Allied Properties REIT (TSE: AP.UN)

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Company Overview

Business model and office property visuals

Business Overview[1]

- Allied Properties REIT, publicly traded since 2003, owns and actively leases 191 investment properties in major Canadian metropolitan centres
  - 173 Rental Properties
  - 8 Properties Under Development ("PUD")
  - 10 Ancillary Properties (i.e., parking garages, etc.)
- Allied is capitalizing on the increasing number of companies looking for Downtown office space as well as employee-desired modern workspace
- Allied's speciality is office property and value creation through the 'urban intensification' model
- It also operates network-dense urban and retrofitted data centres in Downtown Toronto which account for a smaller portion of the portfolio

Urban Intensification Model[1]

- Allied's strategy is to focus on the "urban core" markets of major cities across Canada
- Allied specializes in a workspace format created through the adaptive re-use of light industrial structures in urban areas that has come to be known as Class I
- Class I Value Proposition:
  - (i) Proximity to central business districts
  - (ii) Distinctive internal and external environments that assist users in attracting, retaining and motivating employees
  - (iii) Significantly lower overall occupancy costs than those that prevail in central business districts

Office Properties In Major Metropolitan Areas[1]

Toronto – 3.5M Sq Ft

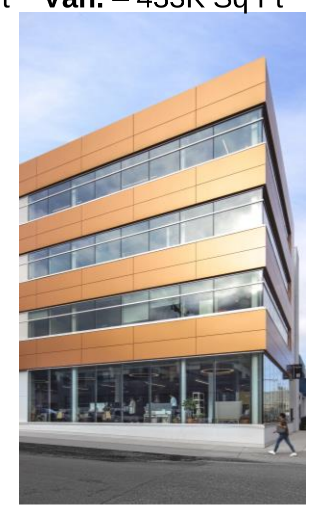
Montreal – 5.3M Sq Ft

Ottawa – 223K Sq Ft

Calgary – 835K Sq Ft

Edmonton – 270K Sq Ft

Van. – 433K Sq Ft

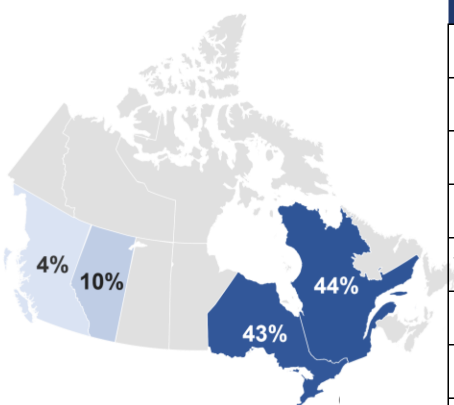


[1]AP.UN Investor Relations – Q3 2019

Company Overview

Geography and tenants

Rental Portfolio By Geography[1]



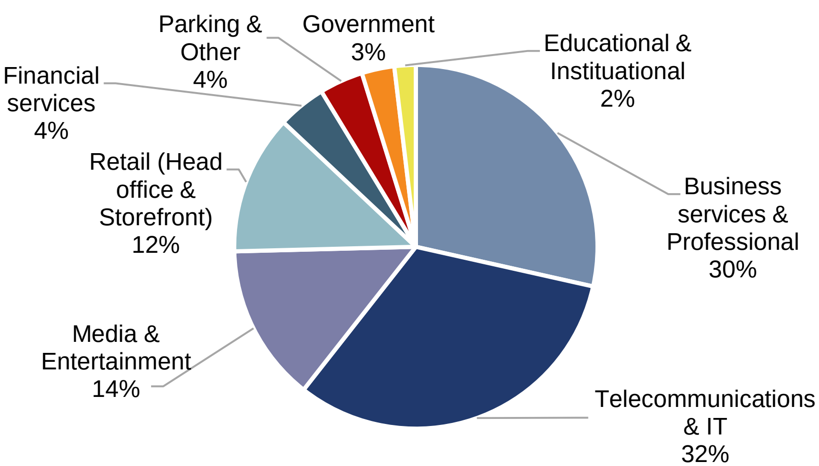
Region	GLA (000s of Sq. Ft)	% of Total
Montreal	5614	43.6%
Toronto	4733	36.7%
Calgary	972	7.5%
Kitchener	563	4.4%
Vancouver	468	3.6%
Edmonton	298	2.3%
Ottawa	231	1.8%
Total	**12878**	**100.0%**

Urban Data Centres[1]

Property Name	Principal Users
151 Front W, Toronto	Bell, Cologix, Rogers, Telus, TorIX, Zayo
250 Front W, Toronto	AWS, Cloud Service Provider
905 King W, Toronto	Beanfield, Cloud Service Provider, Cologix

509,410 total sq. feet

Tenant Composition By Sector[1]



Top Six Tenants By Rental Revenue[1]

1	EQUINIX	2.9%
2	UBISOFT	2.5%
3	VISA	2.3%
4	NCC CCN Canada	2.2%
5	Nikon COOLPIX	2.1%
6	e one entertainmentone	2.1%

[1]AP.UN Investor Relations – Q3 2019

Company Overview

Brief financial overview

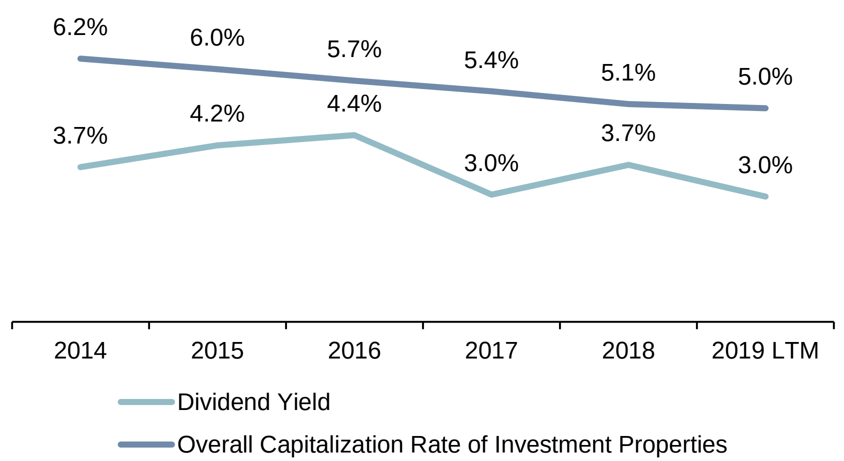
Key Portfolio Metrics[1,2]

Metric	Value
Investment Properties FMV	$7.3B
Occupancy (Leased & Committed)	95.0%
Management Cap Rate	5.03%
Assumed Cap Rate	4.88%
Weighted Average Remaining Lease Term (Top 10 Tenants)	10.8 years
Lease Renewal Rate	89.7%
NOI Margin	56.3%
5-year Revenue CAGR	7.3%

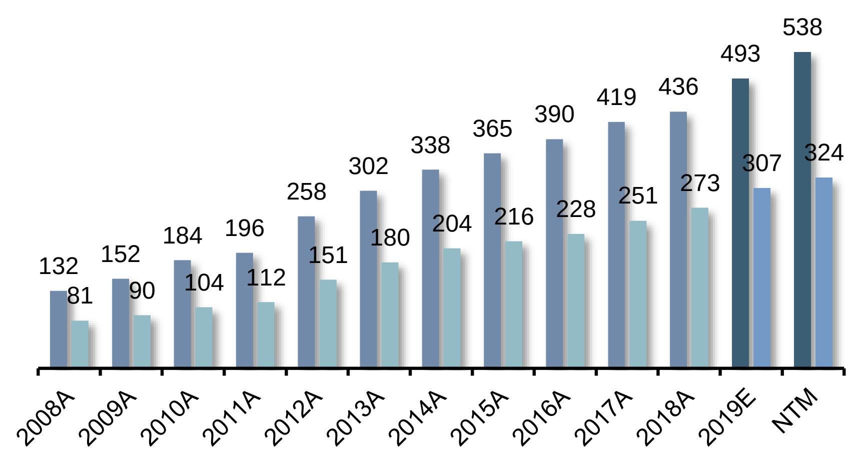
Key Financial Metrics[2,3]

Ticker	TSE: AP.UN
Current Unit Price	$54.07
Market Capitalization	$6.3B
Enterprise Value	$8.5B
P/LTM FFO	25.7x
P/NAV	1.1x
Net Debt/EBITDA	7.3x
FFO Per Unit	$0.57
Dividend Yield	3.0%
Price Target	$48.70
Entry Price	$46.50

5-year Dividend Yield & Capitalization Rate[1]



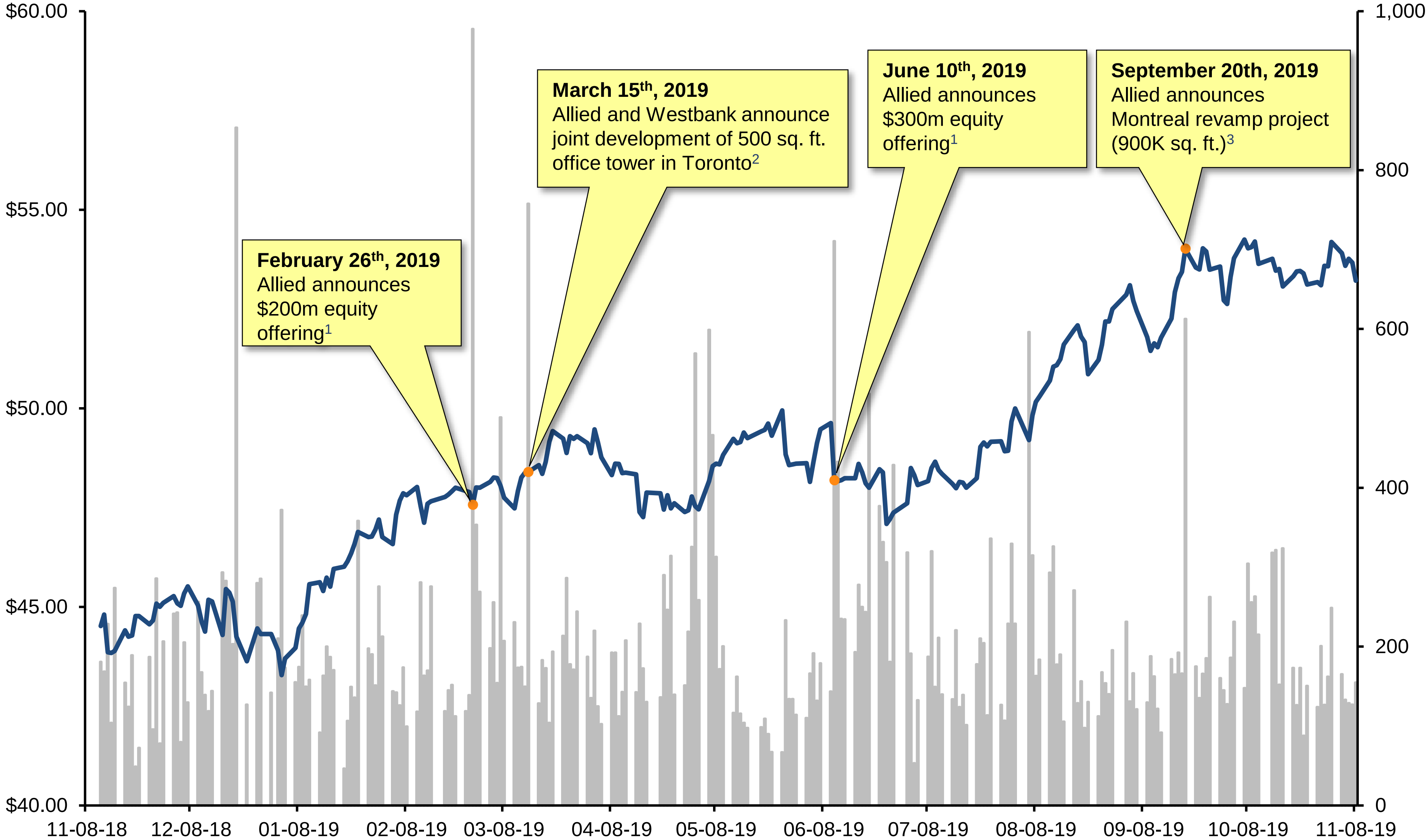
Revenue & Net Operating Income Growth[1,2]



[1]AP.UN Investor Relations – Q3 2019
[2]YUSIF Estimates
[3]CapitalIQ

Share Price Performance

22% one-year share price appreciation



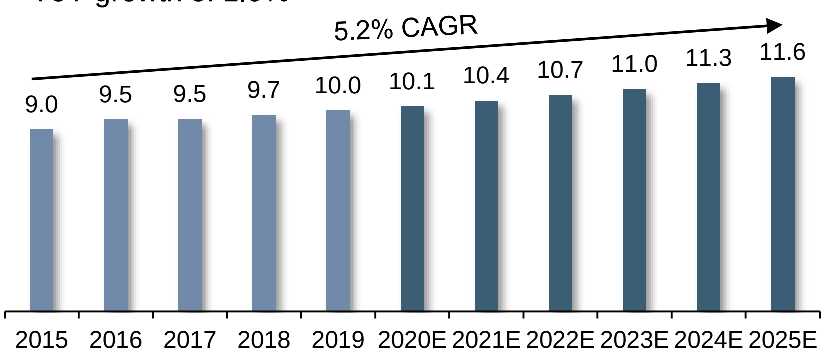
[1]GlobeNewswire
[2]Globe & Mail
[3]Montreal Gazette

