ALLIED

Allied Announces Third-Quarter Results and Sustained Operating Momentum

TORONTO, OCTOBER 25, 2023

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its third quarter ended September 30, 2023. Allied's operating momentum continued through the quarter with solid operating results, sustained leasing activity and implementation of a five-year capital-allocation plan.

OPERATING RESULTS

In the third quarter, Allied's FFO per unit(1) was 59.8 cents, up from 58.8 cents in the prior quarter. AFFO per unit(1) was 54.5 cents, up from 53.6 cents in the prior quarter. This resulted in FFO and AFFO pay-out ratios(1) in the third quarter of 75.3% and 82.6%, respectively.

While Allied's FFO per unit in the third quarter was down 1.3% from the comparable quarter last year, its AFFO per unit was up 3.6%. Same Asset NOI(1) from Allied's rental portfolio was up 0.9% while Same Asset NOI from its total portfolio was up 6.4%.

LEASING ACTIVITY

Knowledge-based organizations continue to prefer distinctive 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 and quantifiable.

Allied conducted 306 lease tours in its rental portfolio in the third quarter, up from 292 in the prior quarter, despite seasonally slower leasing activity in the summer months. Allied's occupied and leased area at the end of the quarter was 86.8% and 87.6%, respectively.

Allied leased a total of 358,812 square feet of GLA in the third quarter, 321,674 square feet in its rental portfolio and 37,138 square feet in its development portfolio. Of the 321,674 square feet Allied leased in its rental portfolio, 90,200 square feet was vacant space, 92,761 square feet was space maturing in the quarter and 138,713 square feet was space maturing after the quarter.

Average in-place net rent per occupied square foot continued to rise in the third quarter, reaching $23.78 at quarter-end. Allied continued to achieve rent increases on renewal (up 3.8% ending-to-starting base rent and up 10% average-to-average base rent).

(1) This is a non-GAAP measure and includes the results of the continuing operations and the discontinued operations (except for Same Asset NOI, which only includes continuing operations). Refer to the Non-GAAP Measures section below.

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

- renewal (34,818 square feet) and expansion (6,668 square feet) for Rose Rocket at 35-45 Front Street East in Toronto;
- lease of 21,954 square feet to Crowe MacKay LLP at 1185 West Georgia in Vancouver;
- renewal of 11,713 square feet for Restoration Hardware at 1508-1580 West Broadway in Vancouver;
- lease of 11,373 square feet to First Nations Justice Council at Sun Tower in Vancouver;
- lease of 11,084 square feet to BinSentry at The Tannery in Kitchener; and
- lease of 25,000 square feet of retail space to Compass Group Canada at 747 Square Victoria in Montréal, initiating a planned large-scale transformation of the historic ground level of the property.

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

- lease of an additional 10,552 square feet for a total of 64,656 square feet to a global electronics and entertainment organization at Tour Viger in Montréal;
- lease of 9,742 square feet to Anytime Fitness at 1001 Boulevard Robert-Bourassa in Montréal; and
- lease of 8,000 square feet to Landr at 1001 Boulevard Robert-Bourassa in Montréal.

Management expects sustained and successful leasing activity for the remainder of 2023 and into 2024.

CAPITAL-ALLOCATION PLAN

Allied closed the sale of its Urban Data Centre ("UDC") portfolio in the third quarter for $1.35 billion. Allied used $755 million of the proceeds to repay all amounts drawn on its unsecured credit facility and 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 in 2024. Allied will use the balance of the proceeds to fund its development and upgrade activity over the remainder of 2023 and beyond.

Reaffirmation of Mission

Allied is 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 UDC portfolio enabled Allied to reaffirm and focus more intently on its core mission, which is predicated on ongoing urban intensification in Canada's major cities. Over the past two decades, Allied assembled the largest and most concentrated portfolio of economically-productive, underutilized urban land in Canada (frequently referred to today as "covered land"), one that affords extraordinary mixed-use intensification potential in major cities going forward. Allied believes in the continued growth and success of Canadian cities.

