ALLIED

Allied Announces Second-Quarter Results, Strong Leasing Activity and Scheduled Closing of UDC Portfolio

TORONTO, JULY 26, 2023

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its second quarter ended June 30, 2023. With all mutual conditions satisfied, including receipt of Competition Act approval, Allied also today announced the scheduled closing date for the sale of its UDC portfolio in Downtown Toronto (the "Portfolio") to KDDI Canada, Inc., a wholly owned subsidiary of KDDI Corporation, for $1.35 billion.

SALE OF UDC PORTFOLIO

The closing is scheduled for on or about August 16, 2023. Allied will use approximately $740 million of the proceeds from the sale of the Portfolio to repay all amounts drawn on its unsecured credit facility (the "Facility"), with the result that it will have (i) no variable-rate debt other than three joint-venture construction loans and (ii) up to $900 million of available liquidity through the Facility. Allied will set aside $200 million of the proceeds to repay a secured promissory note payable on December 31, 2023, and another $49 million to repay its remaining first mortgages on fully owned properties next year. Allied will use the balance of the proceeds to fund its development and upgrade activity over the remainder of 2023 and into 2024.

FINANCIAL RESULTS

The following table summarizes GAAP financial measures for the second quarter:

	FOR THE THREE MONTHS ENDED JUNE 30			
(in thousands except for % amounts)	2023	2022	CHANGE	% CHANGE
Continuing operations				
Rental revenue	**$136,137**	$130,779	$5,358	4.1%
Property operating costs	**$(58,037)**	$(55,686)	$(2,351)	(4.2)%
Net rental income and operating income	**$78,100**	$75,093	$3,007	4.0%
Interest expense	**$(26,797)**	$(17,329)	$(9,468)	(54.6)%
General and administrative expenses	**$(4,714)**	$(5,592)	$878	15.7%
Condominium marketing expenses	**$(192)**	$(199)	$7	3.5%
Amortization of other assets	**$(360)**	$(269)	$(91)	(33.8)%
Interest income	**$10,225**	$7,556	$2,669	35.3%
Fair value (loss) gain on investment properties and investment properties held for sale	**$(73,471)**	$20,895	$(94,366)	(451.6)%
Fair value gain on Exchangeable LP Units	**$10,510**	$—	$10,510	100.0%
Fair value gain on derivative instruments	**$15,357**	$10,744	$4,613	42.9%
Net income (loss) from joint venture	**$2,423**	$(5,383)	$7,806	145.0%
Net income and comprehensive income from continuing operations	**$11,081**	$85,516	$(74,435)	(87.0)%
Net income and comprehensive income from discontinued operations	**$115,184**	$14,522	$100,662	693.2%
Net income and comprehensive income	**$126,265**	$100,038	$26,227	26.2%

	FOR THE SIX MONTHS ENDED JUNE 30			
(in thousands except for % amounts)	2023	2022	CHANGE	% CHANGE
Continuing operations				
Rental revenue	**$274,627**	$251,721	$22,906	9.1%
Property operating costs	**$(119,362)**	$(109,221)	$(10,141)	(9.3)%
Net rental income and operating income	**$155,265**	$142,500	$12,765	9.0%
Interest expense	**$(49,361)**	$(32,490)	$(16,871)	(51.9)%
General and administrative expenses	**$(10,884)**	$(12,474)	$1,590	12.7%
Condominium marketing expenses	**$(312)**	$(312)	$—	—%
Amortization of other assets	**$(730)**	$(530)	$(200)	(37.7)%
Interest income	**$19,969**	$14,580	$5,389	37.0%
Fair value (loss) gain on investment properties and investment properties held for sale	**$(151,828)**	$10,826	$(162,654)	(1,502.4)%
Fair value gain on Exchangeable LP Units	**$10,510**	$—	$10,510	100.0%
Fair value gain on derivative instruments	**$7,333**	$29,942	$(22,609)	(75.5)%
Net (loss) income from joint venture	**$(583)**	$2,348	$(2,931)	(124.8)%
Net (loss) income and comprehensive (loss) income from continuing operations	**$(20,621)**	$154,390	$(175,011)	(113.4)%
Net income and comprehensive income from discontinued operations	**$133,203**	$132,838	$365	0.3%
Net income and comprehensive income	**$112,582**	$287,228	$(174,646)	(60.8)%