Industry Overview

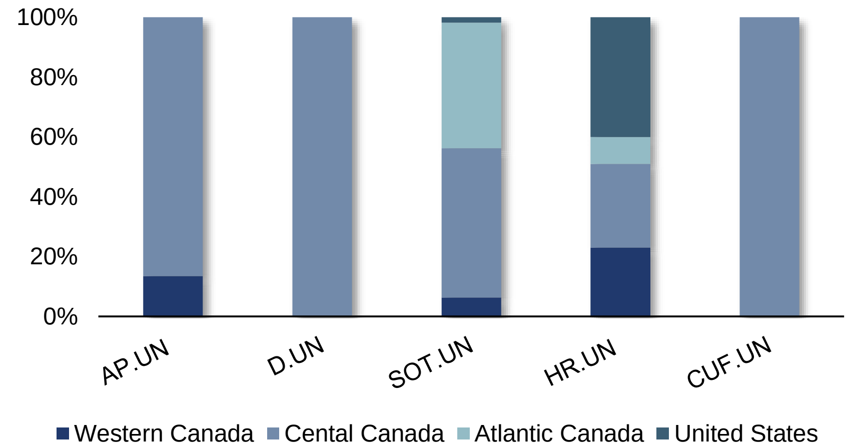
Canadian REIT landscape analysis

Industry Size & Growth ($CADmm)[1,2]

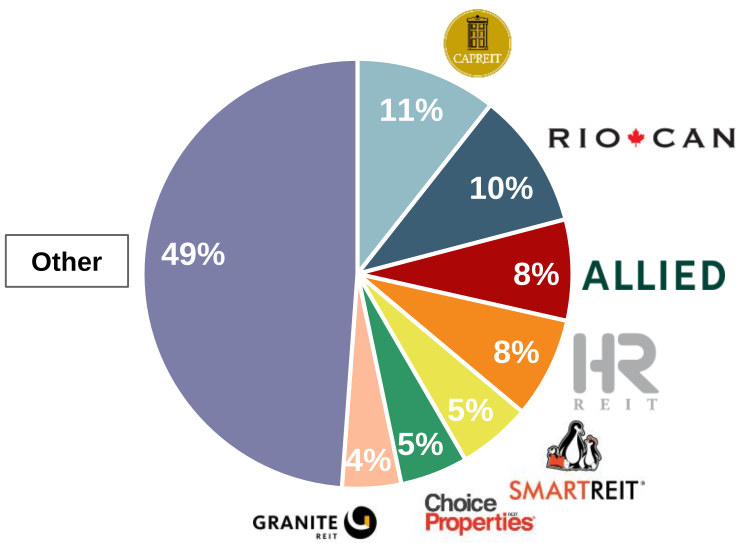
- Canadian REIT market capitalization is approximately $60 billion CAD
- 2018 revenue for the Canadian REIT industry was 9.7 billion; YoY growth of 1.9%



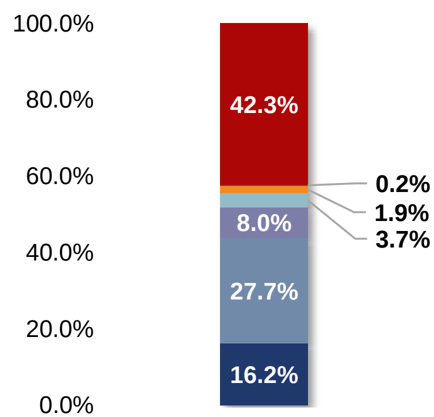
Major Canadian REITs' Portfolios By Geography[3]



Market Share Analysis[3]



Cost Structure (% Of Revenue)[1]



- Depreciation (27.7%): REITs' largest single expense; required to charge depreciation against real estate assets
- Wages (8.0%): employee costs associated with property management, acquisition, development
- Other (42.3%): impairment, amortization, losses on sale of real estate, etc.
- EBIT (16.2%): residual income to debt and equity holders

[1]IBISWorld
[2]Nareit
[3]CapitalIQ

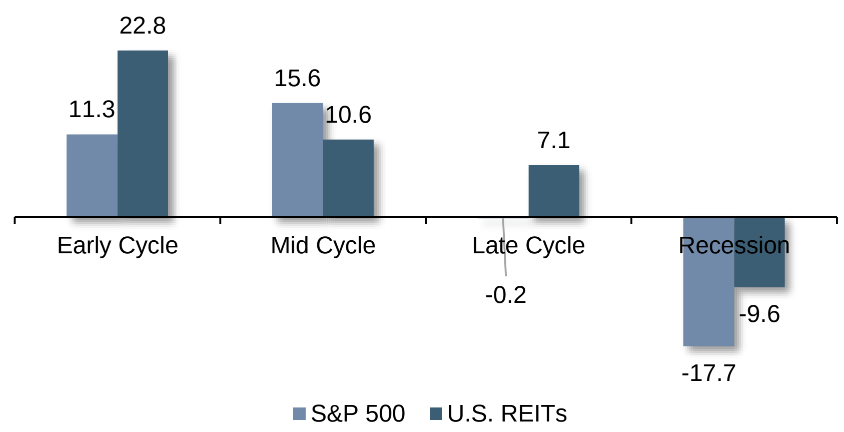
Industry Overview

Macro trends and economic cycle resilience

Current Trends[1]

- **Declining vacancy rates:** office rental vacancy rates have declined at an annualized rate of 1.6% in the past five years; result of rising corporate profit due to favourable tax reform
- **Rising rental rates:** increasing demand by corporations for office space in major metropolitan centres has caused rates to climb; financial/innovation/tech hubs are in some of North America's costliest real estate markets (i.e., Toronto, NYC, San Francisco, etc.)
- **Low interest rates:** REITs have been able to distribute a greater portion of taxable income to shareholders; strong investor attraction has driven growth of industry
- REIT corporate structure is attractive for companies owning vast amounts of real estate; can reclassify as a REIT or roll up properties into a REIT (e.g., Loblaws and Choice Properties)

Total Return (%) By Cycle Phase, 1991 – 2018[2]



External Growth Drivers[1]

- **Corporate profit:** rising profits give companies incentive to rent office space; declining profits may incentivize companies to explore purchase of real estate
- **Interest rates:** REITs are reliant on leverage for financing construction, property purchases, and other real estate acquisitions; ability to secure mortgages is also affected
- **Disposable income:** mainly affecting retail REITs, a decline in per capita disposable income may cause a decrease in retail spending thus forcing companies to exit rental agreements

Barriers To Entry[1]

- Capital intensive industry; ability to raise significant financing for property purchases, land development, construction, operations, etc. is extremely important
- Access to capital markets is often restricted based on a REIT's size, diversification, credit history, etc.
- REITs are exposed to continuous asset and income auditing/appraisal, as well as federal, state, and local health/safety/environment laws
- Industry is moderately competitive with low concentration, but is in a mature stage with low assistance to operators
- Private REITs often have difficulty with IPOs as they are normally comprised of non-class A properties, which tend to be less attractive strategically to equity investors

[1]IBISWorld
[2]Nareit

Major Players

Canadian office & diversified REITs

Company	Description[1,2]	Key Financials[1]
Dream Office REIT	▪ Pure-play office REIT with over 60% of assets in downtown Toronto ▪ Home to approximately 40% of Canada's business headquarters ▪ Portfolio includes 30 properties covering 5.3 million square feet	**Market cap: $1.7bn** **5-year CAGR: (16.0)%** **Dividend yield: 3.4%**
Slate Office REIT	▪ Value investment strategy focusing on overlooked markets (i.e., encompassing non-core buildings in larger cities) ▪ Portfolio includes 38 office assets covering 7.5 million square feet	**Market cap: $0.3bn** **5-year CAGR: 46.3%** **Dividend yield: 6.7%**
Brookfield Property Partners	▪ 85% of portfolio is in high-demand, low-supply metropolitan areas ▪ Portfolio includes over 450 million square feet of commercial space, including 282 office properties covering 138 million square feet	**Market cap: $8.4bn** **5-year CAGR: 11.0%** **Dividend yield: 6.9%**
HR REIT	▪ Focused in Canada with properties concentrated mainly in GTA and Western provinces, as well as some in the U.S. (mostly Southern) ▪ Diversified portfolio covers 41 million square feet	**Market cap: $4.7bn** **5-year CAGR: (3.0)%** **Dividend yield: 6.3%**
Cominar	▪ Operates in Quebec & Ontario; largest commercial owner in Quebec ▪ Portfolio consists of 334 properties totaling 36.6 million square feet, including 83 office properties covering 11.2 million square feet	**Market cap: $1.95bn** **5-year CAGR: 0.7%** **Dividend yield: 5.1%**
Inovalis Real Estate Investment Trust	▪ Canadian office REIT that operates in France and Germany ▪ Portfolio consists of 14 office properties in France and Germany covered approximately 1,326,000 square feet	**Market cap: $0.2bn** **5-year CAGR: 9.0%** **Dividend yield: 7.4%**

[1]CapitalIQ
[2]Company Websites

Major Players

Largest U.S. office REITs

Company	Description[1,2]	Key Financials[1]
Boston Properties (bxp)	▪ Owns and develops Class A office properties in Boston, Los Angeles, New York, San Francisco, Washington, D.C. ▪ Portfolio includes 193 properties covering 50.9 million square feet	**Market cap: $20.1bn** **5-year CAGR: 4.2%** **Dividend yield: 3.0%**
KILROY	▪ Majorly focused on West Coast urban centres (including LA, San Francisco, Seattle, San Diego) with technology and media tenants ▪ Portfolio includes 13.3 million square feet of office space	**Market cap: $8.0bn** **5-year CAGR: 10.2%** **Dividend yield: 2.5%**
Hudson Pacific Properties	▪ Majorly focused on West Coast epicenters of innovation, media, technology, and entertainment (example tenants: Netflix, Uber, NFL) ▪ Portfolio includes 20.0 million+ square feet of office and studios	**Market cap: $5.2bn** **5-year CAGR: 27.6%** **Dividend yield: 2.9%**
ALEXANDRIA	▪ 'Cluster model' focuses on life sciences, technology, and agtech campuses in Greater Boston, New York, Maryland, Seattle and more ▪ Portfolio includes 35.6 million square feet in North America	**Market cap: $17.8bn** **5-year CAGR: 15.9%** **Dividend yield: 2.5%**
SL GREEN REALTY CORP.	▪ New York City's largest office landlord, focused exclusively on commercial properties in Manhattan, mainly office properties ▪ Portfolio includes 125 properties covering 46.6 million square feet	**Market cap: $6,8bn** **5-year CAGR: 3.9%** **Dividend yield: 2.1%**
Douglas Emmett	▪ Owns and operates office and multifamily real estate properties primarily in submarkets located in Los Angeles and Honolulu ▪ Portfolio includes 18.4 million square feet and 4,069 apartment units	**Market cap: $7.5bn** **5-year CAGR: 8.7%** **Dividend yield: 2.4%**

[1]CapitalIQ
[2]Company Websites

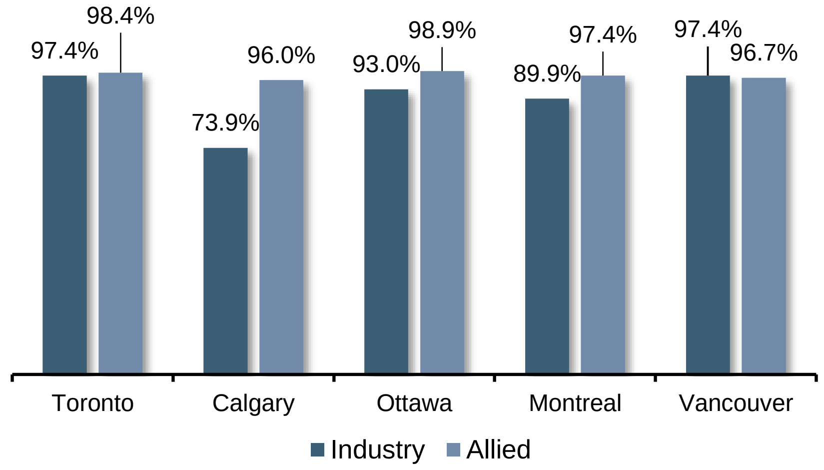
Thesis I

Superior development strategy drives high occupancy rates

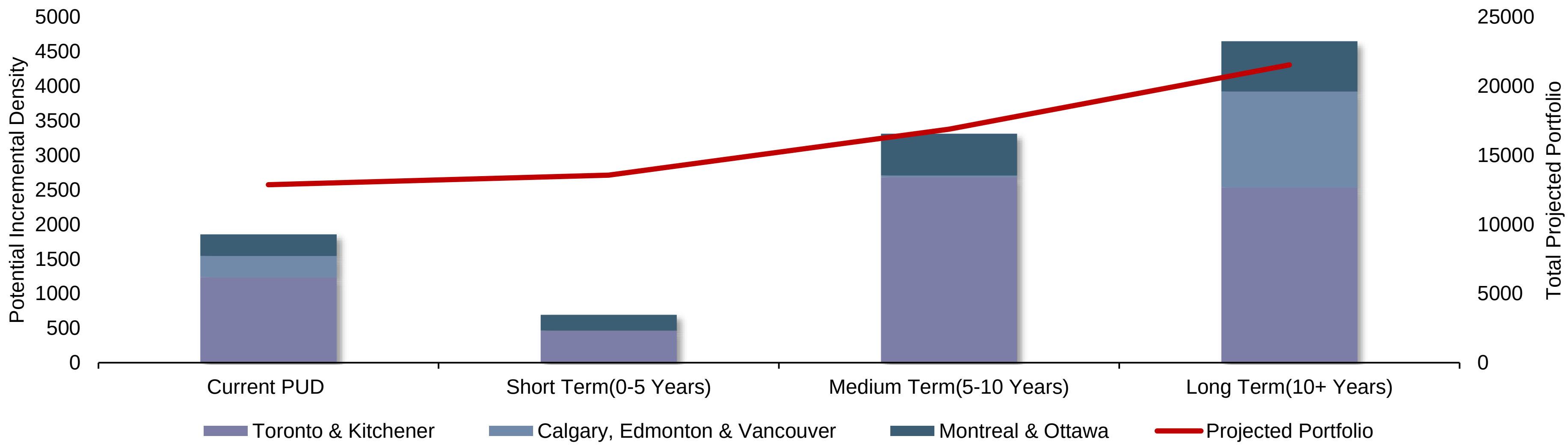
Superior Development Strategy In Key Markets[1]

