ALLIED

Allied Announces Second-Quarter Results

TORONTO, JULY 27, 2022

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its second quarter ended June 30, 2022. "Allied's second-quarter operations were strong. Average in-place net rent per occupied square foot rose to $25.29, up 4.1% from the comparable quarter last year and 0.6% from the prior quarter," said Michael Emory, President & CEO. "Leasing activity continued to accelerate, with leased area rising to 90.9% by quarter-end, up 160 basis points from the end of the prior quarter, and occupied area rising to 89.5%, up 120 basis points."

FINANCIAL RESULTS

Allied's second-quarter financial results were in-line with its internal forecast. FFO per unit was 61 cents and AFFO per unit 54 cents, up from the comparable quarter last year by 0.7% and 1.9%, respectively. Same-asset NOI was up 0.6% from the comparable quarter last year. NAV per unit at quarter-end was $51.20, up from the end of the comparable quarter last year by 4.3% and up from the end of the prior quarter by 0.5%. The financial results are summarized below:

	AS AT JUNE 30			
(In thousands except for per unit and % amounts)	2022	2021	CHANGE	% CHANGE
Investment properties (1)(4)	**$10,662,703**	$8,943,785	$1,718,918	19.2%
Unencumbered investment properties (2)	**$9,388,960**	$7,052,930	$2,336,030	33.1%
Total Assets (1)(4)	**$11,620,469**	$9,717,645	$1,902,824	19.6%
Cost of PUD as a % of GBV (2)	**12.8%**	10.1%	2.7%	—
NAV per unit (6)	**$51.20**	$49.07	$2.13	4.3%
Debt (1)	**$3,915,687**	$2,980,536	$935,151	31.4%
Total indebtedness ratio (2)	**33.9%**	31.0%	2.9%	—
Annualized Adjusted EBITDA (2)	**$404,404**	$364,880	$39,524	10.8%
Net debt as a multiple of Annualized Adjusted EBITDA (2)	**9.6x**	8.0x	1.6x	—
Interest-coverage ratio including capitalized interest and excluding financing prepayment costs (2)(3)	**3.2x**	3.4x	(0.2x)	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED JUNE 30 2022	2021	CHANGE	% CHANGE
Rental Revenue [1][4]	**$154,417**	$138,675	$15,742	11.4%
Net income [1]	**$100,038**	$98,523	$1,515	1.5%
Net income excluding fair value adjustments and financing prepayment costs [2][3][5]	**$67,520**	$65,422	$2,098	3.2%
Adjusted EBITDA [2]	**$101,101**	$91,220	$9,881	10.8%
Same asset NOI - rental portfolio [2]	**$84,795**	$84,294	$501	0.6%
Same asset NOI - total portfolio [2]	**$85,682**	$85,762	$(80)	(0.1%)
FFO [2]	**$85,050**	$76,580	$8,470	11.1%
FFO per unit [2]	**$0.608**	$0.601	$0.007	1.2%
FFO pay-out ratio [2]	**71.9%**	70.6%	1.3%	—
All amounts below are excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation [2][3]				
FFO	**$84,747**	$76,705	$8,042	10.5%
FFO per unit (diluted)	**$0.606**	$0.602	$0.004	0.7%
FFO pay-out ratio	**72.1%**	70.5%	1.6%	—
AFFO	**$75,947**	$67,980	$7,967	11.7%
AFFO per unit (diluted)	**$0.543**	$0.533	$0.01	1.9%
AFFO pay-out ratio	**80.5%**	79.6%	0.9%	—

