ALLIED

Allied Announces Second-Quarter Results

TORONTO, JULY 30, 2024

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for the three months ended June 30, 2024. "Our occupied and leased area remained steady in the second quarter, and our urban office portfolio continued to outperform the market," said Cecilia Williams, President & CEO. "With utilization and demand clearly rising in Montréal, Toronto, Calgary and Vancouver, we expect our occupied and leased area to reach a point of positive inflection by the end of the year."

OPERATIONS

Utilization of urban office space is moving steadily upward in Montréal, Toronto, Calgary and Vancouver. The trend is evident throughout Allied's workspace portfolio and confirmed in numerous published reports. For example, Colliers' Workplace Activity Tracker places utilization in early June of 2024 compared to November of 2019 at 66% for Downtown Montréal, 84% for Downtown Toronto, 81% for Downtown Calgary and 70% for Downtown Vancouver.

The upward utilization trend is consistent with the intense utilization of storefront retail space in Allied's mixed-use, amenity-rich urban neighbourhoods in Montréal, Toronto, Calgary and Vancouver. In the month of June, for example, The Well had 829,058 recorded visits.

Allied conducted 262 lease tours in its rental portfolio in the second quarter. Allied's occupied and leased area at the end of the quarter was 85.8% and 87.1%, respectively. Occupied area remained above market occupancy in all urban markets other than Vancouver, and occupied and leased area held steady for the first time in six quarters with nearly 60% of the leases maturing in the quarter being renewed, closer to Allied's normal level of 70% to 75%.

Allied leased a total of 469,375 square feet of GLA in the second quarter, 444,963 square feet in its rental portfolio and 24,412 square feet in its development portfolio. Of the 444,963 square feet Allied leased in its rental portfolio, 163,873 square feet were vacant, 128,980 square feet were maturing in the quarter and 152,110 square feet were maturing after the quarter.

Average in-place net rent per occupied square foot improved in the second quarter to $25.08. Allied continued to achieve rent increases on renewal (up 9.7% ending-to-starting base rent and up 16.2% average-to-average base rent).

Allied continues to focus on user experience for the tens of thousands of people in Canada's major cities who use Allied workspace daily. On completing its fourth consecutive annual user-experience assessment with Grace Hill KingsleySurveys late last year, Allied exceeded industry averages materially in most rating areas, including the all-important net promoter score, which it exceeded by 250%. Management expects its focus on user experience to support ongoing leasing efforts over the remainder of 2024 and into 2025.

RESULTS

On April 1, 2024, Allied acquired a 90% ownership interest in 400 West Georgia Street in Vancouver ("400 West Georgia") and increased its ownership interest in 19 Duncan Street in Toronto ("19 Duncan") from 50% to 95%. Management recognized that these portfolio-optimization transactions would put temporary downward pressure on Allied's FFO and AFFO per unit pending lease-up of the remaining workspace at 400 West Georgia (18% of GLA) and lease-up of the 464 rental-residential units at 19 Duncan (now underway).

Allied's second-quarter results include the impact of the portfolio-optimization transactions for a full quarter. Operating income from continuing operations was $82 million, up 5% from the comparable quarter last year. Allied's net income and comprehensive income was $28 million, in large part due to a fair value loss on investment properties flowing from declines in development-property valuations.

FFO[1] was $73 million (52.6 cents per unit), down 10.6% from $82 million (58.8 cents per unit) in the comparable quarter last year. AFFO[1] was $67 million (47.7 cents per unit), down 11.1% from $75 million (53.6 cents per unit) in the comparable quarter last year. This resulted in FFO and AFFO pay-out ratios[1] in the second quarter of 85.6% and 94.4%, respectively, and in the first half of 81.5% and 88.8%, respectively.

Same Asset NOI[1] from Allied's rental portfolio was down 2.3% while Same Asset NOI from its total portfolio was up 1.7%, reflecting the productivity of its upgrade and development portfolio.

The non-GAAP results that would have been achieved in the quarter independently of the 400 West Georgia and 19 Duncan transactions were as expected by Management: FFO[2] would have been $79 million (56.7 cents per unit), down 3.7% from $82 million (58.8 cents per unit) in the comparable quarter last year; and (ii) AFFO[2] would have been $72 million (51.9 cents per unit), down 3.3% from $75 million (53.6 cents per unit) in the comparable quarter last year. This would have resulted in FFO and AFFO pay-out ratios[2] in the second quarter of 79.4% and 86.8%, respectively, and in the first half of 78.6% and 85.3%, respectively.

