ALLIED

Allied Announces Second-Quarter Results, Demonstrating Resilience

TORONTO, JULY 29, 2020

Allied Properties Real Estate Investment Trust ("Allied") (TSX:AP.UN) today announced results for its second quarter ended June 30, 2020. "The global pandemic posed a sudden and severe operational challenge for Allied," said Michael Emory, President & CEO. "Our team responded effectively, and our properties and user-base have held up extraordinarily well thus far. No user of Allied workspace failed as a result of the global pandemic, and we limited turnover vacancy as a result of non-payment of rent to 9,912 square feet. While the global pandemic and consequent economic disruption are far from over, I believe we're again demonstrating that our team, our properties and our user-base are resilient."

OPERATIONS

Gross monthly rent due in the second quarter was $164 million. 1.4% of the total amount due derives from parking use, 7.3% from retail use, 15.2% from urban-data-centre (UDC) use and 76.1% from office use. Allied collected 94.5% of the total amount due in the quarter, abated $3 million (1.8% of the total amount due) as part of the Canada Emergency Commercial Rent Assistance (CECRA) program, wrote-off $99,000 (0.1% of the total amount due) as a result of non-payment of rent and afforded deferrals aggregating $5.9 million (3.6% of the total amount due), primarily to storefront retail users. While Management has confidence in its ability to collect the deferrals over time, Allied booked a provision of $1.5 million for the quarter in relation to them.

Users representing 7.2% of the gross monthly rent due in the second quarter are eligible for financial assistance under CECRA, with office users representing 45% and retail users representing 55%. By enabling these users to participate in the program, Allied agreed to a one-time abatement of 25% of the gross monthly rent due from them in the second quarter. As a result, these users remain committed to their workspace in Allied's properties. In addition to covering the second quarter, CECRA has been extended to cover the month of July.

LEASING

The occupied area of Allied's rental portfolio at the end of the second quarter was 94.4%, with leased area at 94.7%, essentially unchanged from the end of the first quarter. Allied also renewed or replaced leases for 71.9% of the space that matured in the quarter. This resulted in an overall increase of 16.1% in net rent per square foot from the affected space and a weighted-average lease term of 5.8 years for the entire rental portfolio.

Users of Allied's UDC space experienced a surge in activity in the second quarter, boosting its ancillary rental revenue by $414,000 in the quarter alone, at least half of which will be recurring. Leasing was active across Allied's UDC portfolio, boosting the leased area at 151 Front West in Toronto to 97.4% and the leased area of the UDC portfolio as a whole to 89.4%. Management is beginning to work with users requiring increased allocations of power. This will take time and will require significant capital expenditure on Allied's part, but the return on the expenditure will be significant, as will the absolute growth in our recurring regular rental revenue.

RESULTS

Allied's financial and operating results are summarized below:

	AS AT JUNE 30,			
(In thousands except for per unit and % amounts)	2020	2019	CHANGE	% CHANGE
Investment properties	**$8,582,075**	$6,655,457	$1,926,618	28.9%
Unencumbered investment properties	**$6,322,810**	$4,458,440	$1,864,370	41.8%
Cost of PUD as a % of GBV	**9.0%**	8.4%	0.6%	—
NAV per unit	**$48.52**	$43.79	$4.73	10.8%
Total indebtedness ratio	**29.3%**	25.8%	3.5%	—
Annualized Adjusted EBITDA	**$342,146**	$294,054	$48,092	16.4%
Net debt as a multiple of Annualized Adjusted EBITDA	**7.6x**	5.7x	1.9x	—
Interest-coverage ratio including capitalized interest	**3.3x**	3.4x	(0.1)x	—

	FOR THE THREE MONTHS ENDED JUNE 30,			
(In thousands except for per unit and % amounts)	2020	2019	CHANGE	% CHANGE
Adjusted EBITDA	**$85,429**	$75,041	$10,388	13.8%
Net income excluding fair value adjustments	**$57,430**	$52,447	$4,983	9.5%
Net income	**$92,961**	$99,895	$(6,934)	(6.9%)
Same asset NOI - rental portfolio	**$70,198**	$72,255	$(2,057)	(2.8%)
Same asset NOI - total portfolio	**$69,944**	$72,543	$(2,599)	(3.6%)
FFO	**$68,624**	$62,557	$6,067	9.7%
FFO excluding condominium related items	**$68,652**	$63,845	$4,807	7.5%
FFO excluding condominium related items per unit (diluted)	**$0.557**	$0.578	$(0.021)	(3.6%)
FFO excluding condominium related items pay-out ratio	**74.0%**	69.7%	4.3%	—
AFFO excluding condominium related items	**$61,216**	$53,128	$8,088	15.2%
AFFO excluding condominium related items per unit (diluted)	**$0.497**	$0.481	$0.016	3.3%
AFFO excluding condominium related items pay-out ratio	**83.0%**	83.7%	(0.7%)	—

