ALLIED

Allied Announces Third-Quarter Results

TORONTO, OCTOBER 28, 2020

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its third quarter ended September 30, 2020. "Allied's urban workspace across the country continues to strengthen," said Michael Emory, President & CEO. "With our rent-deferral program beginning to scale down and the variable component of our parking revenue beginning to recover, our third quarter was stronger than our second with same-asset NOI and FFO per unit largely in-line with the comparable quarter last year. We expect even stronger results in the fourth quarter with rental revenue returning to more normal levels. This again confirms that our team, our properties and our user-base are truly resilient."

OPERATIONS

Gross monthly rent due in the third quarter was $168 million. 1.2% of the total amount due derives from parking use, 7.1% from retail use, 15.2% from urban-data-centre (UDC) use and 76.5% from office use. Allied collected 95.2% of the total amount due in the quarter, abated $2.8 million (1.7% of the total amount due) as part of the Canada Emergency Commercial Rent Assistance (CECRA) program and afforded deferrals aggregating $5.4 million (3.2% of the total amount due), primarily to storefront retail users. In the quarter, Management initiated the process of scaling down its deferral program through extensive case-by-case discussions with Allied's storefront retail users, most of which are exceptionally well located in downtown Toronto and have re-opened for business. Management's confidence in its ability to collect the deferrals over time increased as a result. Accordingly, Allied took a smaller provision in the third quarter ($650,000), bringing the total provision to $2.2 million. Allied has not yet utilized any of the provision.

LEASING

The occupied area of Allied's rental portfolio at the end of the third quarter was 92.9%, with leased area at 93.3%, down slightly from the end of the second quarter as a result of expected non-renewals. Allied renewed or replaced leases for 74.6% of the space that matured in the quarter. This resulted in an overall increase of 19.3% in net rent per square foot from the affected space and a weighted-average lease term of 5.7 years for the entire rental portfolio.

Users of Allied's UDC space experienced a surge in activity in the second and third quarters, boosting its ancillary rental revenue by $858,000, 68% of which will be recurring. Leasing was active across Allied's UDC portfolio, boosting the leased area at 151 Front West in Toronto to 97.4% and the leased area of its UDC portfolio as a whole to 89.4%. Allied is working with users requiring increased allocations of power. This will take time and will require significant capital expenditure on Allied's part, but the return on the expenditure will be significant, as will the absolute growth in Allied's recurring regular rental revenue. Allied will provide a specific outlook for its UDC space in 2021 when it reports on year-end results for 2020.

RESULTS

Allied's financial and operating results are summarized below:

	AS AT SEPTEMBER 30,			
(In thousands except for per unit and % amounts)	2020	2019	CHANGE	% CHANGE
Investment properties	**$8,689,805**	$7,265,697	$1,424,108	19.6%
Unencumbered investment properties	**$6,414,100**	$4,696,690	$1,717,410	36.6%
Cost of PUD as a % of GBV	**9.9%**	9.1%	0.8%	—
NAV per unit	**$48.29**	$44.45	$3.84	8.6%
Total indebtedness ratio	**28.8%**	28.1%	0.7%	—
Annualized Adjusted EBITDA	**$344,700**	$302,649	$42,051	13.9%
Net debt as a multiple of Annualized Adjusted EBITDA	**7.3x**	7.1x	0.2x	—
Interest-coverage ratio including capitalized interest	**3.3x**	3.3x	—	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020	2019	CHANGE	% CHANGE
Adjusted EBITDA	**$87,452**	$79,960	$7,492	9.4%
Net income excluding fair value adjustments	**$59,973**	$54,050	$5,923	11.0%
Net income	**$69,013**	$121,191	$(52,178)	(43.1%)
Same asset NOI - rental portfolio	**$72,221**	$72,536	$(315)	(0.4%)
Same asset NOI - total portfolio	**$72,205**	$73,262	$(1,057)	(1.4%)
FFO	**$70,276**	$63,674	$6,602	10.4%
FFO excluding condominium related items and prepayment costs	**$70,486**	$66,994	$3,492	5.2%
FFO per unit (diluted) excluding condominium related items and prepayment costs	**$0.567**	$0.575	$(0.008)	(1.4%)
FFO pay-out ratio excluding condominium related items and prepayment costs	**72.9%**	69.2%	3.7%	—
AFFO excluding condominium related items and prepayment costs	**$59,796**	$58,044	$1,752	3.0%
AFFO per unit (diluted) excluding condominium related items and prepayment costs	**$0.481**	$0.498	$(0.017)	(3.4%)
AFFO pay-out ratio excluding condominium related items and prepayment costs	**85.9%**	79.9%	6.0%	—