- Active development pipeline consists of 12 properties to be completed by 2023 year end
- Active development pipeline is 46% pre-leased
- Many Allied properties have low site coverage (1 – 4 storey buildings) relative to the density of the neighbourhoods in which they are situated positioning Allied to benefit from urban intensification projects
- Prime location of properties and significant 'shadow pipeline' of zoning approvals positions Allied to benefit from long-term development projects
- Targeted markets are mainly fragmented which provides Allied with consolidation opportunities

Above-Average Occupancy Rates[2]



Active Development Pipeline (000s of sq. ft.)[1]



[1]AP.UN Investor Relations – Q3 2019
[2]CBRE

Thesis II

Urban intensification strategy maximizes growth potential

Acquiring Properties With Vast ‘Revamp’ Potential

- Specializes in workspace format in Class I structures
- Adaptive re-use of light industrial structures in urban areas, typically featuring high ceilings, abundant natural late, exposed structural brick and hardwood floors
- Class I value proposition likely attributing to long-term office leases, high lease renewal rates, and very low vacancy rates; key tenant retention driving ability to continue making property acquisitions
- Current tenants are mainly comprised of telecommunications and information technology providers, as well as high-growth media companies

Vertical Integration[1]

- Many Allied tenants use extensive telecommunications and computer equipment
- Allied established data centers, acting as a telecommunication interconnection point to increase digital connectivity for users
- Acquired 151 Front W., the leading telecommunication interconnection point in Canada

Urban Intensification Strategy – Toronto[1]

- Urban intensification of obsolete properties to dynamic spaces with integrative capabilities has attracted tenants, driving occupancy and pre-development leases

[1]Company Filings

Thesis III

Experienced management with a strategic capital allocation strategy

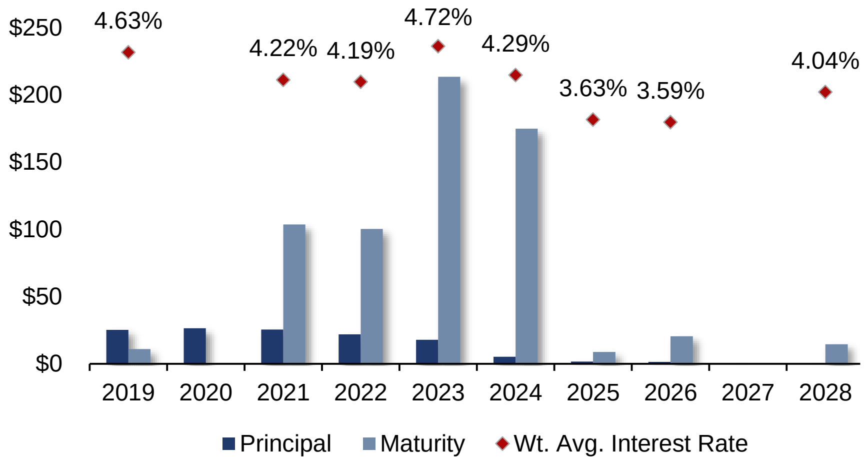
Superior Balance Sheet

- 26.4% leveraged as of Q3 2019
- Average leverage ratio among Canadian peers is 55.0%
- Strong balance sheet and ample liquidity positions Allied to take advantage of acquisition opportunities
- Low debt also allows for funding of intensification projects while minimizing risk of needing external funding to support day-to-day operations
- Allied has built a strong rapport with equity investors; equity offerings are not as disruptive as for other REITs
- Ability to raise unsecured debentures is attractive due to lower 'lock-in' interest rates and longer repayment schedules

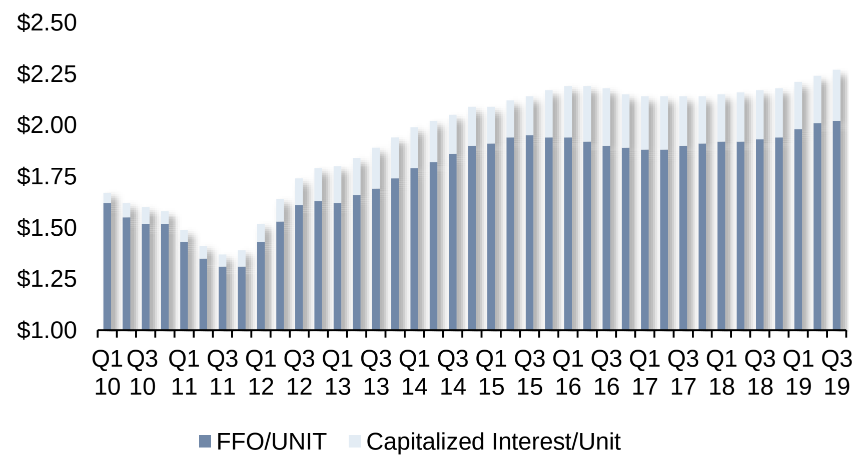
Proven Management[1,2]

- Proven track record of raising and allocating capital
- Allied has recently focused on interdepartmental and interregional coordination
- CEO founded company; compensation moves in line with share price
- Executives own approximately 1% of stock; management's interests are aligned with firm's interests
- Experienced management:
  - Most executives have been with firm for ~5 years
  - Trustee was President and CEO of Cadillac Fairview
  - 4-highest executives (President and Executive VPs) have an average of 21 years of experience in the industry

Mortgage Maturity Schedule ($CADmm)[2]



Proven Capital Allocation Has Driven Returns[3]



[1]SimplyWallSt
[2]Company Filings
[3]National Bank Financial

Valuations

Net Asset Value[1,2,3]

Net Asset Value Model (in $CADmm)	Adjusted Value	Balance Sheet		Adjusted Value	Balance Sheet
Income-Producing Assets			**Major Debt Instruments**		
Forward 12-Month Property Net Operating Income	324.32		Mortgages Payable	**916.39**	
/ Assumed Cap Rate	4.88%		x Market Value Adjustment	100%	
Market Value of Gross Real Estate Operating Assets	**6,641.48**	**6,510.19**	**Market Value of Mortgages Payable**	**916.39**	**916.39**
Non Income-Producing Assets					
Properties Under Development	755.51		Senior Unsecured Debentures	**647.15**	
x Market Value Adjustment	100%		x Market Value Adjustment	100%	
Market Value of Properties Under Development	**755.51**	**755.51**	**Market Value of Senior Unsecured Debentures**	**647.15**	**647.15**
Residential Inventory	141.20		Unsecured Term Loans	**449.09**	
x Market Value Adjustment	100%		x Market Value Adjustment	100%	
Market Value of Residential Inventory	**141.20**	**141.20**	**Market Value of Unsecured Term Loans**	**449.09**	**449.09**
Other Balance Sheet Assets			**Other Balance Sheet Liabilities**		
Cash and Cash Equivalents	28.06	28.06	Construction Loans Payable	114.39	114.39
Loan and Notes Receivable	253.10	253.10	Unsecured Revolving Operating Facility	55.00	55.00
Accounts receivable, prepaid expenses, deposits	90.25	90.25	Other Liabilities	39.34	39.34
Other assets	34.98	34.98	Lease Liabilities	156.37	156.37
			Current Portion Of Debt	138.70	138.70
			Accounts Payable And Other Liabilities	267.81	267.81
Total Market Value Of Assets	**7,944.58**	**7,813.29**	**Total Market Value Of Liabilities**	**2,784.24**	**2,784.24**

Net Asset Value (NAV)	**$**	**5,160.35**
Fully Diluted Units Issued And Outstanding		116.56
NAV Per Share	**$**	**44.27**
Unit Price	$	54.07
Unit Price Premium/(Discount) to NAVPU		**22.13%**

Cap-Rate

NTM NOI	3.38%	4.13%	4.88%	5.63%	6.38%
$ 292.70	$ 61.51	$ 48.05	$ 38.72	$ 31.87	$ 26.63
$ 308.11	$ 65.42	$ 51.24	$ 41.42	$ 34.22	$ 28.70
$ 324.32	$ 69.53	$ 54.61	$ 44.27	$ 36.68	$ 30.88
$ 340.54	$ 73.64	$ 57.98	$ 47.12	$ 39.15	$ 33.06
$ 357.56	$ 77.96	$ 61.51	$ 50.11	$ 41.75	$ 35.35

[1]YUSIF Estimates
[2]Company Filings
[3]CBRE Q3 2019 Report

Valuations

North American comparable companies[1,2,3]

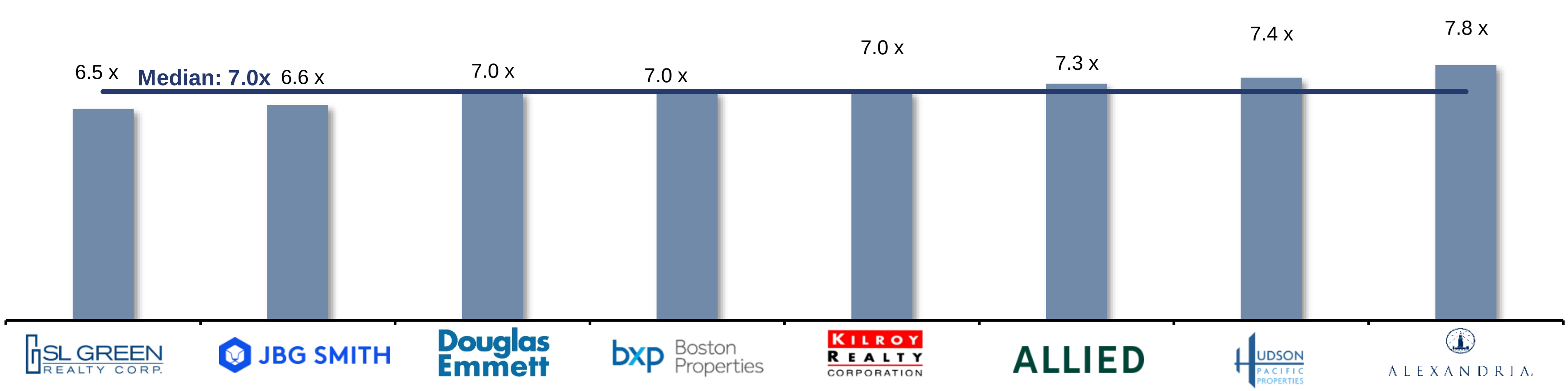
Company	Share Price	Enterprise Value	Capital Structure		Net Debt /	Price/FFO			Price/AFFO			Price/	Margins		Dividend	Implied	Revenue
			Debt	Equity	EBITDA	LTM	FY1	FY2	LTM	FY1	FY2	NAV	FFO	NOI	Yield	Cap Rate	5yr CAGR
U.S. Large Cap Office REITs																	
Boston Properties	$137.56	$35,392	41.9%	58.1%	7.0x	20.2x	18.0x	17.1x	26.1x	24.0x	22.9x	0.9x	35.8%	61.5%	3.0%	5.2%	4.2%
Alexandria Real Estate Equities	$158.76	$26,505	33.5%	66.5%	7.8x	23.6x	21.1x	18.8x	22.2x	25.4x	22.7x	1.1x	51.8%	70.3%	2.5%	4.8%	15.9%
Kilroy Realty Corporation	$82.85	$12,411	30.4%	69.6%	7.0x	22.7x	19.9x	17.4x	37.6x	29.6x	24.5x	1.0x	48.3%	79.7%	2.5%	5.2%	10.2%
Hudson Pacific Properties	$35.25	$9,138	40.5%	59.5%	7.4x	18.1x	16.1x	14.6x	38.4x	26.7x	24.1x	0.8x	37.7%	62.5%	2.9%	6.1%	27.6%
Douglas Emmett Inc.	$43.88	$13,196	43.8%	56.2%	7.0x	18.3x	17.8x	16.6x	22.1x	21.6x	20.5x	1.0x	45.8%	68.1%	2.4%	4.7%	8.7%
JBG Smith Properties	$39.88	$7,350	29.9%	70.1%	6.6x	63.4x	22.9x	21.7x	63.4x	47.3x	37.4x	n.a	13.2%	59.7%	2.3%	n.a	7.4%
SL Green Realty Corp	$85.99	$14,470	52.1%	47.9%	6.5x	10.8x	11.6x	12.3x	11.5x	21.4x	20.1x	0.1x	52.3%	52.6%	2.1%	6.3%	-3.9%
Median			**40.5%**	**59.5%**	**7.0x**	**20.2x**	**18.0x**	**17.1x**	**26.1x**	**25.4x**	**22.9x**	**0.9x**	**45.8%**	**62.5%**	**2.5%**	**5.2%**	**8.7%**
Mean			**38.9%**	**61.1%**	**7.1x**	**25.3x**	**18.2x**	**16.9x**	**31.6x**	**28.0x**	**24.6x**	**0.8x**	**40.7%**	**64.9%**	**2.5%**	**5.4%**	**12.3%**
Major Canadian REITs																	
Dream Office REIT	$10.72	$2,159	45.9%	54.1%	6.5x	8.6x	8.4x	8.6x	n.a.	11.3x	11.4x	0.4x	34.5%	15.1%	3.4%	n.m.	n.m.
Slate Office REIT	$4.50	$1,125	63.9%	36.1%	11.2x	7.9x	7.9x	7.8x	9.2x	9.8x	4.8x	0.6x	27.2%	58.5%	6.7%	6.7%	46.3%
Brookfield Property Partners	$19.61	$95,321	55.8%	44.2%	10.5x	13.3x	14.1x	12.9x	18.0x	20.4x	18.3x	0.7x	12.0%	25.9%	6.7%	7.0%	11.0%
H&R Reit	$16.57	$9,673	48.5%	51.5%	n.a.	12.6x	12.6x	12.0x	15.6x	15.3x	14.2x	0.6x	33.8%	n.a.	6.3%	5.5%	-3.0%
Cominar REIT	$10.72	$4,600	55.1%	44.9%	10.1x	12.2x	12.8x	12.2x	15.8x	17.0x	16.0x	0.7x	27.2%	17.4%	5.1%	5.9%	0.7%
Inovalis	$8.39	$434	54.9%	45.2%	n.a.	11.3x	14.2x	13.8x	12.9x	15.3x	14.7x	0.8x	n.m.	n.a.	7.4%	5.5%	9.2%
Median			**55.0%**	**45.0%**	**10.3x**	**11.8x**	**12.7x**	**12.1x**	**15.6x**	**15.3x**	**14.4x**	**0.6x**	**27.2%**	**21.7%**	**6.5%**	**5.9%**	**9.2%**
Mean			**54.0%**	**46.0%**	**9.6x**	**11.0x**	**11.7x**	**11.2x**	**14.3x**	**14.9x**	**13.2x**	**0.6x**	**26.9%**	**29.2%**	**5.9%**	**6.1%**	**12.8%**
Allied Properties	$54.07	$8,445	26.4%	73.6%	7.3x	25.7x	24.5x	22.1x	29.2x	28.8x	25.7x	1.1x	49.5%	56.3%	3.0%	4.7%	7.3%

