ALLIED

Allied Announces Second-Quarter Results with Continuing Leasing Momentum and Renewed Acquisition Momentum

TORONTO, AUGUST 3, 2016

Allied Properties Real Estate Investment Trust ("Allied") (TSX:AP.UN) today announced results for its second quarter ended June 30, 2016. "Our rental and development portfolios met expectations in the first half," said Michael Emory, President & CEO. "I expect this to continue through the remainder of the year. Our leasing and acquisition activity exceeded expectations. I expect our leasing activity to remain strong through the remainder of the year. I also expect we'll make additional acquisitions in the second half, though not to the extent we did in the first."

The results are summarized below:

	AS AT JUNE 30,			
(In thousands except for per unit and % amounts)	2016	2015	CHANGE	% CHANGE
Investment properties	**$4,599,657**	$4,008,398	$591,259	14.8%
Unencumbered investment properties	**$1,990,460**	$1,423,535	$566,925	39.8%
Cost of PUD as a % of GBV	**5.7%**	3.8%	1.9%	—
NAV per unit	**33.63**	32.08	1.55	4.8%
Total debt as a % of total assets	**40.0%**	33.5%	6.5%	—
Annualized Adjusted EBITDA	**$226,830**	$216,424	$10,406	4.8%
Net debt as a multiple of annualized Adjusted EBITDA	**8.6x**	6.8x	1.8x	—
Interest-coverage ratio including capitalized interest	**3.0x**	3.1x	(0.1)x	—
Interest-coverage ratio excluding capitalized interest	**4.1x**	3.9x	0.2x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED JUNE 30, 2016	2015	CHANGE	% CHANGE
Adjusted EBITDA	**$57,867**	$55,839	$2,028	3.6%
Net income excluding gain (loss) on disposal and IFRS value adjustments	**$35,045**	$37,130	$(2,085)	(5.6%)
Net income	**$69,145**	$126,942	$(57,797)	(45.5%)
Same asset NOI - rental portfolio	**$49,423**	$48,442	$981	2.0%
Same asset NOI - total portfolio	**$53,963**	$52,320	$1,643	3.1%
FFO	**$42,466**	$41,959	$507	1.2%
AFFO	**$36,247**	$33,811	$2,436	7.2%
FFO per unit (diluted)	**0.54**	0.54	—	—
AFFO per unit (diluted)	**0.46**	0.43	0.03	7.0%
FFO pay-out ratio	**69.4%**	67.7%	1.7%	—
AFFO pay-out ratio	**81.3%**	84.0%	(2.7%)	—

(In thousands except for per unit and % amounts)	FOR THE SIX MONTHS ENDED JUNE 30, 2016	2015	CHANGE	% CHANGE
Adjusted EBITDA	**$113,415**	$108,212	$5,203	4.8%
Net income excluding gain (loss) on disposal and IFRS value adjustments	**$69,875**	$71,454	$(1,579)	(2.2%)
Net income	**$106,613**	$123,313	$(16,700)	(13.5%)
Same asset NOI - rental portfolio	**$97,969**	$95,832	$2,137	2.2%
Same asset NOI - total portfolio	**$106,665**	$103,497	$3,168	3.1%
Funds from operations (“FFO”)	**$84,528**	$81,377	$3,151	3.9%
Adjusted FFO (“AFFO”)	**$70,942**	$69,564	$1,378	2.0%
FFO per unit (diluted)	**1.08**	1.05	0.03	2.9%
AFFO per unit (diluted)	**0.90**	0.90	—	—
FFO pay-out ratio	**69.7%**	69.3%	0.4%	—
AFFO pay-out ratio	**83.0%**	81.1%	1.9%	—

Allied reported a fair value gain of $36.4 million in the second quarter. A large portion of the gain arose in connection with Allied’s undivided 40% interest in The Well. Allied reported a considerably larger fair value gain in the comparable quarter last year in connection with other development properties, which accounts for the difference quarter-over-quarter.

OPERATIONS AND LEASING

Allied’s second-quarter results were slightly below internal forecast due to modestly delayed occupancy and higher than anticipated interest expense following proactive debt financing. As a result of a slight exceedance in the first quarter, Allied’s results for the first half were essentially in-line with internal forecast.

FFO per unit for the second quarter was 54 cents, in line with the comparable quarter last year. FFO per unit for the first half was $1.08, up 3% from the comparable period last year. As expected, Allied returned to same asset NOI growth (2.2% overall for the first half) with favourable results in Eastern and Central Canada being tempered by unfavourable results in Western

Canada. NAV per unit at the end of the first half was $33.63, up 5% from the same time last year. The increase was a result of development completions, material value creation at The Well and cap-rate compression in Allied's Toronto portfolio.

