ALLIED

Allied Announces Third-Quarter Results

TORONTO, OCTOBER 26, 2022

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its third quarter ended September 30, 2022. "Allied's third-quarter operations were encouraging, especially in the context of growing macro-economic uncertainty," said Michael Emory, President & CEO. "Average in-place net rent per occupied square foot in our rental portfolio rose to $25.56, up 3.8% from the comparable quarter last year and 1.1% from the second quarter. For us, this is a key operating metric with respect to the productive capacity of our rental portfolio and bodes well for our future."

FINANCIAL RESULTS

Allied's third-quarter financial results were in-line with its internal forecast and with external expectations. FFO per unit was 60.6 cents, down 2.9% from the comparable quarter last year and identical to the second quarter. AFFO per unit was 52.6 cents, up 1.3% from the comparable quarter last year and down 3.1% from the second quarter. NAV per unit at quarter-end was $51.10, down slightly from the end of the second quarter due to a decline in value in Allied's Calgary portfolio. The financial results are summarized below:

	AS AT SEPTEMBER 30			
(In thousands except for per unit and % amounts)	2022	2021	CHANGE	% CHANGE
Investment properties [1][4]	**$10,775,019**	$9,210,666	$1,564,353	17.0%
Unencumbered investment properties [2]	**$9,498,180**	$8,738,850	$759,330	8.7%
Total Assets [1][4]	**$11,680,033**	$10,086,673	$1,593,360	15.8%
Cost of PUD as a % of GBV [2]	**12.1%**	10.8%	1.3%	—
NAV per unit [6]	**$51.10**	$49.50	$1.60	3.2%
Debt [1]	**$3,985,742**	$3,286,518	$699,224	21.3%
Total indebtedness ratio [2]	**34.3%**	32.9%	1.4%	—
Annualized Adjusted EBITDA [2]	**$414,664**	$375,764	$38,900	10.4%
Net debt as a multiple of Annualized Adjusted EBITDA [2]	**9.6x**	8.6x	1.0x	—
Interest-coverage ratio including capitalized interest and excluding financing prepayment costs [2][3]	**2.9x**	3.4x	(0.5x)	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED SEPTEMBER 30			
	2022	2021	CHANGE	% CHANGE
Rental Revenue [1][4]	**$157,166**	$142,654	$14,512	10.2%
Net income [1]	**$46,743**	$107,185	$(60,442)	(56.4)%
Net income excluding fair value adjustments, financing prepayment costs and impairment [2][3][5]	**$65,581**	$68,071	$(2,490)	(3.7)%
Adjusted EBITDA [2]	**$103,666**	$93,941	$9,725	10.4%
Same asset NOI - rental portfolio [2]	**$84,373**	$84,895	$(522)	(0.6)%
Same asset NOI - total portfolio [2]	**$85,639**	$87,071	$(1,432)	(1.6)%
FFO [2]	**$85,332**	$41,690	$43,642	104.7%
FFO per unit [2]	**$0.611**	$0.327	$0.284	86.9%
FFO pay-out ratio [2]	**71.6%**	129.8%	(58.2)%	—
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**	$79,537	$5,210	6.6%
FFO per unit (diluted)	**$0.606**	$0.624	$(0.018)	(2.9)%
FFO pay-out ratio	**72.1%**	68.0%	4.1%	—
AFFO	**$73,508**	$66,132	$7,376	11.2%
AFFO per unit (diluted)	**$0.526**	$0.519	$0.007	1.3%
AFFO pay-out ratio	**83.2%**	81.8%	1.4%	—