[1]YUSIF Estimates
[2]Company Filings
[3]CapitalIQ

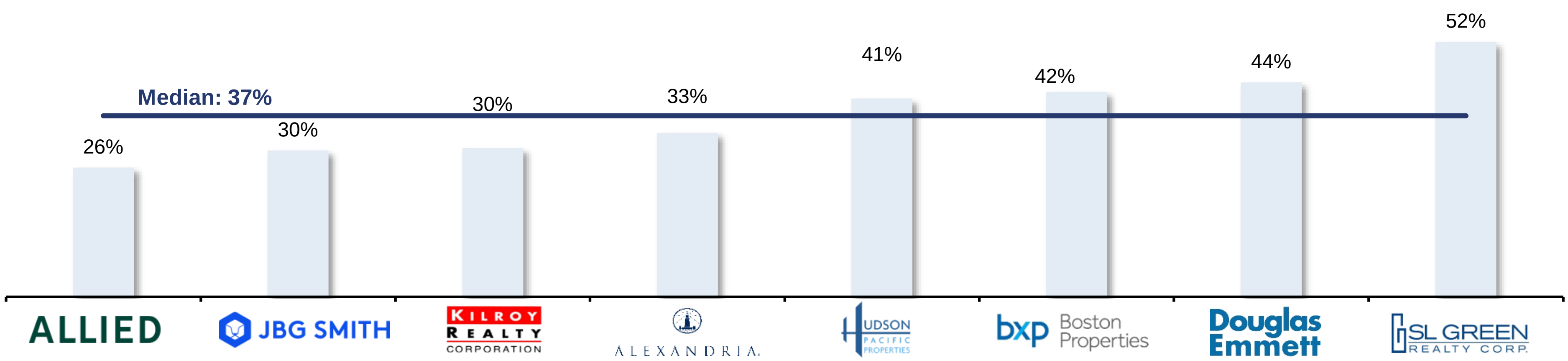
Size Benchmarking

Leverage[1,2,3]

Net Debt/EBITDA



Debt/Total Capital

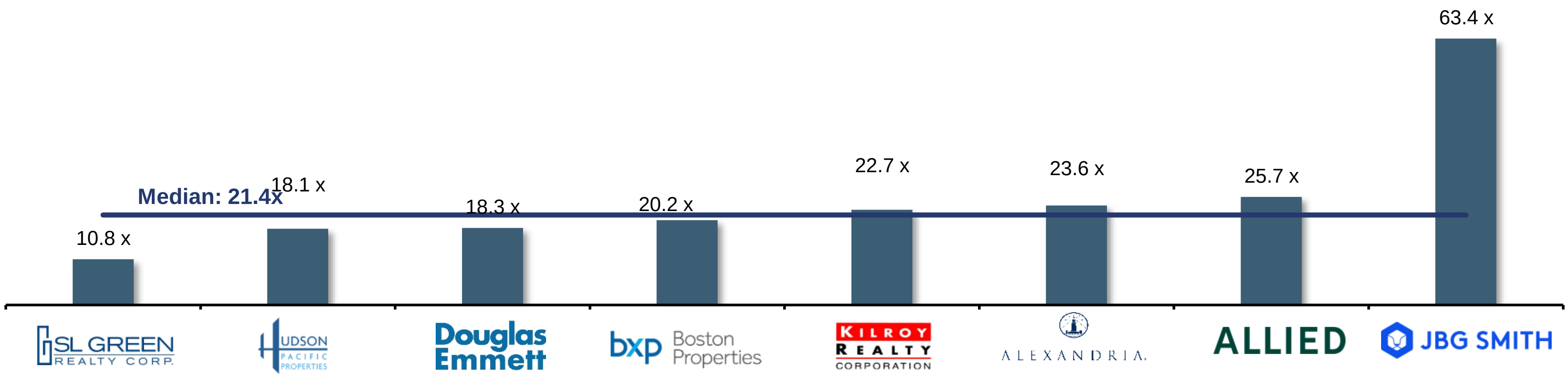


[1]YUSIF Estimates
[2]Company Filings
[3]CapitalIQ

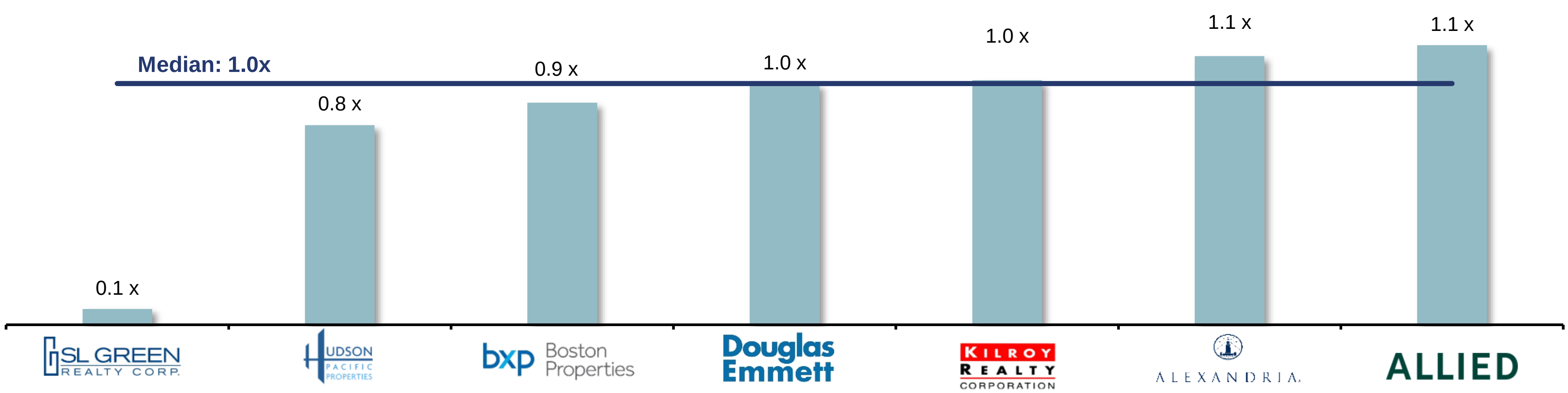
Size Benchmarking

FFO & NAV Price Multiples[1,2,3]

P/LTM FFO



P/NAV

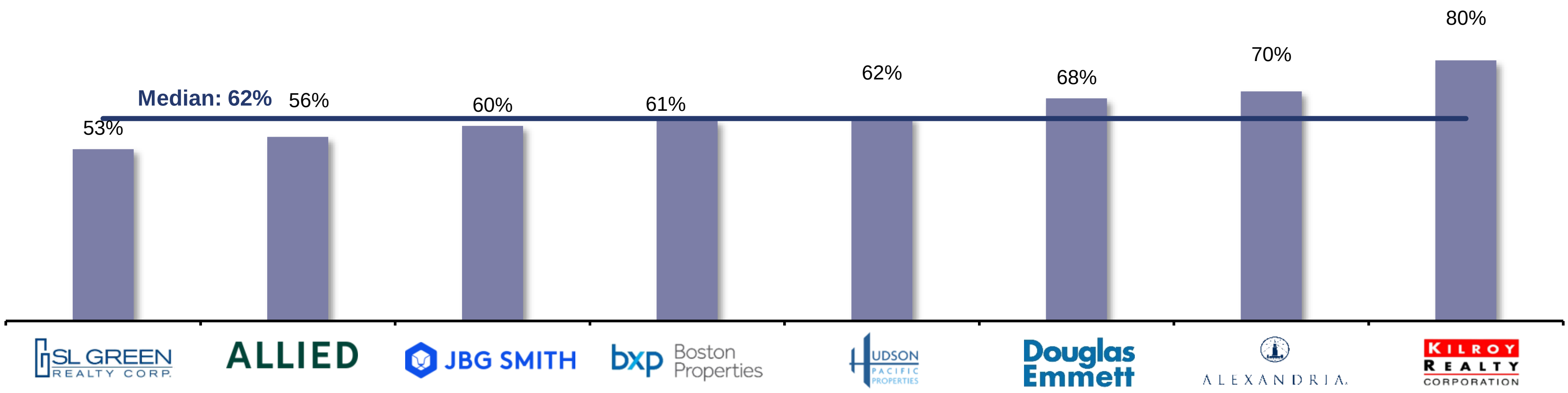


[1]YUSIF Estimates
[2]Company Filings
[3]CapitalIQ

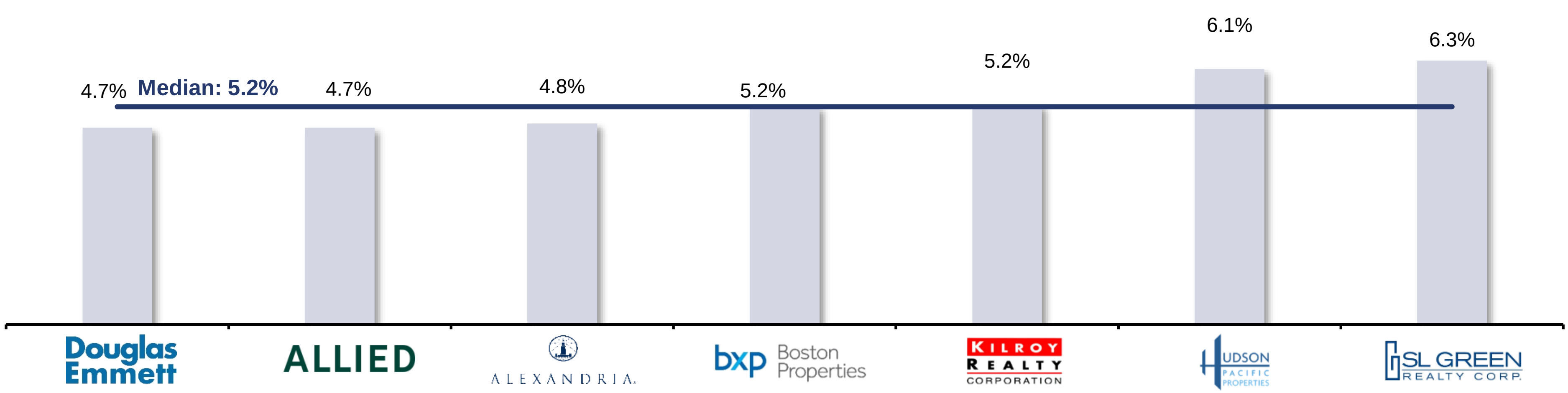
Size Benchmarking

NOI Margin & Cap Rate[1,2,3]

NOI Margin



Cap Rate



[1]YUSIF Estimates
[2]Company Filings
[3]CapitalIQ

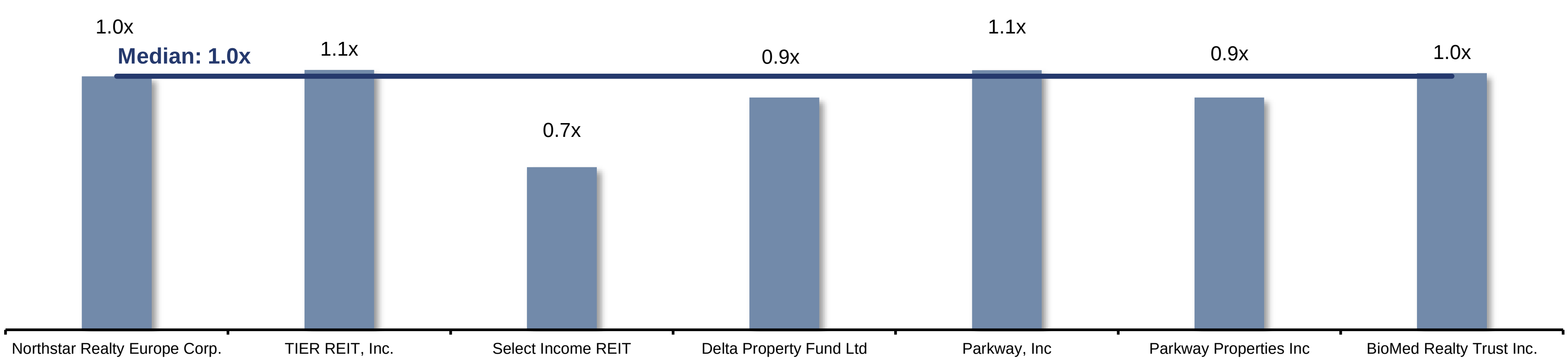
Valuations

North American office REIT precedent transactions

Precedent Transactions[1,2]

