ALLIED

Allied Properties REIT Announces First-Quarter Results and Continuing Leasing Momentum

TORONTO, MAY 4, 2016

Allied Properties REIT (TSX:"AP.UN") today announced results for its first quarter ended March 31, 2016. "Our leasing activity this year reflects the depth and breadth of demand for urban office space in our target markets across the country," said Michael Emory, President & CEO. "Leased area at the end of the first quarter was up in all regions. Our Montréal portfolio was up by 110 basis points and our Toronto portfolio by 90 basis points. Perhaps most encouragingly, our Calgary portfolio was up by 30 basis points. We expect our leased area to continue to increase over the remaining three quarters of the year."

The first quarter results are summarized below:

	AS AT MARCH 31,			
(In thousands except for per unit and % amounts)	2016	2015	$ CHANGE	% CHANGE
Investment properties	**$4,291,196**	$3,759,462	$531,734	14.1%
Unencumbered investment properties	**$1,699,470**	$1,097,720	$601,750	54.8%
Cost of PUD as a % of GBV	**5.6%**	7.5%	(1.9)%	—
NAV per unit	**$33.12**	$30.79	$2.33	7.6%
Total debt as a % of total assets	**36.7%**	33.5%	3.2%	—
Net debt as a multiple of annualized Adjusted EBITDA	**7.5x**	6.4x	1.1x	—
Interest-coverage ratio including capitalized interest	**3.1x**	3.1x	—	—
Interest-coverage ratio excluding capitalized interest	**4.2x**	4.0x	0.2x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED MARCH 31, 2016	2015	$ CHANGE	% CHANGE
Net income excluding gain (loss) on disposal and IFRS value adjustments	**$34,830**	$34,324	506	1.5%
Net income (loss)	**$37,468**	$(3,629)	41,097	1,132.5%
Same-asset NOI - rental portfolio	**$48,588**	$47,390	1,198	2.5%
Same-asset NOI - total portfolio	**$52,795**	$51,323	1,472	2.9%
Funds from operations ("FFO")	**$42,062**	$39,418	2,644	6.7%
Adjusted FFO ("AFFO")	**$34,695**	$35,753	(1,058)	(3.0%)
FFO per unit (diluted)	**0.54**	0.51	0.03	5.9%
AFFO per unit (diluted)	**0.44**	0.47	(0.03)	(6.4%)
FFO pay-out ratio	**70.0%**	71.0%	(1.0%)	—
AFFO pay-out ratio	**84.8%**	78.3%	6.5%	—

OPERATIONS AND LEASING

FFO per unit for the first quarter was 54 cents, up 6% from the comparable quarter in 2015. NAV per unit at the end of the quarter was $33.12, up 8% from the comparable point in time in 2015. As expected, Allied returned to same-asset NOI growth (2.5% overall) with strong results in Eastern and Central Canada being tempered by results in Western Canada. Allied expects overall same-asset NOI growth to continue to strengthen over the remaining three quarters of 2016.

Leasing momentum was strong in the first quarter. Allied's occupancy at quarter-end was 91%, up 50 basis points from the prior quarter and 280 basis points from the comparable quarter in 2015. Allied's leased area was 92%, up 90 basis points from the prior quarter and 80 basis points from the same quarter last year. Allied renewed or replaced leases for 96% of the GLA that matured in the first quarter and 47% of the GLA scheduled to mature in 2016. This resulted in an overall increase of 3% in net rental income per square foot from the affected space.

DEVELOPMENT

Allied scheduled three developments for completion in 2016. 485 King West in Toronto was completed in the first quarter. The Breithaupt Block, Phase II, in Kitchener is on schedule for completion in the second quarter. The third and largest development, 250 Front West in Toronto, is scheduled for completion at year-end. Demand for internet and cloud infrastructure is on the rise globally. Allied has entered into expansion negotiations with existing tenants, as well as negotiations with a prospective new tenant, that could result in material additional lease-up from the current 54% level.

Allied expects to initiate two or more Toronto developments in 2016 in response to the ongoing demand for distinctive urban office space. With its co-owner, RioCan, Allied initiated the development of King-Portland Centre in Toronto in April of 2016. Like Allied's QRC West, King-Portland Centre will involve the integration of new LEED certified commercial space with a restored heritage structure, a format that Allied believes has enduring social and commercial appeal in intensifying urban centres. Allied is actively pre-leasing the office component of 19 Duncan, The Well and Union Centre in Toronto and expects to initiate at least one of these projects this year.

ACQUISITIONS

Allied initially expected its acquisition environment to be unfavourable in 2016 due to prohibitive pricing and lack of availability. With $41.5 million of accretive acquisitions closed in the first quarter and another $218 million scheduled to close at the end of May 2016, the environment has proven to be more favourable than expected. These acquisitions will be meaningfully accretive to Allied's annual FFO and AFFO per unit. One of them, Le Nordelec in Montréal, will also afford Allied the opportunity to boost rental revenue and value over time. It will also enable Allied to satisfy the ongoing demand for creative and cost-effective workspace in downtown Montréal. Under Allied's management, Le Nordelec will continue to evolve as a premiere Class I complex, along with Cité Multimédia (which is 98% leased), 5505 St-Laurent (which is 100% leased) and 5445-5455 de Gaspé (which is approaching 85% lease-up).

OUTLOOK

Allied expects its operating and development environment to be generally favourable in 2016, and its acquisition environment has proven to be more favourable than initially expected. Allied expects a return to solid same asset NOI growth in 2016, enabling it to deliver FFO, AFFO and NAV per unit growth in the mid-single-digit range. While Allied's acquisition activity is well ahead of internal forecast, Management is not yet prepared to modify the overall outlook for the year.

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, both of which Management considers to be secular trends. Allied's outlook is underpinned by ongoing leasing success and recent acquisition 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 unaudited condensed consolidated financial statements for the quarter ended March 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 availavble 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 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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