ALLIED

Allied Announces Fourth-Quarter and Year-End Results

Encouraging Short-Term and Long-Term Results, Extensive and Focused Capital Allocation and Maintenance of Targeted Debt-Metrics Highlight 2020

TORONTO, FEBRUARY 3, 2021

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its fourth quarter and year ended December 31, 2020. "Despite the disruption caused by the global pandemic, we pursued our mission in 2020 with encouraging short-term and long-term results," said Michael Emory, President & CEO. "Most notably, we allocated $325 million to strategic acquisitions and another $252 million to development and value-add activity. In the face of continuing robust capital allocation, we maintained strong balance-sheet metrics by raising a significant amount of capital ($700 million in unsecured debentures and $153 million in equity) on favourable terms."

OPERATIONS

Gross monthly rent due in the fourth quarter was $163 million. 1.3% of the total amount due derives from parking use, 7.3% from retail use, 15.8% from urban-data-centre (UDC) use and 75.6% from office use. Allied collected 97% of the total amount due in the quarter and afforded deferrals aggregating $5.3 million, primarily to storefront retail users, at least $2.0 million of which is expected to be paid in early 2021 pursuant to the Canada Emergency Rent Subsidy (CERS). In the second half of 2020, Management initiated the process of scaling down its deferral program through extensive case-by-case discussions with Allied's storefront retail users, most of which are exceptionally well located in downtown Toronto. Management's confidence in its ability to collect the deferrals afforded in 2020 has increased as a result of (i) these ongoing discussions and (ii) the ability of most affected users to benefit from CERS. Accordingly, Allied recorded a smaller provision in the fourth quarter ($500,000), bringing the total provision in relation to its deferral program for 2020 to $2.7 million. Allied has not yet utilized any portion of the provision.

LEASING

The occupied area of Allied's rental portfolio at the end of the fourth quarter was 92.1%, with leased area at 92.5%, down slightly from the end of the third quarter. Allied renewed or replaced leases for 92.3% of the space that matured in the quarter. This resulted in an overall increase of 7.7% in net rent per square foot from the affected space.

Allied renewed or replaced leases for 78.3% of the space that matured in 2020. This resulted in an overall increase of 17.2% in net rent per square foot from the affected space and a weighted-average lease term of 5.7 years for the entire rental portfolio.

Users of Allied's UDC space experienced a surge in activity in the second, third and fourth quarters, boosting its ancillary rental revenue by $1.45 million, 80% of which is expected to 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 its UDC portfolio as a whole to 89.4%. Allied is working 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 Allied's recurring regular rental revenue.

FOURTH-QUARTER AND YEAR-END RESULTS

Allied's financial and operating results are summarized below:

	AS AT DECEMBER 31,			
(In thousands except for per unit and % amounts)	2020	2019	CHANGE	% CHANGE
Investment properties	**$8,809,685**	$7,576,225	$1,233,460	16.3%
Unencumbered investment properties	**$6,463,680**	$5,464,860	$998,820	18.3%
Cost of PUD as a % of GBV	**9.0%**	9.4%	(0.4%)	—
NAV per unit	**$48.54**	$46.55	$1.99	4.3%
Total indebtedness ratio	**29.2%**	26.1%	3.1%	—
Annualized Adjusted EBITDA	**$349,023**	$310,291	$38,732	12.5%
Net debt as a multiple of Annualized Adjusted EBITDA	**7.7x**	6.3x	1.4x	—
Interest-coverage ratio including capitalized interest	**3.4x**	3.3x	0.1x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED DECEMBER 31,			
	2020	2019	CHANGE	% CHANGE
Adjusted EBITDA	**$90,498**	$83,304	$7,194	8.6%
Net income excluding fair value adjustments	**$64,311**	$55,711	$8,600	15.4%
Net income	**$83,842**	$264,960	$(181,118)	(68.4%)
Same asset NOI - rental portfolio	**$79,141**	$77,217	$1,924	2.5%
Same asset NOI - total portfolio	**$79,507**	$78,111	$1,396	1.8%
FFO	**$74,742**	$66,304	$8,438	12.7%
FFO excluding condominium related items and prepayment costs	**$74,969**	$69,085	$5,884	8.5%
FFO per unit (diluted) excluding condominium related items and prepayment costs	**$0.589**	$0.584	$0.005	0.9%
FFO pay-out ratio excluding condominium related items and prepayment costs	**70.0%**	68.4%	1.6%	—
AFFO excluding condominium related items and prepayment costs	**$64,623**	$57,645	$6,978	12.1%
AFFO per unit (diluted) excluding condominium related items and prepayment costs	**$0.508**	$0.487	$0.021	4.3%
AFFO pay-out ratio excluding condominium related items and prepayment costs	**81.2%**	82.0%	(0.8%)	—