Date Announced	Acquirer	Target	LTM EBITDA	Transaction Value	Implied Equity Value	EV / LTM EBITDA	Equity Value/ NAV	Equity Value/ FFO	1-Day Premium	1-Month Premium
Jul-2019	AXA Real Estate Investment Managers	Northstar Realty Europe Corp.	26.4	1,437.6	887.1	54.5x	1.0x	35.2x	4 %	4 %
Mar-2019	Cousins Properties Inc.	TIER REIT, Inc.	103.3	2,374.0	1,652.6	23.0x	1.1x	16.6x	16 %	21 %
Jan-2019	Shidler Equities L.P.	Pacific Office Properties	16.3	283.7	3.5	17.4x	n.a	n.a	n.a	n.a
Sep-2018	Office Properties Income Trust	Select Income REIT	299.5	4,038.0	1,574.8	13.5x	0.7x	7.7x	n.a	n.a
Jun-2017	Cornwall Crescent Ltd	Delta Property Fund Ltd	85.5	111.4	488.6	1.3x	0.9x	n.a	26 %	8 %
Jun-2017	CPPIB	Parkway, Inc	54.3	1,347.4	947.0	24.8x	1.1x	26.3x	n.a	n.a
Apr-2016	Cousins Properties Inc.	Parkway Properties Inc	234.7	4,014.9	1,976.1	17.1x	0.9x	12.6x	13 %	12 %
Oct-2015	Blackstone Real Estate Advisors	BioMed Realty Trust Inc.	393.4	8,051.3	4,988.1	20.5x	1.0x	15.7x	10 %	29 %
Median						**18.9x**	**1.0x**	**16.2x**	**13 %**	**12 %**
Mean						**21.5x**	**1.0x**	**19.0x**	**14 %**	**15 %**

Equity Value/NAV Benchmarking[1,2]



[1]Company Filings
[2]CapitalIQ

Risks & Catalysts

Other key considerations impacting future growth

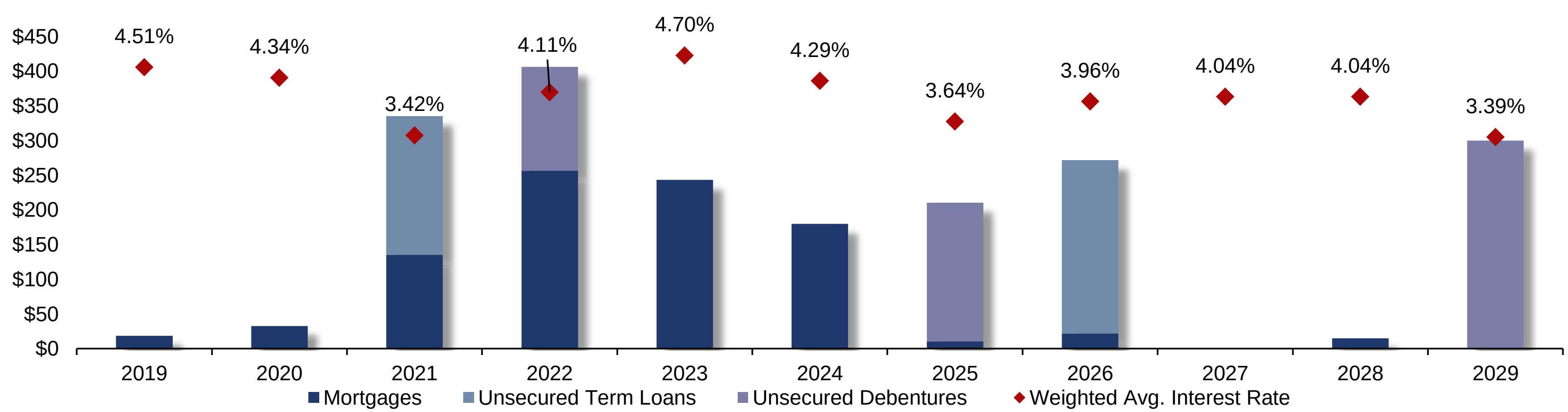
Key Risks & Mitigations[1]

- **Financing and interest rate uncertainty:** strives to re-finance maturing loans with long-term fixed-rate debt
- **Credit risk:** maintenance of a diversified user-mix and limiting lease concentration
- **Lease roll-over risk:** staggering lease schedule and adaptive development strategy
- **Environmental and climate change risk:** compliance with regulative standards and allotted provisions
- **Development risk:** construction is only commenced when satisfactory pre-lease is secured
- **Cybersecurity risk:** active monitoring and assessments

Potential Catalysts

- Rental price hikes
- High economic and employment growth
- Corporate relationships & scale of network
- Interest rate cuts
- Urbanization
- Corporate profit growth
- Positive debt investor sentiment
- Demand for integrated Urban Data Centres
- Telecommunications and technology Industry Growth

Debt Maturity Schedule[1]



[1]AP.UN Investor Relations – Q3 2019

Conclusion

Investment recap and price target

Investment Summary

Why we are bullish?

- 'Best-in-class' development pipeline and strategy drive continued high occupancy rates
- Unique business model maximizes growth potential
- Strong internal management and superior balance sheet

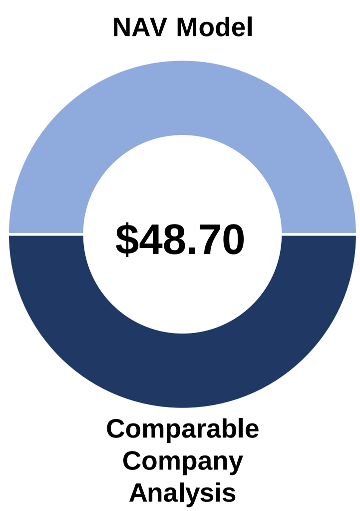
Why we are bearish?

- Uptick in construction activity in core markets; competitive landscape heating up
- Development strategy may be seen as too robust and unconventional which may result in poor performance if long-term tenant preferences change
- Slightly overvalued relative to peers amid lower growth

Analyst Estimates[1]

TD	**Hold**	**$57.00**
CIBC	**Buy**	**$56.00**
RBC Capital Markets	**Outperform**	**$56.00**
BMO Capital Markets	**Outperform**	**$56.00**

Valuation



- **Current Share Price: $54.07**
- **Intrinsic Value: $48.70**
- **Entry Price: $46.50**
- **Implied Return @ Entry Point: 8.2%**

Commentary

- Our NAV model yields an intrinsic value of $44.27, thereby suggesting that Allied is overvalued on an intrinsic basis
  - We recognize that our model does not account for future development projects / acquisitions and thus believe our target price is slightly understated
- On a relative basis, Allied superior metrics (higher dividend, cap rate and FFO yield) suggest that Allied could receive a premium relative to their NAV
- As such, we believe a 1.1x P/NAV ($48.70 per unit) reflects Allied's superior operating metrics and strong historical performance

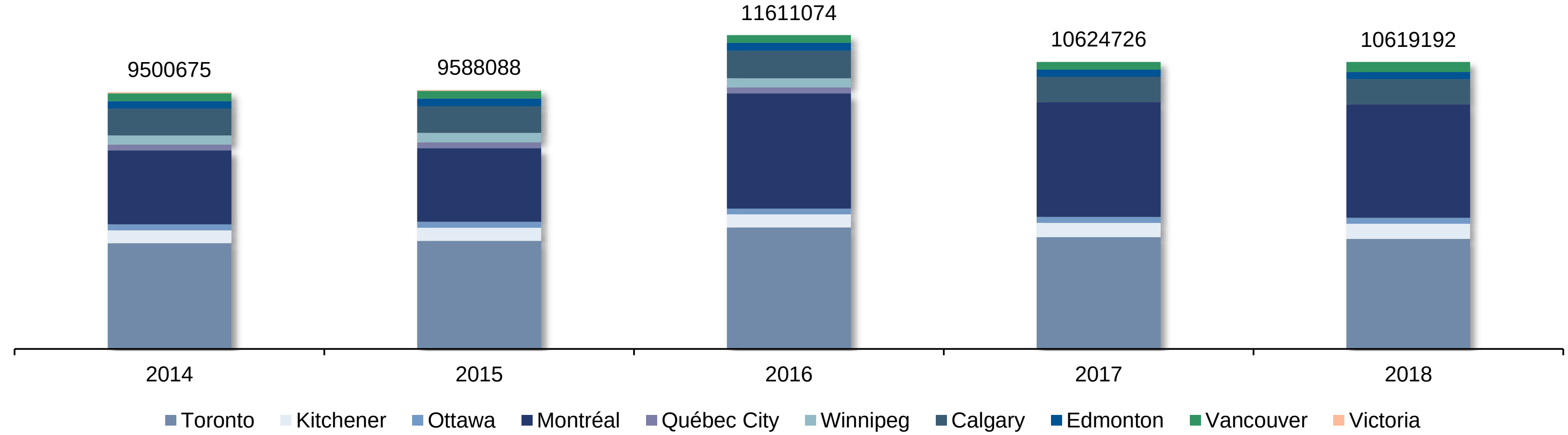
[1]Bloomberg

Appendices

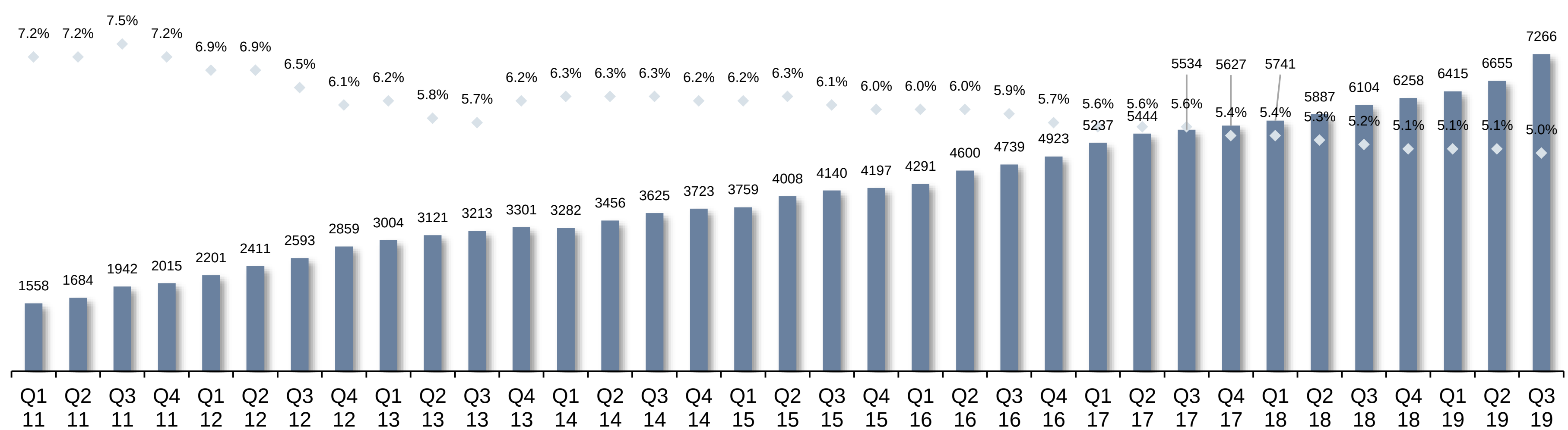
Historical Portfolio Information

Regional GLA and fair market value

Historical GLA By Region[1]



Historical Portfolio Fair Market Value & Average Cap Rate[1]

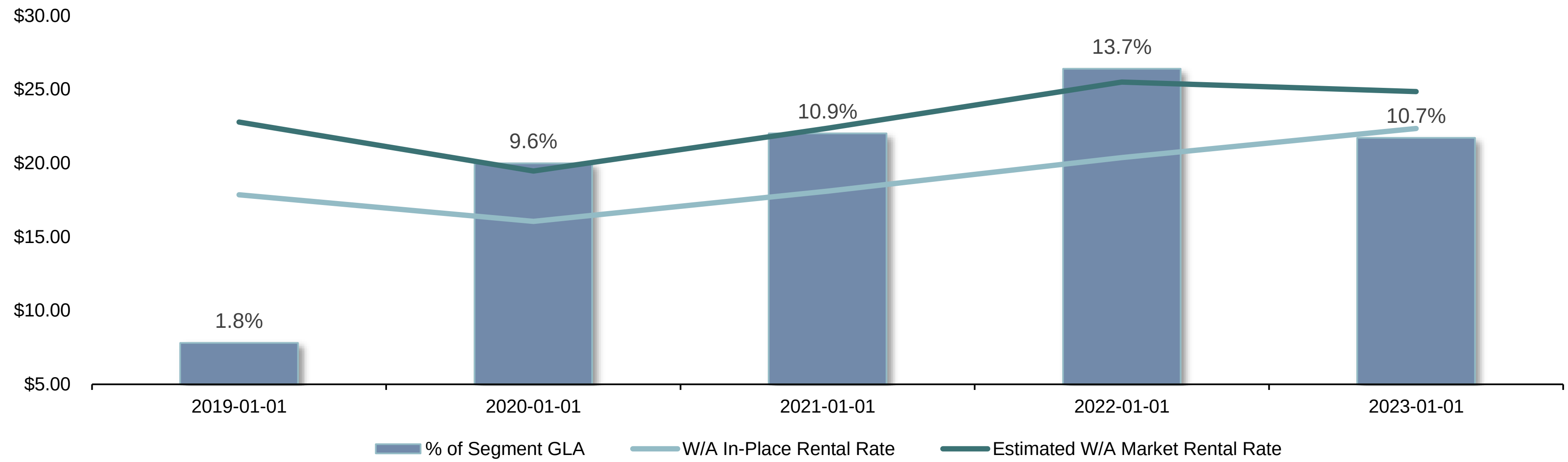


[1]Company Filings

Other Portfolio Information

Lease maturities and PUD

Lease Maturities[1]



