ALLIED

Allied Announces Fourth-Quarter and Year-End Results

TORONTO, FEBRUARY 14, 2018

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its fourth quarter and year ended December 31, 2017. "The fourth quarter brought 2017 to a successful conclusion for Allied," said Michael Emory, President & CEO. "Over the course of the year, we achieved strong organic growth in our rental portfolio, completed our upgrade properties in Montréal, re-established leasing momentum at our cloud-hosting facility in Toronto, completed $123 million in acquisitions, advanced $67 million to Westbank in connection with a Vancouver development, sold 12 non-core properties for $54 million and made significant progress in our development portfolio. Despite the magnitude of our capital investment, we maintained an unwavering commitment to the balance sheet by improving our debt-metrics and increasing our pool of unencumbered properties to nearly $3 billion."

RESULTS

The financial results are summarized below:

	AS AT DECEMBER 31, 2017			
(In thousands except for per unit and % amounts)	2017	2016	CHANGE	% CHANGE
Investment properties	**$5,627,439**	$5,129,541	$497,898	9.7%
Unencumbered investment properties	**$2,925,135**	$2,306,215	$618,920	26.8%
Cost of PUD as a % of GBV	**6.5%**	3.4%	3.1%	—
NAV per unit	**$38.19**	$35.66	$2.53	7.1%
Total indebtedness ratio	**33.8%**	36.7%	(2.9%)	—
Annualized Adjusted EBITDA	**$252,753**	$232,399	$20,354	8.8%
Annualized Adjusted EBITDA as a multiple of net debt	**7.7x**	8.2x	(0.5)x	—
Interest-coverage ratio including capitalized interest	**2.8x**	2.8x	—	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED DECEMBER 31, 2017			
	2017	2016	CHANGE	% CHANGE
Adjusted EBITDA	**$65,221**	$60,783	$4,438	7.3%
Net income excluding loss on disposal and IFRS value adjustments	**$38,043**	$35,210	$2,833	8.0%
Net income	**$63,066**	$163,731	$(100,665)	(61.5%)
Same asset NOI - rental portfolio	**$62,801**	$59,143	$3,658	6.2%
Same asset NOI - total portfolio	**$63,137**	$59,656	$3,481	5.8%
FFO	**$49,051**	$45,501	$3,550	7.8%
FFO per unit (diluted)	**0.53**	0.54	(0.01)	(1.9%)
FFO pay-out ratio	**72.9%**	70.3%	2.6%	—
AFFO	**$38,072**	$32,770	$5,302	16.2%
AFFO per unit (diluted)	**$0.41**	$0.39	$0.02	5.1%
AFFO pay-out ratio	**93.9%**	97.6%	(3.7%)	—

(In thousands except for per unit and % amounts)	AS AT DECEMBER 31, 2017			
	2017	2016	CHANGE	% CHANGE
Adjusted EBITDA	**$252,753**	$232,399	$20,354	8.8%
Net income excluding loss on disposal and fair value adjustments	**$148,516**	$140,215	$8,301	5.9%
Net income	**$357,959**	$324,305	$33,654	10.4%
Same asset NOI - rental portfolio	**$216,383**	$205,678	$10,705	5.2%
Same asset NOI - total portfolio	**$229,589**	$216,067	$13,522	6.3%
FFO (1)	**$187,204**	$173,884	$13,320	7.7%
FFO per unit (diluted) (1)	**$2.13**	$2.15	$(0.02)	(0.9%)
FFO pay-out ratio (1)	**72.2%**	70.1%	2.1%	—
AFFO (1)	**$139,668**	$128,597	$11,071	8.6%
AFFO - per unit (diluted) (1)	**$1.59**	$1.59	—	—
AFFO - pay-out ratio (1)	**96.8%**	94.8%	2.0%	—

(1) Allied normalized FFO and AFFO in the third quarter of 2016 by excluding a one-time extraordinary item.

In the table above, AFFO has been presented in accordance with the "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" published by REALpac in February of 2017.

The operating results are summarized below:

	FOR THE YEAR ENDED DECEMBER 31, 2017			
	2017	2016	CHANGE	% CHANGE
Leased area	95.2%	92.1%	3.1%	—
Occupied area	93.5%	88.7%	4.8%	—
Average in-place net rent per occupied square foot (period-end)	$22.52	$21.31	$1.21	5.7%
Renewal and replacement rate for leases maturing in the year	84.7%	85.3%	(0.6%)	—
Increase in net rent on maturing leases	17.8%	8.1%	9.7%	—

ORGANIC GROWTH

Allied achieved strong same-asset NOI growth, with 6.2% growth in the fourth quarter and 5.2% growth for the year. This growth was propelled in large part by occupancy gains in Montréal and Vancouver and rent growth in Toronto. Management expects organic growth to continue in 2018.

