ALLIED

Annual Report December 31, 2019

Urban environments for creativity and connectivity

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2019

YOY SANOI GROWTH 5.5%

YOY NORMALIZED FFO PER UNIT GROWTH 5.5% (EXCLUDING CONDO MARKETING COSTS)

YOY NORMALIZED AFFO PER UNIT GROWTH 7.8% (EXCLUDING CONDO MARKETING COSTS)

YOY RENT GROWTH ON RENEWALS AND REPLACEMENTS 18.7%

YOY NAV/UNIT GROWTH 10.5%

DEBT RATIO AT YEAR-END 26.1%

UNENCUMBERED ASSETS AT YEAR-END $5.5B

ALLIED

Annual Report

December 31, 2019

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Letter to Unitholders

Dear Fellow Unitholder:

As you know, we pursue sustained profitability for the benefit of our unitholders by operating, acquiring and developing distinctive urban workspace and network-dense urban data centres ("UDCs") in Canada's major cities. In 2019, we pursued our strategy with excellent short-term and long-term results. Most notably, we allocated $870 million to accretive acquisitions and another $425 million to development and value-add activity. In the face of this extraordinary level of capital allocation, we maintained strong balance-sheet metrics by raising more capital ($920 million in equity and $600 million in unsecured debentures) at lower cost than any other year in our history.

Measured by short-term results, our performance was at the high-end of our internal forecast with mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. Measured by long-term results, our performance was also at the high-end of expectation. Following 10% NAV per unit growth in 2018, we delivered 11% growth in 2019. In 2018, development completions and value-add initiatives represented 44% of our NAV per unit growth, organic NOI growth 18% and cap-rate compression 37%. In 2019, development completions and value-add initiatives represented 34% of our NAV per unit growth, development approvals 3%, organic NOI growth 44% and cap-rate compression 19%.

We cannot count on cap-rate compression to drive NAV per unit growth in any particular year, as cap rates are entirely beyond our control. Indeed, cap-rate expansion will occur from time to time, putting downward pressure on NAV per unit. It's important to appreciate, therefore, that nearly three-quarters of our NAV per unit growth in the past two years was driven by development completions and value-add initiatives, development approvals and organic NOI growth and just over one-quarter by cap-rate compression. **This underscores the importance of ongoing NOI growth, organic and otherwise, which can drive NAV per unit growth independently of cap rates.**

We made excellent progress on our development program in 2019, which bodes well for our short-term and long-term results going forward. By year-end, the office component of The Well in Toronto, which expanded by 90,000 square feet to 1.16 million square feet of GLA, was 84% pre-leased, 425 Viger in Montréal 95% pre-leased and TELUS Sky in Calgary 64% pre-leased. Construction is on schedule at The Well and 425 Viger, and construction at TELUS Sky is nearing completion. Construction is underway at 19 Duncan in Toronto, the office component of which is 100% pre-leased, and The Breithaupt Block, Phase III, in Kitchener, which is also 100% pre-leased. All pre-leasing commitments are from outstanding knowledge-based organizations.

Looking forward, we expect our operating and development environment to be favourable in 2020. Our internal forecast for 2020 calls for mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. While we do not forecast NAV per unit growth in a given year, we do expect to propel further growth in 2020. We also expect to allocate a large amount of capital in 2020 with the same strategic coherence and discipline we demonstrated in 2019. We're currently committed to allocating $335 million to development and value-add activity, and we expect to allocate additional capital to accretive acquisitions.

It follows that we continue to have deep confidence in our strategy of operating, acquiring and developing distinctive urban workspace and UDCs in Canada's major cities. We firmly believe that our strategy is underpinned by the most important secular trends in Canadian and global real estate. We also firmly believe that we have the properties, the people and the platform necessary to execute our strategy for the ongoing benefit of our unitholders.

* * *

If you have any questions or comments, please don't hesitate to call me at (416) 977-0643 or e-mail me at **memory@alliedreit.com**.

Yours truly,

Michael Emory
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Management's Discussion and Analysis of Results of Operations and Financial Condition as at December 31, 2019

Section I
—*Overview*

Allied is an unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust ("Declaration") dated October 25, 2002, as amended and restated from time to time, most recently on May 12, 2016. Allied is governed by the laws of Ontario. Allied's units ("Units") are publicly traded on the Toronto Stock Exchange under the symbol "AP.UN". Additional information on Allied, including its annual information form, is available on SEDAR at *www.sedar.com*.

This Management's Discussion and Analysis ("MD&A") of results of operations and financial condition relates to the year ended December 31, 2019. Unless the context indicates otherwise, all references to "Allied", "we", "us" and "our" in this MD&A refer to Allied Properties Real Estate Investment Trust. The Board of Trustees of Allied, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

This MD&A has been prepared with an effective date of February 5, 2020, and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2019. Historical results and percentage relationships contained in this MD&A, including trends that might appear, should not be taken as indicative of future results, operations or performance. Unless otherwise indicated, all amounts in this MD&A are in thousands of Canadian dollars.

NON-IFRS MEASURES

Readers are cautioned that certain terms used in the MD&A such as Funds from Operations ("FFO"), Normalized Funds from Operations ("Normalized FFO"), Adjusted Funds from Operations ("AFFO"), Normalized Adjusted Funds from Operations ("Normalized AFFO"), Net Rental Income ("NRI") (a non-IFRS measure on a consolidated basis), Net Operating Income ("NOI"), "Same Asset NOI", Net Asset Value ("NAV"), Gross Book Value ("GBV"), Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Payout Ratio", "Interest Coverage", "Net Debt to Adjusted EBITDA" and any related per unit amounts used by Management of Allied to measure, compare and explain the operating results and financial performance of Allied 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.

These terms are defined in the MD&A and reconciled to the consolidated financial statements of Allied for the year ended December 31, 2019. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Other Financial Performance Measures", "Net Operating Income", "Debt" and "Financial Covenants".

Allied applies the equity method of accounting to its joint venture, TELUS Sky, as prescribed under IFRS. Any references to the financial statements refer to amounts as reported under IFRS unless referenced as "proportionate share" or "proportionate basis," which are non-IFRS measures and include the proportionate share of equity accounted investments. Management presents the proportionate share of its interests in joint arrangements that are accounted for using the equity method as it is viewed as more relevant in demonstrating Allied's performance and is the basis of many of Allied's key performance measures. Refer to Section III - Asset Profile, Section IV - Liquidity and Capital Resources, and Section V - Discussion of Operations, for a reconciliation of Allied's consolidated financial statements as presented under IFRS to the proportionate share basis.

FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws, including, among other things, statements concerning Allied's objectives and strategies to achieve those objectives, statements with respect to Management's beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not historical facts. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as "indicators", "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "continue" or similar expressions suggesting future outcomes or events. In particular, certain statements in the Letter to Unitholders, Section I—Overview, under the headings "Business Overview and Strategy", "Corporate Social Responsibility" and "Business Environment and Outlook", Section III—Asset Profile, under the headings "Rental Properties", and "Development Properties", Section IV—Liquidity and Capital Resources and Section IX - Risks and Uncertainties, constitute forward-looking information. This MD&A includes, but is not limited to, forward-looking statements regarding: completion of construction and lease-up in connection with Properties Under Development ("PUDs"); growth of our normalized FFO and normalized AFFO per unit; continued demand for space in our target markets; increase in operating income per square feet of gross leasable area ("GLA"); ability to extend lease terms; the creation of future value; estimated GLA, NOI and growth from PUDs; estimated costs of PUDs; future economic occupancy; return on investments, including yield on cost of PUDs; estimated rental NOI and anticipated rental rates; lease up of our intensification projects; anticipated available square feet of leasable area; Management's plans to put additional buildings forward for certification; our ability to achieve risk-adjusted returns on intensification; receipt of municipal approval for value-creation projects, including intensifications; and completion of future financings and availability of capital. Such forward-looking statements reflect Management's current beliefs and are based on information currently available to Management.

The forward-looking statements in this MD&A 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 in Section IX - Risks and Uncertainties, which could cause actual results, operations or performance to differ materially from the forward-looking statements in this MD&A. Those risks and uncertainties include risks associated with property ownership, property development, geographic focus, asset-class focus, competition for real property investments, financing and interest rates, government regulations, environmental matters, construction liability, taxation and cybersecurity. Material assumptions that were made in formulating the forward-looking statements in this MD&A include the following: that our current target markets remain stable, with no material increase in supply of directly-competitive office space; that acquisition capitalization rates remain reasonably constant; that the trend toward intensification within our target markets continues; and that the equity and debt markets continue to provide us with access to capital at a reasonable cost to fund our future growth and potentially refinance our mortgage debt as it matures. Although the forward-looking statements contained in this MD&A are based on what Management believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these statements.

All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Without limiting the generality of the foregoing, the discussion in the Letter to Unitholders, Section I— Overview and Section III—Asset Profile are qualified in their entirety by this forward-looking disclaimer. These statements are made as of February 5, 2020, and, except as required by applicable law, Allied undertakes no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

SUMMARY OF KEY FINANCIAL AND OPERATING PERFORMANCE MEASURES

The following table summarizes the key financial and operating performance measures for the periods listed below:

($000's except per-square foot, per-unit and financial ratios)	THREE MONTHS ENDED		YEAR ENDED		YEAR ENDED
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018	DECEMBER 31, 2017
Portfolio					
Number of properties [1]			**192**	175	170
Total rental GLA (000's of square feet)			**12,948**	11,192	11,268
Leased rental GLA (000's of square feet)			**12,278**	10,826	10,728
Leased area			**94.8%**	96.7%	95.2%
Occupied area			**94.4%**	96.3%	93.5%
Average in-place net rent per occupied square foot (period-end)			**22.88**	22.64	22.52
Renewal and replacement rate for leases maturing in the period			**84.9%**	90.6%	84.7%
Increase in net rent on maturing leases			**18.7%**	17.8%	17.8%
Investment properties [4]			**7,576,225**	6,257,647	5,627,439
Total assets [4]			**8,324,179**	6,706,271	5,823,632
Cost of PUD as % of GBV			**9.4%**	8.9%	6.5%
Unencumbered investment properties			**5,464,860**	4,266,900	2,925,135
Total debt [4]			**2,155,181**	1,957,611	1,959,877
Net asset value [4]			**5,717,699**	4,374,663	3,549,022
Annualized Adjusted EBITDA	**333,216**	273,984	**310,291**	267,550	252,753
Net debt	**1,943,899**	1,939,250	**1,943,899**	1,939,250	1,953,829
Net debt as a multiple of Annualized Adjusted EBITDA	**5.8x**	7.1x	**6.3x**	7.2x	7.7x
Adjusted EBITDA	**83,304**	68,496	**310,291**	267,550	252,753
Interest expense [4]	**15,838**	14,422	**60,826**	60,969	69,625
Adjusted EBITDA as a multiple of interest expense	**5.3x**	4.7x	**5.1x**	4.4x	3.6x
Rental revenue from investment properties [4]	**134,718**	112,889	**497,256**	436,396	419,263
NOI	**81,950**	70,371	**309,992**	272,285	250,344
Same Asset NOI - rental portfolio	**71,165**	68,653	**281,259**	266,669	238,166
Same Asset NOI - total portfolio	**72,127**	69,094	**286,388**	268,519	243,374
Net income excluding gain (loss) on disposal and fair value adjustments [3]	**55,711**	45,926	**210,994**	168,704	148,516
Net income	**264,960**	137,270	**629,223**	540,276	357,959
FFO	**66,304**	55,657	**251,083**	204,695	187,204

SUMMARY OF KEY FINANCIAL AND OPERATING PERFORMANCE MEASURES - *continued*

	THREE MONTHS ENDED		YEAR ENDED		YEAR ENDED
($000's except per-square foot, per-unit and financial ratios)	**DECEMBER 31, 2019**	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018	DECEMBER 31, 2017
Normalized FFO [2]	**68,181**	55,657	**255,102**	212,197	187,204
Normalized AFFO [2]	**56,741**	45,186	**215,632**	175,645	139,668
Distributions	**47,267**	40,817	**180,284**	153,855	135,177
Per unit:					
Net income excluding gain (loss) on disposal and fair value adjustments	**0.47**	0.44	**1.87**	1.72	1.69
Net income	**2.24**	1.32	**5.58**	5.51	4.07
FFO	**0.561**	0.535	**2.227**	2.089	2.127
Normalized FFO [2]	**0.577**	0.535	**2.263**	2.166	2.127
Normalized FFO payout ratio [2]	**69.3%**	73.3%	**70.7%**	72.5%	72.2%
Normalized FFO [2] excluding condo marketing costs	**0.583**	0.550	**2.301**	2.182	2.127
Normalized AFFO [2]	**0.480**	0.434	**1.913**	1.793	1.587
Normalized AFFO payout ratio [2]	**83.3%**	90.3%	**83.6%**	87.6%	96.8%
Normalized AFFO [2] excluding condo marketing costs	**0.487**	0.450	**1.951**	1.809	1.587
Distributions	**0.40**	0.39	**1.60**	1.56	1.53
Net asset value			**46.55**	42.12	38.19
Actual Units outstanding			**122,838,799**	103,861,945	92,935,150
Weighted average diluted Units outstanding	**118,248,550**	104,062,567	**112,731,050**	97,965,711	88,006,010
Financial Ratios		ALLIED'S TARGETS			
Total indebtedness ratio		<35%	**26.1%**	29.4%	33.8%
Secured indebtedness ratio		<45%	**9.1%**	12.5%	17.4%
Debt service coverage ratio		>1.50x	**2.5x**	2.2x	2.0x
Unencumbered property asset ratio		>1.40x	**3.9x**	3.8x	3.1x
Interest-coverage ratio - including interest capitalized		>3.0x	**3.3x**	3.2x	2.8x

(1) Allied changed the property count methodology to reflect the number of buildings in the portfolio. For example, CDM is marketed as one complex, but consists of six buildings. The comparative periods were restated to reflect the new methodology.