Properties Under Development Details[1]

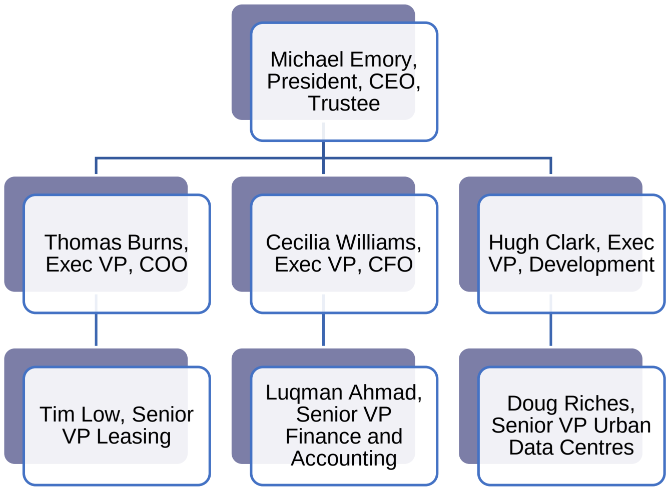
Property Name	Use	Estimated GLA on Completion (000s)	% of Office Development Leased
TELUS Sky, Calgary	Office, retail, residential	218	64%
425 Viger, Montreal	Office, retail	315	53%
The Lougheed, Calgary	Retail, residential	88	-
College & Manning . Toronto	Office, retail, residential	27	-
Adelaide & Duncan, Toronto	Office, retail, residential	216	100%
The Well, Toronto	Office, retail	746	72%
KING Toronto, Toronto	Office, retail	100	-
Breithaupt Phase 3, Kitchener	Office	-	100%

[1]AP.UN Investor Relations – Q3 2019

Management

Management is aligned with the firm

Management Structure[1]



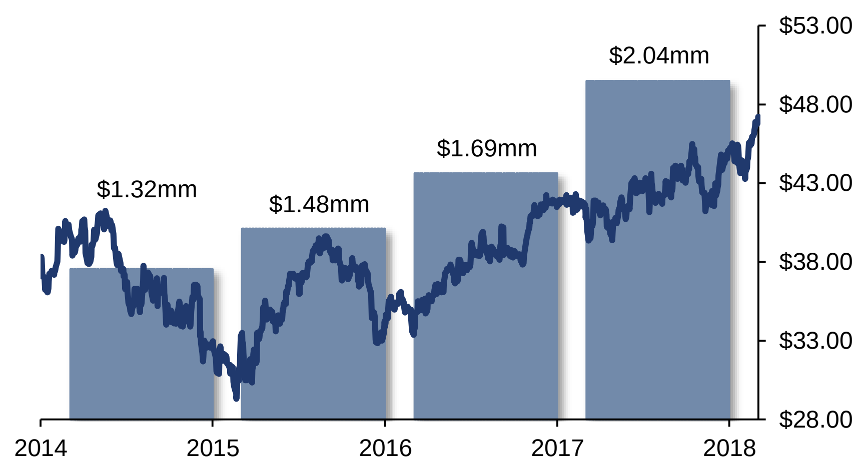
Alignment[2]

Executive	Shares	% of Shares	Mkt Val (CAD m)
Michael Emory, President, CEO	1,051,057	0.904%	56.2
Gerald Connor, Trustee	296,538	0.255%	15.9
Thomas Burns, Exec VP & COO	65,942	0.057%	3.5
Gordon Ross, Chairman of the Board	29,815	0.026%	1.6

CEO Profile[1]

- **Michael Emory** founded Allied in 1988
- BA from Queens University
- JD from University of Toronto
- Previously specialized in corporate and real estate finance as a partner at Aird & Berlis LLP
- Director of Equitable Bank since May 2014
- President of Greater Toronto Chapter of the National Association of Industrial and Office Properties

CEO Compensation Reflects Share Price[2]



[1]AP.UN Investor Relations – Q3 2019
[2]CapitalIQ

Management

Experienced C-suite and other key executives

CFO Profile[1]

- **Cecilia Williams** is CFO and Executive Vice President
- Joined Allied in 2015
- BComm from U of T
- Prior to Allied served as VP and Controller of Dream Unlimited Corp
- Obtained CPA in 2001
- Has over 16 years of experience in finance, analysis, planning and accounting
- Began her career at Arthur Andersen

COO Profile[1]

- **Thomas Burns** is COO and Executive Vice President
- From January 2011 to December 2011, he served as Executive VP of Operations and Leasing at Allied
- Formerly Senior VP, Retail at DTZ Barnicke
- 32 year-long career
- BA from Algonquin College specializing in Real Estate

EVP Development Profile[1]

- **Hugh Clark** is Executive Vice President, Development
- Responsible for overseeing value creation projects
- Assumed current role in February 2019, prior to which he was Vice President, Development
- Before Allied, he spent 5 years working for an award-winning architectural form in Toronto (licensed architect)
- Grad of U of T and Harvard

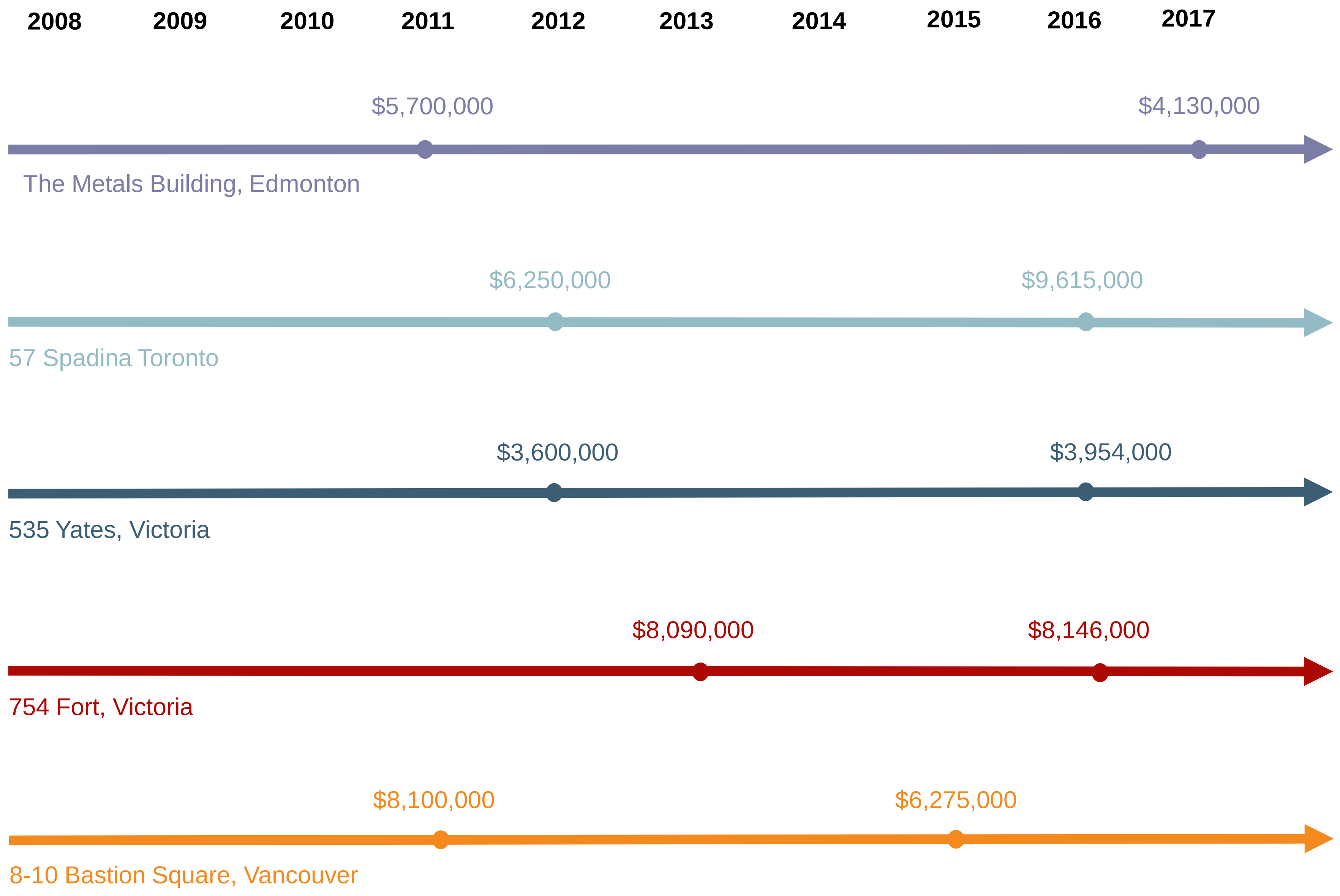
Trustee Profile[1]

- **Peter Sharpe** has been a Trustee of Allied since May 2012
- Former President and CEO of Cadillac Fairview from 2000 – 2010, before which he held a senior executive position since 1984
- Recipient of Building Owners and Managers Association Canada Chairman's Award
- Member of Allied's Governance, Compensation, and Nomination Committee

[1]AP.UN Investor Relations – Q3 2019

Acquisition and Disposition History

Gains/losses on sale of investment properties[1]

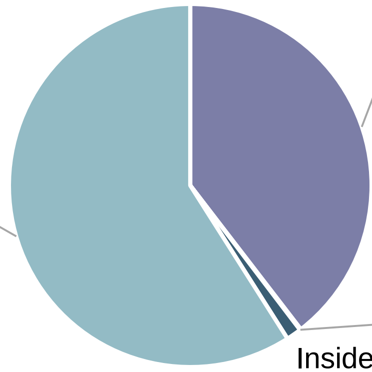


[1]Company Filings

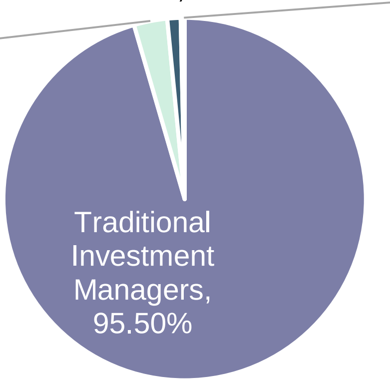
Ownership

Institutional investors own a large portion of Allied Properties

Ownership Breakdown[1]



Institutional Ownership[1]



Top Holders[1]

Firm	Shares	% of Shares	Mkt Val (CAD m)
RBC GAM	4,925,032	4.236	262.6
BlackRock, Inc.	4,616,408	3.970	246.1
The Vanguard Group, Inc	3,859,088	3.319	205.7
BMO GAM	3,800,321	3.268	202.6
CI Investments	2,781,680	2.393	148.3
JP Morgan Asset Management	1,920,687	1.652	102.4

Insider Trading[1]

Date	Insider	Shares	Price Range (CAD)
Sep/19	G. Cunningham	(5,000)	53.77
Aug/19	G. Cunningham	(5,000)	50.54
Aug/19	Cumberland Partners	(1,300)	50.76
Jun/19	G. Connor	(2,100)	50.76
Mar/19	M. Emory	(174,501)	40.06-48.65
Mar/19	D. Riches	(7,576)	31.21-48.09

[1]CapitalIQ

Stated Objectives

Management objectives and ratio thresholds as at Q3 2019

From MD&A & Investor Presentation[1]

- Allied intends on maintaining debt-metrics within targeted ranges
- Unsecured debenture program to become a more important source of capital moving forward
- "To make continuous contribution to cities and culture that inspired the humanity in all of us"
- Strategy: consolidating and intensifying urban work spaces and data centres in major Canadian markets
- Internal forecast for FY2019 contemplates low- to mid single-digit percentage growth in NOI, FFO and AFFO
- Allied prefers to retain tenants, as cost of retention is typically lower than securing new ones
- Strategy: create value by intensifying underutilized land with rezoning
- Strategy: urban intensification for migration to urban areas
- A maximum of 15% of the portfolio can be in development

Ratio Thresholds[1]

Ratio	Threshold	Q3 2019
Indebtedness ratio	Below 60%	28.10%
Secured indebtedness ratio	Below 45%	13.20%
Debt service coverage ratio	Consolidated adj. EBITDA to be more than 1.5x debt service payments	2.6x
Equity maintenance	At least 1.25M plus 75% of future equity issuances	$5,167,754
Unencumbered property assets value ratio	Unencumbered property assets to be more than 1.4x total unsecured debt	4.1x
Distribution payout ratio	Maintain distributions below 100% of FFO	72%

[1]AP.UN Investor Relations – Q3 2019

Fair Value Information & Accounting Policies

Methodology & policies applied by management[1]

Investment Property Valuation:

- DCF: Discount rates are applied to the projected annual operating cash flows, generally over a ten year period, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year. This method is primarily used to value the rental properties portfolio.
- Comparable sales: This approach compares a subject property's characteristics with those of comparable properties which have recently sold. The process uses one of several techniques to adjust the price of the comparable transactions according to the presence, absence, or degree of characteristics which influence value. These characteristics include the cost of construction incurred at a property under development. This method is primarily used to value the development portfolio and ancillary parking facilities.
- Allied's entire portfolio is revalued by the external appraiser each quarter. Management verifies all major inputs to the valuations, analyzes the change in fair values at the end of each reporting period and reviews the results with the independent appraiser every quarter. There were no material changes to the valuation techniques during the period. For properties with a leasehold interest with a term less than 40 years, the resulting valuation methodology is based upon a full-term discounted cash flow model.
- In valuing the investment properties as at September 30, 2019, the independent appraiser compares the value derived using the DCF method to the value that would have been calculated by applying a capitalization rate to NOI. This is done to assess the reasonability of the value obtained under the DCF method. The corresponding portfolio weighted average overall capitalization rate used was 5.03%.
- Estimated annual NOI is based on 100% economic occupancy.

