



Allied Announces Fourth-Quarter and Year-End Results

TORONTO, FEBRUARY 1, 2022

Allied Properties Real Estate Investment Trust (“Allied”) (TSX: “AP.UN”) today announced results for its fourth quarter and year ended December 31, 2021. “2021 was a strong year operationally and financially for Allied,” said Michael Emory, President & CEO. “FFO per unit came in at \$2.405 and AFFO per unit at \$2.091, in both cases at record levels and at the high end of the range contemplated in our internal forecast. NAV per unit was \$50.30 at year-end, up 3.6% from year-end 2020. Leasing activity exceeded our expectations for the year, with the result that our average in-place net rent per occupied square foot rose in all four quarters, finishing at \$24.64 in the fourth quarter compared to \$23.88 in the comparable quarter last year.

OPERATIONS

Gross quarterly rent billed in the fourth quarter was \$175.5 million. 1.4% of the total amount due derives from parking use, 8.0% from retail use, 16.2% from urban-data-centre (UDC) use and 74.5% from office use. Allied collected 97.6% of the total amount due in the quarter and afforded deferrals aggregating \$4.2 million, primarily to storefront retail users, at least \$1.5 million of which Management expects to collect from the Canada Emergency Rent Subsidy (CERS) and other government subsidies. 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 its general provision in the quarter, which remains \$3 million. Allied has not yet utilized any portion of this provision.

LEASING

The occupied area of Allied's rental portfolio at the end of the fourth quarter was 89.9%, with leased area at 90.4%, down slightly from the third quarter due to known non-renewals at Cité Multimedia in Montréal aggregating 77,300 square feet of GLA. Given the scale of Allied's rental portfolio, upgrade activity is now constant in all markets, particularly Montréal, Toronto and Vancouver. The goal of the upgrade activity is to serve users better and to boost net rent per occupied square foot over time. At the end of the fourth quarter, Allied's rental portfolio was comprised of (i) 13,465,789 square feet of GLA in buildings that are largely stabilized and (ii) 768,702 square feet of GLA in buildings that are undergoing active upgrade. The occupied area of the former was 91.1%, with leased area at 91.6%. The occupied and leased area of the latter was 68.0% and 68.4%, respectively. Management fully expects the occupied and leased areas of its entire rental portfolio to increase in 2022, with corresponding increases in same-asset NOI and net rent per occupied square foot.

Allied's average in-place net rent per occupied square foot rose again in the fourth quarter, coming in at \$24.64 compared to \$23.88 in the comparable quarter last year. Space available for sub-lease in Allied's portfolio continued to decline in the fourth quarter, as expected.

Allied renewed or replaced leases for 30.9% of the space that matured in the quarter, considerably lower than normal because of the known non-renewals at Cité Multimedia in Montréal. This resulted in the following overall increases in net rent per square foot from the affected space: (i) 9.4% in the first year of the new term compared to the last year of the prior term; and (ii) 18.3% on the annual average in the new term compared to the annual average in the prior term. It also resulted in a weighted-average lease term of 5.6 years for the entire rental portfolio.

FOURTH-QUARTER AND YEAR-END RESULTS

Allied's financial and operating results are summarized below:

(In thousands except for per unit and % amounts)	AS AT DECEMBER 31			
	2021	2020	CHANGE	% CHANGE
Investment properties ⁽¹⁾⁽⁴⁾	\$9,527,105	\$8,687,375	\$839,730	9.7%
Unencumbered investment properties ⁽²⁾	\$9,064,010	\$6,463,680	\$2,600,330	40.2%
Total Assets ⁽¹⁾⁽⁴⁾	\$10,384,691	\$9,400,768	\$983,923	10.5%
Cost of PUD as a % of GBV ⁽²⁾	11.2%	9.0%	2.2%	—
NAV per unit ⁽⁶⁾	\$50.30	\$48.54	\$1.76	3.6%
Debt ⁽¹⁾	\$3,453,284	\$2,725,462	\$727,822	26.7%
Total indebtedness ratio ⁽²⁾	33.5%	29.2%	4.3%	—
Adjusted EBITDA ⁽²⁾	\$365,050	\$349,023	\$16,027	4.6%
Net debt as a multiple of Adjusted EBITDA ⁽²⁾	9.4x	7.7x	1.7x	—
Interest-coverage ratio including capitalized interest and excluding financing prepayment costs ⁽²⁾⁽³⁾	3.4x	3.4x	—	—

