

Allied Announces First-Quarter Results

TORONTO, MAY 1, 2019

Allied Properties Real Estate Investment Trust (“Allied”) (TSX: “AP.UN”) today announced results for its first quarter ended March 31, 2019. “We continued to focus on operations, capital allocation and risk management in the first quarter,” said Michael Emory, President & CEO. “Supported by strong demand for urban workspace in major cities across the country, we propelled continued organic growth in our rental portfolio, made steady progress on our development portfolio and fortified our balance sheet yet again.”

RESULTS

The financial results are summarized below:

(In thousands except for per unit and % amounts)	AS AT MARCH 31,			
	2019	2018	CHANGE	% CHANGE
Investment properties	\$6,415,217	\$5,740,597	\$674,620	11.8%
Unencumbered investment properties	\$4,301,020	\$3,019,810	\$1,281,210	42.4%
Cost of PUD as a % of GBV	8.0%	8.9%	(0.9%)	—
NAV per unit	\$43.12	\$38.69	\$4.43	11.4%
Total indebtedness ratio	27.0%	34.0%	(7.0%)	—
Annualized Adjusted EBITDA	\$287,944	\$259,968	\$27,976	10.8%
Net debt as a multiple of Annualized Adjusted EBITDA	6.2x	7.7x	(1.5)x	—
Interest-coverage ratio including capitalized interest	3.3x	2.9x	0.4x	—

FOR THE THREE MONTHS ENDED MARCH 31,

(In thousands except for per unit and % amounts)	2019	2018	CHANGE	% CHANGE
Adjusted EBITDA	\$71,986	\$64,992	\$6,994	10.8%
Net income excluding fair value adjustments	\$49,107	\$41,690	\$7,417	17.8%
Net income	\$143,177	\$84,700	\$58,477	69.0%
Same asset NOI - rental portfolio	\$69,246	\$65,094	\$4,152	6.4%
Same asset NOI - total portfolio	\$70,291	\$65,420	\$4,871	7.4%
FFO	\$58,548	\$50,035	\$8,513	17.0%
FFO per unit (diluted)	\$0.555	\$0.537	\$0.018	3.4%
FFO pay-out ratio	72.0%	72.5%	(0.5%)	—
AFFO	\$50,186	\$40,815	\$9,371	23.0%
AFFO - per unit (diluted)	\$0.475	\$0.438	\$0.037	8.4%
AFFO - pay-out ratio	84.0%	88.8%	(4.8%)	—

The operating results are summarized below:

FOR THE THREE MONTHS ENDED MARCH 31,

	2019	2018	CHANGE	% CHANGE
Leased area	96.4%	95.0%	1.4%	—
Occupied area	96.2%	94.5%	1.7%	—
Average in-place net rent per occupied square foot (period-end)	\$23.12	\$22.45	\$0.67	3.0%
Renewal and replacement rate for leases maturing in the period	67.7%	85.4%	(17.7%)	—
Increase in net rent on maturing leases	19.6%	27.4%	(7.8%)	—

OPERATIONS AND LEASING

Same-asset NOI for Allied's rental portfolio was up 6% in the first quarter, with UDC space (urban-data-centre space) up 14%, driven largely by occupancy gain and regular and ancillary rent growth, and urban workspace up 5%, driven largely by occupancy gain and rent growth. This underpinned 3% growth in Allied's FFO per unit and 8% growth in its AFFO per unit. Allied's NAV per unit was up 11% in the first quarter, primarily as a result of development completions and ongoing rent growth.

The occupied area of Allied's rental portfolio at the end of the first quarter was 96.2%, with leased area at 96.4%. Allied is now operating with minimal difference between occupied and leased area, which reflects the success of its extensive upgrade activity over the past three years. Allied also renewed or replaced leases for 68% of the space that matured in the quarter. This resulted in an overall increase of 20% in net rent per square foot from the affected space and extended the weighted-average term of its leases to 6.3 years.

Allied's UDC space was 85% leased at the end of the first quarter, and Allied continues to make slow but steady progress in leasing up the balance of 250 Front West in Toronto. Not only did Allied achieve its renewal expectations in the quarter, it initiated a process of early renewals that will boost NOI meaningfully and improve its lease-maturity schedule, particularly at 151 Front West in Toronto.

DEVELOPMENT

Allied continues to deal with strong demand for urban workspace at The Well in Toronto, 425 Viger in Montréal and TELUS Sky in Calgary. Construction is on schedule at The Well and 425 Viger, and construction at TELUS Sky is nearing completion. As a result of continued strong demand for urban workspace in Kitchener, Allied expects to initiate a large-scale expansion at The Breithaupt Block shortly.

Condominium pre-sales at KING Toronto continue at an encouraging pace and price-point. The first three phases have sold very well, and the fourth and final phase has been released to strong demand. Allied incurred \$858,000 (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.) Allied and Westbank are on schedule to initiate construction of KING Toronto by year-end.

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 first quarter, Allied's total indebtedness ratio was 27%, its net debt as a multiple of EBITDA was 6.2:1 and its pool of unencumbered properties was \$4.3 billion. Allied's commitment to the balance sheet remains unwavering.

Management expects Allied's operating, acquisition and development environments to remain favourable in 2019. Allied's internal forecast contemplates low- to mid-single-digit percentage growth in same-asset NOI, FFO per unit and 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 its 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 (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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