



October 27, 2020

Slate Grocery REIT Reports Third Quarter 2020 Results and Record New Leasing Volumes

(All amounts are expressed in U.S. dollars unless otherwise stated)

TORONTO, ON - Slate Grocery REIT (TSX: SGR.U) (TSX: SGR.UN) (the "REIT"), an owner and operator of U.S. grocery-anchored real estate, today announced its financial results and highlights for the three and nine months ended September 30, 2020.

"We are pleased to report a record breaking third quarter in which the REIT completed over 196,000 square feet of new leasing, our best quarterly new leasing performance since inception by more than 50%," said David Dunn, Chief Executive Officer. "We have continued to prove that our grocery-anchored portfolio comprised of essential tenants is well equipped to weather the challenges brought about by COVID-19. Our new leasing activity more than offset vacancies within the quarter, resulting in both increased occupancy and more resilient tenancies with improved growth prospects. We are entering the fourth quarter with positive momentum and we look forward to finishing the year on a strong note."

For the CEO's letter to unitholders for the quarter, please follow the link [here](#).

Highlights

- Completed 431,778 square feet of leasing in the quarter at a 13.1% weighted average rental spread, comprised of 235,340 square feet of renewals and 196,438 square feet of new leasing, the REIT's strongest quarterly new leasing performance since inception. Positive leasing activity this quarter will provide \$2.9 million in incremental base rent in 2021 and the first half of 2022.
- Occupancy increased by 0.3% during the quarter to 92.5% due to 196,438 square feet of new leasing, partially offset by 155,032 square feet of lease expiries and the disposition of one property which had an occupancy rate of 90.7%.
- On August 21, 2020, the REIT completed its previously announced name change to Slate Grocery REIT from Slate Retail REIT.
- The weighted average tenant retention rate for the third quarter was 92.9%. Since the beginning of 2016, the weighted average retention rate has been 92.0%.
- Rental revenue for the three month period ended September 30, 2020 was \$32.0 million, which represents a \$2.6 million decrease over the same period in the prior year. The decrease is primarily due to the disposition of 10 properties from September 30, 2019, partially offset by increased revenue due to the acquisition of seven properties, rental rate growth from re-leasing at rates above in-place rents and new leasing.
- Net income for the three month period ended September 30, 2020 was \$7.6 million, which is a \$3.1 million increase from the same quarter of the prior year. The increase is attributed to a decrease in interest expense and other financing costs, net, and a change in fair value of properties, partially offset by the aforementioned decreases in revenue.

- Net operating income ("NOI") for the three month period ended September 30, 2020 increased by \$0.9 million from the second quarter of 2020 to \$23.1 million. This is primarily due to a full quarter of NOI contribution from the seven properties acquired during the prior quarter, partially offset by a loss in NOI contribution from the aforementioned property disposition.
- Same-property NOI for the three month period ended September 30, 2020 (comprised of 62 properties) increased by 0.5% over the comparative period. Adjusting for termination fees, same-property NOI for the trailing twelve month period ended September 30, 2020 (comprised of 61 properties) increased by 0.7% over the same period in the prior year. Including the impact of termination fees, same-property NOI for the trailing twelve month period decreased by 0.3%.
- Funds from operations ("FFO") per unit was \$0.27 for the quarter, which represented a \$0.02 decrease from the same period in the prior year, primarily due to the lost contribution in rental revenue from the disposition of 10 properties over the comparative period, partially offset by the aforementioned acquisitions and decreases in cash interest paid.
- Adjusted funds from operations ("AFFO") per unit was \$0.21 for the quarter, a \$0.04 decrease from the comparative period. Decreases in AFFO were due to the aforementioned decreases in FFO, partially offset by decreases in leasing costs and tenant improvement spend.

COVID-19 Update

In response to the pandemic, Slate Asset Management (Canada) L.P. (the "Manager"), as manager of the REIT, has implemented a COVID-19 response plan, with employee and tenant safety as a top priority. This plan is intended to monitor and mitigate the business and health risks posed to the REIT and its stakeholders.

Appropriate operational planning and cost-control measures are in place to manage operational and financial risk. The REIT has mandated increased sanitation and health and safety measures at its properties. The REIT continues to monitor direction provided by the World Health Organization, public health authorities and federal and state governments in order to control the spread of COVID-19.

Management has assessed 64% of the REIT's tenant portfolio comprises essential tenants, including grocery-anchored tenants, medical and personal services, financial institutions, and other essential based services. Rent is typically paid within the first 15 business days of each month.

For the third quarter, the REIT has collected 95% of contractual rent in cash. For the month of October the REIT has collected 93% of rent in cash. The REIT expects to substantially collect outstanding billings through immediate cash collection and deferral programs. No new deferral programs were granted by the REIT for the quarter. The REIT continues to assess tenants adversely affected by COVID-19 and will consider deferral programs on a case by case basis. All of the REIT's centers have remained open throughout the COVID-19 pandemic, with 99% of tenants in operation.