(2) In the third and fourth quarter of 2019, Allied incurred $2,563 and $3,455, respectively, of prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages, which was partially offset by incremental condominium profits of $1,999 in the year. In June 2018, Allied incurred $7,502 of prepayment cost in connection with the favourable refinancing of the first mortgage on 151 Front W, Toronto. Allied normalized the presentation of FFO and AFFO by excluding these items.

(3) Includes $26,152 of fair value adjustments related to an equity accounted investment (December 31, 2018 - $1,848).

(4) This measure is presented on either a proportionate consolidation or IFRS basis; refer to Section III, Section IV or Section V for a reconciliation of these measures.

BUSINESS OVERVIEW AND STRATEGY

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.

DISTINCTIVE URBAN WORKSPACE

Allied was known initially for its leading role in the emergence of Class I workspace in Toronto, a format created through the adaptive re-use of light industrial structures in the Downtown East and Downtown West submarkets. This format typically features high ceilings, abundant natural light, exposed structural frames, interior brick and hardwood floors. When restored and retrofitted to high standards, Class I workspace can satisfy the needs of the most demanding office and retail users. When operated in a coordinated manner, this workspace becomes a vital part of the urban fabric and contributes meaningfully to a sense of community.

Allied went public in 2003 for the express purpose of consolidating Class I workspace that was centrally located, distinctive and cost-effective. The consolidation that ensued was continuous, enabling Allied to evolve into a leading owner, manager and developer of distinctive urban workspace in Canada's major cities.

URBAN DATA CENTRE (UDC) SPACE

In addition to providing urban workspace, Allied provides network-dense UDC space in Downtown Toronto. Allied established this capability in 2009 through the acquisition of 151 Front W, the largest internet exchange point in Canada and the fifth largest in North America. Allied has since expanded this capability by retrofitting a portion of 905 King W and a portion of 250 Front W. Just as Allied's workspace does, this space provides knowledge-based businesses with distinctive urban environments for creativity and connectivity. Allied's deep expertise in adaptively re-using urban structures has contributed meaningfully to its success in operating network-dense data centre space in Downtown Toronto.

WORKSPACE INNOVATION

Allied's experience informed its approach to workspace innovation. Office users today value light, air and an open-plan. Abundant natural light and fresh air contribute enormously to human wellness and productivity. An open-plan improves collaboration and creativity. When people can move around and freely connect with one another, communication is improved, along with mutual understanding, and sparks of ingenuity occur.

Technology has contributed to workspace innovation. Light harvesting has made great strides, as has fresh air delivery. Raised-floor systems have made aesthetic and practical contributions in recent years. Aesthetically, they declutter the workspace and obviate the need for drop-ceilings. Practically, they improve air circulation by pressurizing the underfloor area and de-pressurizing the actual work environment. All this can be delivered to workspace users in an environmentally sustainable manner.

Workspace amenities have made an equivalent contribution to workspace innovation. While achievable to an extent within a single building, amenity-richness is best achieved within a surrounding urban neighbourhood. This in turn places a premium on clustering buildings within an amenity-rich urban neighbourhood.

Allied's experience with Class I workspace also increased its sensitivity to design. When people migrated to the suburbs in the 1950s, the sensitivity to design in the inner-cities seemed to diminish, if not disappear altogether. Heritage properties were destroyed to make way for non-descript, inward-looking buildings, and synthetic materials seemed to cover everything everywhere. Fortunately, design now matters, and design now pays. The workspace Allied created at QRC West in Toronto is an excellent example. Allied's architects came up with a creative and beautiful way to build a new office tower above two fully-restored heritage buildings. Although the design entailed additional cost, the ultimate economic and social return on the investment was exceptional. The design paid off in every conceivable way.

Finally, Allied's experience with Class I workspace put it at the forefront of creating workspace for the knowledge-based economy. This led Allied to place ever-greater emphasis on the ongoing relationship between the user and provider of workspace. Put differently, it led Allied to understand the need for a partnership-like relationship between itself and workspace users.

FOCUS AND DEFINITION

From the outset, Allied adhered to a clear investment and operating focus. It focused initially on the Class I format and continues to do so on a large scale in major urban centres in Canada. More recently, Allied expanded its focus to include hybrid structures like QRC West and King Portland Centre in Toronto and 425 Viger in Montréal, where heritage buildings were integrated with new structures in a way that resonated meaningfully with the knowledge-based organizations Allied serves. Allied will continue to do so on a large scale in major urban centres in Canada.

As Allied's business grew and evolved, it was defined not by the specific workspace format Allied owns, operates and develops, but rather by the workspace users Allied serves. If a particular format enables Allied to serve knowledge-based organizations better and more profitably, Allied will invest in it. The Well in Toronto is a good example. The workspace component will be a high-rise tower for the most part with no heritage element at all. However, because of its architecture, performance attributes and location within a vibrant and amenity-rich neighbourhood, it has attracted outstanding knowledge-based organizations.

Allied's acquisition of 700 de la Gauchetière Street West in Montréal ("700 DLG") in July of 2019 is another good example. Through a user-led transformation, a small portion of the workspace at 700 DLG was improved in a manner consistent with the distinctive urban workspace environments that Allied develops, owns and operates. In fact, this workspace is strikingly similar to workspace occupied by Ubisoft, Framestore, Spaces and Sun Life Financial at Allied's de Gaspé properties in Montréal. Allied intends (i) to work with existing and future users to continue this transformation over time and (ii) to transform the extensive public and common areas, all with a view to creating a comprehensively distinctive urban workspace environment at 700 DLG for knowledge-based organizations. In effect, Allied intends to complete on a vertical plane the kind of building transformation it has completed so often on a more horizontal plane. In doing so, Allied expects to augment its ability to serve knowledge-based organizations, as well as adding meaningful value to 700 DLG over a three- to five-year timeframe.

When Allied's business is defined by the workspace users it serves, the actual format becomes less important and the specific building attributes and neighbourhood amenities take on paramount importance. Accordingly, if a conventional office tower can be transformed to provide the specific attributes and amenities favoured by knowledge-based organizations, it falls squarely within Allied's investment and operating focus. This expands Allied's opportunity-set materially.

VISION AND MISSION

Allied's vision statement is as follows: *To make a continuous contribution to cities and culture that elevates and inspires the humanity in all of us*. In isolation, this could be seen as somewhat extravagant and nebulous, but it is fully grounded and informed by Allied's mission statement, which is as follows: *To provide knowledge-based organizations with distinctive urban workspace in a manner that is sustainable and conducive to human wellness, creativity, connectivity and diversity*. Like all such statements, Allied's vision and mission statements need elaboration.

