ALLIED

Allied to Sell UDC Portfolio to KDDI Corporation for $1.35 Billion

LEADING CANADIAN PROVIDER OF DISTINCTIVE URBAN WORKSPACE REAFFIRMS MISSION AND MAINTAINS COMMITMENT TO BALANCE SHEET

This news release constitutes a "designated news release" for the purposes of Allied's prospectus supplement dated November 12, 2021, to its short form base shelf prospectus dated June 2, 2021, as amended on November 11, 2021.

TORONTO, JUNE 21, 2023

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced that it has entered into an agreement to sell its network-dense, carrier-neutral, urban-data-centre (UDC) portfolio in Downtown Toronto (the "Portfolio") to KDDI Corporation ("KDDI") for $1.35 billion, $118 million above IFRS net asset value.

The Portfolio is comprised of freehold interests in 151 Front Street West ("151 Front") and 905 King Street West ("905 King") and a leasehold interest in 250 Front Street West ("250 Front"). Allied has connected the properties through high-count, diverse fibre, enabling the Portfolio to support more telecommunication, cloud and content networks than any other data-centre portfolio in Canada. The Portfolio is unencumbered and does not include 20 York Street and Skywalk, the 2.5-acre site for Union Centre that is now zoned for just over 1.3 million square feet of urban workspace.

KDDI is a Japanese telecommunications provider and Fortune Global 500 company that owns and operates data-centres in Asia, Europe and the United States through its subsidiary, Telehouse. As a carrier-neutral data-centre provider, Telehouse hosts more than 1000 connectivity partners, including leading internet exchanges, Tier 1 carriers, major mobile, cloud and content providers, as well as enterprise and financial services companies.

“With global data-centre operating capability, KDDI is an ideal successor owner-operator for our UDC portfolio,” said Michael Emory, Allied’s Founder and Executive Chair. “We’ll work closely with KDDI over the next 18 months to transition local expertise in relation to the portfolio. We’ll also work collaboratively with KDDI as the site for Union Centre continues to evolve toward the large-scale development of urban workspace in the coming decade.”

THE SALE

Allied acquired 151 Front in 2009 and has driven significant earnings and value growth since then, both organically and through the addition of 905 King and 250 Front. Over the past five years, Allied has successfully propelled the Portfolio toward earnings and value optimization.

Allied explored a variety of monetization alternatives for the Portfolio through Scotiabank in the second half of last year and determined that the best course of action financially and operationally was to sell the Portfolio in its entirety. As announced on January 16 of this year, Allied initiated a comprehensive sale process through Scotiabank and CBRE Limited (“CBRE”) as exclusive selling agents. Scotiabank and CBRE contacted 97 potential buyers worldwide and conducted a multi-round process that culminated in final bids on June 2.

USE OF PROCEEDS

The sale is expected to close before the end of the third quarter this year, subject only to Competition Act approval and customary closing conditions. The sale proceeds will be payable in cash. Allied will use approximately $1 billion of the proceeds to retire debt and the balance to fund its upgrade and development activity over the remainder of 2023 and into 2024.

The sale will result in a significant increase in taxable income for fiscal 2023, requiring Allied to declare and pay a special distribution to all Unitholders of record as at December 31, 2023. Allied will determine how best to make the special distribution as the year unfolds.

REAFFIRMATION OF MISSION

Allied is first, foremost and above all an owner-operator of distinctive urban workspace in Canada’s major cities. Allied’s mission is to serve knowledge-based organizations ever more successfully over time. The sale of the Portfolio will enable Allied to reaffirm its mission and to pursue continued growth in NOI and IFRS value in a more focused and prudent manner.

Over the past two decades, Allied assembled the largest and most concentrated portfolio of economically-productive, underutilized urban land in Canada, one that affords extraordinary mixed-use intensification potential in major cities going forward. Allied believes deeply in the continued success of Canadian cities and has the operating platform and the breadth of funding relationships necessary to drive value in the coming years and decades for the benefit of its constituents.

“As a public real estate entity committed to distributing a large portion of free cash flow regularly, we’ve funded growth primarily through equity issuance,” said Mr. Emory. “The sale proceeds will enable us to fund near-term growth, primarily in the form of upgrade and development completions, while maintaining unprecedented levels of liquidity and targeted debt-metrics. In the longer-term, we plan to take advantage of a broader range of funding opportunities than we have in the past. Regardless of how we fund growth going forward, we’ll remain fully committed to our distribution program.”

COMMITMENT TO THE BALANCE SHEET

Allied has demonstrated commitment to the balance sheet over its life as a public real estate entity. Allied utilized its balance sheet flexibility in the past three years to fund upgrade and development activity and to take advantage of strategic in-fill acquisition opportunities that would not have arisen in a stable economic environment, pushing its debt-metrics to the high end of Management’s target ranges.

On completion of the sale and utilization of approximately $1 billion of the proceeds to retire indebtedness, Allied expects the following at the end of the fourth quarter of this year:

(i) that its total indebtedness ratio will be approximately 32.7%;

(ii) that its net debt as a multiple of Annualized Adjusted EBITDA will be approximately 8.0x; and

(iii) that its interest-coverage ratio will be approximately 3.0x.

Allied also expects that its net debt as a multiple of Annualized Adjusted EBITDA will decline steadily over the next three years as the large-scale developments in its pipeline are completed.

"Our debt-metrics will be back within targeted ranges and will continue to improve as our upgrade and development activity drives EBITDA growth," said Cecilia Williams, Allied's President and Chief Executive Officer. "The transaction will also be accretive to FFO and AFFO per unit, as the interest savings will more than offset the decline in NOI resulting from the sale of the portfolio."

ADVISORS

Scotiabank, CBRE and Aird & Berlis LLP are acting as advisors to Allied in connection with the transaction.

BofA Securities, Borden Ladner Gervais LLP and Nishimura & Asahi are acting as advisors to KDDI in connection with the transaction.

CAUTIONARY STATEMENTS

NOI, total indebtedness ratio, net debt as a multiple of Annualized Adjusted EBITDA, interest-coverage ratio, FFO and AFFO are not financial measures defined by International Financial Reporting Standards ("IFRS"). Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore, may not be comparable to similarly titled measures presented by other publicly traded entities, and 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 in Allied's most recent MD&A for an explanation of the non-IFRS measures used in this press release, their usefulness for readers in assessing Allied's performance and their reconciliation to financial measures defined by IFRS as presented in Allied's most recent financial statements. Such explanation is incorporated by reference herein. 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.

This press release may contain forward-looking statements with respect to (i) Allied, (ii) its operations, strategy, financial performance and condition and (iii) the closing and expected impact of the transactions contemplated in this press release. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Allied 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 that the transactions contemplated herein are completed and have the expected impact on funding and earnings. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, 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. These cautionary statements qualify all forward-looking statements attributable to Allied and persons acting on Allied's 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 distinctive urban workspace in Canada's major cities. Allied's mission is to provide knowledge-based organizations with workspace 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 R. EMORY
Founder & Executive Chair
(416) 977-9002
memory@alliedreit.com

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