and growth through a focus on its balance sheet, value preservation, and hands-on asset management. Our team continued to drive steady leasing volumes in the first quarter, converting interest and demand from high-quality credit tenants into new leases and renewals at positive leasing spreads and longer lease terms.

We completed over 270,000 square feet of total leasing in the quarter, which is up over 120% from the first quarter of '23. We believe this highlights a trend of steadily rebounding tenant demand. Leasing was completed at positive spreads and a weighted average lease term of over 10 years.

Additionally, we have built a robust leasing pipeline, with over 350,000 square feet of new potential lease deals and renewals in the works, with high-quality credit tenants in the Greater Toronto Area, Atlantic Canada, and Ireland, which would add to the net operating income beginning in late 2024 and into 2025.

Only 3.6% of the portfolio's gross leasable area is set to mature in the balance of the year, and we are leveraging

our positive relationship with our tenants to sign renewals and extensions.

We also continued to make progress on the REIT's Portfolio Realignment Plan this quarter. To date, we've completed over \$40 million at share in dispositions through strategic sales of assets in Canada and Ireland. We currently have an additional \$109 million at share of assets under contract or Letter of Intent, and we are actively engaged with a number of potential purchasers for single assets and small portfolio transactions across Canada.

Finally, our team continues to prudently manage the REIT's balance sheet to ensure financial flexibility and stability for the REIT. In January, the REIT's unitholders passed a special resolution approving an amendment to the REIT's Declaration of Trust to temporarily remove the restriction imposed on the REIT to not exceed financial leverage of 65% of its gross book value. This amendment provides the REIT with greater financial flexibility while management continues to execute on the Portfolio Realignment Plan and actively manage the REIT's portfolio.

We are encouraged by the green shoots we are seeing in the global office market, and we continue to have conviction in the value of our office portfolio and the actions the REIT has taken to retain cash, pay down debt, and proactively create value.

On behalf of the Slate Office REIT team and the Board, I'd like to thank the investor community for the continued support. And now I will hand it over for questions.

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised.

Should you wish to decline from the polling process, please press star followed by the number two. If you're using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

Your first question comes from the line of Sairam Srinivas of Cormark Securities. Your line is now open.

Sairam Srinivas, Cormark Securities

Thank you, operator. Good morning, guys.

Brady Welch, Interim Chief Executive Officer

Good morning.

Sairam Srinivas, Cormark Securities

Can you give us a bit more color on the asset sales you've done so far and the ones that are under contract, and what that means for your debt position?

Brady Welch, Interim Chief Executive Officer

Yes, certainly. We've sold a few assets in the Greater Toronto Area. We closed an asset in Ireland on an opportunistic basis, and we are in either a form of negotiation on contracts or in LOI stage with a number of assets in Canada right now, both in Atlantic Canada and in the GTA.

Sairam Srinivas, Cormark Securities

How far or how close is it to your IFRS expectation?

Robert Armstrong, Interim Chief Financial Officer

Relative to IFRS, the sales are decently inside, probably on average 30%, 40%, below just given where the market is. I think some of those decisions we made and the Board made in order to dispose of those are for realizing proceeds to repay debt, which we have done.

As part of your first question, as it relates to debt, all the net proceeds have been used to repay debt from those sales.

Sairam Srinivas, Cormark Securities

Would you say it is 30% to 40% of the IFRS value?

Robert Armstrong, Interim Chief Financial Officer

In some cases, 30% below is a good number.

Sairam Srinivas, Cormark Securities

Okay. All right. I'll turn it back over. Thank you.

Operator

Thank you. Once again, for all of our participants, should you wish to ask a question, please press star followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by the number two. If you are using a speakerphone, please lift the handset before pressing any keys.

Your next question comes from the line of Tom Callaghan of RBC Capital Markets. Your line is now open.

Tom Callaghan, RBC Capital Markets

Thanks. Good morning, guys. Maybe just to follow up on the line of questioning there, in your minds, what's the biggest obstacle or impediment to getting some of these deals across the line? Is it bid-ask spread, or does it really come down to financing or maybe other factors?