From inception, Allied's approach to workspace was both humanistic and technical. Allied sees workspace from the vantage point of people who use it rather than people who invest in it. Allied sees workspace as optimal light and air, a flexible and open floorplan and a collaborative rather than feudal relationship between owner and user. Allied sees workspace as a product of aesthetic and technical design. Finally, Allied sees workspace as part of a large, amenity-rich, urban ecosystem rather than as an instance of the monumental isolation that characterizes so many conventional office towers.

Real estate is no longer a passive investment or a static tolling business. It is a profoundly human business that needs to keep pace with demographic and technological change, as well as the ongoing change in human attitudes and values. It needs to be run with future generations in mind. This means we have to run commercial real estate to save the global environment, not destroy it. It means we have to foster human wellness, not undermine it. It means we have to promote diversity, not impose uniformity. It means we have to facilitate creativity, not encourage conformity. Finally, it means we have to build and operate as city builders.

City builders see commercial real estate as an integral part of a much larger ecosystem of infrastructure, buildings and people. The ecosystem, of course, is the city. We can only build cities well if they endure, if they stand the test of time. This means cities have to be sustainable and conducive to human wellness, creativity, connectivity and diversity. Put differently, it means they have to elevate and inspire the humanity in all of us.

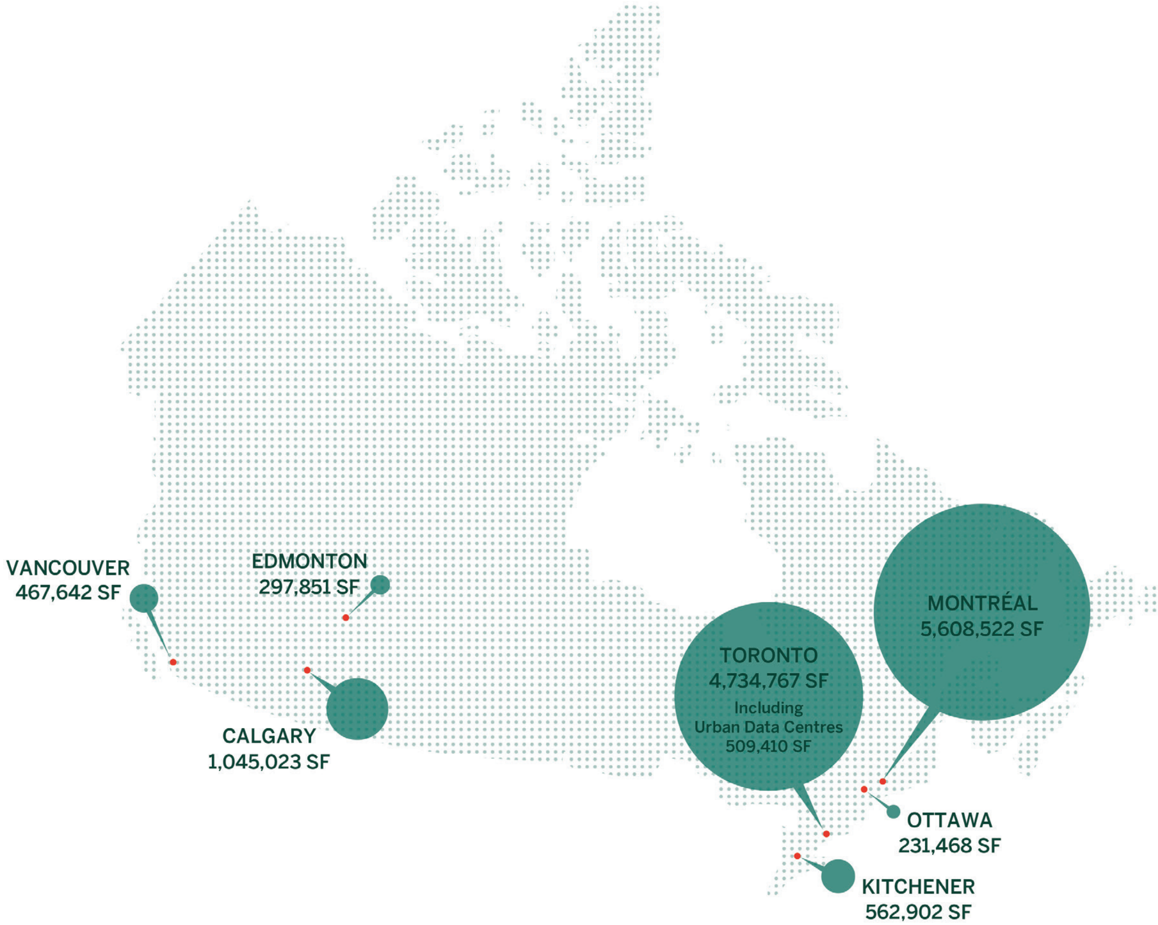
City building requires commitment, innovation and imagination, something Allied strives for on an ongoing basis. In an era of remarkable and continuous urban intensification, city building is essential to sustained profitability in real estate. Sporadic profitability is achievable without reference to the principles of city building. Merchant development of commoditized structures in a boom market illustrates this perfectly. Sustained profitability, on the other hand, requires adherence to the principles of city building. It follows that Allied's vision and mission statements are the aspirational context within which Allied pursues sustained profitability for the benefit of its unitholders.

PROPERTY MANAGEMENT

Allied's wholly owned subsidiary, Allied Properties Management Limited Partnership, provides property management and related services on a fee-for-services basis.

PROPERTY PORTFOLIO

Allied completed its initial public offering on February 20, 2003, at which time it had assets of $120 million, a market capitalization of $62 million and a local, urban-office portfolio of 820,000 square feet of GLA. As of December 31, 2019, Allied had assets of $8.3 billion, a market capitalization of $6.4 billion and rental properties with 12.9 million square feet of GLA in seven cities across Canada. The illustration below depicts the geographic diversity of Allied's rental portfolio.



ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2019, Allied completed the following property acquisitions from third parties:

PROPERTY	ACQUISITION DATE	ACQUISITION COST (1)	OFFICE GLA	RETAIL GLA	TOTAL GLA
738-11th SW, Calgary (2)	April 9, 2019	**6,145**	10,844	4,895	15,739
2233 Columbia, Vancouver	April 11, 2019	**25,074**	21,591	6,852	28,443
2-4 Stewart, Kitchener (3)	May 9, 2019	**1,791**	—	—	—
1050 Homer, Vancouver	May 27, 2019	**41,420**	28,483	14,215	42,698
53-55 Wellington, Kitchener (3)	June 3, 2019	**371**	—	—	—
1001 Rue Lenoir, Montréal	July 2, 2019	**82,091**	304,555	39,013	343,568
700 de la Gauchetière, Montréal	July 17, 2019	**335,714**	955,790	45,179	1,000,969
365 Railway, Vancouver	September 26, 2019	**18,988**	31,528	—	31,528
134-11th SE, Calgary (4)	November 28, 2019	**14,800**	73,352	—	73,352
Ancillary residential properties, Toronto (5)	—	**23,074**	—	—	—
Total		**$549,468**	1,426,143	110,154	1,536,297

(1) Purchase price plus transaction costs.
(2) This property is 50/50 co-owned with First Capital.
(3) These properties are 50/50 co-owned with Perimeter and are grouped with Breithaupt - Phase III in our PUD.
(4) 134-11th SE has a parking lot component containing 21 spaces.
(5) Allied acquired eight ancillary residential properties in 2019.