(In thousands except for per unit and % amounts)	FOR THE SIX MONTHS ENDED JUNE 30 2022	2021	CHANGE	% CHANGE
Rental Revenue [1][4]	**$299,237**	$279,510	$19,727	7.1%
Net income [1]	**$287,228**	$176,045	$111,183	63.2%
Net income excluding fair value adjustments and financing prepayment costs [2][3][5]	**$141,704**	$129,339	$12,365	9.6%
Adjusted EBITDA [2]	**$192,823**	$180,266	$12,557	7.0%
Same asset NOI - rental portfolio [2]	**$169,136**	$167,169	$1,967	1.2%
Same asset NOI - total portfolio [2]	**$171,077**	$169,973	$1,104	0.6%
FFO [2]	**$162,390**	$135,995	$26,395	19.4%
FFO per unit [2]	**$1.211**	$1.068	$0.143	13.4%
FFO pay-out ratio [2]	**72.1%**	79.6%	(7.5%)	—
All amounts below are excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation [2][3]				
FFO	**$162,320**	$150,502	$11,818	7.9%
FFO per unit (diluted)	**$1.210**	$1.182	$0.028	2.4%
FFO pay-out ratio	**72.1%**	71.9%	0.2%	—
AFFO	**$147,518**	$134,309	$13,209	9.8%
AFFO per unit (diluted)	**$1.100**	$1.054	$0.046	4.4%
AFFO pay-out ratio	**79.4%**	80.6%	(1.2%)	—

(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 June 30, 2022.

(3) For the three and six months ended June 30, 2022, Allied incurred $nil and $nil, respectively, (June 30, 2021 - $nil and $ 14,161, 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 ("NAV per unit") is calculated as follows: total equity as at the corresponding period ended, (per the unaudited condensed consolidated balance sheets) divided by the actual number of Units and class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Exchangeable LP Units") outstanding at period end.

LEASING RESULTS AND HIGHLIGHTS

In the first half of 2022, Allied leased 60.8% of the GLA covered by expiring leases, with an average increase in net rent per square foot of 6.5%. Combined with new leasing activity, this gave rise to the lease metrics set out in the table below:

	Q2 2022	Q1 2022	CHANGE	% CHANGE
Leased area	**90.9%**	89.3%	(1.6%)	—
Occupied area	**89.5%**	88.3%	(1.2%)	—
Average in-place net rent per occupied square foot	**$25.29**	$25.13	$0.16	0.6%

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 second quarter, Allied's rental portfolio was comprised of (i) 14,438,078 square feet of GLA in buildings that are largely stabilized and (ii) 374,194 square feet of GLA in buildings that are undergoing active upgrade. The occupied area of the former was 90.0%, with leased area at 91.3%. The occupied area of the latter was 69.7%, with leased area at 74.6%. Management expects the occupied and leased areas of its entire rental portfolio to increase over the remainder of 2022, with concurrent increases in same-asset NOI and net rent per occupied square foot.

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 has made significant progress integrating the six properties into its rental portfolio, increasing the leased area of the properties to 92.5% at the end of the second quarter. It has developed relationships with all large users and is more confident than ever that it will be able to improve operations and drive value in the near-term and over the longer-term.

Allied currently has over $365 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 commitments over the remainder of 2022 and well into 2023.

Given the success of Allied's 2022 acquisition program to date and the current level of macro-economic uncertainty, Allied will focus primarily on operations and development completions for the remainder of the year. 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 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 June 30, 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 and six months ended June 30, 2022 and the comparable periods 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 and six months ended June 30, 2022 and June 30, 2021.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2022	JUNE 30, 2021	**JUNE 30, 2022**	JUNE 30, 2021
Net income and comprehensive income for the period	**$100,038**	$98,523	**$287,228**	$176,045
Interest expense (1)	**18,841**	16,805	**35,510**	48,655
Amortization of other assets	**269**	303	**530**	609
Amortization of improvement allowances	**8,441**	7,801	**16,341**	15,982
Fair value gain on investment properties and investment properties held for sale (2)	**(15,242)**	(37,298)	**(116,462)**	(45,546)
Fair value (gain) loss on derivative instruments	**(10,744)**	5,086	**(29,942)**	(15,479)
Mark-to-market adjustment on unit-based compensation	**(502)**	—	**(382)**	—
Adjusted EBITDA	**$101,101**	$91,220	**$192,823**	$180,266

(1) Includes Allied's proportionate share of the equity accounted investment for interest expense of $nil and $nil for the three and six months ended June 30, 2022, respectively (June 30, 2021 - $8 and $10, respectively).

(2) Includes Allied's proportionate share of the equity accounted investment for fair value gain on investment properties of $6,030 and $1,262 for the three and six months ended June 30, 2022, respectively (June 30, 2021 - fair value loss of $889 and fair value gain of $158, respectively).