PORTFOLIO AND BALANCE-SHEET OPTIMIZATION

Allied's mission is to serve knowledge-based organizations ever more successfully over time. Its fundamental strategy is to concentrate ownership and operation of distinctive urban workspace in mixed-use, amenity-rich urban neighbourhoods in Canada's major cities and to upgrade its portfolio continuously.

Allied has demonstrated commitment to the balance sheet over its life as a public real estate entity. This is both a fundamental principle of risk management and essential to maintaining ongoing access to the bond market.

On August 16, 2023, Allied completed the sale of its urban-data-centre portfolio for $1.35 billion, a sale price meaningfully above IFRS value. In doing so, Allied accelerated an ongoing process of portfolio and balance-sheet optimization. This process continued in the first half of 2024.

(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) and excludes condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation. Refer to the Non-GAAP Measures section below.

(2) This is a non-GAAP measure and includes the results of the continuing operations and the discontinued operations and excludes condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation and 400 West Georgia and 19 Duncan transactions. Refer to the Non-GAAP Measures section below.

Allied has now entered into a definitive agreement to reorganize the ownership of TELUS Sky in Calgary, bringing that development project to successful completion for all concerned. Westbank and Allied will sell their respective 1/3 interests in the commercial component of TELUS Sky to TELUS, and TELUS will sell its 1/3 interest in the residential component to Westbank and Allied in equal shares, with the result that TELUS will own 100% of the commercial component and Westbank and Allied will own 100% of the residential component in equal shares. On closing, expected to occur in the third quarter, Allied will receive net proceeds of approximately $32 million.

Allied has also made rapid and material progress in selling non-core properties at or above IFRS value. This includes the pending sale of five properties in Montréal and two in Toronto, which Management expects to complete in the second half of 2024.

All seven pending sales involve properties that are smaller, and no property is part of a major concentration or assembly of distinctive urban workspace in Allied's portfolio. The pricing of three properties reflects intensification potential, which the private market is prepared to recognize, with the result that the pricing is meaningfully above Allied's IFRS value. The pricing of the four remaining properties is based on capitalization rates consistent with Allied's IFRS value. The current yield to Allied on the seven properties is low, with the result that the proceeds can be used to reduce indebtedness in a manner that will be accretive to Allied's FFO and AFFO per unit.

Allied will apply the net proceeds of the TELUS Sky transaction and the closing proceeds from the pending sales (approaching the $200 million target established in the first quarter) to accretive debt reduction with a view to offsetting the temporary pressure on its FFO and AFFO per unit and its debt-metrics flowing from the 400 West Georgia and 19 Duncan transactions.

Over the remainder of 2024 and into 2025, Allied intends to sell additional non-core properties at or above IFRS value for proceeds of approximately $200 million. Given its experience with the seven pending sales, all of which were unsolicited and several of which attracted multiple offers, Management is confident in its ability to achieve this target as well.

Allied has two debt facilities maturing in 2025, a $200 million unsecured debenture due on April 21, 2025 (the "Debenture"), and a $400 million unsecured term loan due on October 22, 2025 (the "Term Loan"). Allied is working toward refinancing the Debenture and the Term Loan in a manner that will prioritize liquidity and continue the ongoing improvement in its debt-metrics.

Allied has considerable optionality in addressing the Debenture, the Term Loan and debt that matures in 2026. Allied's options include various combinations of the following: (i) utilizing proceeds from the TELUS Sky transaction and the sale of non-core assets (up to $400 million in aggregate); (ii) utilizing proceeds of secured financing on the residential component of TELUS Sky (approximately $50 million); (iii) successfully completing negotiations now underway for an extension of the Term Loan; (iv) arranging secured financing on select unencumbered properties; and (v) accessing the bond market on the basis of a single solicited rating from Morningstar DBRS.

"We're committed to maintaining and ultimately improving our access to the bond market and will continue to manage our balance sheet accordingly," said Michael Emory, Founder & Executive Chair. "We're also committed to maintaining our monthly distribution. These commitments are mutually reinforcing, well within our operating capability and appropriately responsive to equity and debt investors."