On January 14, 2020, Allied completed the purchase of 3530-3540 Saint-Laurent, Montréal, for a purchase price of $13,000.

On January 15, 2020, Allied completed the purchase of 4396-4410 Saint Laurent, Montréal, for a purchase price of $18,000.

On January 16, 2020, Allied completed the purchase of 54 The Esplanade, Toronto, for a purchase price of $25,000.

On January 28, 2020, Allied completed the purchase of 747 Square-Victoria, Montréal, for a purchase price of $276,000.

During the year ended December 31, 2019, Allied did not dispose of any investment properties.

CORPORATE SOCIAL RESPONSIBILITY

Allied is committed to sustainability as it relates to the physical environment within which it operates. Most of Allied's buildings were created through the adaptive re-use of structures built over a century ago. They are recycled buildings and the recycling has considerably less impact on the environment than new construction (of equivalent GLA) through things like embodied carbon and the reuse of materials. Equally, Allied's commitment to revitalizing neighborhoods strives to cultivate vibrant communities.

As a community builder, Allied has a responsibility to ensure its practices and operations create and leave a positive impact. A commitment to, and implementation of this is expressed and executed through Allied's Sustainable Wellbeing Program. The program is designed to incorporate Allied's business, from design to construction to operations and overall management. The program also incorporates the most important aspect of Allied's business - the people that serve, service and occupy Allied's buildings. This commitment means that Allied's Sustainable Wellbeing Program is not only core to the decision making process, but is being acted on every day.

With carbon reduction a primary focus of our operations, Allied is systematically deploying a multi-year energy budget. The budget allocates dedicated funds for capital projects that are focused on mitigating carbon emissions in Allied's portfolio. To the extent Allied undertakes new construction through development or intensification, it is committed to obtaining LEED certification. LEED certification is a program administered by the Canada Green Building Council for certifying the design, construction and operation of high-performance green buildings.

Allied is also attentive to the impact of its business on the human environment. Allied's investment and development activities can have a displacing impact on members of the artistic community. As building inventory in an area is improved, the cost of occupancy can become prohibitive. Allied believes that its buildings and users are best served if artists remain viable members of the surrounding communities. Accordingly, Allied has made a practice of allocating an appropriate portion of its rentable area to artistic uses on an affordable basis as part of its Make Room for the Arts Program, which celebrates the power of place to facilitate connectivity and creativity. The program allows Allied to leverage its expertise and its properties in order to support art, creativity and culture via strategic community partnerships. It is a compelling dimension of Allied's story, which can engage tenants, employees, investors and the broader community.

BUSINESS ENVIRONMENT AND OUTLOOK

As at December 31, 2019, Allied operated in seven urban markets in Canada – Toronto, Kitchener, Ottawa, Montréal, Calgary, Edmonton and Vancouver.

Allied expects its operating and development environments to remain favourable in 2020. Allied's internal forecast for 2020 contemplates 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 in a given year, Allied does expect to propel further growth in 2020. Allied does expect to allocate a large amount of capital in 2020 with the same strategic coherence and discipline demonstrated in 2019. Allied is currently committed to allocating $335 million to development and value-add activity in 2020, and expects to allocate additional capital to accretive acquisitions.

Allied has deep confidence in its strategy of operating, acquiring and developing distinctive urban workspace and 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 people and the platform necessary to execute its strategy for the ongoing benefit of its unitholders.

Section II
—Leasing

Allied strives to maintain high levels of occupancy and leased area. At December 31, 2019, Allied's rental portfolio was 94.8% leased.

STATUS

Leasing status for the rental portfolio as at December 31, 2019, is summarized below:

	GLA	AS A % OF TOTAL GLA [1]
Leased area (occupied & committed)		
December 31, 2018	**10,826,361**	**96.7%**
Vacancy committed for future leases	(52,374)	
Occupancy - December 31, 2018	**10,773,987**	**96.3%**
Previous committed vacant space now occupied	51,481	
New leases and expansions on vacant space	153,741	
New vacancies during the period	(245,740)	
Surrender / early termination agreements	(79,523)	
Suite additions, remeasurements and removals	91,435	
Occupancy (pre acquisitions, dispositions and transfers)	**10,745,381**	**95.3%**
Occupancy related to acquired properties	1,335,412	
Occupancy related to transfers from PUD	136,318	
Occupancy - December 31, 2019	**12,217,111**	**94.4%**
Vacancy committed for future leases	60,635	
Leased area (occupied & committed) December 31, 2019	**12,277,746**	**94.8%**

(1) Excludes properties under development.

Of 12,948,175 square feet total GLA in Allied's rental portfolio, 12,217,111 square feet were occupied by users on December 31, 2019. Another 60,635 square feet were subject to contractual lease commitments with users whose leases commence subsequent to December 31, 2019, bringing the leased area to 12,277,746 square feet, which represents 94.8% of Allied's total rental portfolio GLA.

The table below outlines the timing of the contractual lease commitments by commencement of occupancy:

FIXTURING COMMENCEMENT (OCCUPANCY)	Q1 2020	Q3 2020	Q1 2023	TOTAL
Lease commitments - GLA	52,154	2,931	5,550	60,635
% of lease commitments	86.0%	4.8%	9.2%	100%

In most instances, occupancy commences with a rent-free fixturing period prior to rent commencement. During the fixturing period, straight-line rent revenue is recognized, and no recoverable costs are paid by the user. Thereafter, recoverable costs are paid by the user and recognized as rental revenue. In cases where interest and realty taxes were being capitalized prior to occupancy (in accordance with International Financial Reporting Standards), capitalization ends on occupancy, partially offsetting the impact of rent recognition.

The table below outlines the timing of the contractual lease commitments by commencement of rent payment:

RENT COMMENCEMENT (ECONOMIC OCCUPANCY)	Q1 2020	Q2 2020	Q3 2020	Q2 2023	TOTAL
Lease commitments - GLA	10,424	7,576	37,085	5,550	60,635
% of lease commitments	17.2%	12.5%	61.1%	9.2%	100%

Allied monitors the level of sub-lease space being marketed in its rental portfolio. Below is a summary of sub-lease space being marketed by city as at December 31, 2019, and December 31, 2018:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Toronto	**66,845**	35,271
Kitchener	**1,429**	1,429
Montréal	**49,370**	35,670
Calgary	**55,889**	131,712
Edmonton	**2,416**	—
Vancouver	**9,819**	—
Total square feet	**185,768**	204,082
% of Total GLA	**1.4%**	1.8%

This level of marketed sublease space is consistent with past experience and does not represent an operating or leasing challenge.

ACTIVITY

Allied places a high value on user retention, as the cost of retention is typically lower than the cost of securing new users. When retention is neither possible nor desirable, Allied strives for high-quality replacement users.