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 and six months ended June 30, 2022 and June 30, 2021.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2022	JUNE 30, 2021	**JUNE 30, 2022**	JUNE 30, 2021
Net income and comprehensive income	**$100,038**	$98,523	**$287,228**	$176,045
Fair value gain on investment properties and investment properties held for sale	**(21,272)**	(38,187)	**(115,200)**	(45,388)
Fair value (gain) loss on derivative instruments	**(10,744)**	5,086	**(29,942)**	(15,479)
Mark-to-market adjustment on unit-based compensation	**(502)**	—	**(382)**	—
Financing prepayment costs	**—**	—	**—**	14,161
Net income excluding fair value adjustments and financing prepayment costs (1)	**$67,520**	$65,422	**$141,704**	$129,339

(1) 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 and six months ended June 30, 2022, consists of two investment properties that Allied classified as held for sale. The following tables reconcile Allied's same asset NOI to operating income for the three and six months ended June 30, 2022 and June 30, 2021.

	THREE MONTHS ENDED		CHANGE	
	JUNE 30, 2022	JUNE 30, 2021	$	%
Rental Portfolio - Same Asset NOI	**$84,795**	$84,294	$501	0.6%
Development Portfolio - Same Asset NOI	**$697**	$1,306	$(609)	(46.6%)
Assets Held for Sale - Same Asset NOI	**$190**	$162	$28	17.3%
Total Portfolio - Same Asset NOI	**$85,682**	$85,762	$(80)	(0.1%)
Acquisitions	**9,702**	186	9,516	
Dispositions	**685**	310	375	
Lease terminations	**198**	388	(190)	
Development fees and corporate items	**2,286**	2,994	(708)	
NOI	**$98,553**	$89,640	$8,913	9.9%
Amortization of improvement allowances	**(8,441)**	(7,801)	(640)	
Amortization of straight-line rents	**1,283**	782	501	
Operating income, proportionate basis	**$91,395**	$82,621	$8,774	10.6%
Less: investment in joint venture	**645**	694	(49)	(7.1)%
Operating income, IFRS basis	**$90,750**	$81,927	$8,823	10.8%

	SIX MONTHS ENDED		CHANGE	
	JUNE 30, 2022	JUNE 30, 2021	$	%
Rental Portfolio - Same Asset NOI	**$169,136**	$167,169	$1,967	1.2%
Development Portfolio - Same Asset NOI	**$1,529**	$2,482	$(953)	(38.4)%
Assets Held for Sale - Same Asset NOI	**$412**	$322	$90	28.0%
Total Portfolio - Same Asset NOI	**$171,077**	$169,973	$1,104	0.6%
Acquisitions	**11,813**	262	11,551	
Dispositions	**980**	608	372	
Lease terminations	**323**	570	(247)	
Development fees and corporate items	**5,474**	5,835	(361)	
NOI	**$189,667**	$177,248	$12,419	7.0%
Amortization of improvement allowances	**(16,341)**	(15,982)	(359)	
Amortization of straight-line rents	**1,742**	2,709	(967)	
Operating income, proportionate basis	**$175,068**	$163,975	$11,093	6.8%
Less: investment in joint venture	**1,084**	931	153	16.4%
Operating income, IFRS basis	**$173,984**	$163,044	$10,940	6.7%

FUNDS FROM OPERATIONS ("FFO") AND ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

The following tables reconcile Allied's net income to FFO, FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation, AFFO, and AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation, which are non-IFRS measures, for the three and six months ended June 30, 2022 and June 30, 2021.