OUTLOOK

In the first half, Allied experienced steady demand for urban workspace, urban rental-residential space and urban amenity space, as well as strong and quantifiable engagement among users of space in the Allied portfolio generally. Management expects this to underpin operating and financial results in 2024 that will fully support Allied's distribution commitment and approach a point of positive inflection by the end of the year.

FINANCIAL MEASURES

The following tables summarize GAAP financial measures for the three and six months ended June 30, 2024, and 2023:

	FOR THE THREE MONTHS ENDED JUNE 30			
(in thousands except for % amounts)	**2024**	2023	CHANGE	% CHANGE
Continuing operations				
Rental revenue	**$146,750**	$136,137	$10,613	7.8%
Property operating costs	**$(64,359)**	$(58,037)	$(6,322)	(10.9)%
Operating income	**$82,391**	$78,100	$4,291	5.5%
Interest income	**$9,615**	$10,225	$(610)	(6.0)%
Interest expense	**$(29,932)**	$(26,797)	$(3,135)	(11.7)%
General and administrative expenses (1)	**$(7,320)**	$(4,714)	$(2,606)	(55.3)%
Condominium marketing expenses	**$(65)**	$(192)	$127	66.1%
Amortization of other assets	**$(382)**	$(360)	$(22)	(6.1)%
Net income from joint venture	**$535**	$2,423	$(1,888)	(77.9)%
Fair value loss on investment properties and investment properties held for sale	**$(44,983)**	$(73,471)	$28,488	38.8%
Fair value gain on Exchangeable LP Units	**$27,870**	$10,510	$17,360	165.2%
Fair value (loss) gain on derivative instruments	**$(3,490)**	$15,357	$(18,847)	(122.7)%
Impairment of residential inventory	**$(6,177)**	$—	$(6,177)	(100.0)%
Net income and comprehensive income from continuing operations	**$28,062**	$11,081	$16,981	153.2%
Net income and comprehensive income from discontinued operations	**$—**	$115,184	$(115,184)	(100.0)%
Net income and comprehensive income	**$28,062**	$126,265	$(98,203)	(77.8)%

(1) *For the three months ended June 30, 2024, general and administrative expenses increased by $2,606 or 55.3% from the comparable period. This was primarily due to the fair value adjustment on the total return swap of $1,683 on unit-based compensation plans and lower capitalization to qualifying investment properties of $630 for the directly attributable employee costs related to the sale of the UDC portfolio in 2023. The fair value adjustment on the total return swap is added back in the calculation of FFO.*

	FOR THE SIX MONTHS ENDED JUNE 30			
(in thousands except for % amounts)	**2024**	2023	CHANGE	% CHANGE
Continuing operations				
Rental revenue	**$290,327**	$274,627	$15,700	5.7%
Property operating costs	**$(129,465)**	$(119,362)	$(10,103)	(8.5)%
Operating income	**$160,862**	$155,265	$5,597	3.6%
Interest income	**$24,374**	$19,969	$4,405	22.1%
Interest expense	**$(53,363)**	$(49,361)	$(4,002)	(8.1)%
General and administrative expenses (1)	**$(13,818)**	$(10,884)	$(2,934)	(27.0)%
Condominium marketing expenses	**$(100)**	$(312)	$212	67.9%
Amortization of other assets	**$(760)**	$(730)	$(30)	(4.1)%
Net income (loss) from joint venture	**$1,287**	$(583)	$1,870	320.8%
Fair value loss on investment properties and investment properties held for sale	**$(164,175)**	$(151,828)	$(12,347)	(8.1)%
Fair value gain on Exchangeable LP Units	**$57,511**	$10,510	$47,001	447.2%
Fair value gain on derivative instruments	**$3,658**	$7,333	$(3,675)	(50.1)%
Impairment of residential inventory	**$(6,177)**	$—	$(6,177)	(100.0)%

(in thousands except for % amounts)	FOR THE SIX MONTHS ENDED JUNE 30 2024	2023	CHANGE	% CHANGE
Net income (loss) and comprehensive income (loss) from continuing operations	**$9,299**	$(20,621)	$29,920	145.1%
Net income and comprehensive income from discontinued operations	**$—**	$133,203	$(133,203)	(100.0)%
Net income and comprehensive income	**$9,299**	$112,582	$(103,283)	(91.7)%

(1) For the six months ended June 30, 2024, general and administrative expenses increased by $2,934 or 27.0% from the comparable period primarily due to the fair value adjustment on the total return swap of $1,683 on unit-based compensation plans and lower capitalization to qualifying investment properties of $985 for the directly attributable employee costs related to the disposition of the UDC portfolio in 2023. The fair value adjustment on the total return swap is added back in the calculation of FFO.