The following table summarizes non-GAAP financial measures for the second quarter:

(in thousands except for per unit and % amounts)[1]	FOR THE THREE MONTHS ENDED JUNE 30			
	2023	2022	CHANGE	% CHANGE
Adjusted EBITDA	**$106,385**	$101,101	$5,284	5.2%
Same Asset NOI - rental portfolio	**$77,092**	$76,948	$144	0.2%
Same Asset NOI - total portfolio	**$97,493**	$95,244	$2,249	2.4%
FFO	**$82,224**	$85,050	$(2,826)	(3.3)%
FFO per unit (diluted)	**$0.588**	$0.608	$(0.02)	(3.3)%
FFO pay-out ratio	**76.5%**	71.9%	—	4.6%
All amounts below are excluding condominium related items and the mark-to-market adjustment on unit-based compensation:				
FFO	**$82,216**	$84,747	$(2,531)	(3.0)%
FFO per unit (diluted)	**$0.588**	$0.606	$(0.018)	(3.0)%
FFO pay-out ratio	**76.5%**	72.1%	—	4.4%
AFFO	**$74,958**	$75,947	$(989)	(1.3)%
AFFO per unit (diluted)	**$0.536**	$0.543	$(0.007)	(1.3)%
AFFO pay-out ratio	**83.9%**	80.5%	—	3.4%

(1) These non-GAAP measures include the results of the continuing operations and the discontinued operations (except for same asset NOI - rental portfolio, which only includes continuing operations). Refer to the Non-GAAP Measures section below.

(in thousands except for per unit and % amounts)[1]	FOR THE SIX MONTHS ENDED JUNE 30			
	2023	2022	CHANGE	% CHANGE
Adjusted EBITDA	**$209,380**	$192,823	$16,557	8.6%
Same Asset NOI - rental portfolio	**$136,820**	$136,913	$(93)	(0.1)%
Same Asset NOI - total portfolio	**$175,354**	$174,488	$866	0.5%
FFO	**$163,399**	$162,390	$1,009	0.6%
FFO per unit (diluted)	**$1.169**	$1.211	$(0.042)	(3.5)%
FFO pay-out ratio	**77.0%**	72.1%	—	4.9%
All amounts below are excluding condominium related items and the mark-to-market adjustment on unit-based compensation:				
FFO	**$163,301**	$162,320	$981	0.6%
FFO per unit (diluted)	**$1.168**	$1.210	$(0.042)	(3.5)%
FFO pay-out ratio	**77.0%**	72.1%	—	4.9%
AFFO	**$149,440**	$147,518	$1,922	1.3%
AFFO per unit (diluted)	**$1.069**	$1.100	$(0.031)	(2.8)%
AFFO pay-out ratio	**84.2%**	79.4%	—	4.8%

(1) These non-GAAP measures include the results of the continuing operations and the discontinued operations (except for same asset NOI - rental portfolio, which only includes continuing operations). Refer to the Non-GAAP Measures section below.

In the second quarter, higher interest expense and extended lease-up timeframes put temporary downward pressure on Allied's FFO per unit, which was 58.8 cents, modestly below expectation. AFFO per unit of 53.6 cents was modestly above expectation. Interest expense is expected to decline materially in the second half of the year due to the repayment of debt with proceeds from the sale of the Portfolio, and leasing is expected to continue on favourable terms.

Allied recorded a fair value gain on investment properties and investment properties held for sale of $30 million in the second quarter. The fair value gain on the Portfolio in the second quarter was offset partially by fair value adjustments to specific properties in the rental portfolio and higher costs in the development portfolio.

