ALLIED

Allied Announces First-Quarter Results

TORONTO, APRIL 27, 2022

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for the three months ended March 31, 2022. "Allied's first-quarter results for 2022 met or exceeded expectations, with AFFO per unit and average in-place net rent per occupied square foot rising to record levels," said Michael Emory, President & CEO. "FFO per unit was 61 cents and AFFO per unit 56 cents, up from the comparable quarter last year by 4% and 7%, respectively. NAV per unit at quarter-end was $50.92, up from the end of the first quarter last year by 5% and up from the end of 2021 by 1%. Leasing activity continued to accelerate through the quarter, with average in-place net rent per occupied square foot rising to $25.13, up from the comparable quarter last year by 4% and up from the end of 2021 by 2%."

FINANCIAL RESULTS

Allied's financial results for the first quarter are summarized below:

	AS AT MARCH 31			
(In thousands except for per unit and % amounts)	2022	2021	CHANGE	% CHANGE
Investment properties [1][4]	**$10,488,178**	$8,801,525	$1,686,653	19.2%
Unencumbered investment properties [2]	**$9,257,667**	$6,942,140	$2,315,527	33.4%
Total Assets [1][4]	**$11,413,692**	$9,154,712	$2,258,980	24.7%
Cost of PUD as a % of GBV [2]	**10.8%**	10.0%	0.8%	—
NAV per unit [6]	**$50.92**	$48.72	$2.20	4.5%
Debt [1]	**$3,769,606**	$2,660,170	$1,109,436	41.7%
Total indebtedness ratio [2]	**33.3%**	31.1%	2.2%	—
Annualized Adjusted EBITDA [2]	**$366,888**	$356,184	$10,704	3.0%
Net debt as a multiple of Annualized Adjusted EBITDA [2]	**10.2x**	7.9x	2.3x	—
***Pro forma* net debt as a multiple of Annualized Adjusted EBITDA** [2][7]	**9.4x**	N/A	N/A	N/A
Interest-coverage ratio including capitalized interest and excluding financing prepayment costs [2][3]	**3.4x**	3.3x	0.1x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED MARCH 31			
	2022	2021	CHANGE	% CHANGE
Rental Revenue [1][4]	**$144,820**	$140,835	$3,985	2.8%
Net income [1]	**$187,190**	$77,522	$109,668	141.5%
Net income excluding fair value adjustments and financing prepayment costs [2][3][5]	**$74,184**	$63,917	$10,267	16.1%
Adjusted EBITDA [2]	**$91,722**	$89,046	$2,676	3.0%
Same asset NOI - rental portfolio [2]	**$84,631**	$82,979	$1,652	2.0%
Same asset NOI - total portfolio [2]	**$85,952**	$84,527	$1,425	1.7%
FFO [2]	**$77,340**	$59,415	$17,925	30.2%
FFO per unit	**$0.603**	$0.467	$0.136	29.1%
FFO pay-out ratio	**72.4%**	91.1%	(18.7)%	—
All amounts below are excluding condominium related items, financing prepayment costs and the mark-to-market expense on unit-based compensation [2][3]				
FFO	**$77,573**	$73,797	$3,776	5.1%
FFO per unit (diluted)	**$0.605**	$0.580	$0.025	4.3%
FFO pay-out ratio	**72.1%**	73.3%	(1.2)%	—
AFFO	**$71,571**	$66,329	$5,242	7.9%
AFFO per unit (diluted)	**$0.558**	$0.521	$0.037	7.1%
AFFO pay-out ratio	**78.2%**	81.6%	(3.4)%	—

(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 21 of the Management's Discussion and Analysis of Results of Operations and Financial Condition (the "MD&A") as at March 31, 2022.
(3) For the three months ended March 31, 2022, Allied incurred $nil (March 31, 2021 - $14,161) 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 equity as at the corresponding period ended, (per the consolidated balance sheets) divided by the actual number of Units and class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("LP Units") outstanding at period end.
(7) The acquisition of six properties from Choice Properties Real Estate Investment Trust was completed on March 31, 2022. This resulted in the associated debt but none of the associated EBITDA being recorded in our results for the three months ended March 31, 2022. This pro forma metric includes the expected annualized EBITDA from the six properties.

