

# ALLIED

## ALLIED PROPERTIES REIT ANNOUNCES FOURTH-QUARTER RESULTS AND CONTINUING LEASING MOMENTUM

TORONTO, MARCH 1, 2016

Allied Properties REIT (TSX:“APUN”) today announced results for its fourth quarter ended December 31, 2015. “2015 finished as expected with leasing momentum continuing unabated into 2016,” said Michael Emory, President & CEO. “Allied’s outlook for this year is underpinned in large part by ongoing leasing activity that reflects the depth and breadth of demand for urban office and retail space in our target markets across the country.”

The results are summarized below:

	AS AT DECEMBER 31,			
(In thousands except for per unit and % amounts)	2015	2014	\$ CHANGE	% CHANGE
<b>Investment properties</b>	<b>\$4,197,277</b>	<b>\$3,726,757</b>	<b>\$470,520</b>	<b>12.6%</b>
<b>Unencumbered investment properties</b>	<b>\$1,619,465</b>	<b>\$782,100</b>	<b>\$837,365</b>	<b>107.1%</b>
<b>Cost of PUD as a % of GBV</b>	<b>4.7%</b>	<b>5.6%</b>	<b>(0.9)%</b>	<b>—%</b>
<b>NAV per unit</b>	<b>\$33.05</b>	<b>\$31.04</b>	<b>\$2.01</b>	<b>6.5%</b>
<b>Total debt as a % of total assets</b>	<b>35.6%</b>	<b>34.4%</b>	<b>1.2%</b>	<b>—</b>
<b>Net debt as a multiple of annualized Adjusted EBITDA</b>	<b>7.2x</b>	<b>6.7x</b>	<b>0.5x</b>	<b>—</b>
<b>Interest-coverage ratio including capitalized interest</b>	<b>3.1x</b>	<b>3.0 x</b>	<b>0.1x</b>	<b>—</b>
<b>Interest-coverage ratio excluding capitalized interest</b>	<b>4.2x</b>	<b>3.8 x</b>	<b>0.4x</b>	<b>—</b>

FOR THE YEAR ENDED DECEMBER 31,

(In thousands except for per unit and % amounts)	2015	2014	\$ CHANGE	% CHANGE
Net income excluding gain (loss) on disposal and IFRS value adjustments	\$144,671	\$130,920	13,751	10.5%
Net income	\$254,367	\$151,778	102,589	67.6%
Same-asset NOI - rental portfolio	\$183,002	\$190,570	(7,568)	(4.0%)
Same-asset NOI - total portfolio	\$199,091	\$193,690	5,401	2.8%
Funds from operations ("FFO")	\$168,610	\$148,786	19,824	13.3%
Adjusted FFO ("AFFO")	\$140,683	\$130,197	10,486	8.1%
FFO per unit (diluted)	2.17	2.10	0.07	3.3%
AFFO per unit (diluted)	1.81	1.83	(0.02)	(1.1%)
FFO pay-out ratio	67.4%	67.6%	(0.2%)	—
AFFO pay-out ratio	80.8%	77.3%	3.5%	—

THREE MONTHS ENDED DECEMBER 31,

(In thousands except for per unit and % amounts)	2015	2014	\$ CHANGE	% CHANGE
Net income excluding gain (loss) on disposal and IFRS value adjustments	\$36,889	\$33,880	3,009	8.9%
Net income	\$45,165	\$82,437	(37,272)	(45.2%)
Same-asset NOI - rental portfolio	\$50,067	\$52,169	(2,102)	(4.0%)
Same-asset NOI - total portfolio	\$54,142	\$53,452	690	1.3%
FFO	\$44,318	\$40,274	4,044	10.0%
AFFO	\$35,356	\$34,286	1,070	3.1%
FFO per unit (diluted)	0.57	0.54	0.03	5.6%
AFFO per unit (diluted)	0.45	0.46	(0.01)	(2.2%)
FFO pay-out ratio	65.1%	66.3%	(1.2%)	—
AFFO pay-out ratio	81.6%	77.9%	3.7%	—

## OPERATIONS

FFO per unit for the fourth quarter was 57 cents, up 6% from the comparable quarter. For the year, it was \$2.17, up 3% from 2014. NAV per unit at the end of 2015 was \$33.05, up 7% from the end of 2014. Allied completed four developments on schedule in 2015 with the fifth being rescheduled for completion this year. Allied also completed \$130 million of strategic acquisitions in Toronto's Downtown West with value-creation potential that can be realized in three to five years, along with a \$28 million in-fill acquisition at King & Spadina. Allied's balance-sheet metrics remained exceptionally strong, with its pool of unencumbered properties reaching \$1.6 billion at the end of 2015, up 107% from the end of 2014.

## LEASING

Leasing momentum was strong throughout 2015 and has continued into 2016. On January 25, 2016, Allied provided a formal leasing update on over 300,000 square feet of GLA. Since then and in addition to ongoing renewal activity, Allied has leased 16,505 square feet of vacant office GLA in its Calgary portfolio, mostly at Vintage II, 13,616 square feet of vacant office GLA at Cité Multimedia in Montréal and 12,147 square feet of vacant retail GLA in its Edmonton, Toronto, Ottawa and Montreal portfolios, in each instance with rent commencing in the second quarter of 2016. In the opinion of Management, this ongoing leasing activity reflects the depth and breadth of demand for urban office and retail space in its target markets across the country.

Since its most recent leasing update, Allied has entered into expansion negotiations with existing tenants of 250 Front Street West that could result in material additional lease-up of GLA with rent commencing over the course of 2016. With respect to completed leases, Allied is providing the following schedule of rent commencement for 250 Front:

COMMENCEMENT DATE	GLA	% OF TOTAL GLA
At December 31, 2015	29,000	17%
Q1 2016	37,000	21%
Q2 2016	27,000	16%
Total	93,000	54%

## OUTLOOK

Allied expects its operating and development environment to be generally favourable in 2016 and its acquisition environment to be generally unfavourable. While the latter will result in a much slower pace of acquisitions in 2016, it will also enable Allied to focus more intently on adding value to its existing portfolio, something it is uniquely well positioned to do.

Allied expects a return to same-asset NOI growth in 2016, enabling it to deliver FFO, AFFO and NAV per unit growth in the mid-single-digit range. This assumes no acquisitions in 2016 and takes full account of the temporarily dilutive impact of the \$130 million of strategic acquisitions made in 2015. While Allied expects to make continued progress on the lease-up and completion of 250 Front, it has moderated its assumptions for the purpose of internal forecasting.

Allied's outlook 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. Allied's outlook is underpinned by recent leasing success in its target markets. 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.

## CAUTIONARY STATEMENTS

FFO, 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 condensed consolidated financial statements for the quarter ended December 31, 2015. These statements, together with accompanying notes and MD&A, have been filed with SEDAR, [www.sedar.com](http://www.sedar.com), and are also available on Allied's web-site, [www.alliedreit.com](http://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](http://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 Properties REIT is a leading owner, manager and developer of urban office environments that enrich experience and enhance profitability for business tenants operating 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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