The REIT is well-positioned from a liquidity perspective to endure negative impacts as a result of COVID-19, however, the REIT will continue to evaluate and monitor this as the situation endures.

(in thousands of U.S. dollars, except per unit amounts)	Three months ended September 30,		
	2020	2019	Change %
Rental revenue	\$ 31,961	\$ 34,545	(7.5)%
NOI ¹	\$ 23,098	\$ 24,385	(5.3)%
Net income ²	\$ 7,630	\$ 4,513	69.1%
Leasing – shop space	151,603	129,255	17.3 %
Leasing – anchor / junior anchor	280,175	615,857	(54.5)%
Total leasing activity (square feet) ²	431,778	745,112	(42.1)%
Weighted average number of units outstanding ("WA units")	42,222	44,107	(4.3)%
FFO ¹²	\$ 11,487	\$ 12,936	(11.2)%
FFO per WA units ¹²	\$ 0.27	\$ 0.29	(6.9)%
FFO payout ratio ¹²	79.1%	72.7%	6.4 %
AFFO ¹²	\$ 8,954	\$ 11,142	(19.6)%
AFFO per WA units ¹²	\$ 0.21	\$ 0.25	(16.0)%
AFFO payout ratio ¹²	101.5%	84.4%	17.1%
(in thousands of U.S. dollars)	2020	2019	Change %
Same-property NOI (3 month period, 62 properties)	\$ 19,565	\$ 19,465	0.5%
Same-property NOI (12 month period, 61 properties)	\$ 77,694	\$ 77,914	(0.3)%
As at September 30,			
(in thousands of U.S. dollars, except per unit amounts)	2020	2019	Change %
Total assets	\$ 1,302,849	\$ 1,336,836	(2.5)%
Total debt	\$ 777,526	\$ 798,147	(2.6)%
Net asset value per unit	\$ 10.65	\$ 10.89	(2.2)%
Number of properties ²	76	79	(3.8)%
Portfolio occupancy ²	92.5%	94.4%	(1.9)%
Debt / GBV ratio	59.7%	59.7%	—%
Interest coverage ratio ¹	2.48x	2.46x	0.8%

¹ Refer to "Non-IFRS Measures" section below.

² Includes the REIT's share of its equity accounted property investment.

Conference Call and Webcast

Senior management will host a live conference call at 9:00 am ET on Wednesday, October 28, 2020 to discuss the results and ongoing business initiatives of the REIT.

The conference call can be accessed by dialing (647) 427-2311 or 1 (866) 521-4909. Additionally, the conference call will be available via simultaneous audio found at www.snwebcastcenter.com/webcast/slate/2020/1028. A replay will be accessible until November 11, 2020 via the REIT's website or by dialing (416) 621-4642 or 1 (800) 585-8367 (access code 3690639) approximately two hours after the live event.

About Slate Grocery REIT (TSX: SGR.U / SGR.UN)

Slate Grocery REIT is an owner and operator of U.S. grocery-anchored real estate. The REIT owns and operates approximately U.S. \$1.3 billion of critical real estate infrastructure across major U.S. metro markets that communities rely upon for their everyday needs. The REIT's resilient grocery-anchored portfolio and strong credit tenants provide unitholders with durable cash flows and the potential for capital appreciation over the longer term.

Visit slategroceryreit.com to learn more about the REIT.

About Slate Asset Management

Slate Asset Management is leading real estate focused alternative investment platform with approximately \$6.5 billion in assets under management. Slate is a value-oriented manager and a significant sponsor of all of its private and publicly traded investment vehicles, which are tailored to the unique goals and objectives of its investors. The firm's careful and selective investment approach creates long-term value with an emphasis on capital preservation and outsized returns. Slate is supported by exceptional people, flexible capital and a demonstrated ability to originate and execute on a wide range of compelling investment opportunities. Visit slateam.com to learn more.

Supplemental Information

All interested parties can access Slate Grocery's Supplemental Information online at slategroceryreit.com in the Investors section. These materials are also available on SEDAR or upon request to the REIT at info@slateam.com or (416) 644-4264.

Forward Looking Statements

Certain information herein constitutes "forward-looking information" as defined under Canadian securities laws which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved", or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements contained herein include, but are not limited to, statements relating to the impact of the COVID-19 pandemic. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management as of the date hereof, are inherently subject to significant business, economic and competitive uncertainties and contingencies. When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties, and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements. Additional information about risks and uncertainties is contained in the filings of the REIT with securities regulators.

Non-IFRS Measures

This news release and accompanying financial statements are based on International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

We disclose a number of financial measures in this news release that are not measures used under IFRS, including NOI, same-property NOI, FFO, FFO payout ratio, AFFO, AFFO payout ratio, adjusted EBITDA and the interest coverage ratio, in addition to certain measures on a per unit basis.