FOR THE THREE MONTHS ENDED DECEMBER 31

(In thousands except for per unit and % amounts)	2021	2020	CHANGE	% CHANGE
Rental Revenue ⁽¹⁾⁽⁴⁾	\$146,722	\$145,173	\$1,549	1.1%
Net income ⁽¹⁾	\$159,921	\$83,842	\$76,079	90.7%
Net income excluding fair value adjustments and financing prepayment costs ⁽²⁾⁽³⁾⁽⁵⁾	\$64,444	\$62,240	\$2,204	3.5%
Adjusted EBITDA ⁽²⁾	\$90,843	\$90,498	\$345	0.4%
Same asset NOI - rental portfolio ⁽²⁾	\$84,915	\$83,624	\$1,291	1.5%
Same asset NOI - total portfolio ⁽²⁾	\$85,869	\$85,104	\$765	0.9%
FFO ⁽²⁾	\$75,691	\$74,742	\$949	1.3%
All amounts below are excluding condominium related items and financing prepayment costs ⁽²⁾⁽³⁾				
FFO	\$76,520	\$74,969	\$1,551	2.1%
FFO per unit (diluted)	\$0.600	\$0.589	\$0.011	1.9%
FFO pay-out ratio	70.9%	70.0%	0.9%	—
AFFO	\$66,076	\$64,623	\$1,453	2.2%
AFFO per unit (diluted)	\$0.518	\$0.508	\$0.01	2.0%
AFFO pay-out ratio	82.1%	81.2%	0.9%	—

FOR THE YEAR ENDED DECEMBER 31

(In thousands except for per unit and % amounts)	2021	2020	CHANGE	% CHANGE
Rental Revenue ⁽¹⁾⁽⁴⁾	\$568,886	\$560,327	\$8,559	1.5%
Net income ⁽¹⁾	\$443,151	\$500,729	\$(57,578)	(11.5%)
Net income excluding fair value adjustments and financing prepayment costs ⁽²⁾⁽³⁾⁽⁵⁾	\$261,854	\$238,135	\$23,719	10.0%
Adjusted EBITDA ⁽²⁾	\$365,050	\$349,023	\$16,027	4.6%
Same asset NOI - rental portfolio ⁽²⁾	\$314,125	\$308,354	\$5,771	1.9%
Same asset NOI - total portfolio ⁽²⁾	\$325,734	\$313,554	\$12,180	3.9%
FFO ⁽²⁾	\$253,376	\$284,732	\$(31,356)	(11.0%)
All amounts below are excluding condominium related items and financing prepayment costs ⁽²⁾⁽³⁾				
FFO	\$306,559	\$285,784	\$20,775	7.3%
FFO per unit (diluted)	\$2.405	\$2.295	\$0.110	4.8%
FFO pay-out ratio	70.6%	71.9%	(1.3%)	—
AFFO	\$266,517	\$248,003	\$18,514	7.5%
AFFO per unit (diluted)	\$2.091	\$1.991	\$0.100	5.0%
AFFO pay-out ratio	81.2%	82.8%	(1.6%)	—

(1) This measure is presented on an IFRS basis.

(2) This is a non-IFRS measure. Refer to the Non-IFRS Measures section below and on page 20 of the Management's Discussion and Analysis of Results of Operations and Financial Condition (the "MD&A") as at December 31, 2021.

(3) For the three months and year ended December 31, 2021, Allied incurred \$721 and \$52,610, respectively (December 31, 2020 - \$nil and \$nil, respectively) of financing prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages.

(4) Prior to Q4 2021, the comparative figures for investment properties, total assets, and rental revenue were reported on a proportionate share basis. The comparative figures for the prior period have been revised to an IFRS basis.

(5) Prior to Q4 2021, the comparative figure for net income excluding fair value adjustments and financing prepayment costs was calculated on a proportionate share basis. The comparative figure for the prior period has been revised to be calculated on an IFRS basis.

(6) Net asset value per Unit is calculated as follows: total Unitholders' equity as at the corresponding period ended, (per the consolidated balance sheets) divided by the actual number of Units outstanding at period end.