Balance Sheet, Liquidity and Development

Allied has demonstrated commitment to the balance sheet over its life as a public real estate entity. With the completion of the sale of the UDC portfolio and the utilization of the proceeds as described above, Allied's net debt as a multiple of Annualized Adjusted EBITDA(2) at the end of the third quarter was 7.9x. Allied also expects that its net debt as a multiple of Annualized Adjusted EBITDA will decline over the next three years as developments are completed and begin to generate material amounts of EBITDA.

Allied is nearing completion of the development and upgrade activity to which it is committed and does not expect to initiate new acquisition or development activity in the near-term. Accordingly, Allied does not expect to use its unsecured credit facility to any material extent in the coming five years, with the result that it will have up to $900 million in liquidity through most of that timeframe. Allied has a favourable debt-maturity schedule and an unencumbered, income-producing portfolio valued at $8.4 billion.

(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.

In the third quarter, Allied transferred 365,413 square feet of GLA from its Properties Under Development ("PUD") to its rental portfolio at average in-place net rent per square foot of $34.28, reducing the cost of PUD as a percentage of Gross Book Value ("GBV")(2) to 11.6% at the end of the third quarter. This will add to Allied's annual EBITDA run-rate by approximately $12 million from the beginning of 2024 onward. Allied will continue to transfer material amounts of GLA from its PUD to its rental portfolio over the remainder of 2023 and throughout 2024 and 2025. This will (i) reduce the cost of Allied's PUD as a percentage of GBV to approximately 4.5% by the end of 2025, (ii) increase average in-place net rent per occupied square foot in Allied's rental portfolio and (iii) add to Allied's annual EBITDA run-rate by approximately $46 million from the beginning of 2026 onward.

Special Distribution

The sale of the UDC portfolio will result in a significant increase in taxable income for fiscal 2023, requiring Allied to declare and pay a special distribution to unitholders of record on December 31, 2023. To assist taxable unitholders in funding the associated tax liability, Allied expects to pay approximately $65 million (which is approximately $0.47 per unit) of the special distribution in cash and the balance in units. Immediately following the special distribution, the outstanding units of Allied will be consolidated such that each unitholder will hold, after the consolidation, the same number of units as immediately prior to the special distribution.

As a public real estate entity committed to distributing a large portion of free cash flow regularly, Allied has funded past growth primarily through equity issuance. The proceeds from the sale of the UDC portfolio will enable Allied to fund near-term growth, primarily in the form of upgrade and development completions, while maintaining high levels of liquidity and targeted debt-metrics. In the longer-term, Allied plans to take advantage of a broader range of funding opportunities than it has in the past. Regardless of how Allied funds growth going forward, it will remain fully committed to its distribution program.

FINANCIAL MEASURES

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30			
(in thousands except for % amounts)	2023	2022	CHANGE	% CHANGE
Continuing operations				
Rental revenue	**$138,455**	$131,823	$6,632	5.0%
Property operating costs	**$(58,558)**	$(56,401)	$(2,157)	(3.8)%
Net rental income and operating income	**$79,897**	$75,422	$4,475	5.9%
Interest expense	**$(27,447)**	$(19,589)	$(7,858)	(40.1)%
General and administrative expenses	**$(5,964)**	$(4,325)	$(1,639)	(37.9)%
Condominium marketing expenses	**$(137)**	$(101)	$(36)	(35.6)%
Amortization of other assets	**$(388)**	$(410)	$22	5.4%
Interest income	**$14,887**	$8,071	$6,816	84.5%
Fair value loss on investment properties and investment properties held for sale	**$(126,253)**	$(41,588)	$(84,665)	(203.6)%
Fair value gain on Exchangeable LP Units	**$44,757**	$—	$44,757	100.0%
Fair value gain on derivative instruments	**$11,186**	$5,668	$5,518	97.4%
Impairment of residential inventory	**$(15,376)**	$(15,729)	$353	2.2%
Net loss from joint venture	**$(908)**	$(7,318)	$6,410	87.6%
Net (loss) income and comprehensive (loss) income from continuing operations	**$(25,746)**	$101	$(25,847)	(25,591.1)%
Net (loss) income and comprehensive (loss) income from discontinued operations	**$(8,212)**	$46,642	$(54,854)	(117.6)%
Net (loss) income and comprehensive (loss) income	**$(33,958)**	$46,743	$(80,701)	(172.6)%

(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.