Leasing activity in connection with the rental portfolio as at December 31, 2019, is summarized in the following table:

	LEASABLE SF	LEASED SF BY DECEMBER 31	% LEASED BY DECEMBER 31	UNLEASED SF AT DECEMBER 31
Unleased area on January 1, 2019, including re-measurement	371,307	214,091	57.7%	157,216
Maturities during the period ended December 31, 2019	974,095	827,410	84.9%	146,685

On January 1, 2019, 371,307 square feet of GLA was vacant. By the year ended December 31, 2019, Allied leased 214,091 square feet of this GLA, leaving 157,216 square feet unleased (net of vacancy transferred to PUD, if any).

Leases for 974,095 square feet of GLA matured in the period ending December 31, 2019, at the end of which Allied renewed or replaced leases totaling 827,410 square feet of GLA, leaving 146,685 square feet unleased.

For the year ended December 31, 2019, the table below summarizes the rental rates achieved for the leases expiring in 2019 that were either renewed or replaced. Overall, this has resulted in an increase of 18.7% in the net rent per square foot from maturing leases. This high increase stems from the material rent growth in Allied's primary target markets in Toronto.

LEASE RENEWALS/ REPLACEMENTS	FOR THE YEAR ENDED, DECEMBER 31, 2019		
	ABOVE IN-PLACE RENTS	AT IN-PLACE RENTS	BELOW IN-PLACE RENTS
% of Total leased SF	75.4%	7.4%	17.2%
Maturing leases in 2019 - Weighted average rent	$21.38	$38.01	$26.31
Renewals & Replacements - Weighted average rent	$28.20	$38.01	$18.15

USER PROFILE

The following sets out Allied's user-mix on the basis of percentage of rental revenue for the year ended December 31, 2019:

CATEGORY	% OF RENTAL REVENUE DECEMBER 31, 2019
Telecommunications and information technology	31.7%
Business services and professional	29.1%
Media and entertainment	13.4%
Retail (head office and storefront)	12.4%
Financial services	4.5%
Parking & other	4.0%
Government	3.1%
Educational and institutional	1.8%
	100.0%

The following sets out the percentage of rental revenue from top 10 users by rental revenue for the year ended December 31, 2019:

USER	% OF RENTAL REVENUE DECEMBER 31, 2019	WEIGHTED AVERAGE REMAINING LEASE TERM (YEARS)	CREDIT RATING DBRS/S&P/MOODY'S
Cloud Service Provider	5.1%	1.3	*-/AAA/Aaa
Ubisoft	2.8%	12.4	Not Rated
Cologix	2.7%	18.0	-/B-/B3
Equinix	2.4%	5.3	-/BBB-/Ba1
National Capital Commission, a Canadian Crown Corporation	1.8%	21.1	Not Rated
Shopify Inc.	1.7%	6.3	Not Rated
Morgan Stanley	1.5%	9.1	AH/BBB+/A3
Bell Canada	1.5%	15.9	BBBH/BBB+/Baa1
IBM Canada	1.5%	2.0	*-/A/A2
Entertainment One	1.2%	8.5	-/B+/Ba3
	22.2%	10.5	

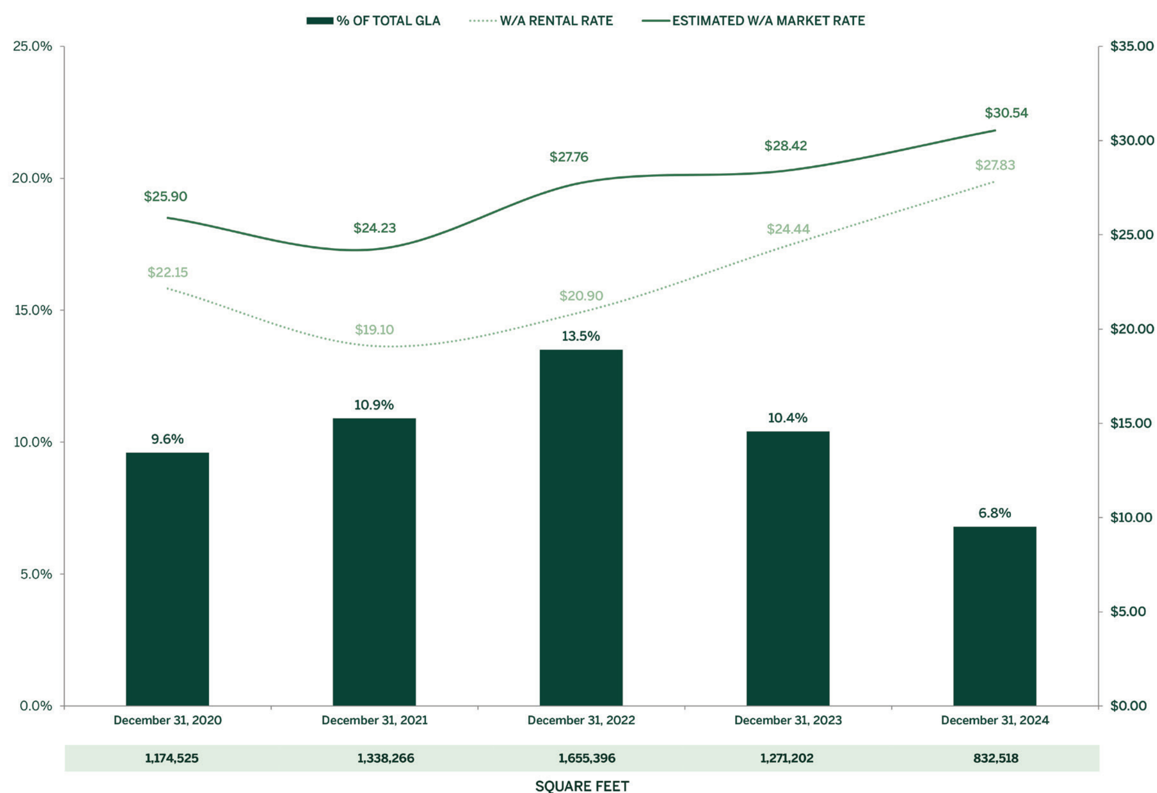
**Credit rating for parent company*

LEASE MATURITY

As at December 31, 2019, 94.8% of the GLA in Allied's rental portfolio was leased. The weighted average term to maturity of Allied's leases at that time was 5.9 years. The weighted average market net rental rate is based on Management's current estimates and is supported in part by independent appraisals of certain relevant properties. There can be no assurance that Management's current estimates are accurate or that they will not change with the passage of time.

The following table contains information on the urban workspace, retail and urban data centre leases that mature up to 2024 and the corresponding estimated weighted average market rental rate as at December 31, 2019. Where the renewal rate on maturity is contractually predetermined, it is reflected below as the market rental rate.