Properties Under Development:

- The initial cost of Properties Under Development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs directly attributable to the development. Borrowing costs and realty taxes associated with direct expenditures on Properties Under Development are capitalized. The amount of capitalized borrowing costs is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments.

Residential Inventory:

- Residential inventory consists of assets that are developed by Allied for sale in the ordinary course of business. Allied may transfer an investment property to residential inventory based on a change in use, as evidenced by the commencement of development activities with the intention to sell. Alternatively, a transfer from residential inventory to investment property would be evidenced by the commencement of leasing activity.

Leasing Policies:

- Rental Revenue is recognized once a rent-free fixturing period has been passed by tenants and recoverable costs have been paid.
- Lease maturities are not assured by management as they may be misstated over time.

[1]AP.UN Investor Relations – Q3 2019

NAV Model Appendices

NAV Model Appendices

NTM Net Operating Income

Cash Net Operating Income (Historical)[1]

Cash NOI	Q1 2017A	Q2 2017A	Q3 2017A	Q4 2017A	2017A	Q1 2018A	Q2 2018A	Q3 2018A	Q4 2018A	2018A	Q1 2019A	Q2 2019A	Q3 2019A
Rental revenue from rental properties	49.26	47.27	48.43	56.42	201.37	49.69	49.96	51.04	50.08	200.76	53.67	55.74	58.72
Tax and insurance recoveries	19.16	20.90	20.64	2.84	63.55	19.20	18.37	18.30	13.27	69.14	20.39	19.32	21.49
% of rental revenue	*38.9%*	*44.2%*	*42.6%*	*5.0%*	*31.6%*	*38.6%*	*36.8%*	*35.9%*	*26.5%*	*34.4%*	*38.0%*	*34.7%*	*36.6%*
Miscellaneous revenue	-	-	-	9.69	9.69	4.04	3.93	3.89	(2.17)	9.69	5.15	5.23	6.09
% of rental revenue	*0.0%*	*0.0%*	*0.0%*	*17.2%*	0.05	*8.1%*	*7.9%*	*7.6%*	*-4.3%*	0.05	*9.6%*	*9.4%*	*10.4%*
Operating cost recoveries	33.69	34.96	37.24	38.76	144.65	33.97	34.73	36.41	51.71	156.81	37.28	37.52	41.95
% of rental revenue	*68.4%*	*74.0%*	*76.9%*	*68.7%*	0.72	*68.4%*	*69.5%*	*71.3%*	*103.3%*	0.78	*69.5%*	*67.3%*	*71.4%*
Revenue from investment properties	102.11	103.13	106.31	107.71	419.26	106.89	106.98	109.63	112.89	436.40	116.49	117.81	128.24
Property operating costs	(44.36)	(44.49)	(45.28)	(46.42)	(180.55)	(46.33)	(45.54)	(46.15)	(47.93)	(185.94)	(49.44)	(47.92)	(54.39)
% of revenue from investment properties	*43.4%*	*43.1%*	*42.6%*	*43.1%*	*43.1%*	*43.3%*	*42.6%*	*42.1%*	*42.5%*	*42.6%*	*42.4%*	*40.7%*	*42.4%*
Net rental income	57.75	58.64	61.03	61.29	238.72	60.57	61.44	63.49	64.96	250.46	67.05	69.89	73.85
NRI, % of revenue from investment properties	*56.6%*	*56.9%*	*57.4%*	*56.9%*	*56.9%*	*56.7%*	*57.4%*	*57.9%*	*57.5%*	*57.4%*	*57.6%*	*59.3%*	*57.6%*
Amortization of improvement allowances	5.33	5.23	6.59	7.79	24.94	6.97	7.27	6.79	7.31	28.34	7.57	7.73	7.76
% of revenue from investment properties	*5.2%*	*5.1%*	*6.2%*	*7.2%*	*5.9%*	*6.5%*	*6.8%*	*6.2%*	*6.5%*	*6.5%*	*6.5%*	*6.6%*	*6.1%*
Amortization of straight line rents	(3.22)	(1.79)	(3.92)	(2.73)	(11.66)	(1.38)	(1.79)	(1.44)	(2.38)	(6.99)	(1.94)	(2.04)	(1.83)
% of revenue from investment properties	*-3.1%*	*-1.7%*	*-3.7%*	*-2.5%*	*-2.8%*	*-1.3%*	*-1.7%*	*-1.3%*	*-2.1%*	*-1.6%*	*-1.7%*	*-1.7%*	*-1.4%*
Cash net operating income	**59.87**	**62.08**	**63.70**	**66.35**	**251.99**	**66.16**	**66.92**	**68.84**	**69.90**	**271.81**	**72.68**	**75.58**	**79.79**

Cash Net Operating Income (Projected)[2]

Cash NOI	Q4 2019E	2019E	Q1 2020E	Q2 2020E	Q3 2020E	NTM
Rental revenue from rental properties	59.89	228.02	61.09	62.31	63.56	246.86
Tax and insurance recoveries	23.04	84.23	23.53	24.02	24.38	94.97
% of rental revenue	*38.5%*	*36.9%*	*38.5%*	*38.5%*	*38.4%*	*38.5%*
Miscellaneous revenue	5.29	21.76	5.42	5.37	5.72	21.79
% of rental revenue	*8.8%*	*9.5%*	*8.9%*	*8.6%*	*9.0%*	*8.8%*
Operating cost recoveries	42.37	159.12	42.00	43.78	46.54	174.68
% of rental revenue	*70.7%*	*69.8%*	*68.7%*	*70.3%*	*73.2%*	*70.8%*
Revenue from investment properties	130.59	493.13	132.03	135.49	140.19	538.30
Property operating costs	(57.46)	(209.21)	(58.09)	(59.61)	(61.68)	(236.85)
% of revenue from investment properties	*44.0%*	*42.4%*	*44.0%*	*44.0%*	*44.0%*	*44.0%*
Net rental income	73.13	283.92	73.94	75.87	78.51	301.45
NRI, % of revenue from investment properties	*56.0%*	*57.6%*	*56.0%*	*56.0%*	*56.0%*	*56.0%*
Amortization of improvement allowances	8.95	32.01	8.03	8.32	8.62	33.92
% of revenue from investment properties	*6.9%*	*6.5%*	*6.1%*	*6.1%*	*6.1%*	*6.3%*
Amortization of straight line rents	(3.03)	(8.84)	(2.69)	(2.32)	(3.00)	(11.05)
% of revenue from investment properties	*-2.3%*	*-1.8%*	*-2.0%*	*-1.7%*	*-2.1%*	*-2.1%*
Cash net operating income	**79.05**	**307.09**	**79.28**	**81.87**	**84.13**	**324.32**

[1]Company Filings
[2]YUSIF Estimates

NAV Model Appendices

NTM Net Operating Income

Key Assumptions[2]

Assumptions	Q4 2019E	Q1 2020E	Q2 2020E	Q3 2020E
Rental revenue from rental properties, % growth	2.0%	2.0%	2.0%	2.0%
Tax and insurance recoveries, % of rental revenue	38.5%	38.5%	38.5%	38.4%
Miscellaneous revenue, % of rental revenue	8.8%	8.9%	8.6%	9.0%
Operating cost recoveries, % of rental revenue	70.7%	68.7%	70.3%	73.2%
Property Op. Costs, % of revenue from inv. properties	44.0%	44.0%	44.0%	44.0%
Amortization of improvement allowances, % of revenue from inv. properties	6.9%	6.1%	6.1%	6.1%
Amortization of SL rent, % of revenue from inv. properties	-2.3%	-2.0%	-1.7%	-2.1%

Cash Net Operating Income (Historical)[1]

Net Operating Income (Reported) (in $CADmm)	2008A	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018A
						Historical					
Revenue from investment properties	131.81	152.23	183.85	196.29	258.39	302.03	337.71	365.40	389.72	419.26	436.40
YoY Growth		*15.5%*	*20.8%*	*6.8%*	*31.6%*	*16.9%*	*11.8%*	*8.2%*	*6.7%*	*7.6%*	*4.1%*
Property operating costs	(52.39)	(62.13)	(77.65)	(86.75)	(109.25)	(126.65)	(139.22)	(152.73)	(171.06)	(179.55)	(185.94)
Property Op. Costs, % of Revenue	*39.7%*	*40.8%*	*42.2%*	*44.2%*	*42.3%*	*41.9%*	*41.2%*	*41.8%*	*43.9%*	*42.8%*	*42.6%*
Net rental income	79.42	90.25	106.42	109.61	149.46	175.56	198.60	212.76	218.72	239.79	250.50
NRI, % of Revenue	*60.3%*	*59.3%*	*57.9%*	*55.8%*	*57.8%*	*58.1%*	*58.8%*	*58.2%*	*56.1%*	*57.2%*	*57.4%*
Amortization of improvement allowances	2.06	(0.09)	(2.90)	4.32	5.26	8.29	10.33	14.18	20.72	24.46	28.82
% of Revenue	*1.6%*	*-0.1%*	*-1.6%*	*2.2%*	*2.0%*	*2.7%*	*3.1%*	*3.9%*	*5.3%*	*5.8%*	*6.6%*
Amortization of straight line rents	(0.99)	(0.60)	(0.26)	(2.12)	(4.71)	(4.60)	(5.48)	(11.40)	(11.70)	(13.83)	(6.99)
% of Revenue	*-0.8%*	*-0.4%*	*-0.1%*	*-1.1%*	*-1.8%*	*-1.5%*	*-1.6%*	*-3.1%*	*-3.0%*	*-3.3%*	*-1.6%*
Net Operating Income	**81.11**	**90.15**	**103.82**	**112.39**	**150.61**	**179.86**	**204.07**	**216.16**	**228.36**	**251.05**	**272.97**
NOI, % of Revenue	*61.5%*	*59.2%*	*56.5%*	*57.3%*	*58.3%*	*59.5%*	*60.4%*	*59.2%*	*58.6%*	*59.9%*	*62.6%*

[1]Company Filings
[2]YUSIF Estimates

NAV Model Appendices

Capitalization Rate Buildout[1,2,3]

1 Determine proportion of both asset classes in each region

Region	Office GLA	Retail GLA	Office Proportion Of Region GLA	Retail Proportion Of Region GLA
Montreal	5351455	262659	95.3%	4.7%
Toronto	3523653	563204	86.2%	13.8%
Calgary	834514	137157	85.9%	14.1%
Kitchener-Waterloo	537092	25810	95.4%	4.6%
Vancouver	432927	34808	92.6%	7.4%
Edmonton	270342	27504	90.8%	9.2%
Ottawa	225928	5500	97.6%	2.4%

2 Use midpoints of CBRE ranges and above proportions to determine weighted average regional cap rate

Region	Office Cap Rate	Retail Cap Rate	Weighted Average Regional Cap Rate
Montreal	5.0000%	4.2500%	4.9649%
Toronto	4.3750%	4.1250%	4.3405%
Calgary	6.0625%	5.8750%	6.0360%
Kitchener-Waterloo	6.5000%	6.7500%	6.5115%
Vancouver	3.9375%	4.0000%	3.9422%
Edmonton	6.4375%	6.2500%	6.4202%
Ottawa	5.1250%	5.1250%	5.1250%

3 Use regional proportions of total GLA and weighted average regional cap rate to determine overall cap rate

Region	Gross Leasable Area (sq. foot)	Proportion Of Total GLA	Weighted Average Overall Cap Rate
Montreal	5614114	43.6%	2.1644%
Toronto	4732585	36.7%	1.5951%
Calgary	971671	7.5%	0.4554%
Kitchener-Waterloo	562902	4.4%	0.2846%
Vancouver	467735	3.6%	0.1432%
Edmonton	297846	2.3%	0.1485%
Ottawa	231428	1.8%	0.0921%
Total	**12878281**	**100.0%**	**4.8833%**

