ALLIED

Allied Announces First-Quarter Results

TORONTO, APRIL 30, 2024

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for the three months ended March 31, 2024.

RESULTS

In the first quarter, Allied's operating income from continuing operations was $78 million, up 2% from the comparable quarter last year. Allied's net loss and comprehensive loss was $19 million, in large part due to a fair value loss on investment properties flowing from declines in development-property valuations in Toronto, Edmonton and Montréal ($31 million) and declines in rental-property valuations in Toronto ($88 million).

FFO[1] was $81 million (57.8 cents per unit), in-line with $81 million (58.0 cents per unit) in the comparable quarter last year. AFFO[1] was $75 million (53.7 cents per unit), up slightly from $74 million (53.3 cents per unit) in the comparable quarter last year. This resulted in FFO and AFFO pay-out ratios[1] in the first quarter of 77.8% and 83.8%, respectively.

Same Asset NOI[1] from Allied's rental portfolio was down 2.0% while Same Asset NOI from its total portfolio was up 2.9%, reflecting the productivity of its upgrade and development portfolio.

OPERATIONS

Knowledge-based organizations continue to prefer distinctive workspace in mixed-use, 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 300 lease tours in its rental portfolio in the first quarter. Allied's occupied and leased area at the end of the quarter was 85.9% and 87.0%, respectively.

Allied leased a total of 538,923 square feet of GLA in the first quarter, 526,684 square feet in its rental portfolio and 12,239 square feet in its development portfolio. Of the 526,684 square feet Allied leased in its rental portfolio, 192,303 square feet were vacant space, 164,649 square feet were maturing in the quarter and 169,732 square feet were maturing after the quarter.

(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.

Average in-place net rent per occupied square foot held in the first quarter at $24.10. Allied continued to achieve rent increases on renewal (up 4.7% ending-to-starting base rent and up 9.7% average-to-average base rent).

Allied continues to focus on user experience with a view to ensuring that its properties remain conducive to human wellness, creativity, connectivity and diversity for the tens of thousands of people in Canada's major cities who use Allied workspace daily. Allied completed its fourth consecutive annual user-experience assessment with Grace Hill KingsleySurveys in late 2023. All rating areas improved over the prior year, and Allied exceeded industry averages materially in most rating areas, including the all-important net promoter score, which Allied exceeded by 250%. Management expects these strong and quantifiable results to support Allied's ongoing leasing efforts in 2024.

PORTFOLIO OPTIMIZATION

While not minimizing the importance of near-term results, Allied remains intensely focused on the longer-term aspects of its commercial real estate business in a manner that Management believes is in full alignment with equity and debt investors. Management continues to believe strongly in urban intensification and humanistic operation and is managing Allied's assets accordingly.

As part of a two-fold strategic objective in 2024, Allied will (i) continue the ongoing upgrade of its urban workspace portfolio and (ii) establish its urban rental-residential portfolio. In furtherance of this objective, Management pursued three transactions in the first quarter (TELUS Sky in Calgary, 400 West Georgia in Vancouver and 19 Duncan in Toronto), two of which closed at the onset of the second quarter and the third of which is expected to close late in the second quarter.

As part of a related strategic objective in 2024, Allied will sell less-strategic properties in its portfolio at IFRS value for aggregate proceeds of up to $200 million. In furtherance of this objective, Management initiated the sale of less-strategic properties in Montréal and Toronto in response to unsolicited offers to purchase, with three properties in Montréal expected to be sold early in the third quarter for aggregate closing proceeds of approximately $64 million plus a potential residential density bonus of up to $16 million on final rezoning of one of the properties. 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.

OUTLOOK

Allied owns and operates three categories of distinctive urban workspace in Canada's major cities: **Allied Heritage** (Class I workspace); **Allied Modern** (workspace developed or redeveloped in the last decade); and **Allied Flex** (workspace in buildings on underutilized land to be redeveloped in the next decade). In the first quarter, Management experienced strong and quantifiable demand for all three categories of office space, as well as strong and quantifiable engagement among users of Allied workspace generally. Management expects this to underpin operating results in 2024 that will fully support Allied's current distribution commitment.

Allied expects to continue (i) the ongoing upgrade of its urban workspace portfolio, (ii) the ongoing establishment of its urban rental-residential portfolio and (iii) the sale of less-strategic properties in its portfolio. Management expects that these portfolio optimization efforts will (i) materially enhance the productivity of Allied's national portfolio of urban income-producing properties and (ii) continue the ongoing strengthening of Allied's debt-metrics, to which Allied remains deeply committed.