The following table summarizes other financial measures as at June 30, 2024, and 2023:

(in thousands except for per unit and % amounts)	AS AT JUNE 30 2024	2023	CHANGE	% CHANGE
Investment properties (1)	**$9,777,747**	$9,725,755	$51,992	0.5%
Unencumbered investment properties (2)	**$8,506,667**	$8,416,150	$90,517	1.1%
Total Assets (1)	**$10,981,068**	$12,185,427	$(1,204,359)	(9.9)%
Cost of PUD as a % of GBV (2)	**11.4%**	11.4%	—	—%
NAV per unit (3)	**$44.43**	$50.80	$(6.37)	(12.5)%
Debt (1)	**$4,272,514**	$4,474,519	$(202,005)	(4.5)%
Total indebtedness ratio (2)	**39.1%**	36.9%	—	2.2%
Annualized Adjusted EBITDA (2)	**$383,112**	$425,540	$(42,428)	(10.0)%
Net debt as a multiple of Annualized Adjusted EBITDA (2)	**10.9x**	10.5x	0.4x	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - three months trailing (2)	**2.3x**	2.3x	—	—
Interest coverage ratio including interest capitalized and excluding financing prepayment costs - twelve months trailing (2)	**2.6x**	2.6x	—	—

(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 June 30, 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 tables summarize non-GAAP financial measures for the three and six months ended June 30, 2024, and 2023:

	FOR THE THREE MONTHS ENDED JUNE 30			
(in thousands except for per unit and % amounts) [(1)]	2024	2023	CHANGE	% CHANGE
Adjusted EBITDA	**$95,778**	$106,385	$(10,607)	(10.0)%
Same Asset NOI - rental portfolio	**$75,612**	$77,404	$(1,792)	(2.3)%
Same Asset NOI - total portfolio	**$85,025**	$83,621	$1,404	1.7%
FFO	**$72,089**	$82,224	$(10,135)	(12.3)%
FFO per unit (diluted)	**$0.516**	$0.588	$(0.072)	(12.2)%
FFO pay-out ratio	**87.2%**	76.5%	—	10.7%
All amounts below are excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation:				
FFO	**$73,483**	$82,216	$(8,733)	(10.6)%
FFO per unit (diluted)	**$0.526**	$0.588	$(0.062)	(10.5)%
FFO pay-out ratio	**85.6%**	76.5%	—	9.1%
AFFO	**$66,612**	$74,958	$(8,346)	(11.1)%
AFFO per unit (diluted)	**$0.477**	$0.536	$(0.059)	(11.0)%
AFFO pay-out ratio	**94.4%**	83.9%	—	10.5%

(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 SIX MONTHS ENDED JUNE 30			
(in thousands except for per unit and % amounts) [(1)]	2024	2023	CHANGE	% CHANGE
Adjusted EBITDA	**$192,280**	$209,380	$(17,100)	(8.2)%
Same Asset NOI - rental portfolio	**$150,430**	$153,672	$(3,242)	(2.1)%
Same Asset NOI - total portfolio	**$169,251**	$165,484	$3,767	2.3%
FFO	**$153,238**	$163,399	$(10,161)	(6.2)%
FFO per unit (diluted)	**$1.096**	$1.169	$(0.073)	(6.2)%
FFO pay-out ratio	**82.1%**	77.0%	—	5.1%
All amounts below are excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation:				
FFO	**$154,277**	$163,301	$(9,024)	(5.5)%
FFO per unit (diluted)	**$1.104**	$1.168	$(0.064)	(5.5)%
FFO pay-out ratio	**81.5%**	77.0%	—	4.5%
AFFO	**$141,666**	$149,440	$(7,774)	(5.2)%
AFFO per unit (diluted)	**$1.014**	$1.069	$(0.055)	(5.1)%
AFFO pay-out ratio	**88.8%**	84.2%	—	4.6%