TOTAL RENTAL PORTFOLIO	SQUARE FEET	% OF TOTAL GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	1,174,525	9.6%	22.15	25.90
December 31, 2021	1,338,266	10.9%	19.10	24.23
December 31, 2022	1,655,396	13.5%	20.90	27.76
December 31, 2023	1,271,202	10.4%	24.44	28.42
December 31, 2024	832,518	6.8%	27.83	30.54



The following tables contain information on lease maturities by segment:

MONTRÉAL & OTTAWA	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	407,192	7.5%	12.65	14.54
December 31, 2021	717,004	13.1%	15.78	17.52
December 31, 2022	558,199	10.2%	17.94	19.60
December 31, 2023	335,607	6.2%	15.61	17.29
December 31, 2024	185,805	3.4%	16.80	16.09

TORONTO & KITCHENER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	439,784	9.3%	19.47	28.54
December 31, 2021	376,674	8.0%	19.68	33.32
December 31, 2022	861,863	18.2%	21.68	33.33
December 31, 2023	627,291	13.2%	25.07	35.57
December 31, 2024	346,032	7.3%	27.74	34.96

CALGARY, EDMONTON & VANCOUVER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	256,666	15.5%	15.21	13.34
December 31, 2021	220,465	13.3%	22.65	20.77
December 31, 2022	205,785	12.4%	18.84	19.04
December 31, 2023	286,004	17.3%	24.97	17.35
December 31, 2024	244,708	14.8%	21.29	19.14

URBAN DATA CENTRES	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	70,883	16.7%	118.46	120.22
December 31, 2021	24,123	5.7%	92.48	109.97
December 31, 2022	29,550	6.9%	73.54	76.29
December 31, 2023	22,301	5.2%	133.00	137.06
December 31, 2024	55,973	13.2%	96.62	101.01

Section III
—Asset Profile

The following table reconciles the consolidated balance sheet, on a proportionate basis, as at December 31, 2019, and December 31, 2018.

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Assets						
Non-current assets						
Investment properties	$7,469,265	$106,960	$7,576,225	$6,162,457	$95,190	$6,257,647
Residential inventory	114,910	—	114,910	103,690	—	103,690
Investment in joint venture and loan receivable	95,596	(95,596)	—	18,456	(18,456)	—
Loans and notes receivable	247,413	—	247,413	202,367	—	202,367
Other assets	39,788	—	39,788	28,518	—	28,518
	7,966,972	11,364	7,978,336	6,515,488	76,734	6,592,222
Current assets						
Cash and cash equivalents	208,914	2,368	211,282	18,059	302	18,361
Loans and notes receivable	3,863	—	3,863	11,077	—	11,077
Accounts receivable, prepaid expenses and deposits	129,944	754	130,698	45,838	2,161	47,999
Residential inventory	—	—	—	36,612	—	36,612
	342,721	3,122	345,843	111,586	2,463	114,049
Total assets	$8,309,693	$14,486	$8,324,179	$6,627,074	$79,197	$6,706,271

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Liabilities						
Non-current liabilities						
Debt	**$2,125,938**	**$—**	**$2,125,938**	$1,850,621	$—	$1,850,621
Other liabilities	**33,923**	**—**	**33,923**	—	—	—
Lease liabilities	**155,221**	**—**	**155,221**	156,663	—	156,663
	2,315,082	**—**	**2,315,082**	2,007,284	—	2,007,284
Current liabilities						
Debt	**29,243**	**—**	**29,243**	36,081	70,909	106,990
Accounts payable and other liabilities	**247,669**	**14,486**	**262,155**	209,046	8,288	217,334
	276,912	**14,486**	**291,398**	245,127	79,197	324,324
Total liabilities	**2,591,994**	**14,486**	**2,606,480**	2,252,411	79,197	2,331,608
Unitholders' equity	**5,717,699**	**—**	**5,717,699**	4,374,663	—	4,374,663
Total liabilities and Unitholders' equity	**$8,309,693**	**$14,486**	**$8,324,179**	$6,627,074	$79,197	$6,706,271

As at December 31, 2019, Allied's portfolio consisted of 192 investment properties (174 rental properties, eight development properties and 10 ancillary parking facilities), with a fair value of $7,576,225.

Changes to the carrying amounts of investment properties are summarized as follows:

	THREE MONTHS ENDED DECEMBER 31, 2019			YEAR ENDED DECEMBER 31, 2019		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL
Balance, beginning of year	$6,510,187	$755,510	$7,265,697	$5,592,216	$665,431	$6,257,647
Additions:						
Acquisitions	14,800	—	14,800	547,306	2,162	549,468
Improvement allowances [1]	5,102	—	5,102	37,755	4,961	42,716
Leasing commissions [1]	3,710	2,700	6,410	13,310	5,116	18,426
Capital expenditures [1]	19,666	69,586	89,252	55,428	250,227	305,655
Transfers from PUD	—	—	—	98,850	(98,850)	—
Transfers to PUD	—	—	—	(6,530)	6,530	—
Transfers to other assets	(152)	—	(152)	(152)	—	(152)
Finance leases	473	—	473	1,887	—	1,887
Amortization of straight-line rent and improvement allowances [1]	(6,909)	401	(6,508)	(24,882)	1,122	(23,760)
Fair value gain (loss) on investment properties [1]	207,338	(6,187)	201,151	439,027	(14,689)	424,338
Balance, end of year	$6,754,215	$822,010	$7,576,225	$6,754,215	$822,010	$7,576,225

(1) Includes Allied's proportionate share of the equity accounted investment for the following amounts for the three months and year ended December 31, 2019, respectively: improvement allowances of nil and $4,939; leasing commissions of $451 and $893; capital expenditures of $5,851 and $30,948; amortization of straight-line rent and improvement allowances of $407 and $1,142; and fair value loss on investment of $14,979 and $26,152.

For the year ended December 31, 2019, Allied capitalized $28,624 of borrowing costs, $21,442 of which related to development activity (including $2,431 relating to the equity accounted investment) and $1,968 to upgrade activity in the rental portfolio (250 Front W and 151 Front W). Allied capitalized $5,214 of borrowing costs to qualifying residential inventory.

The appraised fair value of investment properties is most commonly determined using the following methodologies:

Discounted cash flow method ("DCF method") - Under this approach, 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 ("NOI"), a non-GAAP measure, in the terminal year. This method is primarily used to value the rental properties portfolio.

