



Office
REIT

March 6, 2017

Slate Office REIT Reports Fourth Quarter 2016 Results

TORONTO, ON - Slate Office REIT (TSX: SOT.UN) (the "REIT"), a leading owner of office properties in Canada, announced today its financial results for the three and twelve months ended December 31, 2016. Senior management is hosting a conference call at 9:00 a.m. ET on Friday, March 10, 2017 to discuss the results and ongoing business initiatives of the REIT. The dial-in details can be found below.

"Our focus throughout 2016 was to create value for unitholders through the disciplined execution of our strategy," said Scott Antoniak, the REIT's Chief Executive Officer. "That strategy - acquiring quality, stable office assets that have been overlooked by others and employing best-in-class asset management - remains the foundation of everything we do."

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

Quarterly Highlights

- Q4 2016 year-over-year same property net operating income ("NOI") increased by 4.8%.
- Rental revenue increased by \$5.1 million to \$35.1 million compared to the fourth quarter of 2015.
- Completed 59,834 square feet of new leasing in the quarter, representing 26,834 square feet of new lease deals and 33,000 square feet of lease renewals. Leasing spreads in the quarter were 4.9% over expiring or in-place rents.
- Net income and comprehensive income for the quarter increased by \$1.4 million to \$14.6 million, compared to the same period in 2015.
- NOI was \$15.1 million, an increase of \$2.7 million from the same period in 2015.
- Funds from operations ("FFO") per unit was \$0.23 for the fourth quarter, compared to \$0.21 in the same period in the prior year.
- Adjusted FFO ("AFFO") was \$0.21 per unit, which is consistent with the same period in the prior year, however, the year-over-year AFFO pay-out ratio has reduced by 1.1% to 88.6%.

- Subsequent to the quarter end, the REIT completed a 154,018 square foot new lease with Johnson Insurance at the newly renamed Johnson Building in St. John's, NL. Johnson is currently a subtenant in the building and has agreed to a 10 year direct lease extension through 2030.

Summary of Results

<i>(thousands of dollars, except per unit amounts)</i>		Three months ended December 31,		
		2016	2015	Change %
Rental revenue	\$	35,094	\$ 29,939	17.2 %
Net operating income		15,065	12,326	22.2 %
Net income and comprehensive income		14,571	13,201	10.4 %
Same property NOI	\$	12,053	\$ 11,500	4.8 %
Weighted average number of trust units (000s)		46,071	35,519	29.7 %
Funds from Operation ("FFO")	\$	10,650	\$ 7,513	41.8 %
FFO per unit		0.23	0.21	9.5 %
Core FFO		11,177	8,528	31.1 %
Core FFO per unit		0.24	0.24	— %
Adjusted funds from operations ("AFFO")		9,737	7,409	31.4 %
AFFO per unit	\$	0.21	\$ 0.21	— %
AFFO payout ratio		88.6%	89.7%	1.1 %
		2016	2015	December 31, Change %
Total assets	\$	1,025,522	\$ 812,995	26.1 %
Total debt	\$	604,953	\$ 495,604	22.1 %
Portfolio occupancy ⁽¹⁾		86.4%	85.4%	1.0 %
Loan to value ratio		59.1%	61.1%	(2.0)%
Net debt to adjusted EBITDA leverage		9.4x	9.4x	— %
Interest coverage ratio		3.2x	3.0x	0.2x

(1) Excluding redevelopment properties.

Appointment of Steve Hodgson as Chief Operating Officer

The Board of Trustees appointed Steve Hodgson as Chief Operating Officer of the REIT. Steve brings a wealth of experience to the REIT, as Vice President of Slate Office REIT, and his over 10 years of experience in the real estate industry.

Conference Call and Webcast

Senior management will host a live conference call at 9:00 a.m. ET on Friday, March 10, 2017 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 <http://www.gowebcasting.com/8304>. A replay will be accessible until March 24, 2017 via the REIT's website or by dialing (416) 621-4642 or 1 (800) 585-8367 (access code 51906942) approximately two hours after the live event.