FINANCIAL MEASURES

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

	FOR THE THREE MONTHS ENDED MARCH 31			
(in thousands except for % amounts)	2024	2023	CHANGE	% CHANGE
Continuing operations				
Rental revenue	$143,577	$138,490	$5,087	3.7%
Property operating costs	$(65,106)	$(61,325)	$(3,781)	(6.2)%
Operating income	$78,471	$77,165	$1,306	1.7%
Interest income	$14,759	$9,744	$5,015	51.5%
Interest expense	$(23,431)	$(22,564)	$(867)	(3.8)%
General and administrative expenses	$(6,498)	$(6,170)	$(328)	(5.3)%
Condominium marketing expenses	$(35)	$(120)	$85	70.8%
Amortization of other assets	$(378)	$(370)	$(8)	(2.2)%
Net income (loss) from joint venture	$752	$(3,006)	$3,758	125.0%
Fair value loss on investment properties and investment properties held for sale	$(119,192)	$(78,357)	$(40,835)	(52.1)%
Fair value gain on Exchangeable LP Units	$29,641	$—	$29,641	100.0%
Fair value gain (loss) on derivative instruments	$7,148	$(8,024)	$15,172	189.1%
Net loss and comprehensive loss from continuing operations	$(18,763)	$(31,702)	$12,939	40.8%
Net income and comprehensive income from discontinued operations	$—	$18,019	$(18,019)	(100.0)%
Net loss and comprehensive loss	$(18,763)	$(13,683)	$(5,080)	(37.1)%

The following table summarizes other financial measures as at March 31, 2024, and March 31, 2023:

	AS AT MARCH 31			
(in thousands except for per unit and % amounts)	2024	2023	CHANGE	% CHANGE
Investment properties (1)	$9,303,305	$9,691,030	$(387,725)	(4.0)%
Unencumbered investment properties (2)	$8,634,755	$8,388,680	$246,075	2.9%
Total Assets (1)	$10,475,397	$11,968,357	$(1,492,960)	(12.5)%
Cost of PUD as a % of GBV (2)	11.1%	11.5%	—	(0.4)%
NAV per unit (3)	$44.84	$50.41	$(5.57)	(11.0)%
Debt (1)	$3,719,172	$4,340,919	$(621,747)	(14.3)%
Total indebtedness ratio (2)	35.9%	36.5%	—	(0.6)%
Annualized Adjusted EBITDA (2)	$386,012	$411,980	$(25,968)	(6.3)%
Net debt as a multiple of Annualized Adjusted EBITDA (2)	9.4x	10.5x	(1.1x)	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - three months trailing (2)	2.8x	2.4x	0.4x	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - twelve months trailing (2)	2.6x	2.8x	(0.2x)	—

(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 16 of the MD&A as at March 31, 2024, 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 first quarter:

	FOR THE THREE MONTHS ENDED MARCH 31			
(in thousands except for per unit and % amounts) (1)	**2024**	2023	CHANGE	% CHANGE
Adjusted EBITDA	**$96,503**	$102,995	$(6,492)	(6.3)%
Same Asset NOI - rental portfolio	**$76,493**	$78,091	$(1,598)	(2.0)%
Same Asset NOI - total portfolio	**$84,227**	$81,865	$2,362	2.9%
FFO	**$81,149**	$81,175	$(26)	—%
FFO per unit (diluted)	**$0.581**	$0.581	$—	—%
FFO pay-out ratio	**77.5%**	77.5%	—	—%
All amounts below are excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation:				
FFO	**$80,794**	$81,085	$(291)	(0.4)%
FFO per unit (diluted)	**$0.578**	$0.580	$(0.002)	(0.3)%
FFO pay-out ratio	**77.8%**	77.6%	—	0.2%
AFFO	**$75,054**	$74,482	$572	0.8%
AFFO per unit (diluted)	**$0.537**	$0.533	$0.004	0.8%
AFFO pay-out ratio	**83.8%**	84.4%	—	(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).

The following tables reconcile the non-GAAP measures to the most comparable IFRS measures for the three months ended March 31, 2024, and the comparable period in 2023. 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 and comprehensive loss to Adjusted EBITDA, a non-GAAP measure, for the three months ended March 31, 2024 and March 31, 2023.

	THREE MONTHS ENDED	
	MARCH 31, 2024	MARCH 31, 2023
Net loss and comprehensive loss for the period	**$(18,763)**	$(13,683)
Interest expense	**23,431**	24,335
Amortization of other assets	**437**	370
Amortization of improvement allowances	**9,572**	8,368
Fair value loss on investment properties and investment properties held for sale (1)	**119,004**	75,791
Fair value gain on Exchangeable LP Units	**(29,641)**	—
Fair value (gain) loss on derivative instruments	**(7,148)**	8,024
Mark-to-market adjustment on unit-based compensation	**(389)**	(210)
Adjusted EBITDA (2)	**$96,503**	$102,995

(1) Includes Allied's proportionate share of the equity accounted investment's fair value gain on investment properties of $188 for the three months ended March 31, 2024 (March 31, 2023 - fair value loss on investment properties of $4,023).

(2) The Adjusted EBITDA for the three months ended March 31, 2023 includes the Urban Data Centre segment which was classified as a discontinued operation from Q4 2022 until its disposition in August 2023.

The following table reconciles operating income to net operating income, a non-GAAP measure, for the three months ended March 31, 2024 and March 31, 2023.