(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 and six months ended June 30, 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 income and comprehensive income to Adjusted EBITDA, a non-GAAP measure, for the three and six months ended June 30, 2024, and 2023.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2024	JUNE 30, 2023	**JUNE 30, 2024**	JUNE 30, 2023
Net income and comprehensive income for the period	**$28,062**	$126,265	**$9,299**	$112,582
Interest expense	**29,932**	28,578	**53,363**	52,913
Amortization of other assets	**433**	360	**870**	730
Amortization of improvement allowances	**9,236**	8,154	**18,808**	16,522
Impairment of residential inventory	**6,177**	—	**6,177**	—
Fair value loss (gain) on investment properties and investment properties held for sale [1]	**44,989**	(30,905)	**163,993**	44,886
Fair value gain on Exchangeable LP Units	**(27,870)**	(10,510)	**(57,511)**	(10,510)
Fair value loss (gain) on derivative instruments	**3,490**	(15,357)	**(3,658)**	(7,333)
Mark-to-market adjustment on unit-based compensation	**1,329**	(200)	**939**	(410)
Adjusted EBITDA [2]	**$95,778**	$106,385	**$192,280**	$209,380

(1) Includes Allied's proportionate share of the equity accounted investment's fair value loss on investment properties of $6 and fair value gain on investment properties of $182 for the three and six months ended June 30, 2024, respectively (June 30, 2023 - fair value gain on investment properties of $1,280 and fair value loss on investment properties of $2,743, respectively).

(2) The Adjusted EBITDA for the three and six months ended June 30, 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 and six months ended June 30, 2024, and 2023.

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30, 2024	JUNE 30, 2023	**JUNE 30, 2024**	JUNE 30, 2023
Operating income, IFRS basis	**$82,391**	$78,100	**$160,862**	$155,265
Add: investment in joint venture	**583**	1,140	**1,193**	2,149
Operating income, proportionate basis	**$82,974**	$79,240	**$162,055**	$157,414
Amortization of improvement allowances [1][2]	**9,236**	8,023	**18,808**	16,261
Amortization of straight-line rent [1][2]	**(2,212)**	(1,626)	**(3,710)**	(3,405)
NOI from continuing operations	**$89,998**	$85,637	**$177,153**	$170,270
NOI from discontinued operations	**$—**	$13,797	**$—**	$26,866
Total NOI	**$89,998**	$99,434	**$177,153**	$197,136

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three and six months ended June 30, 2024: amortization improvement allowances of $197 and $376, respectively (June 30, 2023 - $144 and $327, respectively) and amortization of straight-line rent of $(50) and $(95), respectively (June 30, 2023 - $(50) and $(98), respectively).

(2) Excludes the Urban Data Centre segment which was classified as a discontinued operation starting in Q4 2022. For the three and six months ended June 30, 2024, the Urban Data Centre segment's amortization of improvement allowances was $nil and $nil, respectively (June 30, 2023 - $131 and $261, respectively). For the three and six months ended June 30, 2024, the Urban Data Centre segment's amortization of straight-line rent was $nil and $nil, respectively (June 30, 2023 - $(203) and $(465), 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.

	THREE MONTHS ENDED		CHANGE	
	JUNE 30, 2024	JUNE 30, 2023	$	%
Rental Portfolio - Same Asset NOI	**$75,612**	$77,404	$(1,792)	(2.3)%
Assets Held for Sale - Same Asset NOI	**2,346**	3,232	(886)	(27.4)
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$77,958**	$80,636	$(2,678)	(3.3)%
Development Portfolio - Same Asset NOI	**7,067**	2,985	4,082	136.8
Total Portfolio - Same Asset NOI	**$85,025**	$83,621	$1,404	1.7%
Acquisitions	**$3,665**	$—	$3,665	
Dispositions	**29**	14,250	(14,221)	
Lease terminations	**19**	—	19	
Development fees and corporate items	**1,260**	1,563	(303)	
Total NOI	**$89,998**	$99,434	$(9,436)	(9.5)%

	SIX MONTHS ENDED		CHANGE	
	JUNE 30, 2024	JUNE 30, 2023	$	%
Rental Portfolio - Same Asset NOI	**$150,430**	$153,672	$(3,242)	(2.1)%
Assets Held for Sale - Same Asset NOI	**5,381**	6,348	(967)	(15.2)
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$155,811**	$160,020	$(4,209)	(2.6)%
Development Portfolio - Same Asset NOI	**13,440**	5,464	7,976	146.0
Total Portfolio - Same Asset NOI	**$169,251**	$165,484	$3,767	2.3%
Acquisitions	**3,665**	—	3,665	
Dispositions	**37**	27,771	(27,734)	
Lease terminations	**28**	193	(165)	
Development fees and corporate items	**4,172**	3,688	484	
Total NOI	**$177,153**	$197,136	$(19,983)	(10.1)%

The following tables reconcile Allied's net income (loss) and comprehensive income (loss) from continuing operations 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 and six months ended June 30, 2024, and 2023.

