ALLIED

Allied Announces Third-Quarter Results

TORONTO, OCTOBER 26, 2021

Allied Properties Real Estate Investment Trust ("Allied") (TSX: "AP.UN") today announced results for its third quarter ended September 30, 2021. "Our positive momentum continues," said Michael Emory, President & CEO. "FFO per unit rose to a record level of 62.4 cents, AFFO per unit came in at 51.9 cents, leasing activity exceeded our expectations, and we made significant and measurable progress with our ESG program. Average in-place net rent per occupied square foot rose again in the third quarter, coming in at $24.62 compared to $24.30 in the second quarter and $23.61 in the comparable quarter last year. Our urban workspace and UDC space has become more productive over the past seven quarters, and demand for this space has continued to accelerate since the third quarter of last year."

OPERATIONS

Gross quarterly rent due in the third quarter was $173 million. 1.3% of the total amount due derives from parking use, 8.0% from retail use, 16.2% from urban-data-centre (UDC) use and 74.5% from office use. Allied collected 97.4% of the total amount due in the quarter and afforded deferrals aggregating $4.5 million, primarily to storefront retail users, at least $2.4 million of which Management expects to collect pursuant to the Canada Emergency Rent Subsidy (CERS). Management continues the process of scaling down its pandemic-related deferral program through extensive case-by-case discussions with Allied's storefront retail users, most of which are exceptionally well located in downtown Toronto. Accordingly, Allied did not adjust the provision in the quarter, and Allied's total provision related to deferrals remains $3 million. Allied has not yet utilized any portion of the provision.

LEASING

In its second-quarter conference call, Management expressed a high level of confidence with respect to leasing activity for the remainder of 2021 and beyond. Results in the third quarter and to date have exceeded Management's expectations.

The occupied area of Allied's rental portfolio at the end of the third quarter was 90.3%, with leased area at 90.6%. Given the scale of Allied's rental portfolio, upgrade activity is now constant in all markets, particularly Montréal, Toronto and Vancouver. The goal of the upgrade activity is to serve users better and to boost net rent per occupied square foot over time. At the end of the third quarter, Allied's rental portfolio was comprised of (i) 13,333,405 square feet of GLA in buildings that are largely stabilized and (ii) 772,726 square feet of GLA in buildings that are undergoing active upgrade. The occupied area of the former was 91.7%, with leased area at 92.0%. The occupied and leased area of the latter was 66.1%. Management fully expects the occupied and leased areas of its entire rental portfolio to increase next year, with corresponding increases in same-asset NOI and net rent per occupied square foot.

Allied's average in-place net rent per occupied square foot rose again in the third quarter, coming in at $24.62 compared to $24.30 in the second quarter and $23.61 in the comparable quarter last year. Space available for sub-lease in Allied's portfolio continued to decline in the third quarter, as expected.

Allied renewed or replaced leases for 60.3% of the space that matured in the quarter. This resulted in the following overall increases in net rent per square foot from the affected space: (i) 12.5% in the first year of the new term compared to the last year of the prior term; and (ii) 26.2% on the annual average in the new term compared to the annual average in the prior term. It also resulted in a weighted-average lease term of 5.6 years for the entire rental portfolio.

While not exhaustive, the following lease transactions or pending lease transactions are highlights following the end of the second quarter:

