ALLIED

Allied Announces Second-Quarter Results

TORONTO, JULY 31, 2019

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its second quarter ended June 30, 2019. "We propelled strong internal and external growth in the first half of 2019," said Michael Emory, President & CEO. "Percentage growth in same-asset NOI, FFO per unit and AFFO per unit was in the mid-single-digit range, and NAV per unit was up 11%. Perhaps most notably, we made $504 million of accretive acquisitions that fit squarely within our investment and operating focus."

RESULTS

The financial results are summarized below:

	AS AT JUNE 30,			
(In thousands except for per unit and % amounts)	2019	2018	CHANGE	% CHANGE
Investment properties	**$6,655,457**	$5,886,980	$768,477	13.1%
Unencumbered investment properties	**$4,458,440**	$3,793,240	$665,200	17.5%
Cost of PUD as a % of GBV	**8.4%**	9.5%	(1.1%)	—
NAV per unit	**$43.79**	$39.50	$4.29	10.9%
Total indebtedness ratio	**25.8%**	29.9%	(4.1%)	—
Annualized Adjusted EBITDA	**$294,054**	$262,030	$32,024	12.2%
Net debt as a multiple of Annualized Adjusted EBITDA	**5.7x**	6.9x	(1.2)x	—
Interest-coverage ratio including capitalized interest	**3.4x**	2.9x	0.5x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED JUNE 30, 2019	2018	CHANGE	% CHANGE
Adjusted EBITDA	**$75,041**	$66,023	$9,018	13.7%
Net income excluding IFRS value adjustments	**$52,756**	$34,982	$17,774	50.8%
Net income	**$99,895**	$113,652	$(13,757)	(12.1%)
Same asset NOI - rental portfolio	**$70,814**	$65,914	$4,900	7.4%
Same asset NOI - total portfolio	**$72,070**	$66,356	$5,714	8.6%
FFO	**$62,557**	$51,252	$11,305	22.1%
FFO per unit (diluted)	**$0.567**	$0.546	$0.021	3.8%
FFO pay-out ratio	**71.1%**	72.6%	(1.5%)	—
FFO per unit (diluted) excluding condo marketing costs	**$0.579**	$0.546	$0.033	6.0%
AFFO	**$51,840**	$42,610	$9,230	21.7%
AFFO per unit (diluted)	**$0.470**	$0.454	$0.016	3.5%
AFFO pay-out ratio	**85.8%**	87.3%	(1.5%)	—
AFFO per unit (diluted) excluding condo marketing costs	**$0.482**	$0.454	$0.028	6.2%

(In thousands except for per unit and % amounts)	FOR THE SIX MONTHS ENDED JUNE 30, 2019	2018	CHANGE	% CHANGE
Adjusted EBITDA	**$147,027**	$131,015	$16,012	12.2%
Net income excluding fair value adjustments	**$101,863**	$76,672	$25,191	32.9%
Net income	**$243,072**	$198,352	$44,720	22.5%
Same asset NOI - rental portfolio	**$140,235**	$130,933	$9,302	7.1%
Same asset NOI - total portfolio	**$142,754**	$131,679	$11,075	8.4%
FFO	**$121,105**	$101,287	$19,818	19.6%
FFO per unit (diluted)	**$1.122**	$1.083	$0.039	3.6%
FFO pay-out ratio	**71.5%**	72.5%	(1.0%)	—
FFO per unit (diluted) excluding condo marketing costs	**$1.142**	$1.083	$0.059	5.4%
AFFO	**$102,026**	$83,425	$18,601	22.3%
AFFO per unit (diluted)	**$0.945**	$0.892	$0.053	5.9%
AFFO pay-out ratio	**84.9%**	88.1%	(3.2%)	—
AFFO per unit (diluted) excluding condo marketing costs	**$0.965**	$0.892	$0.073	8.2%

The operating results are summarized below:

	FOR THE SIX MONTHS ENDED JUNE 30, 2019	2018	CHANGE	% CHANGE
Leased area	**96.3%**	95.4%	0.9%	—
Occupied area	**96.2%**	94.9%	1.3%	—
Average in-place net rent per occupied square foot (period-end)	**$23.20**	$22.41	$0.79	3.5%
Renewal and replacement rate for leases maturing in the period	**74.2%**	82.8%	(8.6)%	—
Increase in net rent on maturing leases	**17.2%**	22.6%	(5.4)%	—

OPERATIONS AND LEASING

Same-asset NOI for Allied's rental portfolio was up 7% in the first half, with UDC space up 14%, driven largely by occupancy gain and regular and ancillary rent growth, and urban workspace up 6%, driven largely by occupancy gain and rent growth. This underpinned 4% growth in Allied's FFO per unit and 6% growth in its AFFO per unit. Allied's NAV per unit at the end of the first half was up 11% from the end of the first half last year, 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 half was 96.2%, with leased area at 96.3%. 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 74% of the space that matured in the first half. This resulted in an overall increase of 17% in net rent per square foot from the affected space and a weighted-average lease term of 6.2 years.

Allied's UDC space was 86% 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 first half, 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.

ACQUISITIONS

By July 17, 2019, Allied completed a total of $504 million in acquisitions that compliment its portfolios in Montréal, Toronto, Kitchener, Calgary and Vancouver. The largest acquisition, 700 de la Gauchetière Street West in Montréal ("700 DLG"), represented $323 million of the total. Allied intends to transform the property with a view to (i) augmenting its ability to serve knowledge-based organizations and (ii) adding value over a three- to five-year timeframe. Allied expects 700 DLG to be meaningfully accretive to its FFO and AFFO per unit from the outset and to become progressively more accretive as the transformation of the property progresses.

DEVELOPMENT

Allied continues to deal with strong demand for urban workspace at The Well in Toronto (now 76% leased), 425 Viger in Montréal (now 53% leased) and TELUS Sky in Calgary (now 45% leased). Construction is on schedule at The Well and 425 Viger, and construction at TELUS Sky is nearing completion. Allied initiated a large-scale expansion at The Breithaupt Block in June.

Condominium pre-sales at KING Toronto continue at an encouraging pace and price-point. In the second quarter, Allied incurred $1,351 (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 half, Allied's total indebtedness ratio was 26%, its net debt as a multiple of EBITDA was 5.7:1 and its pool of unencumbered properties was $4.5 billion. (Allied's net debt as a multiple of EBITDA rose to 6.6:1 on closing of 700 DLG on July 17, 2019.) 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 website, *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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