ALLIED

Allied Announces Fourth-Quarter and Year-End Results

TORONTO, FEBRUARY 13, 2019

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its fourth quarter and year ended December 31, 2018. "Favourable fundamentals, intense focus on operations and years of deliberate capital allocation made for an active and successful 2018," said Michael Emory, President & CEO. "We propelled strong organic growth in our rental portfolio and made excellent progress on our development portfolio, materially reducing construction, leasing and funding risk going forward."

RESULTS

The financial results are summarized below:

	AS AT DECEMBER 31, 2018			
(In thousands except for per unit and % amounts)	2018	2017	CHANGE	% CHANGE
Investment properties	**$6,257,647**	$5,627,439	$630,208	11.2%
Unencumbered investment properties	**$4,266,900**	$2,925,135	$1,341,765	45.9%
Cost of PUD as a % of GBV	**8.9%**	6.5%	2.4%	—
NAV per unit	**$42.12**	$38.19	$3.93	10.3%
Total indebtedness ratio	**29.4%**	33.8%	(4.4%)	—
Annualized Adjusted EBITDA	**$267,550**	$252,753	$14,797	5.9%
Net debt as a multiple of Annualized Adjusted EBITDA	**7.2x**	7.7x	(0.5)x	—
Interest-coverage ratio including capitalized interest excluding extraordinary item	**3.2x**	2.8x	0.4x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED DECEMBER 31, 2018			
	2018	2017	CHANGE	% CHANGE
Adjusted EBITDA	**$68,496**	$65,221	$3,275	5.0%
Net income excluding IFRS value adjustments	**$46,223**	$38,043	$8,180	21.5%
Net income	**$137,270**	$63,066	$74,204	117.7%
Same asset NOI - rental portfolio	**$68,062**	$62,239	$5,823	9.4%
Same asset NOI - total portfolio	**$68,727**	$63,204	$5,523	8.7%
FFO	**$55,657**	$49,051	$6,606	13.5%
FFO per unit (diluted)	**0.535**	0.527	0.008	1.5%
FFO pay-out ratio	**73.3%**	72.9%	0.4%	—
AFFO	**$45,186**	$38,072	$7,114	18.7%
AFFO per unit (diluted)	**$0.434**	$0.409	$0.025	6.1%
AFFO pay-out ratio	**90.3%**	93.9%	(3.6%)	—

(In thousands except for per unit and % amounts)	AS AT DECEMBER 31, 2018			
	2018	2017	CHANGE	% CHANGE
Adjusted EBITDA	**$267,550**	$252,753	$14,797	5.9%
Net income excluding fair value adjustments	**$169,890**	$148,516	$21,374	14.4%
Net income	**$540,276**	$357,959	$182,317	50.9%
Same asset NOI - rental portfolio	**$260,926**	$238,166	$22,760	9.6%
Same asset NOI - total portfolio	**$265,412**	$243,374	$22,038	9.1%
FFO	**$204,695**	$187,204	$17,491	9.3%
One-time extraordinary item [1]	**$7,502**	—	$7,502	—
Normalized FFO	**$212,197**	$187,204	$24,993	13.4%
Normalized FFO per unit (diluted)	**$2.166**	$2.127	$0.039	1.8%
Normalized FFO pay-out ratio	**72.5%**	72.2%	0.3%	—
Normalized AFFO	**$175,645**	$139,668	$35,977	25.8%
Normalized AFFO - per unit (diluted)	**$1.793**	$1.587	$0.206	13.0%
Normalized AFFO - pay-out ratio	**87.6%**	96.8%	(9.2%)	—

(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 YEAR ENDED DECEMBER 31, 2018			
	2018	2017	CHANGE	% CHANGE
Leased area	**96.7%**	95.2%	1.5%	—
Occupied area	**96.3%**	93.5%	2.8%	—
Average in-place net rent per occupied square foot (period-end)	**$22.64**	$22.52	$0.12	0.5%
Renewal and replacement rate for leases maturing in the period	**90.6%**	84.7%	5.9%	—
Increase in net rent on maturing leases	**17.8%**	17.8%	—%	—

OPERATIONS AND LEASING

Allied's same-asset NOI was up 10% in 2018, underpinning 13% growth in its AFFO per unit, with urban-data- centre space up 15%, driven largely by occupancy gain at 250 Front West in Toronto, and urban workspace up 8%, driven largely by occupancy gain in Montréal and rent growth in Toronto. Allied's NAV per unit was up 10% in 2018, primarily as a result of development completions, rent growth and cap-rate compression at 151 Front West in Toronto.

Over the course of 2018, Allied increased the occupied area of its rental portfolio by 280 basis points to 96% and increased the leased area by 150 basis points to 97%. It also renewed or replaced leases for 91% of the space that matured in the year. This resulted in an overall increase of 18% in net rent per square foot from the affected space.

DEVELOPMENT

Allied expects to allocate $830 million to its urban development program in the next four years, with approximately $300 million being allocated this year, $230 million in each of 2020 and 2021 and $70 million in 2022. Allied expects to complete 10 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, 311,000 in Calgary, 300,000 in Montréal and the balance (approximately 1.53 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. It is now 82% leased with completion scheduled for 2020. Yet another important priority was to pre-lease a portion of 425 Viger in Montréal, a top-tier Class I property that Allied is expanding and retrofitting. It is now 36% leased with completion scheduled for 2020. A final priority was to continue the lease-up of TELUS Sky in Calgary. With the finalization of lease commitments for 25,500 square feet of GLA adding to TELUS' commitment, the office space is now 41% leased with completion scheduled for late 2019.

Allied initiated condominium pre-sales at KING Toronto, a 50/50 joint venture with Westbank, in the fourth quarter. The first three phases sold well, and the JV plans to release the fourth and final phase shortly. Allied incurred $1.5 million (at its share) of non-recurring marketing costs in connection with the pre-sales activity. (Marketing costs associated with merchant development are expensed when incurred.) The JV expects to initiate construction by year-end 2019.

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 2018, its total indebtedness ratio was 29%, its net debt as a multiple of EBITDA was 7.2:1 and its pool of unencumbered properties was $4.3 billion. Allied's commitment to the balance sheet will remain unwavering.

Management expects Allied's operating, acquisition and development environments to remain favourable in 2019. Allied's internal forecast contemplates (i) low- to mid-single-digit percentage growth in same-asset NOI, (ii) low- to mid-single-digit percentage growth in FFO per unit and (iii) low- to mid-single-digit percentage growth in AFFO per unit. Management expects continued growth in NAV per unit in 2019, with significant contribution from development completions, ongoing rent growth 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. Management's confidence 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.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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