- the lease of the entire building under construction as QRC West, Phase II, in Toronto (93,134 square feet of GLA) to a leading American educational institution;
- the lease and pending lease of 158,000 square feet of GLA (79,000 square feet at Allied's ownership) at the office component of The Well in Toronto to six knowledge-based organizations, which if successfully completed will bring the leased area to 99.5%;
- the lease of 30,000 square feet of GLA at Cité Multimédia in Montréal to Molson Coors as a replacement user in relation to a known non-renewal on expiry at 111 Boulevard Robert-Bourassa;
- the confirmation of intention, now being documented, of a large existing user at Cité Multimédia in Montréal to expand by 50,000 square feet of GLA as a replacement user in relation to a known non-renewal on expiry at 111 Boulevard Robert-Bourassa;
- the lease of 28,000 square feet of GLA at 179 John Street in Toronto to a new user;
- the lease of 32,000 square feet of GLA at 420 Wellington Street West in Toronto to a new user;
- the expansion of a large existing user at QRC East (111 Queen Street East) in Toronto by 52,000 square feet of GLA; and
- the lease of 20,000 square feet of GLA at Boardwalk Revillon, a Class I complex under redevelopment in Edmonton, to a new user.

THIRD-QUARTER RESULTS

Allied's financial and operating results are summarized below:

(In thousands except for per unit and % amounts)	AS AT SEPTEMBER 30 2021	2020	CHANGE	% CHANGE
Investment properties	**$9,335,726**	$8,689,805	$645,921	7.4%
Unencumbered investment properties	**$8,738,850**	$6,414,100	$2,324,750	36.2%
Cost of PUD as a % of GBV	**10.8%**	9.9%	0.9%	—
NAV per unit	**$49.50**	$48.29	$1.21	2.5%
Total indebtedness ratio	**32.9%**	28.8%	4.1%	—
Annualized Adjusted EBITDA	**$365,609**	$344,700	$20,909	6.1%
Net debt as a multiple of Annualized Adjusted EBITDA	**8.9x**	7.3x	1.6x	—
Interest-coverage ratio including capitalized interest and excluding financing prepayment costs	**3.4x**	3.3x	0.1x	—

(In thousands except for per unit and % amounts)	FOR THE THREE MONTHS ENDED SEPTEMBER 30 2021	2020	CHANGE	% CHANGE
Adjusted EBITDA	**$93,941**	$87,452	$6,489	7.4%
Net income excluding fair value adjustments and financing prepayment costs	**$68,959**	$59,973	$8,986	15.0%
Net income	**$107,185**	$69,013	$38,172	55.3%
Same asset NOI - rental portfolio	**$85,719**	$80,641	$5,078	6.3%
Same asset NOI - total portfolio	**$87,076**	$81,681	$5,395	6.6%
FFO	**$41,690**	$70,276	$(28,586)	(40.7%)
All amounts below are excluding condominium related items and financing prepayment costs				
FFO	**$79,537**	$70,486	$9,051	12.8%
FFO per unit (diluted)	**$0.624**	$0.567	$0.057	10.1%
FFO pay-out ratio	**68.0%**	72.9%	(4.9%)	—
AFFO	**$66,132**	$59,796	$6,336	10.6%
AFFO per unit (diluted)	**$0.519**	$0.481	$0.038	7.9%
AFFO pay-out ratio	**81.8%**	85.9%	(4.1%)	—

(In thousands except for per unit and % amounts)	FOR THE NINE MONTHS ENDED SEPTEMBER 30 2021	2020	CHANGE	% CHANGE
Adjusted EBITDA	**$274,207**	$258,525	$15,682	6.1%
Net income excluding fair value adjustments and financing prepayment costs	**$198,140**	$178,120	$20,020	11.2%
Net income	**$283,230**	$416,887	$(133,657)	(32.1%)
Same asset NOI - rental portfolio	**$235,881**	$229,520	$6,361	2.8%
Same asset NOI - total portfolio	**$244,270**	$233,353	$10,917	4.7%
FFO	**$177,685**	$209,990	$(32,305)	(15.4%)
All amounts below are excluding condominium related items and financing prepayment costs				
FFO	**$230,039**	$210,815	$19,224	9.1%
FFO per unit (diluted)	**$1.806**	$1.705	$0.101	5.9%
FFO pay-out ratio	**70.6%**	72.5%	(1.9%)	—
AFFO	**$200,441**	$183,380	$17,061	9.3%
AFFO per unit (diluted)	**$1.573**	$1.484	$0.089	6.0%
AFFO pay-out ratio	**81.0%**	83.4%	(2.4%)	—