	FOR THE SIX MONTHS ENDED JUNE 30,			
(In thousands except for per unit and % amounts)	**2020**	2019	CHANGE	% CHANGE
Adjusted EBITDA	**$171,073**	$147,027	$24,046	16.4%
Net income excluding fair value adjustments	**$118,147**	$101,233	$16,914	16.7%
Net income	**$347,874**	$243,072	$104,802	43.1%
Same asset NOI - rental portfolio	**$143,887**	$143,351	$536	0.4%
Same asset NOI - total portfolio	**$143,421**	$143,875	$(454)	(0.3%)
FFO	**$139,714**	$121,105	$18,609	15.4%
FFO excluding condominium related items	**$140,329**	$123,238	$17,091	13.9%
FFO excluding condominium related items per unit (diluted)	**$1.139**	$1.141	$(0.002)	(0.2%)
FFO excluding condominium related items pay-out ratio	**72.4%**	70.3%	2.1%	—
AFFO excluding condominium related items	**$123,584**	$104,159	$19,425	18.6%
AFFO excluding condominium related items per unit (diluted)	**$1.003**	$0.965	$0.038	3.9%
AFFO excluding condominium related items pay-out ratio	**82.2%**	83.2%	(1.0%)	—

The operating results are summarized below:

	FOR THE SIX MONTHS ENDED JUNE 30,			
	2020	2019	CHANGE	% CHANGE
Leased area	**94.7%**	96.3%	(1.6%)	—
Occupied area	**94.4%**	96.2%	(1.8%)	—
Average in-place net rent per occupied square foot (period-end)	**$23.29**	$23.20	$0.09	0.4%
Renewal and replacement rate for leases maturing in the period	**67.9%**	74.2%	(6.3%)	—
Increase in net rent on maturing leases	**19.3%**	17.2%	2.1%	—

In the second quarter, Allied's same-asset NOI and FFO per unit declined slightly in relation to the comparable quarter last year, solely as a result of (i) the abatement provided under CECRA, (ii) a temporary decline in the variable component of parking revenue, (iii) the provision booked in relation to deferrals and (iv) the negligible write-off as a result of non-payment of rent. Despite this, Allied's AFFO per unit was up slightly in relation to the comparable quarter last year, primarily as a result of lower regular leasing expenditures. Allied achieved a 10.8% increase in NAV per unit over the comparable quarter last year. (Allied's NAV per unit sequentially was up slightly, primarily as a result of an NAV increase in its UDC portfolio and at 700 de la Gauchetière in Montréal.) Allied also issued unsecured debentures in the aggregate principal amount of $300 million and bearing interest at 3.131% per year for a term of eight years. The proceeds were used to fund the acquisition of The Landing in Vancouver and ongoing development activity. Allied's balance sheet and debt-metrics remain as strong as ever.

OUTLOOK

Allied's original internal forecast for 2020 called for mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. In light of the global pandemic and consequent economic disruption, Allied's revised internal forecast for 2020 calls for flat-to-mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. While Allied does not forecast NAV per unit growth, it continues to expect growth in 2020. Allied also expects to allocate a large amount of capital in 2020 with the same strategic coherence and discipline it demonstrated in 2019. Allied is committed to allocating $172 million to development and value-add activity over the remainder of 2020, and it may allocate additional capital to accretive acquisitions.

There are material areas of uncertainty with respect to Allied's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as physical-distancing measures are being lifted or relaxed across Canada. Allied also cannot predict the extent and severity of the economic disruption flowing from the global pandemic.

Allied continues to have deep confidence in, and commitment to, its strategy of consolidating and intensifying distinctive urban workspace and network-dense UDCs in Canada's major cities. Allied firmly believes that its strategy is underpinned by the most important secular trends in Canadian and global real estate. Allied also firmly believes that it has the properties, the financial strength, the people and the platform necessary to execute its strategy for the ongoing benefit of its unitholders.

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 and the expected impact of the global pandemic and consequent economic disruption. 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, including the effect of the global pandemic and consequent economic disruption. 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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