



Allied Announces Second-Quarter Results

TORONTO, JULY 26, 2021

Allied Properties Real Estate Investment Trust (“Allied”) (TSX: “AP.UN”) today announced results for its second quarter ended June 30, 2021. “Our operating and leasing momentum continued to accelerate in the second quarter,” said Michael Emory, President & CEO. “FFO and AFFO per unit rose to record levels of 60.2 cents and 53.3 cents, respectively, consistent with our expectations. Average in-place net rent per occupied square foot rose again in the second quarter, coming in at \$24.30 compared to \$24.13 in the first quarter and \$23.29 in the comparable quarter last year. Despite the pandemic, our space has become more productive economically over the past six quarters.”

OPERATIONS

Gross monthly rent due in the second quarter was \$170 million. 1.2% of the total amount due derives from parking use, 7.8% from retail use, 16.4% from urban-data-centre (UDC) use and 74.6% from office use. Allied collected 97.2% of the total amount due in the quarter and afforded deferrals aggregating \$4.8 million, primarily to storefront retail users, at least \$2.2 million of which is expected to be paid pursuant to the Canada Emergency Rent Subsidy (CERS). Management continues the process of scaling down its pandemic-related deferral program through extensive case-by-case discussions with Allied’s storefront retail users, most of which are exceptionally well located in downtown Toronto. Accordingly, Allied did not adjust the provision in the quarter, and Allied’s total provision related to deferrals is \$3 million. Allied has not yet utilized any portion of the provision.

LEASING

In the second half of 2020 and thus far in 2021, Allied experienced accelerating leasing momentum in both its urban-workspace portfolio and UDC portfolio. Most notably, Allied leased 22,447 square feet of space at 250 Front Street West in the second quarter and 7,070 square feet at 151 Front Street West in July, bringing the leased area of the facilities to 85.9% and 100%, respectively, and the leased area of its UDC portfolio to 95.2%.

The occupied area of Allied's rental portfolio at the end of the second quarter was 91.1%, with leased area at 91.6%, essentially in-line with the prior quarter. Allied's average in-place net rent per occupied square foot rose again in the second quarter, coming in at \$24.30 compared to \$24.13 in the first quarter and \$23.29 in the comparable quarter last year. Space available for sub-lease in Allied's portfolio continued to decline in the second quarter, as expected.

Allied renewed or replaced leases for 59.5% of the space that matured in the quarter. This resulted in an overall increase of 14.2% in net rent per square foot from the affected space (14.7% excluding leases that matured in Calgary) and a weighted-average lease term of 5.6 years for the entire rental portfolio.

SECOND-QUARTER RESULTS

Allied's financial and operating results are summarized below:

(In thousands except for per unit and % amounts)	AS AT JUNE 30			
	2021	2020	CHANGE	% CHANGE
Investment properties	\$9,068,005	\$8,582,075	\$485,930	5.7%
Unencumbered investment properties	\$7,052,930	\$6,322,810	\$730,120	11.5%
Cost of PUD as a % of GBV	10.1%	9.0%	1.1%	—
NAV per unit	\$49.07	\$48.52	\$0.55	1.1%
Total indebtedness ratio	31.0%	29.3%	1.7%	—
Annualized Adjusted EBITDA	\$360,532	\$342,146	\$18,386	5.4%
Net debt as a multiple of Annualized Adjusted EBITDA	8.1x	7.6x	0.5x	—
Interest-coverage ratio including capitalized interest and excluding prepayment costs	3.3x	3.3x	—	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED JUNE 30			
	2021	2020	CHANGE	% CHANGE
Adjusted EBITDA	\$91,220	\$85,429	\$5,791	6.8%
Net income excluding fair value adjustments and prepayment costs	\$66,311	\$57,430	\$8,881	15.5%
Net income	\$98,523	\$92,961	\$5,562	6.0%
Same asset NOI - rental portfolio	\$83,528	\$78,495	\$5,033	6.4%
Same asset NOI - total portfolio	\$84,608	\$79,732	\$4,876	6.1%
FFO	\$76,580	\$68,624	\$7,956	11.6%
All amounts below are excluding condominium related items and prepayment costs				
FFO	\$76,705	\$68,652	\$8,053	11.7%
FFO per unit (diluted)	\$0.602	\$0.557	\$0.045	8.1%
FFO pay-out ratio	70.5%	74.0%	(3.5%)	—
AFFO	\$67,980	\$61,216	\$6,764	11.0%
AFFO per unit (diluted)	\$0.533	\$0.497	\$0.036	7.2%
AFFO pay-out ratio	79.6%	83.0%	(3.4%)	—