About Slate Office REIT (TSX: SOT.UN)

Slate Office REIT is an open-ended real estate investment trust. The REIT's portfolio currently comprises 35 strategic and well-located real estate assets located primarily across Canada's major population centres. The REIT is focused on maximizing value through internal organic rental and occupancy growth and strategic acquisitions. Visit slateofficereit.com to learn more.

About Slate Asset Management L.P.

Slate Asset Management L.P. is a leading real estate investment platform with approximately \$4.0 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 proven 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 Office REIT's Supplemental Information online at slateofficereit.com in the Investors section. These materials are also available on Sedar or upon request at ir@slateam.com or (416) 644-4264.

Forward Looking Statements

Certain statements herein may be forward-looking statements within the meaning of applicable securities laws. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT including expectations for the current financial year, and include, but are not limited to, 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. Statements that contain words such as "could", "should", "would", "anticipate", "expect", "believe", "plan", "intend", "will", "may", "might" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. Forward-

looking statements contained herein are made as the date hereof and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are contained herein except as expressly required by applicable securities laws.

Non-IFRS Measures

We disclose a number of financial measures in this news release that are not measures used under IFRS, including net operating income, same property net operating income, funds from operations, core funds from operations, adjusted funds from operations, adjusted funds from operations payout ratio, adjusted EBITDA, debt to adjusted EBITDA and interest coverage ratio, in addition to certain measures on a per unit basis. 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. Reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within this news release.

Basis of Presentation

This news release and accompanying financial statements are based on International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Non-IFRS measures made reference to include NOI, Core-FFO, FFO and AFFO.

- Net operating income ("NOI") is defined as rental revenue, excluding non-cash straight-line rent and leasing costs amortized to revenue, less property operating costs.
- Funds from operations ("FFO") is defined as net income and comprehensive income adjusted for certain items including leasing costs amortized to revenue, fair value adjustments to equity accounted investments, non-controlling interests, change in fair value of investment property, change in fair value of financial instruments, disposition costs, depreciation, change in fair value of Class B LP units and distributions to Class B LP unitholders.
- Core-FFO makes certain adjustments to the REIT's calculation of FFO to recognize the REIT's share of lease payments received for its Data Centre asset, which for IFRS purposes is accounted for as a finance lease and removes the impact of mortgage discharge fees.
- AFFO is defined as FFO adjusted for certain items including: guaranteed income supplements; amortization of deferred transaction costs de-recognition and amortization of mark-to-market adjustments on mortgages

refinanced or discharged interest rate subsidy received, amortization of straight-line rent and normalized direct leasing and capital costs.

For Further Information

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Calculation and Reconciliation of Non-IFRS Measures

<i>(thousands of dollars, except per unit amounts)</i>		Three months ended December 31,	
		2016	2015
Rental revenue	\$	35,094	\$ 29,939
Property operating expenses		(19,404)	(17,295)
Straight-line rents and other changes		(625)	(1,628)
NOI	\$	15,065	\$ 11,016
Net income and comprehensive income	\$	14,571	\$ 13,201
Leasing costs amortized to revenue		159	62
Non-controlling interests		—	(35)
Change in fair value of investment property		(1,022)	(9,657)
Change in fair value of financial instruments		(1,564)	(21)
Disposition costs		101	3,412
Depreciation of hotel asset		162	271
Change in fair value of Class B LP units		(2,748)	(712)
Distributions to Class B unitholders		991	992
FFO	\$	10,650	\$ 7,513
Finance income on finance lease receivable		(998)	(996)
Finance lease payments received		1,525	1,475
Mortgage discharge fees		—	536
Core-FFO	\$	11,177	\$ 8,528
Guaranteed income supplements		628	259
Amortization of deferred transaction costs		304	336
Amortization of debt mark-to-market adjustments		(127)	(69)
Interest rate subsidy		108	—
Amortization of straight-line rent		(784)	(381)
Normalized direct leasing and capital costs		(1,569)	(1,264)
AFFO	\$	9,737	\$ 7,409
Weighted average number of diluted units outstanding (000s)		46,071	35,519
FFO per unit	\$	0.23	\$ 0.21
Core-FFO per unit		0.24	0.24
AFFO per unit	\$	0.21	\$ 0.21
AFFO payout ratio		88.6%	89.7%