The operating results are summarized below:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30 2021	2020	CHANGE	% CHANGE
Leased area	**90.6%**	93.3%	(2.7%)	—
Occupied area	**90.3%**	92.9%	(2.6%)	—
Average in-place net rent per occupied square foot	**$24.62**	$23.61	$1.01	4.3%
Renewal and replacement rate for leases maturing in the period	**62.3%**	70.8%	(8.5%)	—
Increase in net rent on maturing leases	**10.6%**	19.3%	(8.7%)	—

In the third quarter, same-asset NOI for the rental portfolio was up 6.3%, FFO per unit was up 10.1% and AFFO per unit was up 7.9%. In addition, NAV per unit increased by 2.5% from the comparable quarter last year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRACTICES AND DISCLOSURE

In 2018, Allied made a commitment to submit formally to independent ESG scrutiny by 2020. The most important single step in that regard was to obtain a GRESB Real Estate Assessment and to provide an ESG Report, which Allied did in November and December of last year. Allied's GRESB score was 64, recognized as a "strong first-year showing". In addition to strengths, the assessment identified clear opportunities for improvement in Allied's ESG practices and disclosure.

Allied's second annual GRESB score was 80, representing material progress in multiple areas over the initial assessment. Over the course of 2021, Allied also completed its first formal ESG Strategy, which set goals and targets for Allied's ESG priorities. Allied also aligned its Second Annual ESG Report with (i) the Global Reporting Initiative (GRI) and (ii) the Sustainability Accounting Standards Board (SASB) Real Estate Standard. Allied's Third Annual ESG Report, scheduled for release in mid-2022, will also outline Allied's progress in adopting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Allied's Board and Management are committed to making Allied's approach to ESG more manifest, deliberate and measurable. Allied has always believed that submitting to informed scrutiny will make it a better and more successful business, and formally submitting to ESG scrutiny is no exception in this regard.

ALLOCATION OF CAPITAL AND FUNDING

Allied continues to make strategic in-fill acquisitions, principally in downtown Toronto. These afford respectable yields and augment existing concentrations with future intensification potential. Allied allocated $100 million to 11 such acquisitions in 2020 and $94 million to six such acquisitions thus far in 2021. Allied does not expect to have the opportunity to allocate significantly more capital in this way over the remainder of 2021, though it will do so if appropriate opportunities arise.

Allied recently announced the acquisition in two phases of the urban office component of Place Gare Viger in Montréal. The equity component for the first phase, which closed on August 30 of this year, was funded initially with Allied's operating line of credit and will be funded on a permanent basis with the proceeds from the sale of three non-core properties, one in Montréal and two in Toronto. Allied is now finalizing an agreement for the sale of each of the three non-core properties. Accordingly, Allied is holding these properties for sale as at September 30, 2021, with the expectation of closing the sale transactions in the first half of 2022. Allied expects the aggregate net proceeds of the sale transactions to exceed the equity component for the first phase of the acquisition of the office component of Place Gare Viger.

Allied recently announced the acquisition of the Dominion Building in Vancouver. It will enhance Allied's ability to provide distinctive urban workspace to the growing ecosystem of knowledge-based organizations in the area of Downtown Vancouver east of Granville Street.

Allied continues to allocate large amounts of capital to development activity with completion and return estimates remaining intact. Management estimates that current developments will increase Allied's annual EBITDA by approximately $80 million and have a weighted average lease term of 13.3 years.

OUTLOOK

Allied's internal forecast for 2021 calls for low-to-mid-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 does expect to propel further growth in 2021. Allied also expects to allocate a large amount of capital in 2021 with the same strategic coherence and discipline it demonstrated in prior years.

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 its unitholders and other constituents.

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 on 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 "forecast", "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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