LEASING RESULTS AND HIGHLIGHTS

Allied's leasing results for the first quarter are summarized below:

	FOR THE THREE MONTHS ENDED MARCH 31			
	2022	2021	CHANGE	% CHANGE
Leased area	**89.3%**	91.9%	(2.6)%	—
Occupied area	**88.3%**	91.4%	(3.1)%	—
Average in-place net rent per occupied square foot	**$25.13**	$24.13	$1.00	4.1%
Leased rate for leases maturing in the period	**47.1%**	71.8%	(24.7)%	—
Increase in net rent on renewing leases - total rental portfolio	**8.4%**	(0.1)%	8.5%	—
Increase in net rent on renewing leases - excluding Calgary	**12.5%**	8.2%	4.3%	—

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 first quarter, Allied's rental portfolio was comprised of (i) 14,647,691 square feet of GLA in buildings that are largely stabilized and (ii) 769,149 square feet of GLA in buildings that are undergoing active upgrade. The occupied area of the former was 89.5%, with leased area at 90.6%. The occupied area of the latter was 65.5%, with leased area at 65.6%. Management expects the occupied and leased areas of its entire rental portfolio to increase over the course of 2022, with concurrent increases in same-asset NOI and net rent per occupied square foot.

Allied leased 47.1% of the space that matured in the quarter, considerably lower than normal because of deliberate vacancy at buildings undergoing active upgrade. With respect to the leases that were renewed other than in Calgary, the net rent per square foot increased by 12.5% in the first year of the new term compared to the last year of the prior term and by 20.6% comparing the annual average net rent per square foot over the respective terms. The weighted-average lease term for the entire rental portfolio at the end of the first quarter was 5.5 years.

While not exhaustive, the following lease transactions or pending lease transactions are highlights year-to-date:

- the pending lease of 24,452 square feet of GLA at 250 Front Street West to two interconnection users, which if completed will increase the leased area to 100%;
- the extension of 73,844 square feet of GLA leased to Ontario Health at 525 University Avenue in Toronto for three years from September 30, 2024, to September 30, 2027;
- the lease of 26,013 square feet of GLA (13,007 square feet at Allied's ownership) of the office component at The Well in Toronto (a property under development) to a media user;
- the lease of 62,006 square feet of GLA (31,003 square feet at Allied's ownership) of the office component at The Well to a technology user;
- the lease of 22,000 square feet of GLA to two new technology users at 312 Adelaide Street West in Toronto;
- the lease of 41,485 square feet of GLA to a new media user at Cité Multimédia;
- the pending leases of 35,000 square feet of GLA at 400 Avenue Atlantic in Montréal (a property under development) to a business-services user and a media user;
- the pending lease of 30,000 square feet of GLA at the RCA Building in Montréal (a building undergoing active upgrade) to a communications and marketing user;
- the renewal of 16,626 square feet of GLA to an existing technology user at Cité Multimédia;
- the pending lease of 15,000 square feet of GLA to a technology user at 740 Saint-Maurice Street in Montréal;
- the pending renewal of 12,099 square feet of GLA to an existing technology-based user at 645 Wellington Street in Montréal, which is effectively part of Cité Multimédia;
- the lease of 11,512 square feet of GLA to a new business-services user at Gare Viger in Montréal;
- the lease of 21,000 square feet of GLA to a new business-services user at Vintage Towers in Calgary;
- the lease of 13,194 square feet of GLA to a technology user at LocalMotive in Calgary; and
- the lease of 15,755 square feet of GLA to an institutional user at Cooper Block in Calgary.

ALLOCATION OF CAPITAL AND FUNDING

At the end of the first quarter, Allied completed its largest acquisition ever, along with its largest equity issuance ever, with equity being issued at $50.30 per unit. Allied published its preliminary vision for integrating the Choice Properties Office Portfolio into its large, focused and distinctive rental portfolio. The vision document is available on Allied's website.

Allied is committed to remaining within two capital-allocation guiderails over the remainder of the year. The first is not to increase its ratio of net debt to annualized EBITDA in funding discretionary acquisitions. The second is not to issue large amounts of equity significantly below NAV per unit in funding such acquisitions.

Allied did not offer any units under its ATM program in the first quarter. It currently has over $475 million available on its revolving credit facility, with another $100 million available through the accordion feature. This liquidity is more than sufficient to meet Allied's current commitments over the remainder of 2022 and well into 2023.

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 $82 million upon stabilization of occupancy with an expected timeframe of three to five years, and have a weighted average lease term of 12.2 years.

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 21 of the MD&A as at March 31, 2022, 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 ended March 31, 2022 and the comparable period in 2021. 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 ended March 31, 2022 and March 31, 2021.

	THREE MONTHS ENDED	
	MARCH 31, 2022	MARCH 31, 2021
Net income and comprehensive income for the period	**$187,190**	$77,522
Interest expense	**16,669**	31,850
Amortization of other assets	**261**	306
Amortization of improvement allowances	**7,900**	8,181
Fair value gain on investment properties and investment properties held for sale	**(101,220)**	(8,248)
Fair value gain on derivative instruments	**(19,198)**	(20,565)
Mark-to-market expense on unit-based compensation	**120**	—
Adjusted EBITDA	**$91,722**	$89,046

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 ended March 31, 2022 and March 31, 2021.

