ALLIED

Allied Announces Third-Quarter Results

Strong Organic Growth, Extensive and Focused Capital Allocation and Achievement of Targeted Debt-Metrics Highlight 2019 to Date

TORONTO, OCTOBER 30, 2019

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its third quarter ended September 30, 2019. "We propelled strong internal and external growth in the first three quarters of 2019, with a mid-single-digit percentage increase in same-asset NOI, FFO per unit and AFFO per unit and an 8% increase in NAV per unit," said Michael Emory, President & CEO. "We also raised more capital at lower cost this year than any other year in our history. Perhaps most notably, we allocated that capital to acquisitions and developments that fit squarely within our investment and operating focus while simultaneously improving our debt-metrics to the point that they're now exactly where we want them to be."

RESULTS

The financial results are summarized below:

	AS AT SEPTEMBER 30,			
(In thousands except for per unit and % amounts)	2019	2018	CHANGE	% CHANGE
Investment properties	**$7,265,697**	$6,040,825	$1,224,872	20.3%
Unencumbered investment properties	**$4,696,690**	$4,142,540	$554,150	13.4%
Cost of PUD as a % of GBV	**9.1%**	8.9%	0.2%	—
NAV per unit	**$44.45**	$41.18	$3.27	7.9%
Total indebtedness ratio	**28.1%**	27.6%	0.5%	—
Annualized Adjusted EBITDA	**$302,649**	$265,405	$37,244	14.0%
Net debt as a multiple of Annualized Adjusted EBITDA	**7.1x**	6.4x	0.7x	—
Interest-coverage ratio including capitalized interest	**3.3x**	3.1x	0.2x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019	2018	CHANGE	% CHANGE
Adjusted EBITDA	**$79,960**	$68,039	$11,921	17.5%
Net income excluding IFRS value adjustments	**$54,292**	$46,995	$7,297	15.5%
Net income	**$121,191**	$204,654	$(83,463)	(40.8%)
Same asset NOI - rental portfolio	**$71,033**	$67,431	$3,602	5.3%
Same asset NOI - total portfolio	**$72,212**	$67,882	$4,330	6.4%
FFO	**$63,674**	$55,253	$8,421	15.2%
One-time items	**$2,142**	—	$2,142	—
Normalized FFO	**$65,816**	$55,253	$10,563	19.1%
Normalized FFO per unit (diluted)	**$0.565**	$0.549	$0.016	2.9%
Normalized FFO pay-out ratio	**70.5%**	71.6%	(1.1%)	—
Normalized FFO per unit (diluted) excluding condo marketing costs	**$0.576**	$0.549	$0.027	4.9%
Normalized AFFO	**$56,866**	$47,034	$9,832	20.9%
Normalized AFFO per unit (diluted)	**$0.488**	$0.467	$0.021	4.5%
Normalized AFFO pay-out ratio	**81.6%**	84.1%	(2.5%)	—
Normalized AFFO per unit (diluted) excluding condo marketing costs	**$0.499**	$0.467	$0.032	6.9%

Allied incurred a one-time prepayment cost ($2.56 million) in connection with the favourable refinancing of unsecured debentures in the third quarter, which was partially offset by incremental condominium profits ($0.42 million) recognized in the quarter. Accordingly, Allied has normalized the presentation of FFO and AFFO by excluding these one-time items.

(In thousands except for per unit and % amounts)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019	2018	CHANGE	% CHANGE
Adjusted EBITDA	**$226,987**	$199,054	$27,933	14.0%
Net income excluding fair value adjustments	**$156,155**	$123,667	$32,488	26.3%
Net income	**$364,263**	$403,006	$(38,743)	(9.6%)
Same asset NOI - rental portfolio	**$210,596**	$198,293	$12,303	6.2%
Same asset NOI - total portfolio	**$214,537**	$199,515	$15,022	7.5%
FFO	**$184,779**	$149,038	$35,741	24.0%
One-time items	**$2,142**	$7,502	$(5,360)	(71.4%)
Normalized FFO	**$186,921**	$156,540	$30,381	19.4%
Normalized FFO per unit (diluted)	**$1.686**	$1.632	$0.054	3.3%
Normalized FFO pay-out ratio	**71.2%**	72.2%	(1.0%)	—
Normalized FFO per unit (diluted) excluding condo marketing costs	**$1.718**	$1.632	$0.086	5.3%
Normalized AFFO	**$158,892**	$130,459	$28,433	21.8%
Normalized AFFO per unit (diluted)	**$1.433**	$1.360	$0.073	5.4%
Normalized AFFO pay-out ratio	**83.7%**	86.6%	(2.9%)	—
Normalized AFFO per unit (diluted) excluding condo marketing costs	**$1.465**	$1.360	$0.105	7.7%

Allied incurred a one-time prepayment cost ($2.56 million) in connection with the favourable refinancing of unsecured debentures in the third quarter, which was partially offset by incremental condominium profits ($0.42 million) recognized in the quarter. Accordingly, Allied has normalized the presentation of FFO and AFFO by excluding these one-time items.