(In thousands except for per unit and % amounts)	FOR THE NINE MONTHS ENDED SEPTEMBER 30			
	2022	2021	CHANGE	% CHANGE
Rental Revenue [1][4]	**$456,403**	$422,164	$34,239	8.1%
Net income [1]	**$333,971**	$283,230	$50,741	17.9%
Net income excluding fair value adjustments, financing prepayment costs and impairment [2][3][5]	**$207,285**	$197,410	$9,875	5.0%
Adjusted EBITDA [2]	**$296,489**	$274,207	$22,282	8.1%
Same asset NOI - rental portfolio [2]	**$252,873**	$251,660	$1,213	0.5%
Same asset NOI - total portfolio [2]	**$255,835**	$256,475	$(640)	(0.2)%
FFO [2]	**$247,722**	$177,685	$70,037	39.4%
FFO per unit [2]	**$1.822**	$1.395	$0.427	30.6%
FFO pay-out ratio [2]	**71.9%**	91.3%	(19.4)%	—
All amounts below are excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation [2][3]				
FFO	**$247,067**	$230,039	$17,028	7.4%
FFO per unit (diluted)	**$1.817**	$1.806	$0.011	0.6%
FFO pay-out ratio	**72.1%**	70.6%	1.5%	—
AFFO	**$221,026**	$200,441	$20,585	10.3%
AFFO per unit (diluted)	**$1.625**	$1.573	$0.052	3.3%
AFFO pay-out ratio	**80.6%**	81.0%	(0.4)%	—

(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 September 30, 2022.

(3) For the three and nine months ended September 30, 2022, Allied incurred $nil and $nil, respectively, (September 30, 2021 - $37,728 and $51,889, 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, financing prepayment costs and impairment 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

For the nine months ended September 30, 2022, Allied leased 56.9% of the GLA covered by expiring leases, with an average increase in net rent per square foot of 7.5%. Combined with new leasing activity, this gave rise to the lease metrics set out in the table below:

	Q3 2022	Q2 2022	CHANGE	% CHANGE
Leased area	**90.7%**	90.9%	(0.2)%	—
Occupied area	**89.6%**	89.5%	0.1%	—
Average in-place net rent per occupied square foot	**$25.56**	$25.29	$0.27	1.1%

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 third quarter, Allied's rental portfolio was comprised of (i) 14,407,984 square feet of GLA in buildings that are largely stabilized and (ii) 559,741 square feet of GLA in buildings that are undergoing active upgrade. The occupied area of the former was 90.2%, with leased area at 91.4%. The occupied area of the latter was 74.6%, with leased area at 74.6%.

ALLOCATION OF CAPITAL

Allied is focusing on completing the developments in its pipeline, which Management expects will add approximately $82 million to annual EBITDA over the next few years. This alone will improve Allied's relatively strong debt-metrics in an organic manner.

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. Allied does not forecast NAV per unit growth in any given time period.

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 September 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 nine months ended September 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 nine months ended September 30, 2022 and September 30, 2021.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	**SEPTEMBER 30, 2022**	SEPTEMBER 30, 2021
Net income and comprehensive income for the period	**$46,743**	$107,185	**$333,971**	$283,230
Interest expense [1]	**21,324**	54,242	**56,834**	102,897
Amortization of other assets	**410**	285	**940**	894
Amortization of improvement allowances	**8,295**	8,183	**24,636**	24,165
Impairment of residential inventory	**15,729**	—	**15,729**	—
Fair value loss (gain) on investment properties and investment properties held for sale [2]	**17,519**	(75,077)	**(98,943)**	(120,623)
Fair value gain on derivative instruments	**(5,668)**	(877)	**(35,610)**	(16,356)
Mark-to-market adjustment on unit-based compensation	**(686)**	—	**(1,068)**	—
Adjusted EBITDA	**$103,666**	$93,941	**$296,489**	$274,207

(1) Includes Allied's proportionate share of the equity accounted investment for interest expense of $nil and $nil for the three and nine months ended September 30, 2022, respectively (September 30, 2021 - $180 and $190, respectively).

(2) Includes Allied's proportionate share of the equity accounted investment for fair value loss on investment properties of $8,056 and $6,794 for the three and nine months ended September 30, 2022, respectively (September 30, 2021 - fair value loss on investment properties of $888 and $730, respectively).

