



Office
REIT

May 8, 2017

Slate Office REIT Reports First Quarter 2017 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 months ended March 31, 2017. Senior management is hosting a conference call at 9:00 a.m. ET on Tuesday, May 9, 2017 to discuss the results and ongoing business initiatives of the REIT. The dial-in details can be found below.

"The first quarter of 2017 was very productive for Slate Office REIT. We completed a number of important transactions that position the REIT for both strong operating results and long-term value creation," said Scott Antoniak, the REIT's Chief Executive Officer. "We were able to secure a long-term lease with Johnson Insurance which drove value in our Atlantic Canada portfolio and entered into acquisition agreements that provide the REIT a significant presence in the 427-Corridor in the Greater Toronto Area."

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

Quarterly Highlights

- Completed 238,650 square feet of leasing in the quarter, comprised of 192,757 square feet of new leases and 45,893 square feet of lease renewals. Leasing spreads in the quarter were 32.2% over expiring or in-place rents.
- The REIT completed a 154,018 square foot new 10 year lease with Johnson Insurance at the newly renamed Johnson Building in St. John's, NL.
- The REIT entered into an acquisition agreement to acquire West Metro Corporate Centre in the Greater Toronto Area ("GTA") and 250 King and 460 Two Nations in Fredericton, NB for an aggregate of \$165 million. The REIT completed a \$120 million subscription receipt offering and a \$10 million private placement to fund these acquisitions. On April 25, 2017, the REIT closed these acquisitions and the subscription receipts were exchanged for units of the REIT.
- Subsequent to quarter end, the REIT also announced the acquisition of Commerce West, a suburban GTA office complex, for a purchase price of \$95 million. Commerce West is located just north of West Metro Corporate Centre within the 427-Corridor.
- Agreed to the sale of a non-core industrial building located at 7001 96th Street in Grande Prairie, AB for \$4.4 million.
- Rental revenue increased by \$4.7 million to \$32.3 million compared to the first quarter of 2016.

- Net income and comprehensive income for the quarter increased by \$4.8 million to \$8.4 million, compared to the same period in 2016.
- Net operating income ("NOI") was \$14.2 million, an increase of \$2.4 million compared to the same period in 2016.
- Funds from operations ("FFO") per unit was \$0.21 for the first quarter, compared to \$0.23 in the same period in the prior year.
- Adjusted FFO ("AFFO") increased \$1.5 million to \$8.8 million compared to the same period in 2016. The increase is attributed to the NOI contribution from acquisitions made during 2016, offset by higher interest expense from debt required to finance the acquisitions.
- AFFO was \$0.19 per unit, compared to \$0.21 in the same period of the prior year. The decrease is the result of increased contribution to earnings from existing operations and acquisitions, but offset by higher distributions as a result of increased outstanding units from the equity offerings completed throughout 2016.

Summary of Q1 2017 Results

<i>(thousands of dollars, except per unit amounts)</i>		Three months ended March 31,		
	2017	2016	Change %	
Rental revenue	\$ 32,318	\$ 27,569	17.2 %	
Net operating income	14,175	11,774	20.4 %	
Net income and comprehensive income	8,442	3,621	133.1 %	
Same-property NOI	\$ 11,512	\$ 11,734	(1.9)%	
Weighted average number of trust units	46,101	35,334	30.5 %	
FFO	\$ 9,495	\$ 8,173	16.2 %	
FFO per unit	0.21	0.23	(8.7)%	
Core FFO	10,030	8,676	15.6 %	
Core FFO per unit	0.22	0.25	(12.0)%	
AFFO	8,842	7,338	20.5 %	
AFFO per unit	\$ 0.19	\$ 0.21	(9.5)%	
AFFO payout ratio	97.7%	90.3%	7.4 %	

	2017	2016	December 31, Change %
Total assets	\$ 1,164,104	\$ 817,233	42.4 %
Total debt	\$ 621,896	\$ 493,496	26.0 %
Portfolio occupancy ⁽¹⁾	84.0%	85.0%	(1.0)%
Loan to value ratio	59.5%	60.5%	(1.0)%
Net debt to adjusted EBITDA leverage	10.4x	9.7x	0.7x
Interest coverage ratio	3.0x	3.2x	0.2x

(1) Excluding redevelopment properties.

Conference Call and Webcast

Senior management will host a live conference call at 9:00 a.m. ET on Tuesday, May 9, 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.snwebcastcenter.com/webcast/slate/2017/0509>. A replay will be accessible until May 23, 2017 via the REIT's website or by dialing (416) 621-4642 or 1 (800) 585-8367 (access code 4402008) 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 38 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.

For Further Information

Investor Relations

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Calculation and Reconciliation of Non-IFRS Measures

<i>(thousands of dollars, except per unit amounts)</i>		Three months ended March 31,	
		2017	2016
Rental revenue	\$	32,318	\$ 27,569
Property operating expenses		(17,693)	(15,302)
Straight-line rents and other changes		(450)	(493)
NOI	\$	14,175	\$ 11,774
Net income and comprehensive income	\$	8,442	\$ 3,621
Add (deduct):			
Leasing costs amortized to revenue		222	112
Change in fair value of investment property		(227)	(1,938)
Change in fair value of financial instruments		(862)	811
Depreciation of hotel asset		189	136
Change in fair value of Class B LP units		740	4,440
Distributions to Class B unitholders		991	991
FFO	\$	9,495	\$ 8,173
Finance income on finance lease receivable		(990)	(1,022)
Finance lease payments received		1,525	1,525
Core-FFO	\$	10,030	\$ 8,676
Guaranteed income supplements		634	238
Amortization of deferred transaction costs		331	231
Amortization of debt mark-to-market adjustments		(126)	25
Interest rate subsidy		108	—
Amortization of straight-line rent		(672)	(605)
Normalized direct leasing and capital costs		(1,463)	(1,227)
AFFO	\$	8,842	\$ 7,338
Weighted average number of diluted units outstanding (000s)		46,101	35,334
FFO per unit	\$	0.21	\$ 0.23
Core-FFO per unit		0.22	0.25
AFFO per unit	\$	0.19	\$ 0.21
AFFO payout ratio		97.7%	90.3%