The following table summarizes other financial measures as at June 30, 2023 and June 30, 2022:

	AS AT JUNE 30			
(in thousands except for per unit and % amounts)	2023	2022	CHANGE	% CHANGE
Investment properties and investment properties held for sale (1)	**$11,205,255**	$10,723,363	$481,892	4.5%
Unencumbered investment properties and investment properties held for sale (2)	**$9,895,650**	$9,449,620	$446,030	4.7%
Total Assets (1)	**$12,185,427**	$11,620,469	$564,958	4.9%
Cost of PUD as a % of GBV (2)	**11.4%**	12.8%	—	(1.4)%
NAV per unit (3)	**$50.80**	$51.20	$(0.40)	(0.8)%
Debt (1)	**$4,474,519**	$3,915,687	$558,832	14.3%
Total indebtedness ratio (2)	**36.9%**	33.9%	—	3.0%
Annualized Adjusted EBITDA (2)	**$425,540**	$404,404	$21,136	5.2%
Net debt as a multiple of Annualized Adjusted EBITDA (2)	**10.5x**	9.6x	0.9x	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - three months trailing (2)	**2.3x**	3.2x	(0.9x)	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - twelve months trailing (2)	**2.6x**	3.3x	(0.7x)	—

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

(2) *This is a non-GAAP measure, and includes the results of the continuing operations and the discontinued operations. Refer to the Non-GAAP Measures section below.*

(3) *Prior to Allied's conversion to an open-end trust, net asset value per unit ("NAV per unit") was calculated as total equity as at the corresponding period ended, 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. With Allied's conversion to an open-end trust on June 12, 2023, NAV per unit is calculated as total equity plus the value of Exchangeable LP Units as at the corresponding period ended, divided by the actual number of Units and Exchangeable LP Units. The rationale for including the value of Exchangeable LP Units is because they are economically equivalent to Units, receive distributions equal to the distributions paid on the Units and are exchangeable, at the holder's option, for Units.*

OPERATIONS

Knowledge-based organizations, including educational institutions, continue to prefer distinctive urban workspace in amenity-rich urban neighbourhoods in Canada's major cities. As a result, demand for Allied's workspace across the country continues to be evident in the behaviour of existing and prospective users of space. Allied conducted 292 lease tours in its rental portfolio in the second quarter, up from 258 in the comparable quarter last year and considerably higher than 243 in the prior quarter. Allied's occupied and leased area at the end of the quarter was 87.4% and 87.6%, respectively, down slightly from the prior quarter.

Allied leased a total of 698,830 square feet in the quarter. 124,685 square feet was vacant space in its rental portfolio, which was more than offset by 224,509 square feet of non-renewal, primarily in Calgary, which accounts for the slight decline in occupied and leased area. Allied also leased 180,363 square feet of space maturing in the quarter and an additional 239,280 square feet of space maturing after June 30, 2023. Finally, Allied leased 154,502 square feet in its development portfolio.

Average in-place net rent per occupied square foot continued to rise in the quarter, reaching $23.51 at quarter-end. Allied continued to achieve rent increases on renewal (up 7.6% ending-to-starting base rent and up 13.7% average-to-average base rent).

The leasing metrics at June 30, 2023, and June 30, 2022, are set out in the table below:

	AS AT JUNE 30			
	2023	2022	CHANGE	% CHANGE
Leased area [1]	**87.6%**	90.9%	—	(3.3)%
Occupied area [1]	**87.4%**	89.5%	—	(2.1)%
Average in-place net rent per occupied square foot - excluding UDC in all periods	**$23.51**	$22.67	$0.84	3.7%

(1) This metric excludes the assets held for sale based on the assets held for sale classification at the end of each period.

Leasing highlights in Allied's rental portfolio include the following:

- renewal of 72,000 square feet of office space with Technicolor at 645 Wellington in Montréal;
- renewal of 50,000 square feet of office space with Cossette Advertising at 32 Atlantic in Toronto;
- lease of 34,000 square feet of office space to Collabtiv Management at 747 Square Victoria in Montréal;
- lease of 28,000 square feet of office space to Pole To Win Canada at 111 Boulevard Robert-Bourassa Montréal;
- lease of 25,000 square feet of retail space to Compass Group Canada, a global food services organization, at 747 Square Victoria in Montréal; and
- lease of 29 rental residential units in TELUS Sky in Calgary, bringing the residential component of the property to 97.5% leased.