NET INCOME EXCLUDING FAIR VALUE ADJUSTMENTS, FINANCING PREPAYMENT COSTS AND IMPAIRMENT

The following table reconciles Allied's net income and comprehensive income to net income excluding fair value adjustments, financing prepayment costs and impairment, a non-IFRS measure, for the three and nine months ended September 30, 2022 and September 30, 2021.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	**SEPTEMBER 30, 2022**	SEPTEMBER 30, 2021
Net income and comprehensive income	**$46,743**	$107,185	**$333,971**	$283,230
Fair value loss (gain) on investment properties and investment properties held for sale	**9,463**	(75,965)	**(105,737)**	(121,353)
Fair value gain on derivative instruments	**(5,668)**	(877)	**(35,610)**	(16,356)
Mark-to-market adjustment on unit-based compensation	**(686)**	—	**(1,068)**	—
Financing prepayment costs	**—**	37,728	**—**	51,889
Impairment of residential inventory	**15,729**	—	**15,729**	—
Net income excluding fair value adjustments, financing prepayment costs and impairment [1]	**$65,581**	$68,071	**$207,285**	$197,410

(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 nine months ended September 30, 2022 consists of one investment property that Allied classified as held for sale. The following tables reconcile Allied's same asset NOI to operating income for the three and nine months ended September 30, 2022 and September 30, 2021.

	THREE MONTHS ENDED		CHANGE	
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	$	%
Rental Portfolio - Same Asset NOI	**$84,373**	$84,895	$(522)	(0.6)%
Development Portfolio - Same Asset NOI	**$1,199**	$2,090	$(891)	(42.6)%
Assets Held for Sale - Same Asset NOI	**$67**	$86	$(19)	(22.1)%
Total Portfolio - Same Asset NOI	**$85,639**	$87,071	$(1,432)	(1.6)%
Acquisitions	**10,036**	274	9,762	
Dispositions	**99**	384	(285)	
Lease terminations	**29**	443	(414)	
Development fees and corporate items	**2,040**	3,061	(1,021)	
NOI	**$97,843**	$91,233	$6,610	7.2%
Amortization of improvement allowances	**(8,295)**	(8,183)	(112)	
Amortization of straight-line rents	**2,860**	879	1,981	
Operating income, proportionate basis	**$92,408**	$83,929	$8,479	10.1%
Less: investment in joint venture	**734**	387	347	89.7%
Operating income, IFRS basis	**$91,674**	$83,542	$8,132	9.7%

	NINE MONTHS ENDED		CHANGE	
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	$	%
Rental Portfolio - Same Asset NOI	**$252,873**	$251,660	$1,213	0.5%
Development Portfolio - Same Asset NOI	**$2,728**	$4,573	$(1,845)	(40.3)%
Assets Held for Sale - Same Asset NOI	**$234**	$242	$(8)	(3.3)%
Total Portfolio - Same Asset NOI	**$255,835**	$256,475	$(640)	(0.2)%
Acquisitions	**22,485**	940	21,545	
Dispositions	**1,324**	1,155	169	
Lease terminations	**352**	1,013	(661)	
Development fees and corporate items	**7,514**	8,898	(1,384)	
NOI	**$287,510**	$268,481	$19,029	7.1%
Amortization of improvement allowances	**(24,636)**	(24,165)	(471)	
Amortization of straight-line rents	**4,602**	3,588	1,014	
Operating income, proportionate basis	**$267,476**	$247,904	$19,572	7.9%
Less: investment in joint venture	**1,818**	1,318	500	37.9%
Operating income, IFRS basis	**$265,658**	$246,586	$19,072	7.7%

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 nine months ended September 30, 2022 and September 30, 2021.

