ALLIED

Allied Announces Second-Quarter Results

TORONTO, AUGUST 1, 2018

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its second quarter ended June 30, 2018. "Our operating and development environments have been particularly supportive in 2018, and our team took advantage of the favourable conditions to deliver solid results in the second quarter and first half of the year. In the quarter, we continued to propel strong organic growth in our rental portfolio and made substantial progress in our development portfolio. In addition, we continued the ongoing strengthening of our debt-metrics, which will enable us to execute our development program over the next five years with added financial flexibility and discipline."

RESULTS

The financial results are summarized below:

	AS AT JUNE 30,			
(In thousands except for per unit and % amounts)	2018	2017	CHANGE	% CHANGE
Investment properties	**$5,886,980**	$5,444,426	$442,554	8.1%
Unencumbered investment properties	**$3,793,240**	$2,563,295	$1,229,945	48.0%
Cost of PUD as a % of GBV	**9.5%**	5.6%	3.9%	—
NAV per unit	**$39.50**	$37.14	$2.36	6.4%
Total indebtedness ratio	**29.9%**	37.3%	(7.4%)	—
Annualized Adjusted EBITDA	**$262,030**	$245,166	$16,864	6.9%
Net debt as a multiple of Annualized Adjusted EBITDA	**6.9x**	8.4x	(1.5)x	—
Interest-coverage ratio including capitalized interest excluding extraordinary item	**2.9x**	2.7x	0.2x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED JUNE 30, 2018	2017	CHANGE	% CHANGE
Adjusted EBITDA	**$66,023**	$62,670	$3,353	5.4%
Net income excluding IFRS value adjustments	**$34,982**	$37,012	$(2,030)	(5.5%)
Net income	**$113,652**	$113,081	$571	0.5%
Same asset NOI - rental portfolio	**$64,557**	$58,477	$6,080	10.4%
Same asset NOI - total portfolio	**$65,835**	$60,150	$5,685	9.5%
FFO	**$43,750**	$45,624	$(1,874)	(4.1%)
One-time extraordinary item	**$7,502**	—	$7,502	—
Normalized FFO	**$51,252**	$45,624	$5,628	12.3%
Normalized FFO per unit (diluted)	**0.55**	0.54	0.01	1.9%
Normalized FFO pay-out ratio	**72.6%**	71.2%	1.4%	—
Normalized AFFO	**$42,610**	$33,587	$9,023	26.9%
Normalized AFFO per unit (diluted)	**$0.45**	$0.39	$0.06	15.4%
Normalized AFFO pay-out ratio	**87.3%**	96.8%	(9.5%)	—

(In thousands except for per unit and % amounts)	FOR THE SIX MONTHS ENDED JUNE 30, 2018	2017	CHANGE	% CHANGE
Adjusted EBITDA	**$131,015**	$122,583	$8,432	6.9%
Net income excluding fair value adjustments	**$76,672**	$73,102	$3,570	4.9%
Net income	**$198,352**	$192,948	$5,404	2.8%
Same asset NOI - rental portfolio	**$128,314**	$115,989	$12,325	10.6%
Same asset NOI - total portfolio	**$130,774**	$119,504	$11,270	9.4%
FFO	**$93,785**	$90,354	$3,431	3.8%
One-time extraordinary item	**$7,502**	—	$7,502	—
Normalized FFO	**$101,287**	$90,354	$10,933	12.1%
Normalized FFO per unit (diluted)	**$1.08**	$1.06	$0.02	1.9%
Normalized FFO pay-out ratio	**72.5%**	71.9%	0.6%	—
Normalized AFFO	**$83,425**	$67,699	$15,726	23.2%
Normalized AFFO - per unit (diluted)	**$0.89**	$0.80	$0.09	11.3%
Normalized AFFO - pay-out ratio	**88.1%**	95.9%	(7.8%)	—

The operating results are summarized below:

	FOR THE SIX MONTHS ENDED JUNE 30,			
	2018	2017	CHANGE	% CHANGE
Leased area	95.4%	93.2%	2.2%	—
Occupied area	94.9%	92.4%	2.5%	—
Average in-place net rent per occupied square foot (period-end)	$22.41	$21.67	$0.74	3.4%
Renewal and replacement rate for leases maturing in the period	82.8%	80.9%	1.9%	—
Increase in net rent on maturing leases	22.6%	21.9%	0.7%	—

Late in the second quarter, Allied used $131.8 million of the net proceeds of a $300 million equity offering to prepay the first mortgage on 151 Front Street West in Toronto. This included a yield-maintenance payment to the lender of $7.5 million, which is the one-time extraordinary item referred to in the tables above.

OPERATIONS AND LEASING

Driven by occupancy gain and rent growth in Toronto and Montréal, Allied's same-asset NOI was up 10% from the comparable quarter last year, underpinning 15% growth in its Normalized AFFO per unit. Driven largely by the recent completion of upgrade properties in Montréal and rent growth in Toronto, Allied's NAV per unit at the end of the quarter was up 6% from the end of the comparable quarter last year.

In the first half of 2018, Allied increased the occupied area of its rental portfolio by 140 basis points to 94.9% and increased leased area by 20 basis points to 95.4%. Allied also renewed or replaced leases for 83% of the space that matured in the period. This resulted in an overall increase of 23% in net rent per square foot from the affected space.

DEVELOPMENT

Allied expects to allocate $1.2 billion to its urban development program from the beginning of this year to the end of 2022, with approximately $300 million being allocated in each of 2018, 2019 and 2020 and a much smaller amount in each of 2021 and 2022. Allied now expects to complete eight urban development projects within that timeframe with aggregate GLA (at our share) of approximately 2.3 million square feet, 175,000 of which will be in Vancouver, 316,000 in Calgary, 300,000 in Montréal and the balance (approximately 1.5 million) in Toronto.

Allied's overriding development priority for 2018 was to pre-lease a significant portion of the office component of The Well in Toronto, a 50/50 joint venture with RioCan. The joint venture recently pre-leased 325,000 square feet of GLA, representing 30% of the 1.07 million square feet of office GLA at The Well, and is now finalizing lease transactions with two other tenants for 533,752 square feet of office GLA, which would bring the leased area to 80%.

Another important priority was to pre-lease a significant portion of 400 West Georgia in Vancouver. (Having provided Westbank with financing for this development, Allied is obligated to acquire an undivided 50% interest at cost upon placement of permanent mortgage financing, which is scheduled for late 2020.) Westbank recently pre-leased 117,000 square feet of GLA to Deloitte for a term of 15 years commencing in late 2020. This represents 33% of the total GLA in the development. Westbank is now working toward finalizing leases with two other high-calibre tenants for 165,000 square feet of GLA, which would bring the leased area to 80%.

TELUS Sky in Calgary is an equal three-way joint venture with Westbank and TELUS. Now proceeding toward completion in mid-2019, it will be comprised of 429,000 square feet of office GLA, 15,000 square feet of retail GLA, 326 rental apartments and 333 underground parking spaces. TELUS has pre-leased 143,000 square feet of GLA, representing 33% of the office space. Despite the cyclical downturn in the Calgary office market, the joint venture is beginning to make progress in leasing the remaining 286,000 square feet of office space. Negotiations are underway with three potential tenants with requirements aggregating 120,000 square feet of GLA.

OUTLOOK

Allied is intent on remaining a preferred public vehicle through which to participate in the urban-intensification trend in Canada's major cities. Despite the strength and durability of this trend, Allied is equally intent on retaining an industry-leading balance sheet. At the end of the second quarter, its total indebtedness ratio was 30% and its net debt as a multiple of EBITDA was 6.9:1, both among the strongest in the Canadian REIT universe. As Allied's commitment to the balance sheet remains unwavering, its goal is to maintain these important debt metrics over the course of the year and beyond.

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, Normalized FFO, AFFO, 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 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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