	THREE MONTHS ENDED	
	MARCH 31, 2022	MARCH 31, 2021
Net income and comprehensive income	**$187,190**	$77,522
Less: Fair value gain on investment properties and investment properties held for sale	**(93,928)**	(7,201)
Less: Fair value gain on derivative instruments	**(19,198)**	(20,565)
Add: Mark-to-market expense on unit-based compensation	**120**	—
Add: Financing prepayment costs	**—**	14,161
Net income excluding fair value adjustments and financing prepayment costs [1]	**$74,184**	$63,917

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

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 ended March 31, 2022, consists of four investment properties that Allied classified as assets held for sale. The following table reconciles Allied's same asset NOI to operating income for the three months ended March 31, 2022 and March 31, 2021.

	THREE MONTHS ENDED		CHANGE	
	MARCH 31, 2022	MARCH 31, 2021	$	%
Rental Portfolio - Same Asset NOI	**$84,631**	$82,979	$1,652	2.0%
Development Portfolio - Same Asset NOI	**$803**	$1,090	$(287)	(26.3)%
Assets Held for Sale - Same Asset NOI	**$518**	$458	$60	13.1%
Total Portfolio - Same Asset NOI	**$85,952**	$84,527	$1,425	1.7%
Acquisitions	**1,849**	58	1,791	
Lease terminations	**124**	182	(58)	
Development fees and corporate items	**3,189**	2,841	348	
NOI	**$91,114**	$87,608	$3,506	4.0%
Amortization of improvement allowances	**(7,900)**	(8,181)	281	
Amortization of straight-line rents	**459**	1,927	(1,468)	
Operating income, proportionate basis	**$83,673**	$81,354	$2,319	2.9%
Less: investment in joint venture	**439**	237	$202	85.2%
Operating income, IFRS basis	**$83,234**	$81,117	$2,117	2.6%

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, financing prepayment costs and the mark-to-market expense on unit-based compensation, AFFO, and AFFO excluding condominium related items, financing prepayment costs and the mark-to-market expense on unit-based compensation, which are non-IFRS measures, for the three months ended March 31, 2022 and March 31, 2021.

	THREE MONTHS ENDED		
	MARCH 31, 2022	MARCH 31, 2021	CHANGE
Net income and comprehensive income	**$187,190**	$77,522	$109,668
Adjustment to fair value of investment properties and investment properties held for sale	**(93,928)**	(7,201)	(86,727)
Adjustment to fair value of derivative instruments	**(19,198)**	(20,565)	1,367
Incremental leasing costs	**2,353**	1,958	395
Amortization of improvement allowances	**7,767**	8,067	(300)
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**(7,292)**	(1,047)	(6,245)
Amortization of improvement allowances	**133**	114	19
Interest expense [1]	**315**	567	(252)
FFO	**$77,340**	$59,415	$17,925
Condominium marketing costs	**113**	221	(108)
Financing prepayment costs	**—**	14,161	(14,161)
Mark-to-market expense on unit-based compensation	**120**	—	120
FFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**$77,573**	$73,797	$3,776
Amortization of straight-line rents	**(209)**	(1,673)	1,464
Regular leasing expenditures	**(3,195)**	(2,491)	(704)
Regular maintenance capital expenditures	**(386)**	(708)	322
Incremental leasing costs (related to regular leasing expenditures)	**(1,647)**	(1,370)	(277)
Recoverable maintenance capital expenditures	**(315)**	(972)	657
Adjustment relating to joint venture:			
Amortization of straight-line rents	**(250)**	(254)	4
AFFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**$71,571**	$66,329	$5,242
Weighted average number of units [2]			
Basic	**128,074,012**	127,259,218	814,794
Diluted	**128,279,982**	127,329,378	950,604
Per unit - basic			
FFO	**$0.604**	$0.467	$0.137
FFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**$0.606**	$0.580	$0.026
AFFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**$0.559**	$0.521	$0.038
Per unit - diluted			
FFO	**$0.603**	$0.467	$0.136
FFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**$0.605**	$0.580	$0.025
AFFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**$0.558**	$0.521	$0.037
Pay-out Ratio			
FFO	**72.4%**	91.1%	(18.7)%
FFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**72.1%**	73.3%	(1.2)%
AFFO excluding condominium related items, financing prepayment costs and mark-to-market expense on unit-based compensation	**78.2%**	81.6%	(3.4)%

(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.

(2) The weighted average number of units includes Units and Exchangeable LP Units. The Exchangeable LP Units are classified as equity in the unaudited condensed consolidated balance sheets as non-controlling interests.

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 operator of distinctive urban workspace in Canada’s major cities and network-dense UDC space in Toronto. Allied’s mission is to provide knowledge-based organizations with workspace and UDC space that is sustainable and conducive to human wellness, creativity, connectivity and diversity. Allied’s vision is to make a continuous contribution to cities and culture that elevates and inspires the humanity in all people.

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