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent, IFRIC 21, *Levies* ("IFRIC 21") property tax adjustments and adjustments for equity investment. Same-property NOI includes those properties owned by the REIT for each of the current period and the relevant comparative period excluding those properties under development.
- FFO is defined as net income (loss) adjusted for certain items including transaction costs, change in fair value of properties, change in fair value of financial instruments, deferred income taxes, unit expense (income), adjustments for equity investment and IFRIC 21 property tax adjustments.

- AFFO is defined as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements.
- FFO payout ratio and AFFO payout ratio are defined as distributions declared divided by FFO and AFFO, respectively.
- FFO per WA unit and AFFO per WA unit are defined as FFO and AFFO divided by the weighted average class U equivalent units outstanding, respectively.
- Adjusted EBITDA is defined as NOI less other expenses.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.
- Net asset value is defined as the aggregate of the carrying value of the REIT's equity, deferred income taxes and exchangeable units of subsidiaries.

We utilize these measures for a variety of reasons, including measuring performance, managing the business, capital allocation and the assessment of risk. Descriptions of why these non-IFRS measures are useful to investors and how management uses each measure are included in Management's Discussion and Analysis. We believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses in a manner similar to management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

SGR-FR

For Further Information

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Calculation and Reconciliation of Non-IFRS Measures

The table below summarizes a calculation of non-IFRS measures based on IFRS financial information.

	Three months ended September 30,	
<i>(in thousands of U.S. dollars, except per unit amounts)</i>	2020	2019
Rental revenue	\$ 31,961	\$ 34,545
Straight-line rent revenue	(530)	(323)
Property operating expenses	(4,649)	(5,287)
IFRIC 21 property tax adjustment	(4,115)	(4,675)
Adjustments for equity investment	431	125
NOI¹²	\$ 23,098	\$ 24,385
Cash flow from operations	\$ 10,657	\$ 9,420
Changes in non-cash working capital items	(466)	1,076
Disposition costs	16	2,423
Finance charge and mark-to-market adjustments	(395)	(405)
Interest, net and TIF note adjustments	34	45
Adjustments for equity investment	364	54
Taxes on dispositions	747	—
Capital	(852)	(277)
Leasing costs	(412)	(357)
Tenant improvements	(739)	(837)
AFFO¹²	\$ 8,954	\$ 11,142
Net income¹²	\$ 7,630	\$ 4,513
Change in fair value of financial instruments	—	3,671
Disposition costs	16	2,423
Change in fair value of properties	2,829	5,441
Deferred income tax expense	2,077	1,238
Adjustments for equity investment	1,088	(72)
Unit expense	1,215	397
Taxes on dispositions	747	—
IFRIC 21 property tax adjustment	(4,115)	(4,675)
FFO¹²	\$ 11,487	\$ 12,936
Straight-line rental revenue	(530)	(323)
Capital	(852)	(277)
Leasing costs	(412)	(357)
Tenant improvements	(739)	(837)
AFFO¹²	\$ 8,954	\$ 11,142
NOI¹²	\$ 23,098	\$ 24,385
Other expenses	(3,293)	(2,707)
Cash interest, net	(7,954)	(8,776)
Finance charge and mark-to-market adjustments	(395)	(405)
Adjustments for equity investment	(67)	(71)
Current income tax (expense) recovery	(432)	187
Capital	(852)	(277)
Leasing costs	(412)	(357)
Tenant improvements	(739)	(837)
AFFO¹²	\$ 8,954	\$ 11,142

¹ Refer to “Non-IFRS Measures” section above.

² Includes the REIT’s share of its equity accounted property investment.

<i>(in thousands of U.S. dollars, except per unit amounts)</i>	Three months ended September 30,	
	2020	2019
Net income ²	\$ 7,630	\$ 4,513
Interest expense and other financing costs, net	8,349	9,181
Change in fair value of financial instruments	—	3,671
Disposition costs	16	2,423
Change in fair value of properties	2,829	5,441
Deferred income tax expense	2,077	1,238
Current income tax expense (recovery)	1,179	(187)
Unit expense	1,215	397
Adjustments for equity investment	1,155	(1)
Straight-line rent revenue	(530)	(323)
IFRIC 21 property tax adjustment	(4,115)	(4,675)
Adjusted EBITDA ¹²	\$ 19,805	\$ 21,678
NOI ¹²	\$ 23,098	\$ 24,385
Other expenses	(3,293)	(2,707)
Adjusted EBITDA ¹²	\$ 19,805	\$ 21,678
Cash interest paid	(7,988)	(8,821)
Interest coverage ratio ¹²	2.48x	2.46x
WA units	42,222	44,107
FFO per WA unit ¹²	\$ 0.27	\$ 0.29
FFO payout ratio ¹²	79.1%	72.7%
AFFO per WA unit ¹²	\$ 0.21	\$ 0.25
AFFO payout ratio ¹²	101.5%	84.4%

¹ Refer to “Non-IFRS Measures” section above.

² Includes the REIT’s share of its equity accounted property investment.