	THREE MONTHS ENDED		
	JUNE 30, 2024	JUNE 30, 2023	CHANGE
Net income and comprehensive income from continuing operations	**$28,062**	$11,081	$16,981
Net income and comprehensive income from discontinued operations	**—**	115,184	(115,184)
Adjustment to fair value of investment properties and investment properties held for sale	**44,983**	(29,625)	74,608
Adjustment to fair value of Exchangeable LP Units	**(27,870)**	(10,510)	(17,360)
Adjustment to fair value of derivative instruments	**3,490**	(15,357)	18,847
Impairment of residential inventory	**6,177**	—	6,177
Incremental leasing costs	**2,592**	2,295	297
Amortization of improvement allowances	**9,039**	8,010	1,029
Amortization of property, plant and equipment [1]	**99**	101	(2)
Distributions on Exchangeable LP Units	**5,314**	1,771	3,543
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**6**	(1,280)	1,286
Amortization of improvement allowances	**197**	144	53
Interest expense [2]	**—**	410	(410)
FFO	**$72,089**	$82,224	$(10,135)
Condominium marketing costs	**65**	192	(127)
Financing prepayment costs	**—**	—	—
Mark-to-market adjustment on unit-based compensation	**1,329**	(200)	1,529
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$73,483**	$82,216	$(8,733)
Amortization of straight-line rent	**(2,162)**	(1,779)	(383)
Regular leasing expenditures	**(2,166)**	(2,973)	807
Regular and recoverable maintenance capital expenditures	**(678)**	(849)	171
Incremental leasing costs (related to regular leasing expenditures)	**(1,814)**	(1,607)	(207)
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(50)**	(50)	—
Regular leasing expenditures	**(1)**	—	(1)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$66,612**	$74,958	$(8,346)
Weighted average number of units [3]			
Basic	**139,765,128**	139,765,128	—
Diluted	**139,765,128**	139,765,128	—
Per unit - basic			
FFO	**$0.516**	$0.588	$(0.072)
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.526**	$0.588	$(0.062)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.477**	$0.536	$(0.059)
Per unit - diluted			
FFO	**$0.516**	$0.588	$(0.072)
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.526**	$0.588	$(0.062)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$0.477**	$0.536	$(0.059)

	THREE MONTHS ENDED		
	JUNE 30, 2024	JUNE 30, 2023	CHANGE
Pay-out Ratio			
FFO	**87.2%**	76.5%	10.7%
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**85.6%**	76.5%	9.1%
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**94.4%**	83.9%	10.5%

(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, 2024	JUNE 30, 2023	CHANGE
Net income (loss) and comprehensive income (loss) from continuing operations	**$9,299**	$(20,621)	$29,920
Net income and comprehensive income from discontinued operations	**—**	133,203	(133,203)
Adjustment to fair value of investment properties and investment properties held for sale	**164,175**	42,143	122,032
Adjustment to fair value of Exchangeable LP Units	**(57,511)**	(10,510)	(47,001)
Adjustment to fair value of derivative instruments	**(3,658)**	(7,333)	3,675
Impairment of residential inventory	**6,177**	—	6,177
Incremental leasing costs	**5,303**	4,535	768
Amortization of improvement allowances	**18,432**	16,195	2,237
Amortization of property, plant and equipment (1)	**199**	201	(2)
Distributions on Exchangeable LP Units	**10,628**	1,771	8,857
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**(182)**	2,743	(2,925)
Amortization of improvement allowances	**376**	327	49
Interest expense (2)	**—**	745	(745)
FFO	**$153,238**	$163,399	$(10,161)
Condominium marketing costs	**100**	312	(212)
Financing prepayment costs	**—**	—	—
Mark-to-market adjustment on unit-based compensation	**939**	(410)	1,349
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$154,277**	$163,301	$(9,024)
Amortization of straight-line rent	**(3,615)**	(3,772)	157
Regular leasing expenditures	**(3,753)**	(4,099)	346
Regular and recoverable maintenance capital expenditures	**(1,428)**	(2,717)	1,289
Incremental leasing costs (related to regular leasing expenditures)	**(3,712)**	(3,175)	(537)
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(95)**	(98)	3
Regular leasing expenditures	**(8)**	—	(8)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$141,666**	$149,440	$(7,774)

