ALLIED

Allied Announces Fourth-Quarter and Year-End Results

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

TORONTO, FEBRUARY 5, 2020

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its fourth quarter and year ended December 31, 2019. "We pursued our strategy in 2019 with excellent short-term and long-term results," said Michael Emory, President & CEO. "Most notably, we allocated $870 million to accretive acquisitions and another $425 million to development and value-add activity. In the face of this extraordinary level of capital allocation, we maintained strong balance-sheet metrics by raising more capital ($920 million in equity and $600 million in unsecured debentures) at lower cost than any other year in our history."

RESULTS

The financial results are summarized below:

	AS AT DECEMBER 31,			
(In thousands except for per unit and % amounts)	2019	2018	CHANGE	% CHANGE
Investment properties	**$7,576,225**	$6,257,647	$1,318,578	21.1%
Unencumbered investment properties	**$5,464,860**	$4,266,900	$1,197,960	28.1%
Cost of PUD as a % of GBV	**9.4%**	8.9%	0.5%	—
NAV per unit	**$46.55**	$42.12	$4.43	10.5%
Total indebtedness ratio	**26.1%**	29.4%	(3.3%)	—
Annualized Adjusted EBITDA	**$310,291**	$267,550	$42,741	16.0%
Net debt as a multiple of Annualized Adjusted EBITDA	**6.3x**	7.2x	(0.9x)	—
Interest-coverage ratio including capitalized interest	**3.3x**	3.2x	0.1x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED DECEMBER 31, 2019	2018	CHANGE	% CHANGE
Adjusted EBITDA	**$83,304**	$68,496	$14,808	21.6%
Net income excluding IFRS value adjustments	**$55,711**	$45,926	$9,785	21.3%
Net income	**$264,960**	$137,270	$127,690	93.0%
Same asset NOI - rental portfolio	**$71,165**	$68,653	$2,512	3.7%
Same asset NOI - total portfolio	**$72,127**	$69,094	$3,033	4.4%
FFO	**$66,304**	$55,657	$10,647	19.1%
One-time items	**$1,877**	—	$1,877	—
Normalized FFO	**$68,181**	$55,657	$12,524	22.5%
Normalized FFO per unit (diluted)	**$0.577**	$0.535	$0.042	7.9%
Normalized FFO pay-out ratio	**69.3%**	73.3%	(4.0%)	—
Normalized FFO per unit (diluted) excluding condo marketing costs	**$0.583**	$0.550	$0.033	6.0%
Normalized AFFO	**$56,741**	$45,186	$11,555	25.6%
Normalized AFFO per unit (diluted)	**$0.480**	$0.434	$0.046	10.6%
Normalized AFFO pay-out ratio	**83.3%**	90.3%	(7.0%)	—
Normalized AFFO per unit (diluted) excluding condo marketing costs	**$0.487**	$0.450	$0.037	8.2%

Allied incurred a one-time prepayment cost ($3.46 million) in connection with the favourable refinancing of first mortgages in the fourth quarter, which was partially offset by incremental condominium profits ($1.58 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 YEAR ENDED DECEMBER 31, 2019	2018	CHANGE	% CHANGE
Adjusted EBITDA	**$310,291**	$267,550	$42,741	16.0%
Net income excluding fair value adjustments	**$210,994**	$168,704	$42,290	25.1%
Net income	**$629,223**	$540,276	$88,947	16.5%
Same asset NOI - rental portfolio	**$281,259**	$266,669	$14,590	5.5%
Same asset NOI - total portfolio	**$286,388**	$268,519	$17,869	6.7%
FFO	**$251,083**	$204,695	$46,388	22.7%
One-time items	**$4,019**	$7,502	$(3,483)	(46.4%)
Normalized FFO	**$255,102**	$212,197	$42,905	20.2%
Normalized FFO per unit (diluted)	**$2.263**	$2.166	$0.097	4.5%
Normalized FFO pay-out ratio	**70.7%**	72.5%	(1.8%)	—
Normalized FFO per unit (diluted) excluding condo marketing costs	**$2.301**	$2.182	$0.119	5.5%
Normalized AFFO	**$215,632**	$175,645	$39,987	22.8%
Normalized AFFO per unit (diluted)	**$1.913**	$1.793	$0.120	6.7%
Normalized AFFO pay-out ratio	**83.6%**	87.6%	(4.0%)	—
Normalized AFFO per unit (diluted) excluding condo marketing costs	**$1.951**	$1.809	$0.142	7.8%

Allied incurred one-time prepayment costs ($6.02 million) in connection with the favourable refinancing of unsecured debentures in the third quarter and first mortgages in the fourth quarter, which were partially offset by incremental condominium profits ($2.00 million) recognized in the year. Accordingly, Allied has normalized the presentation of FFO and AFFO by excluding these one-time items.