(In thousands except for per unit and % amounts)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020	2019	CHANGE	% CHANGE
Adjusted EBITDA	**$258,525**	$226,987	$31,538	13.9%
Net income excluding fair value adjustments	**$178,120**	$155,283	$22,837	14.7%
Net income	**$416,887**	$364,263	$52,624	14.4%
Same asset NOI - rental portfolio	**$214,799**	$214,442	$357	0.2%
Same asset NOI - total portfolio	**$215,081**	$216,548	$(1,467)	(0.7%)
FFO	**$209,990**	$184,779	$25,211	13.6%
FFO excluding condominium related items and prepayment costs	**$210,815**	$190,232	$20,583	10.8%
FFO per unit (diluted) excluding condominium related items and prepayment costs	**$1.705**	$1.716	$(0.011)	(0.6%)
FFO pay-out ratio excluding condominium related items and prepayment costs	**72.5%**	69.9%	2.6%	—
AFFO excluding condominium related items and prepayment costs	**$183,380**	$162,203	$21,177	13.1%
AFFO per unit (diluted) excluding condominium related items and prepayment costs	**$1.484**	$1.463	$0.021	1.4%
AFFO pay-out ratio excluding condominium related items and prepayment costs	**83.4%**	82.0%	1.4%	—

The operating results are summarized below:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,			
	2020	2019	CHANGE	% CHANGE
Leased area	**93.3%**	95.0%	(1.7%)	—
Occupied area	**92.9%**	94.5%	(1.6%)	—
Average in-place net rent per occupied square foot (period-end)	**$23.61**	$22.75	$0.86	3.8%
Renewal and replacement rate for leases maturing in the period	**70.8%**	72.8%	(2.0%)	—
Increase in net rent on maturing leases	**19.3%**	19.7%	(0.4%)	—

In the third quarter, Allied's same-asset NOI and FFO per unit were largely in-line with the comparable quarter last year, even though they were depressed temporarily as a result of (i) the abatement it provided under CECRA, (ii) the reduction in the variable component of its parking revenue and (iii) the provision it booked in relation to deferrals. Allied achieved an 8.6% increase in NAV per unit over the comparable quarter last year. Allied also completed a private placement of units for net proceeds of $153 million in September. The net proceeds will be used to fund a significant component of Allied's remaining development activity, enabling it to maintain its balance sheet and debt-metrics squarely within targeted ranges.

Allied's results in the third quarter were stronger than the second quarter. Gross monthly rent due in the quarter was $168 million, up 2.4% from $164 million in the second quarter, with rent collection at 95.2%, up from 94.5% in the second quarter. Same-asset NOI from the rental portfolio in the third quarter was $72.2 million, up 2.9% from $70.2 million in the second quarter. Management expects even stronger results in the fourth quarter with rental revenue returning to more normal levels.

OUTLOOK

Allied's original internal forecast for 2020 called for mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. In light of Allied's second and third quarter results, recent private placement of units and outlook for the fourth quarter, Allied has revised its internal forecast for 2020 to flat-to-low-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. While Allied does not forecast NAV per unit growth, it continues to expect growth over the course of 2020.

There are material areas of uncertainty with respect to Allied's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as physical-distancing measures are being lifted or relaxed across Canada. Allied also cannot predict the extent and severity of the economic disruption flowing from the global pandemic.

Allied continues to have deep confidence in, and commitment to, its strategy of consolidating and intensifying distinctive urban workspace and network-dense UDCs in Canada's major cities. Allied firmly believes that its strategy is underpinned by the most important secular trends in Canadian and global real estate. Allied also firmly believes that it has the properties, the financial strength, the people and the platform necessary to execute its strategy for the ongoing benefit of our unitholders.

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 most recent financial statements. These statements, together with accompanying notes and MD&A, have been filed with SEDAR, *www.sedar.com*, and are also available on Allied's website, *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 and the expected impact of the global pandemic and consequent economic disruption. 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, 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.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 (i) distinctive urban workspace in Canada's major cities and (ii) network-dense urban data centres in Toronto that form Canada's hub for global connectivity. Allied's business is providing knowledge-based organizations with distinctive urban environments for creativity and connectivity.

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