FOR THE SIX MONTHS ENDED JUNE 30

(In thousands except for per unit and % amounts)	2021	2020	CHANGE	% CHANGE
Adjusted EBITDA	\$180,266	\$171,073	\$9,193	5.4%
Net income excluding fair value adjustments and prepayment costs	\$129,181	\$118,147	\$11,034	9.3%
Net income	\$176,045	\$347,874	\$(171,829)	(49.4%)
Same asset NOI - rental portfolio	\$157,387	\$154,075	\$3,312	2.1%
Same asset NOI - total portfolio	\$161,682	\$155,976	\$5,706	3.7%
FFO	\$135,995	\$139,714	\$(3,719)	(2.7%)
All amounts below are excluding condominium related items and prepayment costs				
FFO	\$150,502	\$140,329	\$10,173	7.2%
FFO per unit (diluted)	\$1.182	\$1.139	\$0.043	3.8%
FFO pay-out ratio	71.9%	72.4%	(0.5%)	—
AFFO	\$134,309	\$123,584	\$10,725	8.7%
AFFO per unit (diluted)	\$1.054	\$1.003	\$0.051	5.1%
AFFO pay-out ratio	80.6%	82.2%	(1.6%)	—

The operating results are summarized below:

FOR THE SIX MONTHS ENDED JUNE 30

	2021	2020	CHANGE	% CHANGE
Leased area	91.6%	94.7%	(3.1%)	—
Occupied area	91.1%	94.4%	(3.3%)	—
Average in-place net rent per occupied square foot	\$24.30	\$23.29	\$1.01	4.3%
Renewal and replacement rate for leases maturing in the period	64.9%	67.9%	(3.0%)	—
Increase in net rent on maturing leases	8.6%	19.3%	(10.7%)	—

In the second quarter, same-asset NOI for the rental portfolio was up 6.4%, FFO per unit was up 8.1% and AFFO per unit was up 7.2%. In addition, NAV per unit increased by 1.1% from the comparable quarter last year.

ALLOCATION OF CAPITAL AND FUNDING

Allied continues to make strategic in-fill acquisitions, principally in downtown Toronto. These afford respectable yields and augment existing concentrations with future intensification potential. Allied allocated \$100 million to acquisitions like these in 2020 and \$94 million thus far in 2021. Allied expects to allocate more capital in this way over the remainder of the year.

Allied recently announced a large acquisition in Montréal, the urban office component of Place Gare Viger. It will significantly enhance Allied's ability to provide distinctive urban workspace to knowledge-based organizations. The acquisition will also help Allied begin to expand the range of knowledge-based organizations it serves to include the burgeoning biotech and life-sciences sector.

Allied continues to allocate large amounts of capital to development activity with completion and return estimates remaining intact. Management estimates that current developments will increase Allied's annual EBITDA by approximately \$79 million and have a weighted average lease term of 13 years.

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 prior years.

There are material areas of uncertainty in the current economic environment, one of the most significant for commercial real estate being the lack of visibility as to how office users, retail users and consumers will respond once physical-distancing measures are lifted or relaxed across Canada. There is also limited visibility as to the ultimate extent and severity of the general 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 "forecast", "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.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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