(in thousands except for % amounts)	FOR THE NINE MONTHS ENDED SEPTEMBER 30 2023	2022	CHANGE	% CHANGE
Continuing operations				
Rental revenue	**$413,082**	$383,544	$29,538	7.7%
Property operating costs	**$(177,920)**	$(165,622)	$(12,298)	(7.4)%
Net rental income and operating income	**$235,162**	$217,922	$17,240	7.9%
Interest expense	**$(76,808)**	$(52,079)	$(24,729)	(47.5)%
General and administrative expenses	**$(16,848)**	$(16,799)	$(49)	(0.3)%
Condominium marketing expenses	**$(449)**	$(413)	$(36)	(8.7)%
Amortization of other assets	**$(1,118)**	$(940)	$(178)	(18.9)%
Interest income	**$34,856**	$22,651	$12,205	53.9%
Fair value loss on investment properties and investment properties held for sale	**$(278,081)**	$(30,762)	$(247,319)	(804.0)%
Fair value gain on Exchangeable LP Units	**$55,267**	$—	$55,267	100.0%
Fair value gain on derivative instruments	**$18,519**	$35,610	$(17,091)	(48.0)%
Impairment of residential inventory	**$(15,376)**	$(15,729)	$353	2.2%
Net loss from joint venture	**$(1,491)**	$(4,970)	$3,479	70.0%
Net (loss) income and comprehensive (loss) income from continuing operations	**$(46,367)**	$154,491	$(200,858)	(130.0)%
Net income and comprehensive income from discontinued operations	**$124,991**	$179,480	$(54,489)	(30.4)%
Net income and comprehensive income	**$78,624**	$333,971	$(255,347)	(76.5)%

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

(in thousands except for per unit and % amounts)	AS AT SEPTEMBER 30 2023	2022	CHANGE	% CHANGE
Investment properties and investment properties held for sale (1)	**$9,737,184**	$10,810,379	$(1,073,195)	(9.9)%
Unencumbered investment properties and investment properties held for sale (2)	**$8,362,560**	$9,533,540	$(1,170,980)	(12.3)%
Total Assets (1)	**$11,274,187**	$11,680,033	$(405,846)	(3.5)%
Cost of PUD as a % of GBV (2)	**11.6%**	12.1%	—	(0.5)%
NAV per unit (3)	**$49.83**	$51.10	$(1.27)	(2.5)%
Debt (1)	**$3,834,573**	$3,985,742	$(151,169)	(3.8)%
Total indebtedness ratio (2)	**34.2%**	34.3%	—	(0.1)%
Annualized Adjusted EBITDA (2)	**$416,068**	$414,664	$1,404	0.3%
Net debt as a multiple of Annualized Adjusted EBITDA (2)	**7.9x**	9.6x	(1.7x)	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - three months trailing (2)	**2.5x**	2.9x	(0.4x)	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - twelve months trailing (2)	**2.5x**	3.2x	(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.*

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 September 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.

