ALLIED

# Allied Announces First-Quarter Results

TORONTO, MAY 2, 2018

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its first quarter ended March 31, 2018. "Our operating, acquisition and development environments have been supportive this year, and our team took advantage of the favourable conditions to deliver solid first-quarter results," said Michael Emory, President & CEO. "In the quarter, we achieved strong organic growth in our rental portfolio, completed $15.8 million in acquisitions, advanced $3.2 million to Westbank in connection with the development of 400 West Georgia in Vancouver and made significant progress in our development portfolio."

## RESULTS

The financial results are summarized below:

| | AS AT MARCH 31, | | | |
|---|---|---|---|---|
| (In thousands except for per unit and % amounts) | 2018 | 2017 | CHANGE | % CHANGE |
| **Investment properties** | **$5,740,597** | $5,237,400 | $503,197 | 9.6% |
| **Unencumbered investment properties** | **$3,019,810** | $2,388,220 | $631,590 | 26.4% |
| **Cost of PUD as a % of GBV** | **8.9%** | 5.4% | 3.5% | — |
| **NAV per unit** | **$38.69** | $36.19 | $2.50 | 6.9% |
| **Total indebtedness ratio** | **34.0%** | 36.6% | (2.6%) | — |
| **Annualized Adjusted EBITDA** | **$259,968** | $239,652 | $20,316 | 8.5% |
| **Net debt as a multiple of Annualized Adjusted EBITDA** | **7.7x** | 8.1x | (0.4)x | — |
| **Interest-coverage ratio including capitalized interest** | **2.9x** | 2.8x | 0.1x | — |

| (In thousands except for per unit and % amounts) | FOR THE THREE MONTHS ENDED MARCH 31, 2018 | 2017 | CHANGE | % CHANGE |
|---|---|---|---|---|
| **Adjusted EBITDA** | **$64,992** | $59,913 | $5,079 | 8.5% |
| **Net income excluding fair value adjustments** | **$41,690** | $36,090 | $5,600 | 15.5% |
| **Net income** | **$84,700** | $79,867 | $4,833 | 6.1% |
| **Same asset NOI - rental portfolio** | **$63,794** | $57,547 | $6,247 | 10.9% |
| **Same asset NOI - total portfolio** | **$64,995** | $59,403 | $5,592 | 9.4% |
| **FFO** | **$50,035** | $44,730 | $5,305 | 11.9% |
| **FFO per unit (diluted)** | **$0.54** | $0.53 | $0.01 | 1.9% |
| **FFO pay-out ratio** | **72.5%** | 72.5% | — | — |
| **AFFO** | **$40,815** | $34,112 | $6,703 | 19.6% |
| **AFFO - per unit (diluted)** | **$0.44** | $0.40 | $0.04 | 10.0% |
| **AFFO - pay-out ratio** | **88.8%** | 95.1% | (6.3%) | — |

The operating results are summarized below:

| | FOR THE THREE MONTHS ENDED MARCH 31, 2018 | 2017 | CHANGE | % CHANGE |
|---|---|---|---|---|
| **Leased area** | 95.0% | 92.6% | 2.4% | — |
| **Occupied area** | 94.5% | 89.9% | 4.6% | — |
| **Average in-place net rent per occupied square foot (period-end)** | $22.45 | $21.38 | $1.07 | 5.0% |
| **Renewal and replacement rate for leases maturing in the quarter** | 85.4% | 81.0% | 4.4% | — |
| **Increase in net rent on maturing leases** | 27.4% | 29.2% | (1.8%) | — |

## OPERATIONS AND LEASING

Driven by occupancy gain and rent growth in Toronto and Montréal, Allied's same-asset NOI was up 11% from the comparable quarter last year, underpinning 10% growth in its AFFO per unit. Driven largely by the recent completion of upgrade properties in Montréal, Allied's NAV per unit at the end of the quarter was up 7% from the end of the comparable quarter last year.

Over the course of the quarter, Allied increased the occupied area of its rental portfolio by 100 basis points to 94.5% and maintained leased area of 95%. Particularly noteworthy in this regard was the increase in the occupied area of its Calgary rental portfolio by 250 basis points to 87.3% and the leased area by 440 basis points to 89.6%. Allied also renewed or replaced leases for 85.4% of the space that matured in the quarter. This resulted in an overall increase of 27.4% in net rent per square foot from the affected space.

Allied's cloud infrastructure facility at 250 Front West in Toronto was 60% occupied at the beginning of the year and has performed well. Same-asset NOI was up 119% in the first quarter from the comparable quarter last year. Allied has now finalized a lease transaction for 1,000 square feet of GLA with a new tenant, bringing the leased area to 61%, and is working toward finalizing a lease transaction for 10,000 square feet of GLA with another new tenant, which would bring the leased area to 67%. It continues to work toward finalizing lease arrangements with two other new tenants, one with two sequential requirements for 10,000 square feet each and one with a requirement for 5,000 square feet.

## ACQUISITIONS

Allied completed four small in-fill acquisitions in the first quarter, two in Toronto and two in Calgary. The aggregate purchase price was $15.8 million. Most notable among the Toronto acquisitions was 464 King West, a small parking lot between 460 and 468 King West. With that acquisition, Allied now has uninterrupted ownership on the north side of King West between Spadina and Brant. The two acquisitions in Calgary were made jointly with First Capital and augment the GM Glenbow joint venture established in early 2016.

## DEVELOPMENT

Allied has provided funding to Westbank in connection with the development of 400 West Georgia in Vancouver. Westbank is in the process of finalizing lease transactions with three high-calibre tenants for an aggregate of 312,000 square feet of GLA, representing 88% of the total GLA. Westbank has now commenced construction, and Allied is obligated to acquire an undivided 50% interest in the development at cost upon placement of permanent mortgage financing, which is scheduled for 2020.

Allied's overriding development priority for 2018 is to pre-lease a significant portion of the office component of The Well in Toronto, a 50/50 joint venture with RioCan. It is in the process of finalizing lease transactions with three high-calibre tenants for an aggregate of 475,000 square feet of GLA, representing 41% of the office component of the project. The joint-venture partners have completed the shoring and excavation of the site and are beginning the extensive formwork and concrete pouring necessary to get back to grade. Completion of the development is scheduled for 2021.

## OUTLOOK

Management expects Allied's operating, acquisition and development environments to remain supportive this year. Allied's internal forecast contemplates (i) solid mid-single-digit percentage growth in same-asset NOI, (ii) low-single-digit percentage growth in FFO per unit and (iii) high-single-digit percentage growth in AFFO per unit. Management expects continued growth in Allied's NAV per unit over the remainder of the year, with significant contribution from development completions, ongoing rent escalation and ongoing cap-rate strength in Canada's major urban centres.

Management remains confident in Allied's near-term and longer-term outlook. This 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 and retail users to locate in distinctive urban 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.

## 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 most recent financial statements. 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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