LEASING

Allied took advantage of a generally favourable leasing environment in 2017. Over the course of the year, Allied increased the occupied area of its rental portfolio by 480 basis points to 93.5% and the leased area by 310 basis points to 95.2%. It also renewed or replaced leases for 84.7% of the space that matured in the year. This resulted in an overall increase of 17.8% in net rent per square foot from the affected space. This unusually large increase stems for the most part from material rent growth for office space in Allied's primary target markets in Toronto.

Allied re-established leasing momentum at its cloud-hosting facility, 250 Front Street West in Toronto, and began 2018 with economic occupancy at 60%. With the establishment of AWS Direct Connect, ancillary rental revenue is beginning to grow, and smaller users are starting to commit to the facility. Allied continues to work with two prospective new users, one with two sequential requirements for 10,000 square feet each and one with a requirement for 5,000 square feet. Allied also continues to work with existing users interested in expansion within the facility.

BALANCE SHEET

Allied is intent on retaining an industry-leading balance sheet. In August, Allied completed a $300 million bought-deal, effectively funding its entire capital program for 2017 with equity. This improved Allied's already conservative balance-sheet metrics and will enhance its financial flexibility going forward.

Allied's ratio of annualized EBITDA to net-debt was at 7.7:1 at the end of 2017. Now closer to its target of 7.0:1, Management expects to reach its target in 2018. Allied's portfolio of unencumbered investment properties continues to grow at a rapid pace and is now approaching $3 billion in IFRS value. Management expects this to continue in 2018.

RECENT HIGHLIGHTS

King Portland Centre, a joint-venture between Allied and RioCan, is now 97.3% leased, and the condominium units comprising a small component of the development are now fully sold. Construction is on schedule for substantial completion in early 2019.

The Well, a joint-venture between Allied and RioCan, will become the location for new thermal energy storage tanks for Enwave's Deep Lake Water Cooling system. This will enable The Well and the surrounding King & Spadina community to take advantage of sustainable heating and cooling solutions.

Westbank has secured a conditional pre-leasing commitment for 122,000 square feet of GLA at 400 West Georgia in Vancouver, representing approximately 33% of the total GLA. Westbank expects to start construction in March 2018.

Allied has completed the sale of its small number of non-core properties and has exited the Winnipeg and Québec City markets in the process. In addition to enabling it to redeploy capital profitably, the sale of non-core properties assisted Allied in streamlining and optimizing its operations across the country.

Allied completed five small in-fill acquisitions in late 2017 and early 2018, three in Toronto and two in Calgary. The aggregate purchase price was $22.5 million, and the acquisitions are modestly accretive to Allied's AFFO per unit. Most notable among the Toronto acquisitions is 464 King Street West, a small parking lot between 460 King West and 468 King West. With this acquisition, Allied now has uninterrupted ownership on the north side of King West between Spadina Avenue and Brant Street. The two acquisitions in Calgary were made jointly with First Capital and augment the GM Glenbow joint venture established in early 2016.

OUTLOOK

Management expects Allied's operating, acquisition and development environments to be generally favourable in 2018. Allied's internal forecast contemplates (i) solid mid-single-digit percentage growth in same-asset NOI, (ii) low-single-digit percentage growth in FFO per unit and (iii) high-single-digit growth in AFFO per unit as a material component of non-cash straight-line rent in 2017 converts to cash rent in 2018. Management expects continued growth in NAV per unit in 2018, with significant contribution from development completions, ongoing rent escalation and ongoing cap-rate strength in Canada's major urban centres.

Management's confidence is predicated on the continued intensification of the urban core of Canada's major cities and the continued desire on the part of office and retail users to locate in distinctive urban environments. It is also underpinned by the depth and strength of the Allied team and the team's ability to execute Allied's strategy at all levels.

CAUTIONARY STATEMENTS

FFO, AFFO, NAV, EBITDA, Adjusted EBITDA, total debt and net debt are not financial measures defined by International Financial Reporting Standards ("IFRS"). Please see Allied's MD&A for a description of these measures and their reconciliation to financial measures defined by IFRS, as presented in Allied's unaudited consolidated financial statements for the years ended December 31, 2017 and December 31, 2016. These statements, together with accompanying notes and MD&A, have been filed with SEDAR, www.sedar.com, and are also available on Allied's web-site, *www.alliedreit.com*.

NOI is not a measure recognized under IFRS and does not have any standardized meaning prescribed by IFRS. NOI is presented in this press release because Management of Allied believes that this non-IFRS measure is an important financial performance indicator. NOI, as computed by Allied, may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to NOI reported by such organizations.

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 "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. 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.sedar.com. 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, manager and developer of distinctive urban workspace in Canada's major cities. Its objectives are to provide stable and growing cash distributions to unitholders and to maximize unitholder value through effective management and accretive portfolio growth.

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