ALLIED

Allied Announces Third-Quarter Results

TORONTO, NOVEMBER 7, 2018

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its third quarter ended September 30, 2018. "Our third quarter was active and successful," said Michael Emory, President & CEO. "We propelled strong organic growth in our rental portfolio and made excellent pre-leasing progress with our development portfolio. We continued to focus on the large-scale capital allocation necessary for a growing and successful development pipeline, strengthening our debt-metrics meaningfully for the second time in 2018."

RESULTS

The financial results are summarized below:

	AS AT SEPTEMBER 30,			
(In thousands except for per unit and % amounts)	2018	2017	CHANGE	% CHANGE
Investment properties	**$6,040,825**	$5,534,005	$506,820	9.2%
Unencumbered investment properties	**$4,142,540**	$2,771,891	$1,370,649	49.4%
Cost of PUD as a % of GBV	**8.9%**	5.7%	3.2%	—
NAV per unit	**$41.18**	$37.90	$3.28	8.7%
Total indebtedness ratio	**27.6%**	34.3%	(6.7%)	—
Annualized Adjusted EBITDA	**$265,405**	$250,043	$15,362	6.1%
Net debt as a multiple of Annualized Adjusted EBITDA	**6.4x**	7.5x	(1.1)x	—
Interest-coverage ratio including capitalized interest excluding extraordinary item	**3.1x**	2.8x	0.3x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018	2017	CHANGE	% CHANGE
Adjusted EBITDA	**$68,039**	$64,949	$3,090	4.8%
Net income excluding IFRS value adjustments	**$46,995**	$37,371	$9,624	25.8%
Net income	**$204,654**	$101,945	$102,709	100.7%
Same asset NOI - rental portfolio	**$67,192**	$61,230	$5,962	9.7%
Same asset NOI - total portfolio	**$68,036**	$62,877	$5,159	8.2%
FFO	**$55,253**	$47,799	$7,454	15.6%
FFO per unit (diluted)	**0.549**	0.537	0.012	2.2%
FFO pay-out ratio	**71.6%**	72.2%	(0.6%)	—
AFFO	**$47,034**	$33,897	$13,137	38.8%
AFFO per unit (diluted)	**$0.467**	$0.381	$0.086	22.6%
AFFO pay-out ratio	**84.1%**	101.7%	(17.6%)	—

(In thousands except for per unit and % amounts)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018	2017	CHANGE	% CHANGE
Adjusted EBITDA	**$199,054**	$187,532	$11,522	6.1%
Net income excluding fair value adjustments	**$123,667**	$110,473	$13,194	11.9%
Net income	**$403,006**	$294,893	$108,113	36.7%
Same asset NOI - rental portfolio	**$194,195**	$176,811	$17,384	9.8%
Same asset NOI - total portfolio	**$198,224**	$181,965	$16,259	8.9%
FFO	**$149,038**	$138,153	$10,885	7.9%
One-time extraordinary item [1]	**$7,502**	—	$7,502	—
Normalized FFO	**$156,540**	$138,153	$18,387	13.3%
Normalized FFO per unit (diluted)	**$1.632**	$1.601	$0.031	1.9%
Normalized FFO pay-out ratio	**72.2%**	72.0%	0.2%	—
Normalized AFFO	**$130,459**	$101,596	$28,863	28.4%
Normalized AFFO - per unit (diluted)	**$1.360**	$1.177	$0.183	15.5%
Normalized AFFO - pay-out ratio	**86.6%**	97.9%	(11.3%)	—

(1) Q2 2018 contained a one-time extraordinary item totaling $7,502 of yield maintenance cost incurred on the early repayment of the first mortgage on 151 Front Street West, Toronto.

The operating results are summarized below:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,			
	2018	2017	CHANGE	% CHANGE
Leased area	**96.2%**	93.3%	2.9%	—
Occupied area	**95.1%**	92.5%	2.6%	—
Average in-place net rent per occupied square foot (period-end)	**$22.44**	$21.86	$0.58	2.7%
Renewal and replacement rate for leases maturing in the period	**88.6%**	81.9%	6.7%	—
Increase in net rent on maturing leases	**15.8%**	19.6%	(3.8%)	—

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 23% growth in its 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 9% from the end of the comparable quarter last year.

In the first three quarters of the year, Allied increased the occupied area of its rental portfolio by 160 basis points to 95.1% and increased leased area by 100 basis points to 96.2%. It also renewed or replaced leases for 89% of the space that matured in the period. This resulted in an overall increase of 16% in net rent per square foot from the affected space.

For the purposes of its 2018 internal forecast, Allied assumed no additional lease-up at 250 Front West. This was to avoid creating inflated expectations based on timing estimates in a long-cycle leasing environment. While the assumption will prove accurate for 2018, Allied is now finalizing a lease transaction with a new user for two sequential requirements of 10,000 square feet each, which would bring the leased area to 75%. This will contribute to Allied's 2019 internal forecast.

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 this year, 2019 and 2020 and a much smaller amount in each of 2021 and 2022. It now expects to complete eight urban development projects within that timeframe with aggregate GLA (at its 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. It is now 71% leased with completion scheduled for 2022. Another important priority was to pre-lease a significant portion of 400 West Georgia in Vancouver, a Westbank development financed by Allied. Allied is obligated to acquire an undivided 50% interest at cost upon placement of permanent mortgage financing, expected to occur in late 2020. It is now 82% leased with completion scheduled for 2020. Yet another important priority was to pre-lease a portion 425 Viger in Montréal, a top-tier Class I property that we're expanding and retrofitting. It is now 32% leased with completion scheduled for 2020.

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 GLA. It is now finalizing lease transactions for 45,000 square feet of GLA with three different users at net effective rental rates that support the current return projection.

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, it's equally intent on retaining an industry-leading balance sheet. At the end of the third quarter, Allied's total indebtedness ratio was 28%, its net debt as a multiple of EBITDA was 6.4:1 and its pool of unencumbered properties was $4.15 billion. As its commitment to the balance sheet remains unwavering, Allied's goal is to maintain these important debt metrics over the remainder of the year and beyond.

Looking forward, Management of Allied expects its operating, acquisition and development environments to remain supportive in the near-term. Its 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. Allied expects continued growth in 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. Its confidence is predicated on the continued intensification of the urban core of Canada's major cities and the continued desire on the part of knowledge-based organizations to locate in distinctive urban environments for creativity and connectivity. It is also underpinned by the depth and strength of the Allied team and the team's ability to execute our 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 (i) distinctive urban workspace in Canada's major cities and (ii) network-dense urban data centres in Toronto that form Canada's hub for global connectivity. Allied's business is providing knowledge-based organizations with distinctive urban environments for creativity and connectivity.

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