(In thousands except for per unit and % amounts)	FOR THE YEAR ENDED DECEMBER 31,			
	2020	2019	CHANGE	% CHANGE
Adjusted EBITDA	**$349,023**	$310,291	$38,732	12.5%
Net income excluding fair value adjustments	**$242,431**	$210,994	$31,437	14.9%
Net income	**$500,729**	$629,223	$(128,494)	(20.4%)
Same asset NOI - rental portfolio	**$287,417**	$285,020	$2,397	0.8%
Same asset NOI - total portfolio	**$288,802**	$289,120	$(318)	(0.1%)
FFO	**$284,732**	$251,083	$33,649	13.4%
FFO excluding condominium related items and prepayment costs	**$285,784**	$259,316	$26,468	10.2%
FFO per unit (diluted) excluding condominium related items and prepayment costs	**$2.295**	$2.300	$(0.005)	(0.2%)
FFO pay-out ratio excluding condominium related items and prepayment costs	**71.9%**	69.5%	2.4%	—
AFFO excluding condominium related items and prepayment costs	**$248,003**	$219,846	$28,157	12.8%
AFFO per unit (diluted) excluding condominium related items and prepayment costs	**$1.991**	$1.950	$0.041	2.1%
AFFO pay-out ratio excluding condominium related items and prepayment costs	**82.8%**	82.0%	0.8%	—

The operating results are summarized below:

	FOR THE YEAR ENDED DECEMBER 31,			
	2020	2019	CHANGE	% CHANGE
Leased area	**92.5%**	94.8%	(2.3%)	—
Occupied area	**92.1%**	94.4%	(2.3%)	—
Average in-place net rent per occupied square foot (period-end)	**$23.88**	$22.88	$1.00	4.4%
Renewal and replacement rate for leases maturing in the period	**78.3%**	84.9%	(6.6%)	—
Increase in net rent on maturing leases	**17.2%**	18.7%	(1.5%)	—

In the fourth quarter, Allied's same-asset NOI, FFO per unit and AFFO per unit were up from the comparable quarter last year, even though rental revenue was depressed temporarily as a result of (i) a reduction in the variable component of parking revenue and (ii) the provision booked in relation to rent deferrals. Measured by short-term results, Allied's performance in 2020 as a whole was largely in-line with 2019, with same-asset NOI and FFO per unit coming in flat and AFFO per unit up slightly, even though rental revenue was depressed temporarily as a result of (i) a reduction of approximately $3.6 million in the variable component of parking revenue in the second, third and fourth quarters, (ii) the abatement of $5.1 million of rent under the Canadian Emergency Commercial Rent Assistance program in the second and third quarters and (iii) the provision aggregating $2.7 million recorded in relation to rent deferrals in the second, third and fourth quarters.

Measured by long-term results, Allied's performance was solid, with NAV per unit growth up 4.3% from 2019. Development completions and value-add initiatives represented 39% of its NAV per unit growth, organic NOI growth 27%, cap-rate compression in its Toronto and Montréal workspace portfolios 26% and cap-rate compression in its UDC portfolio 8%.

ALLOCATION OF CAPITAL AND FUNDING

Allied allocated $325 million to strategic acquisitions and another $252 million to development and value-add activity in 2020. In the face of continuing robust capital allocation, Allied maintained strong balance-sheet metrics by raising a significant amount of capital ($700 million in unsecured debentures and $153 million in equity) on favourable terms.

Allied has committed to allocate $451 million to completing its active developments over the next three years. Allied's completion and return estimates remained largely intact through 2020, and it currently estimates that the developments will increase its annual EBITDA by approximately $70 million and have a weighted average lease term in excess of 13 years. Not only will this augment Allied's cash flow per unit significantly (along with anticipated organic growth), it will materially reduce Allied's ratio of net debt to annualized EBITDA and materially increase its interest coverage ratio, Allied's two most important debt metrics.

OUTLOOK

Allied's internal forecast for 2021 calls for low-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 does expect to propel further growth in 2021. Allied also expects to allocate a large amount of capital in 2021 with the same strategic coherence and discipline it demonstrated in 2020 and prior years.

There are material areas of uncertainty with respect to Allied's internal forecast, the most significant being the fact that it cannot predict how businesses and consumers will respond once physical-distancing measures are 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 on 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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