

CORPORATE PARTICIPANTS

Brady Welch

Interim Chief Executive Officer

Robert Armstrong

Interim Chief Financial Officer

Evan Meister

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Sarah Jane O'Shea

Vice President

Andrew Broad

Vice President

Jeremy Kaupp

Vice President

CONFERENCE CALL PARTICIPANTS

Golden Nguyen-Halfyard

TD Securities

Tom Callaghan

RBC Capital Markets

PRESENTATION

Operator

Welcome to the Slate Office REIT Fourth Quarter 2023 Financial Results Conference Call.

At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during the call you require immediate assistance, please press star and then zero for operator assistance. This call is being recorded on Thursday, February 15th, 2024.

I would now like to turn the conference over to Jennifer Pyper. Please begin.

Jennifer Pyper, Senior Vice President, Investor Relations

Thank you, operator, and good morning, everyone. Welcome to the Q4 2023 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 Q4 2023 investor update, which is now available.

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

Brady Welch, Interim Chief Executive Officer

Thank you, Jenn, and good morning, everyone. 2023 was a challenging year for much of the real estate industry, and office was no exception, but we believe we are starting to see green shoots in the office sector and accelerating demand from emerging and established companies looking for high-quality office space.

We are very pleased with the leasing activity and interest we are seeing in all markets that we operate in. Our team has done a great job building a strong pipeline of near-term leasing opportunities with large and small users.

We are actively touring tenants through our spaces, and are in discussions regarding new leases, renewals, and extensions. Our team has completed over 624,000 square feet of leasing in the year, which is up almost 11% from 2022.

After quarter-end, our team completed an additional 150,000 square feet of new leasing across Ontario and Atlantic Canada at a WALT of over 13 years. This includes the 107,000 square foot deal we announced yesterday with a leading financial technology company in Etobicoke, Ontario.

In terms of pipeline, we are in active discussions with two users in the GTA for new or expansion leasing totaling over 240,000 square feet, which would add to the REIT's net operating income beginning in late 2024 and into 2025. And importantly, only 4.8% of the REIT's portfolio GLA, or gross leasable area, is set to mature in 2024, and renewal negotiations for those spaces are ongoing.

This interest and momentum in leasing is a contrast to the market sentiment around office. We are seeing and hearing large users increasingly thinking strategically about where they want to be long-term and where they want to commit. We believe this demonstrates the value

leading companies see that physical spaces are critically important for their operations and their employees, where they can train, collaborate, and innovate.

In addition to our leasing momentum, we've made progress on the REIT's Portfolio Realignment Plan, which is intended to improve the REIT's liquidity, strengthen our balance sheet, and improve the REIT's portfolio. In February, we completed the disposition of an asset in Mississauga, Ontario for a gross purchase price of \$19.2 million at share. We currently have approximately \$120 million at share in assets that are under contract for disposition or in various stages of negotiation, representing almost 13% of the REIT's GLA.

The REIT has already repaid approximately \$18 million of debt using proceeds from the dispositions completed in February, and we remain focused on executing our Portfolio Realignment Plan to further improve the REIT's liquidity and strengthen our balance sheet.

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

Operator

Thank you. If you wish to ask a question, please dial star-one on your telephone keypads now to enter the queue. Once your name is announced, you can ask your question. If you find your question is answered before it's your turn to speak, you can dial star-two to cancel. Once again, that's star-one to ask a question or star-two if you need to cancel.

Our first question comes from the line of Golden Nguyen-Halfyard of TD Securities. Please go ahead. Your line is open.

Golden Nguyen-Halfyard, TD Securities

Good morning, everybody. Just a quick question from my end. Just on asset sales, nice to see you make some progress post-quarter. Looking ahead, are there any specific markets you are targeting for dispositions, and any specific types of assets you guys are also targeting? Thank you.

Brady Welch, Interim Chief Executive Officer

Yes, thank you for the question. I think part of our Realignment Plan is focused on markets and assets that we want to own long-term. The assets that are in the market are assets that we've executed on our business

plan, determined that they are not core assets for us long-term. I think there's nothing that we haven't disclosed publicly that is going to change those thoughts and ideas.

We are opportunistic. We will look at situations where, if we believe it's the right time to sell an asset - for a value that we believe is compelling for the REIT in terms of where we are going with our Realignment Plan - we will consider it. But I would say we're quite pleased and optimistic with the interest and negotiations that we have in the market right now.

Golden Nguyen-Halfyard, TD Securities

Great. Thank you. And just one last question from my end. Turning over to renewals, you don't have too many maturing this year. But are there any larger non-renewals you're aware of? And I guess how do you see occupancy trending this year?