Leasing highlights in Allied's development portfolio include the following:

- lease of 54,000 square feet of office space to a global electronics and entertainment organization at Tour Viger in Montréal;
- lease of 33,000 square feet of office space to a technology organization at 1001 Boulevard Robert-Bourassa in Montréal;
- lease of 26,000 square feet of office space to Averna Technologies at RCA Building in Montréal;
- renewal and expansion to 16,000 square feet of office space to Puzzle Medical Devices at RCA Building in Montréal;
- lease of 10,000 square feet of retail space to Joe Fortes Restaurant at 422-424 Wellington West in Toronto; and
- lease of 9,000 square feet of office space to Kativik School Board at RCA Building in Montréal.

OUTLOOK

Allied's internal forecast for 2023 now calls for flat to low-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 has 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 platform and the breadth of funding relationships necessary to drive value in the coming years and decades for the benefit of its constituents.

NON-GAAP MEASURES

Management uses financial measures based on International Financial Reporting Standards ("IFRS" or "GAAP") and non-GAAP measures to assess Allied's performance. Non-GAAP 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-GAAP Measures section on page 17 of the MD&A as at June 30, 2023, available on www.sedarplus.ca, for an explanation of the composition of the non-GAAP 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-GAAP MEASURES

The following tables reconcile the non-GAAP measures to the most comparable IFRS measures for the three and six months ended June 30, 2023, and the comparable period in 2022. 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 (loss) income and comprehensive (loss) income to Adjusted EBITDA, a non-GAAP measure, for the three and six months ended June 30, 2023 and June 30, 2022.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2023	JUNE 30, 2022	**JUNE 30, 2023**	JUNE 30, 2022
Net income and comprehensive income for the period	**$126,265**	$100,038	**$112,582**	$287,228
Interest expense	**28,578**	18,841	**52,913**	35,510
Amortization of other assets	**360**	269	**730**	530
Amortization of improvement allowances	**8,154**	8,441	**16,522**	16,341
Fair value (gain) loss on investment properties and investment properties held for sale (1)	**(30,905)**	(15,242)	**44,886**	(116,462)
Fair value gain on Exchangeable LP Units	**(10,510)**	—	**(10,510)**	—
Fair value gain on derivative instruments	**(15,357)**	(10,744)	**(7,333)**	(29,942)
Mark-to-market adjustment on unit-based compensation	**(200)**	(502)	**(410)**	(382)
Adjusted EBITDA (2)	**$106,385**	$101,101	**$209,380**	$192,823

(1) *Includes Allied's proportionate share of the equity accounted investment's fair value gain on investment properties of $1,280 and fair value loss on investment properties of $2,743, respectively for the three and six months ended June 30, 2023 (June 30, 2022 - fair value loss on investment properties of $6,030 and fair value gain on investment properties of $1,262, respectively).*

(2) *Includes the Urban Data Centre segment which was classified as a discontinued operation starting in Q4 2022.*

NET OPERATING INCOME (NOI)

The following table reconciles operating income to net operating income, a non-GAAP measure for the three and six months ended June 30, 2023.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2023	JUNE 30, 2022	**JUNE 30, 2023**	JUNE 30, 2022
Operating income, IFRS basis	**$78,100**	$75,093	$155,265	$142,500
Add: investment in joint venture	**1,140**	645	2,149	1,084
Operating income, proportionate basis	**$79,240**	$75,738	$157,414	$143,584
Amortization of improvement allowances (1)(2)	**8,023**	8,306	16,261	16,071
Amortization of straight-line rent (1)(2)	**(1,626)**	(1,273)	(3,405)	(1,618)
NOI from continuing operations	**$85,637**	$82,771	$170,270	$158,037
NOI from discontinued operations	**$13,797**	$15,782	$26,866	$31,630
Total NOI	**$99,434**	$98,553	$197,136	$189,667

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three and six months ended June 30, 2023: amortization improvement allowances of $144 and $327, respectively (June 30, 2022 - $158 and $291, respectively), and amortization of straight-line rent of $(50) and $(98), respectively (June 30, 2022 - $(232) and $(482), respectively).