Brady Welch, Interim Chief Executive Officer

Hey, Tom, it's Brady. I think it all comes down to the ability, in this asset class of office, to finance. There is a limited amount of debt capital available today, which makes it difficult for buyers to step up and close deals. That's the biggest impediment.

It's not an efficient market, as a result of that. I would say, if there was more liquidity on the debt side, you would see more transactions and you'd see better pricing.

Tom Callaghan, RBC Capital Markets

Got it. Thanks. And Bobby, maybe one for you. Can you just provide a little bit of an update on where you stand today in terms of discussions with lenders on the credit facility?

Robert Armstrong, Interim Chief Financial Officer

Yes. We've been having discussions, and just for context, the focus of ours is around continuing to provide relief and more advantageous terms as it relates to the credit facility.

We've been having substantive and good discussions with each one of the lenders in the facility. We continue to make progress, I think substantively, on all the individual

mortgages where we do have renewals or other matters we're dealing with.

If I had to characterize it, notwithstanding the challenging market, we're continuing to have good support from all of our lenders. We're thankful for that, as we continue to work through the Portfolio Realignment Plan.

Tom Callaghan, RBC Capital Markets
Understood. Thank you.

Operator

Your next question comes from the line of Golden Nguyen-Halfyard of TD Cowen. Your line is now open.

Golden Nguyen-Halfyard, TD Securities

Good morning, everyone. First on occupancy, it took a bit of a dip in Q1, although this looks like it was due to the couple of dispositions that you guys did in the quarter. But with the 350,000 square feet of leasing discussions later this year, how do you expect that to impact occupancy for the remainder of the year?

Brady Welch, Interim Chief Executive Officer

That's a good question. If we look back over the last four quarters, Q1 '24 was the best in terms of new leasing, which is really important, and that's what drives an increase in occupancy.

That's why we're very encouraged about what's going on on the ground right now, because there is a disconnect. There are actually tenants and businesses that are looking long-term to commit to the office space.

Of the 270,000 square feet of leasing we did in Q1, over 200,000 square feet were new deals, and that's very encouraging for us in terms of increasing our occupancy.

The other thing to look at with our portfolio, there's a limited amount of renewals or expiries over the next 12 to 18 months. If we can continue to execute and lock down some of these deals that are in our pipeline, we're encouraged that we could maintain and increase our occupancy across the portfolio. That's across all markets too, I would add.

Golden Nguyen-Halfyard, TD Securities

Great. Thanks for that. Just one last one from my end. Just on the asset sales, would you be able to provide some color as to what you're seeing today in the market in terms of interest from buyers, and maybe how this has changed over the past three, four months since Q4 reporting?

Brady Welch, Interim Chief Executive Officer

It's difficult to get financing today in this asset class. It's harder to do larger transactions. The interest comes from private buyers and in, I would say, bite sized deals where they can pull the capital together to transact.

I think that's really the universe that we're dealing with. There's not a lot of institutional large buyers out there right now. It's really the local privates that is your universe of buyers today.

Robert Armstrong, Interim Chief Financial Officer

Yes. I would add, to characterize the change over the last three, four months in the market, I don't think we would say there's been a substantive change. I think what has changed is our ability to be in the market.

We continue to go through our marketing plans. We're getting better traction on that, and we're seeing more of a robust pipeline. We actually do have a decent amount of activity on the sales side that is a result of the three to four months of additional work we've been doing over Q4, Q1, and into now.

The catalyst for the future we're hoping is, if we see some interest rate reductions, that could be a catalyst for better financing, a bit more positive momentum to be able to bring more buyers to the market.

Golden Nguyen-Halfyard, TD Securities

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

Operator

We don't have any further questions at this time. Presenters, please continue.

Jennifer Pyper, Investor Relations

Thank you, everyone, for joining the Q1 2024 conference call for Slate Office REIT. Have a great day.

Operator

This concludes today's conference call. Thank you for your participation, and you may now disconnect.