The operating results are summarized below:

	FOR THE YEAR ENDED DECEMBER 31			
	2021	2020	CHANGE	% CHANGE
Leased area	90.4%	92.5%	(2.1%)	—
Occupied area	89.9%	92.1%	(2.2%)	—
Average in-place net rent per occupied square foot	\$24.64	\$23.88	\$0.76	3.2%
Renewal and replacement rate for leases maturing in the period	57.0%	78.3%	(21.3%)	—
Increase in net rent on maturing leases	10.1%	17.2%	(7.1%)	—

In the fourth quarter, same-asset NOI for the rental portfolio was up 1.5%, FFO per unit was up 1.9% and AFFO per unit was up 2.0% from the comparable quarter last year. In addition, NAV per unit increased by 3.6% from the comparable quarter last year.

ALLOCATION OF CAPITAL AND FUNDING

Allied completed its acquisition of the Dominion Building in Vancouver in the fourth quarter. It will enhance Allied's ability to provide distinctive urban workspace to the growing ecosystem of knowledge-based organizations in the area of Downtown Vancouver east of Granville Street.

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 \$80 million upon stabilization of occupancy with an expected timeframe of three to five years, and have a weighted average lease term of 12.4 years.

In the fourth quarter, Allied established an at-the-market equity program (the "ATM Program") that allows it to issue and sell up to \$300 million of Allied units to the public, from time to time, at its discretion. The ATM Program is designed to provide additional financing flexibility which may be used in conjunction with other existing funding sources. Allied intends to use the net proceeds from the ATM Program for development, repayment of indebtedness and general trust purposes. During the quarter ended December 31, 2021, Allied issued 477,100 Units under the ATM Program at a weighted average price of \$44.07 per Unit for gross proceeds of \$21.0 million. Subsequent to December 31, 2021, Allied issued 211,800 Units under the ATM Program at a weighted average price of \$44.02 per Unit for gross proceeds of \$9.3 million.

OUTLOOK

Allied's internal forecast for 2022 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 2022. Allied also expects to allocate a large amount of capital in 2022 with the same strategic coherence and discipline it demonstrated in prior years.

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 and other constituents.

NON-IFRS MEASURES

Management uses financial measures based on International Financial Reporting Standards (“IFRS”) and non-IFRS measures to assess Allied’s performance. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. Refer to the Non-IFRS Measures section on page 20 of the MD&A as at December 31, 2021, available on www.sedar.com, for an explanation of the composition of the non-IFRS measures used in this press release and their usefulness for readers in assessing Allied’s performance. Such explanation is incorporated by reference herein.

RECONCILIATIONS OF NON-IFRS MEASURES

The following tables reconcile the non-IFRS measures to the most comparable IFRS measures for the three months and year ended December 31, 2021 and the comparable periods in 2020. These terms do not have any standardized meaning prescribed under IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities.

ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (“ADJUSTED EBITDA”)

The following table reconciles Allied’s net income and comprehensive income to Adjusted EBITDA, a non-IFRS measure, for the three months and years ended December 31, 2021, and December 31, 2020.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Net income and comprehensive income for the period	\$159,921	\$83,842	\$443,151	\$500,729
Interest expense	17,454	17,774	120,351	72,603
Amortization of other assets	273	341	1,167	1,467
Amortization of improvement allowances	8,259	8,072	32,424	32,522
Fair value gain on investment properties and investment properties held for sale	(95,070)	(14,809)	(215,693)	(276,294)
Fair value loss (gain) on derivative instruments	6	(4,722)	(16,350)	17,996
Adjusted EBITDA	\$90,843	\$90,498	\$365,050	\$349,023

NET INCOME EXCLUDING FAIR VALUE ADJUSTMENTS AND FINANCING PREPAYMENT COSTS

The following table reconciles Allied's net income and comprehensive income to net income excluding fair value adjustments and financing prepayment costs, a non-IFRS measure, for the three months and years ended December 31, 2021, and December 31, 2020.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Net income and comprehensive income	\$159,921	\$83,842	\$443,151	\$500,729
Less: Fair value gain on investment properties and investment properties held for sale	96,204	16,880	217,557	280,590
Less: Fair value (loss) gain on derivative instruments	(6)	4,722	16,350	(17,996)
Add: Financing prepayment costs	721	—	52,610	—
Net income excluding fair value adjustments and financing prepayment costs	\$64,444	\$62,240	\$261,854	\$238,135