The operating results are summarized below:

	FOR THE YEAR ENDED DECEMBER 31,			
	2019	2018	CHANGE	% CHANGE
Leased area	**94.8%**	96.7%	(1.9)%	—
Occupied area	**94.4%**	96.3%	(1.9)%	—
Average in-place net rent per occupied square foot (period-end)	**$22.88**	$22.64	$0.24	1.1%
Renewal and replacement rate for leases maturing in the period	**84.9%**	90.6%	(5.7)%	—
Increase in net rent on maturing leases	**18.7%**	17.8%	0.9%	—

Leased and occupied area at the end of 2019 were down from the end of 2018 due to acquired vacancy and turnover vacancy anticipated in Allied's internal forecast for the year. 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 5.5% in 2019, with UDC space up 8.3%, driven largely by occupancy gain and regular and ancillary rent growth, and urban workspace up 4.8%, driven largely by occupancy gain and rent growth. This underpinned 5.5% growth in Allied's Normalized FFO per unit and 7.8% growth in its Normalized AFFO per unit, excluding condo marketing costs, which are non-recurring, project-related costs.

Following 10% NAV per unit growth in 2018, Allied delivered 11% growth in 2019. In 2018, development completions and value-add initiatives represented 44% of NAV per unit growth, organic NOI growth 18% and cap-rate compression 37%. In 2019, development completions and value-add initiatives represented 34% of NAV per unit growth, development approvals 3%, organic NOI growth 44% and cap-rate compression 19%.

The occupied area of Allied's rental portfolio at year-end was 94.4%, with leased area at 94.8%. Allied also renewed or replaced leases for 84.9% of the space that matured in the year. This resulted in an overall increase of 18.7% in net rent per square foot from the affected space and a weighted-average lease term of 5.9 years.

Allied's UDC space was 83.5% leased at year-end, 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 year, 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.

Allied completed a total of $536 million in acquisitions in the year, complimenting its portfolios in Montréal, Toronto, Kitchener, Calgary and Vancouver. 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. Allied also entered into an agreement to acquire 747 Square-Victoria Street in Montréal for $276 million, which closed on January 28 of this year. Allied also expects this acquisition to be accretive to its FFO and AFFO per unit on a leverage-neutral basis.

DEVELOPMENT PROGRAM

Allied continues to deal with strong demand for urban workspace under development. By year-end, the office component of The Well in Toronto, which expanded from 1,067,000 to 1,157,000 square feet of GLA, was 84% pre-leased, 425 Viger in Montréal 95% pre-leased and TELUS Sky in Calgary 64% pre-leased. Construction is on schedule at The Well and 425 Viger, and construction at TELUS Sky is nearing completion. Construction is underway at 19 Duncan in Toronto, the office component of which is 100% pre-leased, and The Breithaupt Block, Phase III, in Kitchener, which is also 100% pre-leased. All pre-leasing commitments are from outstanding knowledge-based organizations.

Condominium pre-sales at KING Toronto continue at an encouraging pace and price-point. In the year, Allied incurred $4.3 million (at its share) of non-recurring marketing costs in connection with the pre-sales activity. (Marketing costs associated with merchant-development projects are expensed when incurred.)

CAPITAL ALLOCATION

Allied completed three equity offerings for aggregate proceeds of $920 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 year-end, Allied's total indebtedness ratio was 26.1%, its net debt as a multiple of EBITDA 6.3 times, its interest-coverage ratio 3.3 times and its pool of unencumbered properties $5.5 billion. On closing of the acquisition of 747 Square-Victoria Street in Montréal, Allied's total indebtedness ratio was 25.3%, its net debt as a multiple of EBITDA 6.7 times, its interest-coverage ratio 3.4 times and its pool of unencumbered properties $5.7 billion.

OUTLOOK

Management expects Allied's operating, acquisition and development environments to remain favourable in 2020. Allied's internal forecast for 2020 contemplates 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 2020, with significant contribution from development completions, ongoing rent growth and ongoing cap-rate stability 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