	SIX MONTHS ENDED		
	JUNE 30, 2024	JUNE 30, 2023	CHANGE
Weighted average number of units [3]			
Basic	**139,765,128**	139,765,128	—
Diluted	**139,765,128**	139,765,128	—
Per unit - basic			
FFO	**$1.096**	$1.169	$(0.073)
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$1.104**	$1.168	$(0.064)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$1.014**	$1.069	$(0.055)
Per unit - diluted			
FFO	**$1.096**	$1.169	$(0.073)
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$1.104**	$1.168	$(0.064)
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**$1.014**	$1.069	$(0.055)
Pay-out Ratio			
FFO	**82.1%**	77.0%	5.1%
FFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**81.5%**	77.0%	4.5%
AFFO excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation	**88.8%**	84.2%	4.6%

(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.

The following tables reconcile Allied's net income (loss) and comprehensive income (loss) from continuing operations to FFO, FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions, and AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions, which are non-GAAP measures, for the three and six months ended June 30, 2024, and 2023.

FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions starts with FFO and removes the effects of the acquisitions on April 1, 2024, which includes a 45% interest in 19 Duncan in Toronto and a 90% interest in 400 West Georgia in Vancouver (the "Acquisitions"), condominium revenue, condominium cost of sales, condominium marketing costs, financing prepayment costs and the mark-to-market adjustment on unit-based compensation. FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions is reconciled to net income and comprehensive income from continuing operations, which is the most directly comparable IFRS measure. Management believes this is a useful measure as stabilized occupancy has not been reached at the properties acquired through the Acquisitions, the condominium and financing prepayment items are not indicative of recurring operating performance, and the mark-to-market adjustments of unit-based compensation can fluctuate widely with the market.

AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions starts with AFFO and removes the effects of the Acquisitions, condominium revenue, condominium cost of sales, condominium marketing costs, financing prepayment costs and the mark-to-market adjustment on unit-based compensation. AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions is reconciled to net income and comprehensive income from continuing operations, which is the most directly comparable IFRS measure. Management believes this is a useful measure as stabilized occupancy has not been reached at the properties acquired through the Acquisitions, the condominium and financing prepayment items are not indicative of recurring economic earnings, and the mark-to-market adjustments of unit-based compensation can fluctuate widely with the market.

FFO and AFFO pay-out ratios excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions are non-GAAP measures. These payout ratios are calculated by dividing the actual distributions declared (excluding any special distributions declared in cash or Units) by FFO and AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and the 400 West Georgia and 19 Duncan transactions in a given period. Management considers these metrics a useful way to evaluate Allied's distribution paying capacity as stabilized occupancy has not been reached at the properties acquired under the Acquisitions.

	THREE MONTHS ENDED		
	JUNE 30, 2024	JUNE 30, 2023	CHANGE
Net income and comprehensive income from continuing operations	**$28,062**	$11,081	$16,981
Net income and comprehensive income from discontinued operations	**—**	115,184	(115,184)
Adjustment to fair value of investment properties and investment properties held for sale	**44,983**	(29,625)	74,608
Adjustment to fair value of Exchangeable LP Units	**(27,870)**	(10,510)	(17,360)
Adjustment to fair value of derivative instruments	**3,490**	(15,357)	18,847
Impairment of residential inventory	**6,177**	—	6,177
Incremental leasing costs	**2,592**	2,295	297
Amortization of improvement allowances	**9,039**	8,010	1,029
Amortization of property, plant and equipment (1)	**99**	101	(2)
Distributions on Exchangeable LP Units	**5,314**	1,771	3,543
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**6**	(1,280)	1,286
Amortization of improvement allowances	**197**	144	53
Interest expense (2)	**—**	410	(410)
FFO	**$72,089**	$82,224	$(10,135)
Condominium marketing costs	**65**	192	(127)
Financing prepayment costs	**—**	—	—
Mark-to-market adjustment on unit-based compensation	**1,329**	(200)	1,529
400 West Georgia and 19 Duncan transactions	**5,702**	—	5,702
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$79,185**	$82,216	$(3,031)

