ALLIED

Allied Announces Fourth-Quarter and Year-End Results

TORONTO, FEBRUARY 22, 2017

Allied Properties Real Estate Investment Trust ("Allied") (TSX:AP.UN) today announced results for its fourth quarter and year ended December 31, 2016. "Our strategy is to profit from the ongoing intensification of Canada's major cities by operating, consolidating and developing distinctive urban workspace," said Michael Emory, President & CEO. "In the last two years, we pursued our strategy intently and successfully. We invested over half a billion dollars in existing Class I properties, with roughly half that amount involving properties with material value-add potential, and another two hundred million dollars in development projects, seven of which reached completion in the two-year period. In the face of this extraordinary level of capital investment, we maintained strong balance-sheet metrics and increased our distributions to unitholders in both years while maintaining conservative pay-out ratios."

RESULTS

The financial results are summarized below:

	AS AT DECEMBER 31,			
(In thousands except for per unit and % amounts)	2016	2015	CHANGE	% CHANGE
Investment properties	**$4,923,201**	$4,197,277	$725,924	17.3%
Unencumbered investment properties	**$2,306,215**	$1,619,465	$686,750	42.4%
Cost of PUD as a % of GBV	**3.4%**	4.7%	(1.3)%	—
NAV per unit	**35.66**	33.05	2.61	7.9%
Total debt as a % of total assets	**36.7%**	35.8%	0.9%	—
Adjusted EBITDA	**$232,399**	$219,208	$13,191	6.0%
Net debt as a multiple of annualized Adjusted EBITDA	**8.2x**	7.2x	1.0x	—
Interest-coverage ratio including capitalized interest	**2.8x**	3.1x	(0.3)x	—

(In thousands except for per unit and % amounts)	FOR THE QUARTER ENDED DECEMBER 31, 2016	2015	CHANGE	% CHANGE
Adjusted EBITDA	**$60,783**	$55,246	$5,537	10.0%
Net income excluding loss on disposal and IFRS value adjustments	**$35,210**	$36,889	$(1,679)	(4.6%)
Net income	**$163,731**	$45,165	$118,566	262.5%
Same asset NOI - rental portfolio	**$52,299**	$52,807	$(508)	(1.0%)
Same asset NOI - total portfolio	**$55,195**	$54,242	$953	1.8%
Funds from operations (“FFO”)	**$45,501**	$44,318	$1,183	2.7%
FFO per unit (diluted)	**0.54**	0.57	(0.03)	(5.3%)
FFO pay-out ratio	**70.3%**	65.1%	5.2%	—
Adjusted FFO	**$35,806**	$35,356	$450	1.3%
AFFO per unit (diluted)	**0.42**	0.45	(0.03)	(6.7%)
AFFO pay-out ratio	**89.3%**	81.6%	7.7%	—

(In thousands except for per unit and % amounts)	FOR THE YEAR ENDED DECEMBER 31, 2016	2015	CHANGE	% CHANGE
Adjusted EBITDA	**$232,399**	$219,208	$13,191	6.0%
Net income excluding loss on disposal and IFRS value adjustments	**$140,215**	$144,671	$(4,456)	(3.1%)
Net income	**$324,305**	$254,367	$69,938	27.5%
Same asset NOI - rental portfolio	**$195,322**	$195,123	$199	0.1%
Same asset NOI - total portfolio	**$214,798**	$202,544	$12,254	6.1%
Normalized FFO	**$173,884**	$168,610	$5,274	3.1%
Normalized FFO per unit (diluted)	**2.15**	2.17	(0.02)	(0.9%)
Normalized FFO pay-out ratio	**70.1%**	67.4%	2.7%	—
Normalized AFFO	**$142,612**	$140,683	$1,929	1.4%
Normalized AFFO per unit (diluted)	**1.76**	1.81	(0.05)	(2.8%)
Normalized AFFO pay-out ratio	**85.5%**	80.8%	4.7%	—

The operating results are summarized below:

	FOR THE YEAR ENDED DECEMBER 31, 2016	2015	CHANGE	% CHANGE
Leased area	92.1%	91.3%	0.8%	—
Occupied area	88.7%	90.6%	(1.9)%	—
Average in-place net rent per occupied square foot (period-end)	$21.31	$19.85	$1.46	7.4%
Renewal and replacement rate	85.3%	83.6%	1.7%	—
Increase in net rent on maturing leases	8.1%	5.5%	2.6%	—

Measured by short-term results, Allied's performance in 2016 was uneven, in large part because of decisions made with a view to the longer-term and in part because of delayed organic growth in its rental portfolio. At $2.15 for the year, FFO per unit was down slightly from 2015, primarily because of (i) delayed same-asset NOI growth in Allied's rental portfolio and (ii) dilution from Allied's equity offering in August of 2016. With recently announced leasing progress at 5445-5455 de Gaspé in Montréal, Allied has made progress in achieving the delayed same-asset NOI growth from its rental portfolio.

Measured by long-term results, Allied's performance in 2016 was strong. Following 6% NAV per unit growth in 2015, Allied delivered 8% NAV per unit growth in 2016, despite NAV erosion in its Calgary portfolio. In 2015, development completions represented 46% of Allied's NAV per unit growth, development approvals 17% and cap-rate compression in Toronto the remainder. In 2016, development completions represented 28% of Allied's NAV per unit growth, development approvals 25% and cap-rate compression in Toronto and Vancouver the remainder.

OUTLOOK

Allied expects its operating environment to be generally favourable in 2017. Allied's internal forecast for the year contemplates (i) mid-single-digit percentage growth in same-asset NOI, with rent growth in Toronto and occupancy gains in Montréal, Edmonton and Vancouver more than offsetting erosion in Calgary and (ii) low- to mid-single-digit percentage growth in FFO per unit. Allied's internal forecast is predicated on the continued intensification of the urban core of Canada's major cities and the continued desire on the part of office users to locate in distinctive urban office environments. It is also underpinned by the depth and strength of the Allied team and the team's ability to execute Allied's strategy at all levels.

At the end of 2016, the leased area of 250 Front Street West (the "Facility") was 54%, somewhat below the targeted level of 65%. Accordingly, Allied made conservative leasing assumptions for the Facility when finalizing its internal forecast for 2017. Management remains fully confident that lease-up will be achieved at the levels of return initially projected, just as it was at QRC West in Toronto and 5445-5455 de Gaspé in Montréal, both of which were pioneering projects. Management's confidence is underpinned by a recent opportunity in the active meet-me room at the Facility that, if finalized, has the potential to generate substantial recurring revenue that will be phased in over a six to 18 month period.

CAUTIONARY STATEMENTS

FFO, Normalized FFO, Normalized AFFO, NAV, EBITDA, Adjusted EBITDA, total debt and net debt are not financial measures defined by International Financial Reporting Standards ("IFRS"). Please see Allied's MD&A for a description of these measures and their reconciliation to financial measures defined by IFRS, as presented in Allied's consolidated financial statements for the year ended December 31, 2016. These statements, together with accompanying notes and MD&A, have been filed with SEDAR, *www.sedar.com*, and are also available on Allied's web-site, *www.alliedreit.com*.

NOI is not a measure recognized under IFRS and does not have any standardized meaning prescribed by IFRS. NOI is presented in this press release because Management of Allied believes that this non-IFRS measure is an important financial performance indicator. NOI, as computed by Allied, may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to NOI reported by such organizations.

This press release may contain forward-looking statements with respect to Allied, its operations, strategy, financial performance and condition. These statements generally can be identified by use of forward looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. Allied's actual results and performance discussed herein could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulations and the factors described under "Risk Factors" in Allied's Annual Information Form which is available at www.sedar.com. The cautionary statements qualify all forward-looking statements attributable to Allied and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release, and Allied has no obligation to update such statements.

ABOUT ALLIED

Allied is a leading owner, manager and developer of distinctive urban workspace in Canada's major cities. Its objectives are to provide stable and growing cash distributions to unitholders and to maximize unitholder value through effective management and accretive portfolio growth.

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