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30			
(in thousands except for per unit and % amounts)[1]	2023	2022	CHANGE	% CHANGE
Adjusted EBITDA	**$104,017**	$103,666	$351	0.3%
Same Asset NOI - rental portfolio	**$77,612**	$76,901	$711	0.9%
Same Asset NOI - total portfolio	**$84,254**	$79,206	$5,048	6.4%
FFO	**$83,719**	$85,332	$(1,613)	(1.9)%
FFO per unit (diluted)	**$0.599**	$0.611	$(0.012)	(2.0)%
FFO pay-out ratio	**75.1%**	71.6%	—	3.5%
All amounts below are excluding condominium related items and the mark-to-market adjustment on unit-based compensation:				
FFO	**$83,556**	$84,747	$(1,191)	(1.4)%
FFO per unit (diluted)	**$0.598**	$0.606	$(0.008)	(1.3)%
FFO pay-out ratio	**75.3%**	72.1%	—	3.2%
AFFO	**$76,174**	$73,508	$2,666	3.6%
AFFO per unit (diluted)	**$0.545**	$0.526	$0.019	3.6%
AFFO pay-out ratio	**82.6%**	83.2%	—	(0.6)%

(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).

	FOR THE NINE MONTHS ENDED SEPTEMBER 30			
(in thousands except for per unit and % amounts)[1]	2023	2022	CHANGE	% CHANGE
Adjusted EBITDA	**$313,397**	$296,489	$16,908	5.7%
Same Asset NOI - rental portfolio	**$204,547**	$204,963	$(416)	(0.2)%
Same Asset NOI - total portfolio	**$223,440**	$213,308	$10,132	4.7%
FFO	**$247,118**	$247,722	$(604)	(0.2)%
FFO per unit (diluted)	**$1.768**	$1.822	$(0.054)	(3.0)%
FFO pay-out ratio	**76.4%**	71.9%	—	4.5%
All amounts below are excluding condominium related items and the mark-to-market adjustment on unit-based compensation:				
FFO	**$246,857**	$247,067	$(210)	(0.1)%
FFO per unit (diluted)	**$1.766**	$1.817	$(0.051)	(2.8)%
FFO pay-out ratio	**76.4%**	72.1%	—	4.3%
AFFO	**$225,614**	$221,026	$4,588	2.1%
AFFO per unit (diluted)	**$1.614**	$1.625	$(0.011)	(0.7)%
AFFO pay-out ratio	**83.6%**	80.6%	—	3.0%

(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).

The following tables reconcile the non-GAAP measures to the most comparable IFRS measures for the three and nine months ended September 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.

The following table reconciles Allied's net (loss) income and comprehensive (loss) income to Adjusted EBITDA, a non-GAAP measure, for the three and nine months ended September 30, 2023 and September 30, 2022.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	**SEPTEMBER 30, 2023**	SEPTEMBER 30, 2022
Net (loss) income and comprehensive (loss) income for the period	**$(33,958)**	$46,743	**$78,624**	$333,971
Interest expense	**28,328**	21,324	**81,241**	56,834
Amortization of other assets	**388**	410	**1,118**	940
Amortization of improvement allowances	**7,896**	8,295	**24,418**	24,636
Impairment of residential inventory	**15,376**	15,729	**15,376**	15,729
Transaction costs	**13,246**	—	**13,246**	—
Fair value loss (gain) on investment properties and investment properties held for sale (1)	**128,984**	17,519	**173,870**	(98,943)
Fair value gain on Exchangeable LP Units	**(44,757)**	—	**(55,267)**	—
Fair value gain on derivative instruments	**(11,186)**	(5,668)	**(18,519)**	(35,610)
Mark-to-market adjustment on unit-based compensation	**(300)**	(686)	**(710)**	(1,068)
Adjusted EBITDA (2)	**$104,017**	$103,666	**$313,397**	$296,489

(1) Includes Allied's proportionate share of the equity accounted investment's fair value loss on investment properties of $1,895 and $4,638, respectively for the three and nine months ended September 30, 2023 (September 30, 2022 - fair value loss on investment properties of $8,056 and $6,794, respectively).
(2) Includes the Urban Data Centre segment which was classified as a discontinued operation starting in Q4 2022.