(2) Excludes the Urban Data Centre segment which was classified as a discontinued operation starting in Q4 2022. The prior period comparative figures have been revised accordingly. For the three and six months ended June 30, 2023, the Urban Data Centre segment's amortization of improvement allowances was $131 and $261, respectively (June 30, 2022 - $135 and $270, respectively). For the three and six months ended June 30, 2023, the Urban Data Centre segment's amortization of straight-line rent was $(203) and $(465), respectively (June 30, 2022 - $(10) and $(124), respectively).

SAME ASSET NOI

Same asset NOI, a non-GAAP 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, 2023, consists of five investment properties.

	THREE MONTHS ENDED		CHANGE	
	JUNE 30, 2023	JUNE 30, 2022	$	%
Rental Portfolio - Same Asset NOI	**$77,092**	$76,948	$144	0.2%
Assets Held for Sale - Same Asset NOI	**14,211**	15,705	(1,494)	(9.5)
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$91,303**	$92,653	$(1,350)	(1.5)%
Development Portfolio - Same Asset NOI	**$6,190**	$2,591	$3,599	138.9%
Total Portfolio - Same Asset NOI	**$97,493**	$95,244	$2,249	2.4%
Acquisitions	**$339**	$33	$306	
Dispositions	**39**	791	(752)	
Lease terminations	**—**	198	(198)	
Development fees and corporate items	**1,563**	2,287	(724)	
Total NOI	**$99,434**	$98,553	$881	0.9%

	SIX MONTHS ENDED		CHANGE	
	JUNE 30, 2023	JUNE 30, 2022	$	%
Rental Portfolio - Same Asset NOI	**$136,820**	$136,913	$(93)	(0.1)%
Assets Held for Sale - Same Asset NOI	**27,733**	31,982	(4,249)	(13.3)
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$164,553**	$168,895	$(4,342)	(2.6)%
Development Portfolio - Same Asset NOI	**$10,801**	$5,593	$5,208	93.1%
Total Portfolio - Same Asset NOI	**$175,354**	$174,488	$866	0.5%
Acquisitions	**$17,864**	$8,156	$9,708	
Dispositions	**38**	1,226	(1,188)	
Lease terminations	**193**	323	(130)	
Development fees and corporate items	**3,687**	5,474	(1,787)	
Total NOI	**$197,136**	$189,667	$7,469	3.9%

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

The following tables reconcile Allied’s net income and comprehensive income to FFO, FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation, AFFO, and AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation, which are non-GAAP measures, for the three and six months ended June 30, 2023, and June 30, 2022.

	THREE MONTHS ENDED		
	JUNE 30, 2023	JUNE 30, 2022	CHANGE
Net income and comprehensive income from continuing operations	**$11,081**	$85,516	$(74,435)
Net income and comprehensive income from discontinued operations	**115,184**	14,522	100,662
Adjustment to fair value of investment properties and investment properties held for sale	**(29,625)**	(21,272)	(8,353)
Adjustment to fair value of Exchangeable LP Units	**(10,510)**	—	(10,510)
Adjustment to fair value of derivative instruments	**(15,357)**	(10,744)	(4,613)
Incremental leasing costs	**2,295**	2,216	79
Amortization of improvement allowances	**8,010**	8,283	(273)
Amortization of property, plant and equipment (1)	**101**	—	101
Distributions on Exchangeable LP Units	**1,771**	—	1,771
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**(1,280)**	6,030	(7,310)
Amortization of improvement allowances	**144**	158	(14)
Interest expense (2)	**410**	341	69
FFO	**$82,224**	$85,050	$(2,826)
Condominium marketing costs	**192**	199	(7)
Mark-to-market adjustment on unit-based compensation	**(200)**	(502)	302
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$82,216**	$84,747	$(2,531)
Amortization of straight-line rent	**(1,779)**	(1,051)	(728)
Regular leasing expenditures	**(2,973)**	(3,783)	810
Regular and recoverable maintenance capital expenditures	**(849)**	(2,183)	1,334
Incremental leasing costs (related to regular leasing expenditures)	**(1,607)**	(1,551)	(56)
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(50)**	(232)	182
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$74,958**	$75,947	$(989)

