

ALLIED

Allied to Acquire Ownership Interest in 400 West Georgia and Increase Ownership Interest in 19 Duncan

TORONTO, MARCH 11, 2024

Allied Properties Real Estate Investment Trust (“Allied”) (TSX: “AP.UN”) today announced that it will acquire an ownership interest in 400 West Georgia Street in Vancouver (“400 West Georgia”) and increase its ownership interest in 19 Duncan Street in Toronto (“19 Duncan”).

400 West Georgia is comprised of 345,034 square feet of office GLA, 5,525 square feet of retail GLA and 163 underground parking stalls. The property is 82% leased to Deloitte, Apple, Northeastern University, Spaces, RBC, a local café and a local restaurant, all with a weighted-average lease term of just over 11 years. The property was designed to a LEED Platinum standard. Westbank developed and currently owns the property. Allied provided a \$198 million secured mezzanine loan to Westbank (the “Mezzanine Loan”) in connection with the development. The property is subject to secured financing in the amount of \$250 million.

19 Duncan is comprised of 154,074 square feet of office GLA, 15,411 square feet of retail GLA, 464 rental-residential units, related common areas and facilities, 25 underground commercial parking stalls and 106 underground residential parking stalls. The property was designed to a LEED Gold standard. The office component is fully leased to Thomson Reuters with a weighted-average lease term of 9.4 years. The rental-residential component is expected to be leased over the remainder of 2024. Allied and Westbank currently own the property in equal shares. The property is subject to construction financing of up to \$295 million.

Allied will convert \$130.5 million of the Mezzanine Loan to equity in exchange for a 90% undivided interest in 400 West Georgia. The transaction will be based on a total property value of \$395 million. Allied intends to reduce the secured financing over the course of 2024 and into 2025 by selling less-strategic properties in Toronto (primarily in response to unsolicited offers to purchase). Allied will manage the property from January 1, 2025, onward.

Allied will increase its ownership in 19 Duncan to a 95% undivided interest by converting the remaining \$67.5 million of the Mezzanine Loan to equity and making a cash payment to Westbank of \$36.3 million. The amount payable in cash will be funded in part with the proceeds from the TELUS Sky reorganization and in part through the sale of less-strategic assets in Montréal (primarily in response to unsolicited offers to purchase). The transaction will be based on a total property value of \$525.7 million.

Allied expects to complete the transactions in relation to 400 West Georgia and 19 Duncan in early April, subject only to Competition Act approval and customary closing conditions. The transactions will reduce Westbank's debt to Allied materially and afford Allied a large ownership position in two triple-A urban properties as they near successful completion and full lease-up. The transactions will put modest and temporary upward pressure on Allied's total indebtedness ratio and net debt as a multiple of Annualized Adjusted EBITDA. Management expects the upward pressure to abate and the ongoing strengthening of Allied's debt metrics to continue in late 2024 and beyond as a result of (i) contemplated property sales in 2024 and (ii) EBITDA growth on achievement of full lease-up of the properties, particularly the rental-residential component of 19 Duncan. The transactions will also put modest and temporary downward pressure on Allied's cashflow per unit. Management expects the downward pressure to abate in 2025 and beyond as the properties reach full lease-up.

Allied completed the sale of its UDC portfolio in 2023. In addition to the considerable benefits outlined at the time, the transaction prompted real estate market participants to make unsolicited offers to purchase specific properties from Allied, particularly in Montréal and Toronto. Over the course of 2024 and into 2025, Allied will work toward selling less-strategic properties in its portfolio at IFRS value for aggregate proceeds of up to \$200 million. The proceeds will be used (i) to fund the modest incremental allocation of capital associated with the increase in ownership of 19 Duncan and (ii) to continue the ongoing strengthening of Allied's debt-metrics. For Allied, a less-strategic property is generally one that is smaller in size and not an integral part of a major concentration or assembly of distinctive urban workspace in its portfolio. There appears to be considerable demand for such property in Montréal and Toronto, and Allied expects to pursue most sales privately rather than through a public-offering process.

Allied expects to complete the previously announced reorganization of ownership of TELUS Sky before the end of the second quarter. "The three transactions (TELUS Sky, 400 West Georgia and 19 Duncan), along with our contemplated property sales in Montréal and Toronto, will continue the ongoing upgrade of our urban workspace portfolio and establish our urban rental-residential portfolio in a concrete, material and timely way," said Michael Emory, Founder & Executive Chair. "Within a short period of time, these transactions will continue the ongoing strengthening of our debt-metrics and propel growth in our cashflow per unit."

CAUTIONARY STATEMENTS

This press release may contain forward-looking statements with respect to (i) Allied, (ii) its operations, strategy, financial performance and condition and (iii) the 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. In particular, this news release contains forward-looking statements pertaining to a possible transaction related to Allied's portfolio.

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, financing and interest rates, access to capital, general economic and market conditions, lease roll-over and other factors described under "Risks and Uncertainties" in Allied's Annual MD&A, which is available at www.sedarplus.ca. 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, except as required by applicable law, 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.

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