Excluding Le Nordelec, a recently acquired property undergoing upgrade, Allied's occupancy at quarter-end was 90%, up 130 basis points from the same time last year. Allied's leased area was 92%, up 160 basis points from the same time last year. Leased area at the end of the first half was up by 80 basis points from the beginning of the year. Allied's Montréal portfolio was up by 410 basis points. Its Toronto portfolio was flat, in large part due to two non-renewals in the second quarter that Allied expects to re-lease promptly at net rental rates above prior in-place rates. Perhaps most encouragingly, Allied's Calgary portfolio was up by 40 basis points.

Storefront retail space in Toronto is very much in demand. Allied leased a key corner at King & Spadina to The Toronto Travel Centre and SoulCycle earlier this year. Not only are these retailers ideal for the neighbourhood and Allied's portfolio, the net rents achieved reflect significant retail strengthening along King West. Although storefront retail space in downtown Calgary is understandably weaker, Allied leased 7,403 square feet at The Burns Building to a local food-service business at respectable levels of net rent in relation to its cost base.

Demand from TAMI tenants for office space in Montreal remains strong. 5445-5455 de Gaspé was 80% leased at the end of the first half, in large part as a result of another expansion by Ubisoft and new leases to SunLife Financial and Regus. The rental component of Le Nordelec was 73% leased on acquisition in early June. Since then, Allied increased the leased area to 77% as a result of three expansions aggregating 24,600 square feet. Allied has entered into another expansion negotiation for 109,000 square feet, which if completed would bring the leased area to 90%.

Demand for office space in downtown Toronto is exceptionally strong. Net-effective rental rates in Allied's Class I portfolio have risen to record levels this year. The lease of 112,000 square feet of space to Shopify in the first half enabled Allied and RioCan to initiate the construction of King Portland Centre. The JV is now negotiating with two prospective office tenants for King Portland Centre, one requiring 50,000 square feet and the other 70,000 square feet. Allied also accommodated the expansion of Synaptive Medical by 27,600 square feet at 555 Richmond West, bringing the leased area to 99%.

DEVELOPMENT

Allied scheduled three developments for completion this year, two of which are now complete (485 King Street West in Toronto and The Breithaupt Block, Phase II, in Kitchener). The third and largest development, 250 Front West in Toronto, is scheduled for completion by year-end. Demand for internet and cloud infrastructure is on the rise globally. Allied has entered into specific expansion negotiations with an existing tenant that could result in material additional lease-up and will, in all probability, ensure that Allied achieves the target implicit in its outlook for 2016, which is to reach 65% occupancy by year-end.

Allied and RioCan initiated the development of King Portland Centre in Toronto earlier this year. Like QRC West, this will involve the integration of new LEED certified commercial space with a restored heritage structure, a format that has enduring social and commercial appeal in urban centres. In addition, Allied is now actively pre-leasing the office component of Adelaide & Duncan, The Well and Union Centre and expects to initiate at least one of these Toronto projects this year.

Adelaide & Duncan is moving through the approval process. With a manageable pre-leasing threshold of 30,000 to 50,000 square feet for the office component, Allied and Westbank expect to initiate the project in the fourth quarter. The Well moved meaningfully toward initiation with the recently announced sale by the JV (Allied, RioCan and Diamond) of the residential density to Tridel and Woodbourne. In addition to reducing risk and boosting potential return, the sale will enable the JV to initiate construction of the below-grade component of the entire project early next year. Union Centre is under consideration by several prospective tenants. With a large pre-leasing threshold of 500,000 to 600,000 square feet, it is not yet possible to predict when this project will be initiated.

ACQUISITIONS

Allied completed over $260 million of accretive acquisitions in the first half of the year. Allied's balance-sheet metrics remained strong, with its debt ratio at 40% and its interest coverage ratio coming in at 3.0:1. Allied's pool of unencumbered properties grew to $2 billion by the end of the second quarter, up 40% from the same time last year.

Allied remains committed to selling its small number of non-core assets. It has sold one of its three properties in Victoria and has the other two under firm contract to sell. It has also sold a small, non-core property in each of Toronto (145 Berkeley) and Winnipeg (138 Portage). With these transactions completed, Allied has turned its attention to exiting the Québec City market. In addition to enabling Allied to redeploy capital profitably, selling non-core assets will enable it to streamline operations. Once Allied has exited Québec City, it will evaluate the Winnipeg and Edmonton markets in the context of its overall business strategy.

OUTLOOK

Allied expects a return to solid same asset NOI growth this year, enabling it to deliver FFO, AFFO and NAV per unit growth in the mid-single-digit range. Management's confidence 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 are considered to be secular trends. Allied's confidence 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 June 30, 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 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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