[1]AP.UN Investor Relations – Q3 2019
[2]YUSIF Estimates
[3]CBRE Q3 2019 Report

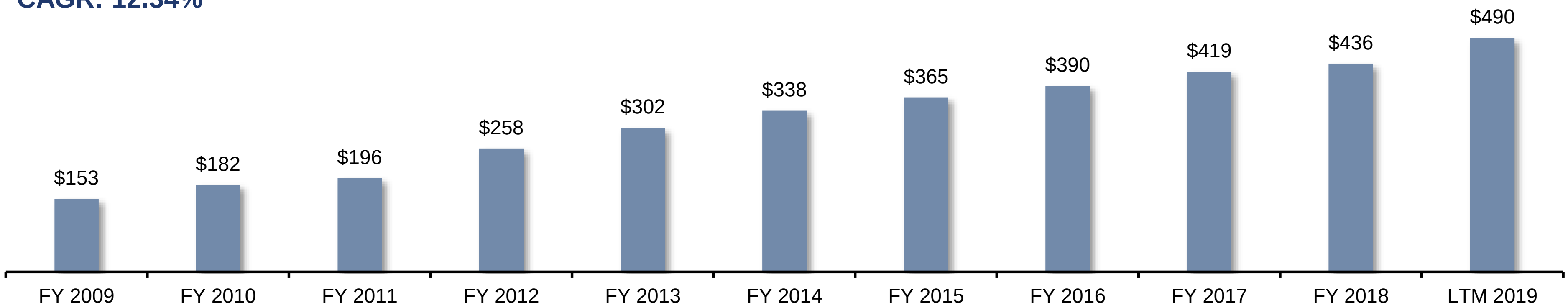
10-Year Historical Analysis

10-Year Historical Analysis

Rental revenue and EBITDA[1,2]

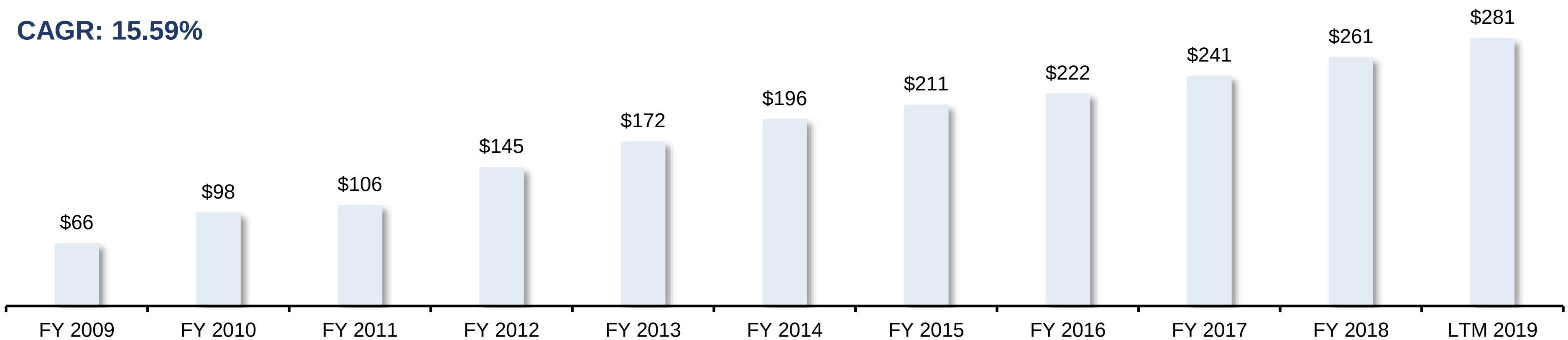
Rental Revenue

CAGR: 12.34%



EBITDA

CAGR: 15.59%

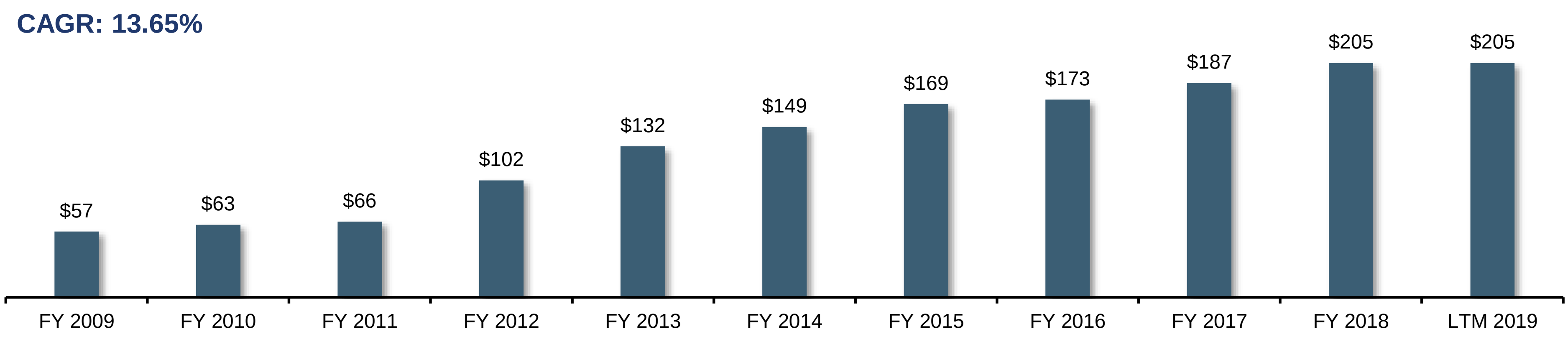


[1]CapitalIQ
[2]Company Filings

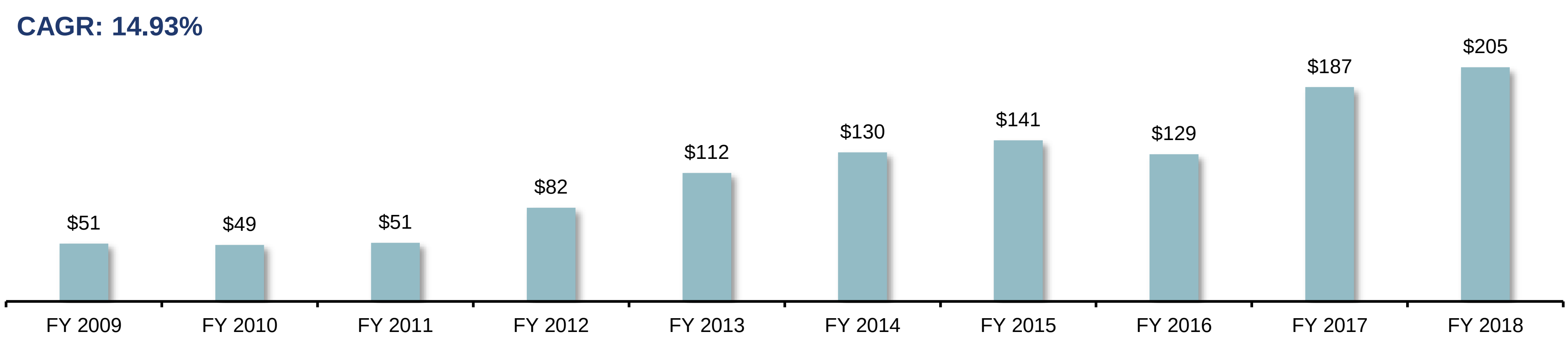
10-Year Historical Analysis

Funds From Operations and Adjusted Funds From Operations[1,2]

FFO



AFFO

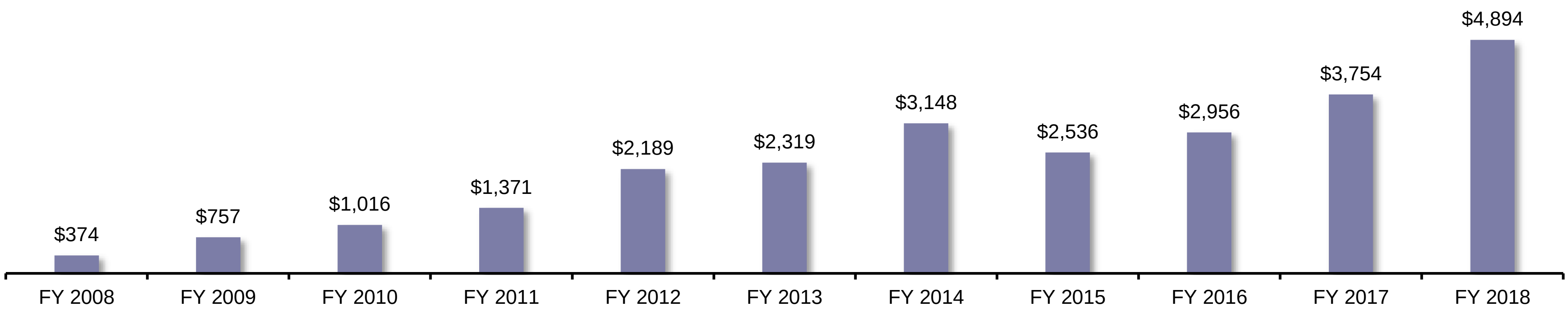


[1]CapitalIQ
[2]Company Filings

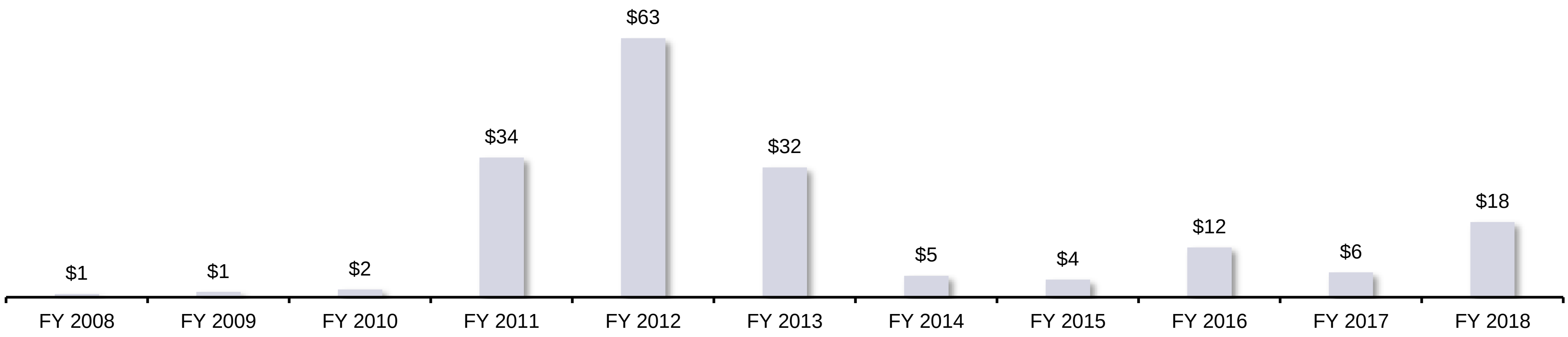
10-Year Historical Analysis

Market cap and leverage[1,2]

Market Capitalization



Leverage (Total Debt)

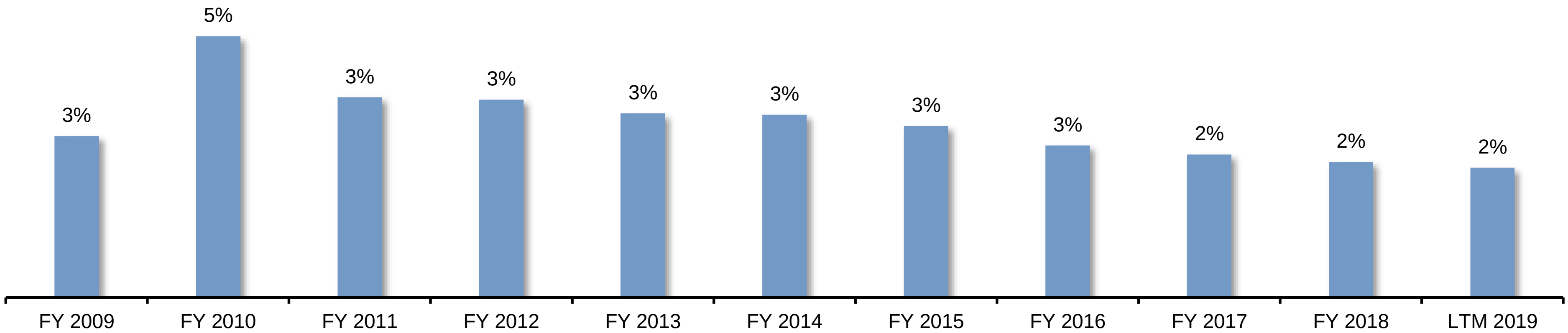


[1]CapitalIQ
[2]Company Filings

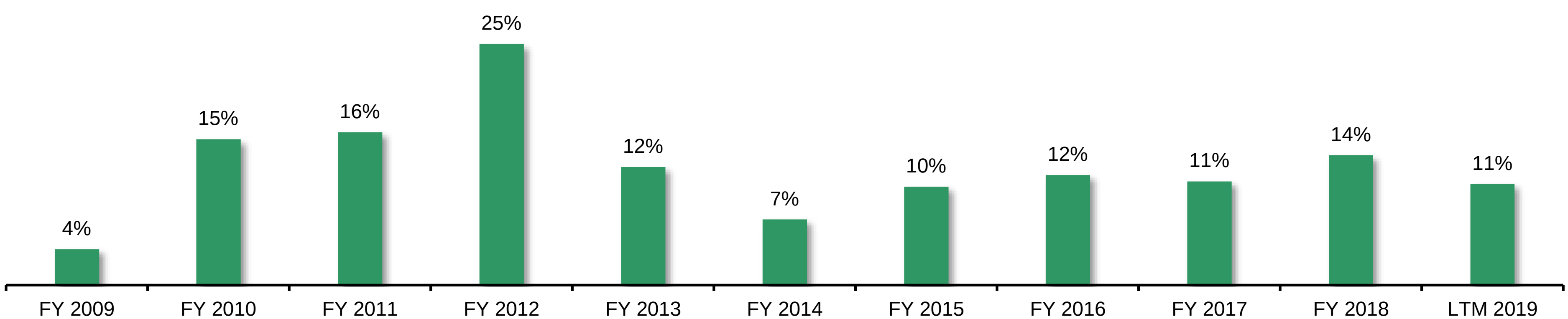
10-Year Historical Analysis

Return metrics[1,2]

ROIC



ROE



[1]CapitalIQ
[2]Company Filings