Brady Welch, Interim Chief Executive Officer

Great question, and that's why I tried to highlight that, because we have limited lease rollover in the next 12 months. Our pipeline of active discussions we have with new leasing and renewals is probably over 700,000 square feet.

I anticipate that our occupancy will increase. That's the one thing we can control in a real estate industry today with a lot of uncertainty. I think on the ground, the message is that tenants are looking to commit to space.

Whether it's a new hybrid model of operating, they still need the space. They need to have people in the office where they can collaborate and deal, whether it's three days, four days, or five days a week. They are committing and looking long-term, and that is very encouraging for us as an office operator. That's why we want to make sure that we own assets in the right markets where people want to live and work and be in those locations. That's what we are focused long-term.

Golden Nguyen-Halfyard, TD Securities

Great. Thanks for the color. I'll turn it back now.

Operator

Thank you. Once again, just as a reminder, if you do wish to ask a question, please dial star-one on your telephone keypads now.

The next question in the queue is from the line of Tom Callaghan at RBC. Please go ahead. Your line is open.

Tom Callaghan, RBC Capital Markets

Hey, thanks. Good morning, guys. Maybe just a quick follow up on the line of questioning there, which is back to leasing. Maybe you could just give some color on the deal announced yesterday at the West Mall, what the rents look like and what's the timeline in terms of getting them in there and paying?

Brady Welch, Interim Chief Executive Officer

We are pleased to announce that deal; the team worked really hard. I think it shows two things. One, we've got real estate that is attractive for best-in-class users. And then two, we have it in the right location where people want to be and where their employees want to be.

That lease I think is reflective of those two things, and it's a forward lease. Over the next 12 to 14 months, we will be committing to that space, doing the turnover in concert with the tenant so that they will occupy by 2025.

For us, it's more momentum than anything. Showing that people are committing to our space and that we've got product where they want to be at and operate in, and that's like a headquarter space. I think they're coming from a space in the same market and they're relocating to an area which gives them more presence.

Even though you take a look at our occupancy and everything, you need to be patient and wait for the right deals. This is probably the largest deal in that node in the last four years.

Robert Armstrong, Interim Chief Financial Officer

Tom, just a couple things to add from my perspective that I think are important: in 2025, we will start to add about \$3 million of net operating income at that location, so a really significant lease. There are substantial pending costs, probably around \$8, \$9 million, but it's a really fantastic economic deal for us, and we're really pleased that the team got that done.

Brady Welch, Interim Chief Executive Officer

That's a great point. We are not making distributions, but that's why - because we can go do a deal like this and reinvest it in the collateral that adds a lot of value.

I think it is very important that we have been prudent, making sure we maintain the cash generated from the business to reinvest it to add value to the portfolio. This deal is a perfect example of that.

Tom Callaghan, RBC Capital Markets

Great. Thanks. That's good color, guys. Maybe just switching gears to the transaction side of things, you guys made some headway there. But I'm just curious, from your perspective, about how would you characterize the market today and conversations with buyers or potential buyers? And I guess really what I'm getting at is everyone's aware of kind of interest rates and all the headwinds. But how are those conversations comparing to, say, three or six months ago when this was just sort of starting to get underway? Are they more optimistic about the market, the same? Just curious any thoughts there.

Brady Welch, Interim Chief Executive Officer

I'll start it off and then I'll turn it over to Evan. It is, in commercial real estate, not the most I would say, "normal" market. I think everyone knows that. What we are trying to do is identify properties that are non-core for us long-term, and then be able to sell those to move on so we can recycle that capital into markets and assets that we believe in long-term.

We are trying to be a first mover in those things. I'm not trying to say that it's the most robust market to sell assets. We're realistic on where we are, but I think we want to be ahead of it and move forward. With all of that backdrop, though, we are happy and pleased with the interest of the assets we have in the market and the discussions we are having with potential buyers.

I think if you did a large transaction, that would be difficult. We are doing it in a prudent and a functional manner of how we're going about our disposition plans. With that, I will turn it over to Evan for any additional color.

Evan Meister, Managing Director

The only thing that I would add is there has been a slight uptick in activity as the calendar turned into the new year. I still think that we have good real estate that is on the

market. And there are buyers, as Brady said, in those smaller snack brackets that do have interest and see value in those assets long-term.

Tom Callaghan, RBC Capital Markets

Thanks, guys. That's it for me.

Operator

Thank you. There are currently no further questions in the queue at this time, so I'll hand the floor back to Jennifer for the closing comments.

Jennifer Pyper, Senior Vice President, Investor Relations

Thank you, everyone, for joining the Q4 2023 conference call for Slate Office REIT. Have a great day.

Operator

This now concludes the conference. Thank you all very much for attending. You may now disconnect your lines.