	THREE MONTHS ENDED		
	JUNE 30, 2022	JUNE 30, 2021	CHANGE
Net income and comprehensive income	**$100,038**	$98,523	$1,515
Adjustment to fair value of investment properties and investment properties held for sale	**(21,272)**	(38,187)	16,915
Adjustment to fair value of derivative instruments	**(10,744)**	5,086	(15,830)
Incremental leasing costs	**2,216**	1,913	303
Amortization of improvement allowances	**8,283**	8,014	269
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**6,030**	889	5,141
Amortization of improvement allowances	**158**	(213)	371
Interest expense [1]	**341**	555	(214)
FFO	**$85,050**	$76,580	$8,470
Condominium marketing costs	**199**	125	74
Mark-to-market adjustment on unit-based compensation	**(502)**	—	(502)
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$84,747**	$76,705	$8,042
Amortization of straight-line rents	**(1,051)**	(498)	(553)
Regular leasing expenditures	**(3,783)**	(3,039)	(744)
Regular maintenance capital expenditures	**(705)**	(1,416)	711
Incremental leasing costs (related to regular leasing expenditures)	**(1,551)**	(1,340)	(211)
Recoverable maintenance capital expenditures	**(1,478)**	(2,148)	670
Adjustment relating to joint venture:			
Amortization of straight-line rents	**(232)**	(284)	52
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$75,947**	$67,980	$7,967
Weighted average number of units [2]			
Basic	**139,761,340**	127,259,218	12,502,122
Diluted	**139,860,134**	127,443,551	12,416,583
Per unit - basic			
FFO	**$0.609**	$0.602	$0.007
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$0.606**	$0.603	$0.003
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$0.543**	$0.534	$0.009
Per unit - diluted			
FFO	**$0.608**	$0.601	$0.007
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$0.606**	$0.602	$0.004
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$0.543**	$0.533	$0.010
Pay-out Ratio			
FFO	**71.9%**	70.6%	1.3%
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**72.1%**	70.5%	1.6%
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**80.5%**	79.6%	0.9%

	SIX MONTHS ENDED		
	JUNE 30, 2022	JUNE 30, 2021	CHANGE
Net income and comprehensive income	**$287,228**	$176,045	$111,183
Adjustment to fair value of investment properties and investment properties held for sale	**(115,200)**	(45,388)	(69,812)
Adjustment to fair value of derivative instruments	**(29,942)**	(15,479)	(14,463)
Incremental leasing costs	**4,569**	3,871	698
Amortization of improvement allowances	**16,050**	16,081	(31)
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**(1,262)**	(158)	(1,104)
Amortization of improvement allowances	**291**	(99)	390
Interest expense [(1)]	**656**	1,122	(466)
FFO	**$162,390**	$135,995	$26,395
Condominium marketing costs	**312**	346	(34)
Financing prepayment costs	**—**	14,161	(14,161)
Mark-to-market adjustment on unit-based compensation	**(382)**	—	(382)
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$162,320**	$150,502	$11,818
Amortization of straight-line rents	**(1,260)**	(2,171)	911
Regular leasing expenditures	**(6,978)**	(5,530)	(1,448)
Regular maintenance capital expenditures	**(1,091)**	(2,124)	1,033
Incremental leasing costs (related to regular leasing expenditures)	**(3,198)**	(2,710)	(488)
Recoverable maintenance capital expenditures	**(1,793)**	(3,120)	1,327
Adjustment relating to joint venture:			
Amortization of straight-line rents	(482)	(538)	56
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$147,518**	$134,309	$13,209
Weighted average number of units [(2)]			
Basic	**133,949,961**	127,259,218	6,690,743
Diluted	**134,103,918**	127,381,585	6,722,333
Per unit - basic			
FFO	**$1.212**	$1.069	$0.143
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$1.212**	$1.183	$0.029
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$1.101**	$1.055	$0.046
Per unit - diluted			
FFO	**$1.211**	$1.068	$0.143
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$1.210**	$1.182	$0.028
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**$1.100**	$1.054	$0.046
Pay-out Ratio			
FFO	**72.1%**	79.6%	(7.5%)
FFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**72.1%**	71.9%	0.2%
AFFO excluding condominium related items, financing prepayment costs and mark-to-market adjustment on unit-based compensation	**79.4%**	80.6%	(1.2%)

(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.

FOR FURTHER INFORMATION, PLEASE CONTACT:

MICHAEL EMORY
President & Chief Executive Officer
(416) 977-0643
memory@alliedreit.com

TOM BURNS
Executive Vice President &
Chief Operating Officer
(416) 977-9002
tburns@alliedreit.com

CECILIA WILLIAMS
Executive Vice President &
Chief Financial Officer
(416) 977-9002
cwilliams@alliedreit.com