	THREE MONTHS ENDED		
	JUNE 30, 2024	JUNE 30, 2023	CHANGE
Amortization of straight-line rent	**(2,162)**	(1,779)	(383)
Regular leasing expenditures	**(2,166)**	(2,973)	807
Regular and recoverable maintenance capital expenditures	**(678)**	(849)	171
Incremental leasing costs (related to regular leasing expenditures)	**(1,814)**	(1,607)	(207)
400 West Georgia and 19 Duncan transactions	**172**	—	172
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(50)**	(50)	—
Regular leasing expenditures	**(1)**	—	(1)
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$72,486**	$74,958	$(2,472)
Weighted average number of units [3]			
Basic	**139,765,128**	139,765,128	—
Diluted	**139,765,128**	139,765,128	—
Per unit - basic			
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$0.567**	$0.588	$(0.021)
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$0.519**	$0.536	$(0.017)
Per unit - diluted			
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$0.567**	$0.588	$(0.021)
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$0.519**	$0.536	$(0.017)
Pay-out Ratio			
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**79.4%**	76.5%	2.9%
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**86.8%**	83.9%	2.9%

(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 reclassified 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, 2024	JUNE 30, 2023	CHANGE
Net income (loss) and comprehensive income (loss) from continuing operations	**$9,299**	$(20,621)	$29,920
Net income and comprehensive income from discontinued operations	**—**	133,203	(133,203)
Adjustment to fair value of investment properties and investment properties held for sale	**164,175**	42,143	122,032
Adjustment to fair value of Exchangeable LP Units	**(57,511)**	(10,510)	(47,001)
Adjustment to fair value of derivative instruments	**(3,658)**	(7,333)	3,675
Impairment of residential inventory	**6,177**	—	6,177
Incremental leasing costs	**5,303**	4,535	768
Amortization of improvement allowances	**18,432**	16,195	2,237
Amortization of property, plant and equipment [1]	**199**	201	(2)
Distributions on Exchangeable LP Units	**10,628**	1,771	8,857
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**(182)**	2,743	(2,925)
Amortization of improvement allowances	**376**	327	49
Interest expense [2]	**—**	745	(745)
FFO	**$153,238**	$163,399	$(10,161)
Condominium marketing costs	**100**	312	(212)
Financing prepayment costs	**—**	—	—
Mark-to-market adjustment on unit-based compensation	**939**	(410)	1,349
400 West Georgia and 19 Duncan transactions	**5,702**	—	5,702
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$159,979**	$163,301	$(3,322)
Amortization of straight-line rent	**(3,615)**	(3,772)	157
Regular leasing expenditures	**(3,753)**	(4,099)	346
Regular and recoverable maintenance capital expenditures	**(1,428)**	(2,717)	1,289
Incremental leasing costs (related to regular leasing expenditures)	**(3,712)**	(3,175)	(537)
400 West Georgia and 19 Duncan transactions	**172**	—	172
Adjustment relating to joint venture:			
Amortization of straight-line rent	**(95)**	(98)	3
Regular leasing expenditures	**(8)**	—	(8)
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$147,540**	$149,440	$(1,900)
Weighted average number of units [3]			
Basic	**139,765,128**	139,765,128	—
Diluted	**139,765,128**	139,765,128	—
Per unit - basic			
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$1.145**	$1.168	$(0.023)
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$1.056**	$1.069	$(0.013)

	SIX MONTHS ENDED		
	JUNE 30, 2024	JUNE 30, 2023	CHANGE
Per unit - diluted			
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$1.145**	$1.168	$(0.023)
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**$1.056**	$1.069	$(0.013)
Pay-out Ratio			
FFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**78.6%**	77.0%	1.6%
AFFO excluding condominium related items, financing prepayment costs, the mark-to-market adjustment on unit-based compensation, and 400 West Georgia and 19 Duncan transactions	**85.3%**	84.2%	1.1%

(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 reclassified 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 the use of forward-looking words such as "forecast", "outlook", "may", "will", "expect", "estimate", "anticipate", "intends", "believe", "assume", "plans" 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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