SAME ASSET NOI

Same asset NOI, a non-IFRS measure, is measured as the net operating income for the properties that Allied owned and operated for the entire duration of both the current and comparative period. Same asset NOI of the assets held for sale for the three months and year ended December 31, 2021, consists of three investment properties that Allied classified as assets held for sale on September 30, 2021 and intends to sell to third parties within the next nine months. The following table reconciles Allied's same asset NOI to operating income for the three months and years ended December 31, 2021, and December 31, 2020.

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2021	DECEMBER 31, 2020	\$	%
Rental Portfolio - Same Asset NOI	\$84,915	\$83,624	\$1,291	1.5%
Development Portfolio - Same Asset NOI	\$574	\$988	\$(414)	(41.9%)
Assets Held for Sale - Same Asset NOI	\$380	\$492	\$(112)	(22.8%)
Total Portfolio - Same Asset NOI	\$85,869	\$85,104	\$765	0.9%
Acquisitions	1,441	4	1,437	
Lease terminations	268	542	(274)	
Development fees and corporate items	2,660	3,716	(1,056)	
NOI	\$90,238	\$89,366	\$872	1.0%
Amortization of improvement allowances	(8,259)	(8,072)	(187)	
Amortization of straight-line rents	1,141	1,596	(455)	
Operating income, proportionate basis	\$83,120	\$82,890	\$230	0.3%
Less: investment in joint venture	\$315	\$138	\$177	128.3%
Operating income, IFRS basis	\$82,805	\$82,752	\$53	0.1%

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2021	DECEMBER 31, 2020	\$	%
Rental Portfolio - Same Asset NOI	\$314,125	\$308,354	\$5,771	1.9%
Development Portfolio - Same Asset NOI	\$10,074	\$3,325	\$6,749	203.0%
Assets Held for Sale - Same Asset NOI	\$1,535	\$1,875	\$(340)	(18.1%)
Total Portfolio - Same Asset NOI	\$325,734	\$313,554	\$12,180	3.9%
Acquisitions	20,146	16,735	3,411	
Lease terminations	1,281	1,163	118	
Development fees and corporate items	11,558	11,020	538	
NOI	\$358,719	\$342,472	\$16,247	4.7%
Amortization of improvement allowances	(32,424)	(32,522)	98	
Amortization of straight-line rents	4,729	10,132	(5,403)	
Condominium profits	—	178	(178)	
Operating income, proportionate basis	\$331,024	\$320,260	\$10,764	3.4%
Less: investment in joint venture	\$1,633	\$1,245	\$388	31.2%
Operating income, IFRS basis	\$329,391	\$319,015	\$10,376	3.3%

FUNDS FROM OPERATIONS (“FFO”) AND ADJUSTED FUNDS FROM OPERATIONS (“AFFO”)

The following table reconciles Allied’s net income to FFO, FFO excluding condominium related items and financing prepayment costs, AFFO, and AFFO excluding condominium related items and financing prepayment costs, which are non-IFRS measures, for the three months and years ended December 31, 2021, and December 31, 2020.