	THREE MONTHS ENDED		
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	CHANGE
Net income and comprehensive income	**$46,743**	$107,185	$(60,442)
Adjustment to fair value of investment properties and investment properties held for sale	**9,463**	(75,965)	85,428
Adjustment to fair value of derivative instruments	**(5,668)**	(877)	(4,791)
Impairment of residential inventory	**15,729**	—	15,729
Incremental leasing costs	**2,233**	1,918	315
Amortization of improvement allowances	**8,137**	8,095	42
Amortization of property, plant and equipment [1]	125	—	125
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**8,056**	888	7,168
Amortization of improvement allowances	**158**	88	70
Interest expense [2]	**356**	358	(2)
FFO	**$85,332**	$41,690	$43,642
Condominium marketing costs	**101**	119	(18)
Financing prepayment costs	**—**	37,728	(37,728)
Mark-to-market adjustment on unit-based compensation	**(686)**	—	(686)
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$84,747**	$79,537	$5,210
Amortization of straight-line rents	**(2,758)**	(609)	(2,149)
Regular leasing expenditures	**(4,123)**	(8,394)	4,271
Regular maintenance capital expenditures	**(534)**	(637)	103
Incremental leasing costs (related to regular leasing expenditures)	**(1,563)**	(1,342)	(221)
Recoverable maintenance capital expenditures	**(2,159)**	(2,153)	(6)
Adjustment relating to joint venture:			
Amortization of straight-line rents	**(102)**	(270)	168
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$73,508**	$66,132	$7,376
Weighted average number of units [3]			
Basic	**139,762,081**	127,260,451	12,501,630
Diluted	**139,765,373**	127,447,002	12,318,371
Per unit - basic			
FFO	**$0.611**	$0.328	$0.283
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.606**	$0.625	$(0.019)
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.526**	$0.520	$0.006
Per unit - diluted			
FFO	**$0.611**	$0.327	$0.284
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.606**	$0.624	$(0.018)

	THREE MONTHS ENDED		
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	CHANGE
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.526**	$0.519	$0.007
Pay-out Ratio			
FFO	**71.6%**	129.8%	(58.2)%
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**72.1%**	68.0%	4.1%
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**83.2%**	81.8%	1.4%

	NINE MONTHS ENDED		
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	CHANGE
Net income and comprehensive income	**$333,971**	$283,230	$50,741
Adjustment to fair value of investment properties and investment properties held for sale	**(105,737)**	(121,353)	15,616
Adjustment to fair value of derivative instruments	**(35,610)**	(16,356)	(19,254)
Impairment of residential inventory	**15,729**	—	15,729
Incremental leasing costs	**6,802**	5,789	1,013
Amortization of improvement allowances	**24,187**	24,176	11
Amortization of property, plant and equipment [1]	**125**	—	125
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**6,794**	730	6,064
Amortization of improvement allowances	**449**	(11)	460
Interest expense [2]	**1,012**	1,480	(468)
FFO	**$247,722**	$177,685	$70,037
Condominium marketing costs	**413**	465	(52)
Financing prepayment costs	**—**	51,889	(51,889)
Mark-to-market adjustment on unit-based compensation	**(1,068)**	—	(1,068)
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$247,067**	$230,039	$17,028
Amortization of straight-line rents	**(4,018)**	(2,780)	(1,238)
Regular leasing expenditures	**(11,101)**	(13,924)	2,823
Regular maintenance capital expenditures	**(1,625)**	(2,761)	1,136
Incremental leasing costs (related to regular leasing expenditures)	**(4,761)**	(4,052)	(709)
Recoverable maintenance capital expenditures	**(3,952)**	(5,273)	1,321
Adjustment relating to joint venture:			
Amortization of straight-line rents	(584)	(808)	224
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$221,026**	$200,441	$20,585
Weighted average number of units [3]			
Basic	**135,908,624**	127,259,634	8,648,990
Diluted	**135,990,362**	127,403,570	8,586,792
Per unit - basic			
FFO	**$1.823**	$1.396	$0.427
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$1.818**	$1.808	$0.010
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$1.626**	$1.575	$0.051

	NINE MONTHS ENDED		
	SEPTEMBER 30, 2022	SEPTEMBER 30, 2021	CHANGE
Per unit - diluted			
FFO	**$1.822**	$1.395	$0.427
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$1.817**	$1.806	$0.011
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$1.625**	$1.573	$0.052
Pay-out Ratio			
FFO	**71.9%**	91.3%	(19.4)%
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**72.1%**	70.6%	1.5%
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**80.6%**	81.0%	(0.4)%

(1) Property, plant and equipment relates to owner-occupied property.
(2) 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.
(3) 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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