	THREE MONTHS ENDED		
	JUNE 30, 2023	JUNE 30, 2022	CHANGE
Weighted average number of units (3)			
Basic	**139,765,128**	139,761,340	3,788
Diluted	**139,765,128**	139,860,134	(95,006)
Per unit - basic			
FFO	**$0.588**	$0.609	$(0.021)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.588**	$0.606	$(0.018)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.536**	$0.543	$(0.007)
Per unit - diluted			
FFO	**$0.588**	$0.608	$(0.020)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.588**	$0.606	$(0.018)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.536**	$0.543	$(0.007)
Pay-out Ratio			
FFO	**76.5%**	71.9%	4.6%
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**76.5%**	72.1%	4.4%
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**83.9%**	80.5%	3.4%

(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 were re-classified from non-controlling interests in equity to liabilities in the unaudited condensed consolidated financial statements on Allied's conversion to an open-end trust on June 12, 2023.

	SIX MONTHS ENDED		
	JUNE 30, 2023	JUNE 30, 2022	CHANGE
Net (loss) income and comprehensive (loss) income from continuing operations	**$(20,621)**	$154,390	$(175,011)
Net income and comprehensive income from discontinued operations	**133,203**	132,838	365
Adjustment to fair value of investment properties and investment properties held for sale	**42,143**	(115,200)	157,343
Adjustment to fair value of Exchangeable LP Units	**(10,510)**	—	(10,510)
Adjustment to fair value of derivative instruments	**(7,333)**	(29,942)	22,609
Incremental leasing costs	**4,535**	4,569	(34)
Amortization of improvement allowances	**16,195**	16,050	145
Amortization of property, plant and equipment (1)	**201**	—	201
Distributions on Exchangeable LP Units	**1,771**	—	1,771
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**2,743**	(1,262)	4,005
Amortization of improvement allowances	**327**	291	36
Interest expense (2)	**745**	656	89
FFO	**$163,399**	$162,390	$1,009
Condominium marketing costs	**312**	312	—
Financing prepayment costs	**—**	—	—
Mark-to-market adjustment on unit-based compensation	**(410)**	(382)	(28)

	SIX MONTHS ENDED		
	JUNE 30, 2023	JUNE 30, 2022	CHANGE
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$163,301**	$162,320	$981
Amortization of straight-line rent	**(3,772)**	(1,260)	(2,512)
Regular leasing expenditures	**(4,099)**	(6,978)	2,879
Regular and recoverable maintenance capital expenditures	**(2,717)**	(2,884)	167
Incremental leasing costs (related to regular leasing expenditures)	**(3,175)**	(3,198)	23
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(98)**	(482)	384
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$149,440**	$147,518	$1,922
Weighted average number of units [(2)]			
Basic	**139,765,128**	133,949,961	5,815,167
Diluted	**139,765,128**	134,103,918	5,661,210
Per unit - basic			
FFO	**$1.169**	$1.212	$(0.043)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.168**	$1.212	$(0.044)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.069**	$1.101	$(0.032)
Per unit - diluted			
FFO	**$1.169**	$1.211	$(0.042)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.168**	$1.210	$(0.042)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.069**	$1.100	$(0.031)
Pay-out Ratio			
FFO	**77.0%**	72.1%	4.9%
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**77.0%**	72.1%	4.9%
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**84.2%**	79.4%	4.8%

(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 were re-classified from non-controlling interests in equity to liabilities in the unaudited condensed consolidated financial statements on Allied's conversion to an open-end trust on June 12, 2023.*

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.sedarplus.ca. 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 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:

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