THREE MONTHS ENDED

	DECEMBER 31, 2021	DECEMBER 31, 2020	CHANGE
Net income and comprehensive income	\$159,921	\$83,842	\$76,079
Adjustment to fair value of investment properties and investment properties held for sale	(96,204)	(16,880)	(79,324)
Adjustment to fair value of derivative instruments	6	(4,722)	4,728
Incremental leasing costs	2,249	1,745	504
Amortization of improvement allowances	8,129	7,959	170
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	1,134	2,071	(937)
Amortization of improvement allowances	130	113	17
Interest expense ⁽¹⁾	326	614	(288)
FFO	\$75,691	\$74,742	\$949
Condominium marketing costs	108	227	(119)
Financing prepayment costs	721	—	721
FFO excluding condominium related items and financing prepayment costs	\$76,520	\$74,969	\$1,551
Amortization of straight-line rents	(902)	(1,203)	301
Regular leasing expenditures	(3,253)	(3,849)	596
Regular maintenance capital expenditures	(1,566)	(1,939)	373
Incremental leasing costs (related to regular leasing expenditures)	(1,574)	(1,221)	(353)
Recoverable maintenance capital expenditures	(2,910)	(1,741)	(1,169)
Adjustment relating to joint venture:			
Amortization of straight-line rents	(239)	(393)	154
AFFO excluding condominium related items and financing prepayment costs	\$66,076	\$64,623	\$1,453
Weighted average number of Units			
Basic	127,441,142	127,256,661	184,481
Diluted	127,611,273	127,298,000	313,273
Per Unit - basic			
FFO	\$0.594	\$0.587	\$0.007
FFO excluding condominium related items and financing prepayment costs	\$0.600	\$0.589	\$0.011
AFFO excluding condominium related items and financing prepayment costs	\$0.518	\$0.508	\$0.010
Per Unit - diluted			
FFO	\$0.593	\$0.587	\$0.006
FFO excluding condominium related items and financing prepayment costs	\$0.600	\$0.589	\$0.011
AFFO excluding condominium related items and financing prepayment costs	\$0.518	\$0.508	\$0.010
Pay-out Ratio			
FFO	71.6%	70.2%	1.4%
FFO excluding condominium related items and financing prepayment costs	70.9%	70.0%	0.9%
AFFO excluding condominium related items and financing prepayment costs	82.1%	81.2%	0.9%

(1) This amount represents interest expense on Allied's joint venture investment in TELUS Sky and is not capitalized under IFRS, but is allowed as an adjustment under REALPAC's definition of FFO.

	YEAR ENDED		
	DECEMBER 31, 2021	DECEMBER 31, 2020	CHANGE
Net income and comprehensive income	\$443,151	\$500,729	\$(57,578)
Adjustment to fair value of investment properties and investment properties held for sale	(217,557)	(280,590)	63,033
Adjustment to fair value of derivative instruments	(16,350)	17,996	(34,346)
Incremental leasing costs	8,038	7,069	969
Amortization of improvement allowances	32,305	32,193	112
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	1,864	4,296	(2,432)
Amortization of improvement allowances	119	329	(210)
Interest expense ⁽¹⁾	1,806	2,710	(904)
FFO	\$253,376	\$284,732	\$(31,356)
Condominium revenue	—	(178)	178
Condominium marketing costs	573	1,230	(657)
Financing prepayment costs	52,610	—	52,610
FFO excluding condominium related items and financing prepayment costs	\$306,559	\$285,784	\$20,775
Amortization of straight-line rents	(3,682)	(7,856)	4,174
Regular leasing expenditures	(17,177)	(11,016)	(6,161)
Regular maintenance capital expenditures	(4,327)	(5,908)	1,581
Incremental leasing costs (related to regular leasing expenditures)	(5,626)	(4,950)	(676)
Recoverable maintenance capital expenditures	(8,183)	(5,775)	(2,408)
Adjustment relating to joint venture:			
Amortization of straight-line rents	(1,047)	(2,276)	1,229
AFFO excluding condominium related items and financing prepayment costs	\$266,517	\$248,003	\$18,514
Weighted average number of Units			
Basic	127,305,384	124,427,715	2,877,669
Diluted	127,455,829	124,536,634	2,919,195
Per Unit - basic			
FFO	\$1.990	\$2.288	\$(0.298)
FFO excluding condominium related items and financing prepayment costs	\$2.408	\$2.297	\$0.111
AFFO excluding condominium related items and financing prepayment costs	\$2.094	\$1.993	\$0.101
Per Unit - diluted			
FFO	\$1.988	\$2.286	\$(0.298)
FFO excluding condominium related items and financing prepayment costs	\$2.405	\$2.295	\$0.110
AFFO excluding condominium related items and financing prepayment costs	\$2.091	\$1.991	\$0.100
Pay-out Ratio			
FFO	85.5%	72.1%	13.4%
FFO excluding condominium related items and financing prepayment costs	70.6%	71.9%	(1.3%)
AFFO excluding condominium related items and financing prepayment costs	81.2%	82.8%	(1.6%)

(1) This amount represents interest expense on Allied's joint venture investment in TELUS Sky and is not capitalized under IFRS, but is allowed as an adjustment under REALPAC's definition of FFO.

CAUTIONARY STATEMENTS

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 operator 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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