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	**SEPTEMBER 30, 2023**	SEPTEMBER 30, 2022
Operating income, IFRS basis	**$79,897**	$75,422	**$235,162**	$217,922
Add: investment in joint venture	**980**	734	**3,129**	1,818
Operating income, proportionate basis	**$80,877**	$76,156	**$238,291**	$219,740
Amortization of improvement allowances (1)(2)	**7,831**	8,161	**24,092**	24,232
Amortization of straight-line rent (1)(2)	**(2,308)**	(2,588)	**(5,713)**	(4,206)
NOI from continuing operations	**$86,400**	$81,729	**$256,670**	$239,766
NOI from discontinued operations	**$6,586**	$16,114	**$33,452**	$47,744
Total NOI	**$92,986**	$97,843	**$290,122**	$287,510

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three and nine months ended September 30, 2023: amortization improvement allowances of $164 and $491, respectively (September 30, 2022 - $158 and $449, respectively), and amortization of straight-line rent of $(49) and $(147), respectively (September 30, 2022 - $(102) and $(584), 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 nine months ended September 30, 2023, the Urban Data Centre segment's amortization of improvement allowances was $65 and $326, respectively (September 30, 2022 - $134 and $404, respectively). For the three and nine months ended September 30, 2023, the Urban Data Centre segment's amortization of straight-line rent was $(230) and $(695), respectively (September 30, 2022 - $(272) and $(396), respectively).

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 nine months ended September 30, 2023, consists of one investment property.

	THREE MONTHS ENDED		CHANGE	
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	$	%
Rental Portfolio - Same Asset NOI	**$77,612**	$76,901	$711	0.9%
Assets Held for Sale - Same Asset NOI	**71**	67	4	6.0
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$77,683**	$76,968	$715	0.9%
Development Portfolio - Same Asset NOI	**$6,571**	$2,238	$4,333	193.6%
Total Portfolio - Same Asset NOI	**$84,254**	$79,206	$5,048	6.4%
Acquisitions	**$139**	$6	$133	
Dispositions	**6,718**	16,560	(9,842)	
Lease terminations	**—**	29	(29)	
Development fees and corporate items	**1,875**	2,042	(167)	
Total NOI	**$92,986**	$97,843	$(4,857)	(5.0)%

	NINE MONTHS ENDED		CHANGE	
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	$	%
Rental Portfolio - Same Asset NOI	**$204,547**	$204,963	$(416)	(0.2)%
Assets Held for Sale - Same Asset NOI	**239**	234	5	2.1
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$204,786**	$205,197	$(411)	(0.2)%
Development Portfolio - Same Asset NOI	**$18,654**	$8,111	$10,543	130.0%
Total Portfolio - Same Asset NOI	**$223,440**	$213,308	$10,132	4.7%
Acquisitions	**$26,607**	$16,731	$9,876	
Dispositions	**34,320**	49,603	(15,283)	
Lease terminations	**193**	352	(159)	
Development fees and corporate items	**5,562**	7,516	(1,954)	
Total NOI	**$290,122**	$287,510	$2,612	0.9%

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 nine months ended September 30, 2023, and September 30, 2022.

	THREE MONTHS ENDED		
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	CHANGE
Net (loss) income and comprehensive (loss) income from continuing operations	**$(25,746)**	$101	$(25,847)
Net (loss) income and comprehensive (loss) income from discontinued operations	**(8,212)**	46,642	(54,854)
Adjustment to fair value of investment properties and investment properties held for sale	**127,089**	9,463	117,626
Adjustment to fair value of Exchangeable LP Units	**(44,757)**	—	(44,757)
Adjustment to fair value of derivative instruments	**(11,186)**	(5,668)	(5,518)
Impairment of residential inventory	**15,376**	15,729	(353)
Transaction costs	**13,246**	—	13,246
Incremental leasing costs	**2,347**	2,233	114
Amortization of improvement allowances	**7,732**	8,137	(405)
Amortization of property, plant and equipment [(1)]	**101**	125	(24)
Distributions on Exchangeable LP Units	**5,314**	—	5,314
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**1,895**	8,056	(6,161)
Amortization of improvement allowances	**164**	158	6
Interest expense [(2)]	**356**	356	—
FFO	**$83,719**	$85,332	$(1,613)
Condominium marketing costs	**137**	101	36
Mark-to-market adjustment on unit-based compensation	**(300)**	(686)	386
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$83,556**	$84,747	$(1,191)
Amortization of straight-line rent	**(2,489)**	(2,758)	269
Regular leasing expenditures	**(1,523)**	(4,123)	2,600
Regular and recoverable maintenance capital expenditures	**(1,678)**	(2,693)	1,015
Incremental leasing costs (related to regular leasing expenditures)	**(1,643)**	(1,563)	(80)
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(49)**	(102)	53
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$76,174**	$73,508	$2,666
Weighted average number of units [(3)]			
Basic	**139,765,128**	139,762,081	3,047
Diluted	**139,765,128**	139,765,373	(245)
Per unit - basic			
FFO	**$0.599**	$0.611	$(0.012)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.598**	$0.606	$(0.008)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.545**	$0.526	$0.019