The operating results are summarized below:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,			
	2019	2018	CHANGE	% CHANGE
Leased area	**95.0%**	96.2%	(1.2)%	—
Occupied area	**94.5%**	95.1%	(0.6)%	—
Average in-place net rent per occupied square foot (period-end)	**$22.75**	$22.44	$0.31	1.4%
Renewal and replacement rate for leases maturing in the period	**72.8%**	88.6%	(15.8)%	—
Increase in net rent on maturing leases	**19.7%**	15.8%	3.9%	—

Leased and occupied area at the end of the third quarter were down slightly from the end of the second quarter due to acquired vacancy and turnover vacancy anticipated in Allied's internal forecast for 2019. Management expects the area affected by turnover vacancy to re-lease promptly and with material increases over prior in-place net rent.

OPERATIONS AND LEASING

Same-asset NOI for Allied's rental portfolio was up 6.2% in the first three quarters, with UDC space up 10.8%, driven largely by occupancy gain and regular and ancillary rent growth, and urban workspace up 5.2%, driven largely by occupancy gain and rent growth. This underpinned 3.3% growth in Allied's FFO per unit and 5.4% growth in its AFFO per unit. Allied's NAV per unit on September 30, 2019 was up 7.9% from the same time last year, primarily as a result of development completions and ongoing rent growth.

The occupied area of Allied's rental portfolio on September 30, 2019, was 94.5%, with leased area at 95.0%. 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 72.8% of the space that matured in the first three quarters. This resulted in an overall increase of 19.7% in net rent per square foot from the affected space and a weighted-average lease term of 6.1 years.

Allied's UDC space was 82.5% leased at the end of the third 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 three quarters, 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.

ACQUISITION PROGRAM

Allied completed a total of $522 million in acquisitions in the first three quarters, complimenting 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 700 DLG 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 these acquisitions to be meaningfully accretive to its FFO and AFFO per unit from the outset and to become progressively more accretive as the transformation of 700 DLG progresses.

DEVELOPMENT PROGRAM

Allied continues to deal with strong demand for urban workspace under development. Most notably, the office component of TELUS Sky in Calgary is now 64% leased, up from 45% leased at the end of the second quarter. Construction is on schedule at The Well and 425 Viger, and construction at TELUS Sky is nearing completion. Construction at 19 Duncan in Toronto is well underway, and construction at KING Toronto is expected to commence in November. Allied initiated a large-scale expansion at The Breithaupt Block in June. Construction is expected to commence next year.

Condominium pre-sales at KING Toronto continue at an encouraging pace and price-point. In the third quarter, Allied incurred $1,316 (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.)

CAPITAL ALLOCATION

Thus far in 2019, Allied completed two equity offerings for aggregate proceeds of $575 million and two unsecured-debenture offerings for aggregate proceeds of $600 million. Allied allocated the net proceeds of the equity offerings primarily to acquisitions and developments that fit within its investment and operating focus. It allocated the net proceeds of the unsecured-debenture offerings primarily to the favourable refinancing of existing debt. Among other things, this strategic allocation of capital enabled Allied to achieve its targeted debt-metrics on or ahead of schedule.

BALANCE SHEET

Allied has demonstrated continuous and unwavering commitment to the balance sheet, with the result that its debt-metrics are now squarely within its targeted ranges. At the end of the third quarter, Allied's total indebtedness ratio was 28%, its net debt as a multiple of EBITDA was 7.1 times and its interest-coverage ratio was 3.3 times.

At the end of the third quarter, Allied's pool of unencumbered properties was $4.7 billion. Following prepayment of mortgages with proceeds of an unsecured-debenture offering completed earlier this month, Allied's pool of unencumbered properties was approximately $5.2 billion, representing 71% of its investment properties.

OUTLOOK

Management expects Allied's operating, acquisition and development environments to remain favourable in 2019 and into 2020. Allied's internal forecast for 2019 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, 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 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.

For further information, please contact:

MICHAEL R. EMORY
President & Chief Executive Officer

416.977.0643 | memory@alliedreit.com

CECILIA C. WILLIAMS
Executive Vice President & Chief Financial Officer

416.977.9002 | cwilliams@alliedreit.com