	THREE MONTHS ENDED	
	MARCH 31, 2024	MARCH 31, 2023
Operating income, IFRS basis	**$78,471**	$77,165
Add: investment in joint venture	**610**	1,009
Operating income, proportionate basis	**$79,081**	$78,174
Amortization of improvement allowances (1)(2)	**9,572**	8,238
Amortization of straight-line rent (1)(2)	**(1,498)**	(1,779)
NOI from continuing operations	**$87,155**	$84,633
NOI from discontinued operations	**$—**	$13,069
Total NOI	**$87,155**	$97,702

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months ended March 31, 2024: amortization improvement allowances of $179 (March 31, 2023 - $183) and amortization of straight-line rent of $(45) (March 31, 2023 - $(48)).

(2) Excludes the Urban Data Centre segment which was classified as a discontinued operation starting in Q4 2022. For the three months ended March 31, 2024, the Urban Data Centre segment's amortization of improvement allowances was $nil (March 31, 2023 - $130). For the three months ended March 31, 2024, the Urban Data Centre segment's amortization of straight-line rent was $nil (March 31, 2023 - $(262)).

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.

	THREE MONTHS ENDED		CHANGE	
	MARCH 31, 2024	MARCH 31, 2023	$	%
Rental Portfolio - Same Asset NOI	**$76,493**	$78,091	$(1,598)	(2.0)%
Development Portfolio - Same Asset NOI	**$6,473**	$2,479	$3,994	161.1%
Total Portfolio - Same Asset NOI	**$84,227**	$81,865	$2,362	2.9%
Acquisitions	**$—**	$—	$—	
Dispositions	**8**	13,520	(13,512)	
Lease terminations	**8**	193	(185)	
Development fees and corporate items	**2,912**	2,124	788	
Total NOI	**$87,155**	$97,702	$(10,547)	(10.8)%

The following tables reconcile Allied's net loss and comprehensive loss 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-GAAP measures, for the three months ended March 31, 2024, and March 31, 2023.

	THREE MONTHS ENDED		
	MARCH 31, 2024	MARCH 31, 2023	CHANGE
Net loss and comprehensive loss from continuing operations	**$(18,763)**	$(31,702)	$12,939
Net income and comprehensive income from discontinued operations	**—**	18,019	(18,019)
Adjustment to fair value of investment properties and investment properties held for sale	**119,192**	71,768	47,424
Adjustment to fair value of Exchangeable LP Units	**(29,641)**	—	(29,641)
Adjustment to fair value of derivative instruments	**(7,148)**	8,024	(15,172)
Incremental leasing costs	**2,711**	2,240	471
Amortization of improvement allowances	**9,393**	8,185	1,208
Amortization of property, plant and equipment [1]	**100**	100	—
Distributions on Exchangeable LP Units	**5,314**	—	5,314
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**(188)**	4,023	(4,211)
Amortization of improvement allowances	**179**	183	(4)
Interest expense[2]	**—**	335	(335)
FFO	**$81,149**	$81,175	$(26)
Condominium marketing costs	**35**	120	(85)
Mark-to-market adjustment on unit-based compensation	**(390)**	(210)	(180)
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$80,794**	$81,085	$(291)

	THREE MONTHS ENDED		
	MARCH 31, 2024	MARCH 31, 2023	CHANGE
Amortization of straight-line rent	**(1,453)**	(1,993)	540
Regular leasing expenditures	**(1,587)**	(1,126)	(461)
Regular and recoverable maintenance capital expenditures	**(750)**	(1,868)	1,118
Incremental leasing costs (related to regular leasing expenditures)	**(1,898)**	(1,568)	(330)
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(45)**	(48)	3
Regular leasing expenditures	**(7)**	—	(7)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$75,054**	$74,482	$572
Weighted average number of units (3)			
Basic	**139,765,128**	139,765,128	—
Diluted	**139,765,128**	139,765,128	—
Per unit - basic			
FFO	**$0.581**	$0.581	$—
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.578**	$0.580	$(0.002)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.537**	$0.533	$0.004
Per unit - diluted			
FFO	**$0.581**	$0.581	$—
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.578**	$0.580	$(0.002)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.537**	$0.533	$0.004
Pay-out Ratio			
FFO	**77.5%**	77.5%	0.0%
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**77.8%**	77.6%	0.2%
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**83.8%**	84.4%	(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.

CAUTIONARY STATEMENTS

This press release may contain forward-looking statements with respect to Allied, its operations, strategy, financial performance and condition, and the assumptions underlying any of the foregoing. These statements generally can be identified by use of forward-looking words such as "forecast", "outlook", "may", "will", "expect", "estimate", "anticipate", "intends", "believe", "assume" or "continue" or the negative thereof or similar variations. The forward-looking statements in this press release are not guarantees of future results, operations or performance and are based on estimates and assumptions that are subject to risks and uncertainties, including those described under "Risks and Uncertainties" in Allied's Annual MD&A, which is available at www.sedarplus.ca. Those risks and uncertainties include risks associated with financing and interest rates, access to capital, general economic conditions and lease roll-over. Allied's actual results and performance discussed herein could differ materially from those expressed or implied by such statements. These cautionary statements qualify all forward-looking statements attributable to Allied and persons acting on its behalf. 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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