	THREE MONTHS ENDED		
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	CHANGE
Per unit - diluted			
FFO	**$0.599**	$0.611	$(0.012)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.598**	$0.606	$(0.008)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$0.545**	$0.526	$0.019
Pay-out Ratio			
FFO	**75.1%**	71.6%	3.5%
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**75.3%**	72.1%	3.2%
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**82.6%**	83.2%	(0.6)%

(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.

	NINE MONTHS ENDED		
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	CHANGE
Net (loss) income and comprehensive (loss) income from continuing operations	**$(46,367)**	$154,491	$(200,858)
Net income and comprehensive income from discontinued operations	**124,991**	179,480	(54,489)
Adjustment to fair value of investment properties and investment properties held for sale	**169,232**	(105,737)	274,969
Adjustment to fair value of Exchangeable LP Units	**(55,267)**	—	(55,267)
Adjustment to fair value of derivative instruments	**(18,519)**	(35,610)	17,091
Impairment of residential inventory	**15,376**	15,729	(353)
Transaction costs	**13,246**	—	13,246
Incremental leasing costs	**6,882**	6,802	80
Amortization of improvement allowances	**23,927**	24,187	(260)
Amortization of property, plant and equipment (1)	**302**	125	177
Distributions on Exchangeable LP Units	**7,085**	—	7,085
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**4,638**	6,794	(2,156)
Amortization of improvement allowances	**491**	449	42
Interest expense (2)	**1,101**	1,012	89
FFO	**$247,118**	$247,722	$(604)
Condominium marketing costs	**449**	413	36
Mark-to-market adjustment on unit-based compensation	**(710)**	(1,068)	358
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$246,857**	$247,067	$(210)
Amortization of straight-line rent	**(6,261)**	(4,018)	(2,243)
Regular leasing expenditures	**(5,622)**	(11,101)	5,479
Regular and recoverable maintenance capital expenditures	**(4,395)**	(5,577)	1,182
Incremental leasing costs (related to regular leasing expenditures)	**(4,818)**	(4,761)	(57)
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(147)**	(584)	437
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$225,614**	$221,026	$4,588

	NINE MONTHS ENDED		
	SEPTEMBER 30, 2023	SEPTEMBER 30, 2022	CHANGE
Weighted average number of units (3)			
Basic	**139,765,128**	135,908,624	3,856,504
Diluted	**139,765,128**	135,990,362	3,774,766
Per unit - basic			
FFO	**$1.768**	$1.823	$(0.055)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.766**	$1.818	$(0.052)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.614**	$1.626	$(0.012)
Per unit - diluted			
FFO	**$1.768**	$1.822	$(0.054)
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.766**	$1.817	$(0.051)
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**$1.614**	$1.625	$(0.011)
Pay-out Ratio			
FFO	**76.4%**	71.9%	4.5%
FFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**76.4%**	72.1%	4.3%
AFFO excluding condominium related items and the mark-to-market adjustment on unit-based compensation	**83.6%**	80.6%	3.0%

(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. 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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