Comparable sales method - 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 December 31, 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 4.98%, detailed in the table below:

OVERALL CAPITALIZATION RATE	DECEMBER 31, 2019			DECEMBER 31, 2018		
	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE $	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE $
Montréal & Ottawa	**5.00% - 7.00%**	**5.28%**	**$1,855,598**	5.00% - 7.25%	5.55%	$1,298,019
Toronto & Kitchener	**4.00% - 5.75%**	**4.62%**	**3,208,262**	4.00% - 6.00%	4.67%	2,747,929
Calgary, Edmonton & Vancouver	**3.75% - 7.00%**	**4.96%**	**752,405**	4.00% - 7.00%	5.23%	655,998
Urban Data Centres	**5.25% - 6.25%**	**5.60%**	**937,950**	5.50% - 6.25%	5.83%	890,270
Rental Properties	**3.75% - 7.00%**	**4.96%**	**$6,754,215**	4.00% - 7.25%	5.13%	$5,592,216
Properties Under Development	**5.00% - 7.00%**	**5.25%**	**822,010**	4.25% - 7.00%	5.01%	665,431
Total Investment Properties	**3.75% - 7.00%**	**4.98%**	**$7,576,225**	4.00% - 7.25%	5.13%	$6,257,647

RENTAL PROPERTIES

Allied's rental portfolio was built by consolidating the ownership of urban office properties and network-dense urban data centres. Scale within each city of focus proved to be important as Allied grew. It enabled Allied to provide users with greater expansion flexibility, more parking and better human and digital connectivity than its direct competitors. Scale across the country also proved to be important. It enabled Allied to serve national and global users better, to expand its growth opportunities and to achieve meaningful geographic diversification.

URBAN WORKSPACE

Allied has evolved into a leading owner, manager and developer of urban workspace in Canada's major cities. It currently owns 171 rental properties in seven Canadian cities. Listed below are Allied's top 10 office rental properties measured by Normalized Last Quarter Annualized ("LQA") NOI. Normalized LQA NOI is a non-IFRS measure, which represents the normalized results for the most recently completed quarter (excluding straight-line rent) multiplied by four. These properties represent 31.4% of the last quarter annualized NOI for the year ended December 31, 2019.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
Cité Multimédia, Montréal	$19,473	$403,650	5.00%	Desjardins, Morgan Stanley, SAP Canada
700 de la Gauchetière, Montréal (1)	16,957	322,500	—%	AON Canada Inc, Hydro-Québec, National Bank of Canada
Le Nordelec, Montréal	14,798	275,720	5.25%	Gsoft, Unity Technologies, Yellow Pages Media
QRC West, Toronto	12,097	283,700	4.25%	eOne, Sapient Canada
5455 de Gaspé, Montréal	8,251	136,310	5.25%	Attraction Media, Framestore, Ubisoft
555 Richmond W, Toronto	7,783	168,630	4.75%	Centre Francophone de Toronto, Synaptive
Vintage I & II, Calgary	6,126	71,260	5.75%	Royal & Sun Alliance
The Chambers, Ottawa (2)	6,056	132,650	—%	National Capital Commission
King Portland Centre, Toronto	6,046	145,250	4.28%	Indigo, Shopify
5445 de Gaspé, Montréal	5,429	98,670	5.50%	Sun Life, Ubisoft
Total	$103,016	$2,038,340	4.90%	

(1) Allied acquired 700 de la Gauchetière in the third quarter ended September 30, 2019; the appraised fair value is the purchase price.
(2) The Chambers is a leasehold interest property and the resulting valuation methodology is based on a full-term discounted cash flow model as there are less than 40 years remaining on the land lease.

NETWORK-DENSE URBAN DATA CENTRES

Allied operates three network-dense urban data centres ("UDCs") in downtown Toronto: 151 Front W ("151"), 250 Front W ("250") and 905 King W ("905"). Listed below are Allied's UDCs measured by normalized LQA NOI. UDCs represent 15.7% of the total normalized LQA NOI for the period ended December 31, 2019.

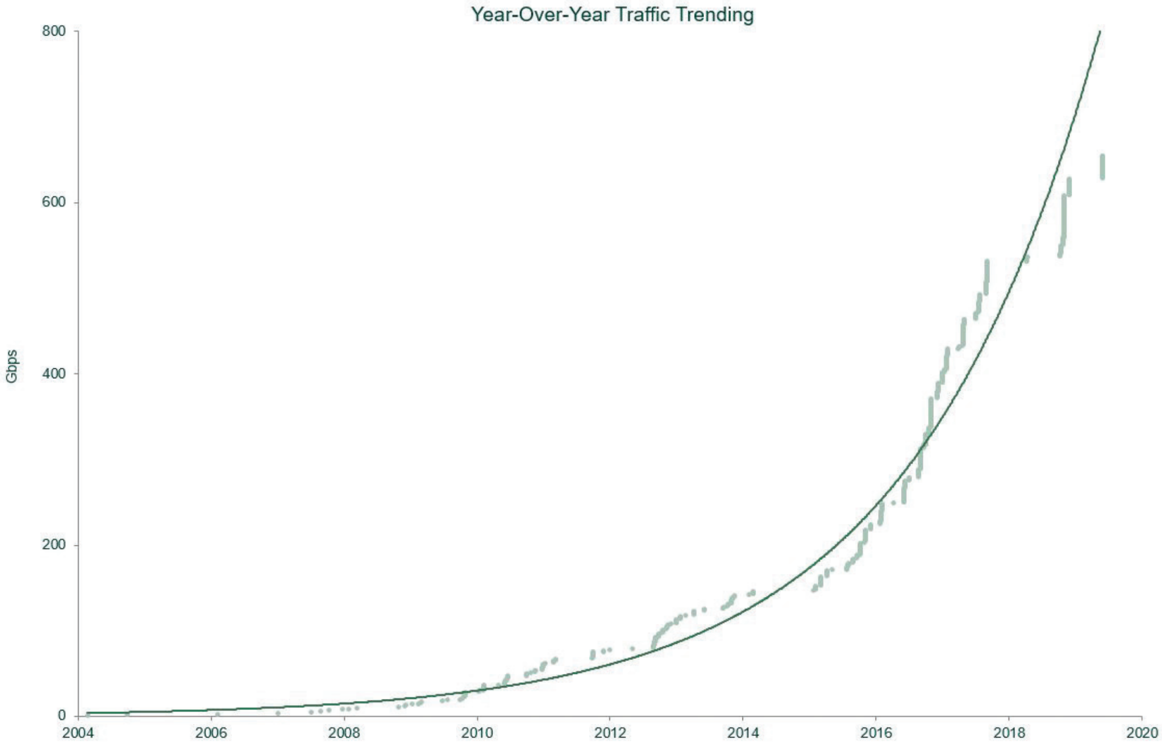
PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
151 Front W, Toronto	$32,636	$533,550	5.25%	Bell, Cologix, Equinix, Rogers, TELUS, TorIX, Zayo
250 Front W, Toronto	14,067	311,130	6.00%	AWS, Cloud Service Provider
905 King W, Toronto	4,604	93,270	6.25%	Beanfield, Cloud Service Provider, Cologix
Total	$51,307	$937,950	5.60%	

Regular rental revenue represented 91.5% of normalized LQA NOI from UDCs in 2019. Ancillary rental revenue represented 8.5% of normalized LQA NOI from UDCs. Ancillary rental revenue is comprised of revenue from the rental of conduit space, rack space and cross-connect space.

	NORMALIZED LQA NOI	% OF UDC
Regular rental revenue	$46,954	91.5%
Ancillary rental revenue	4,353	8.5%
Total normalized LQA NOI	$51,307	100%

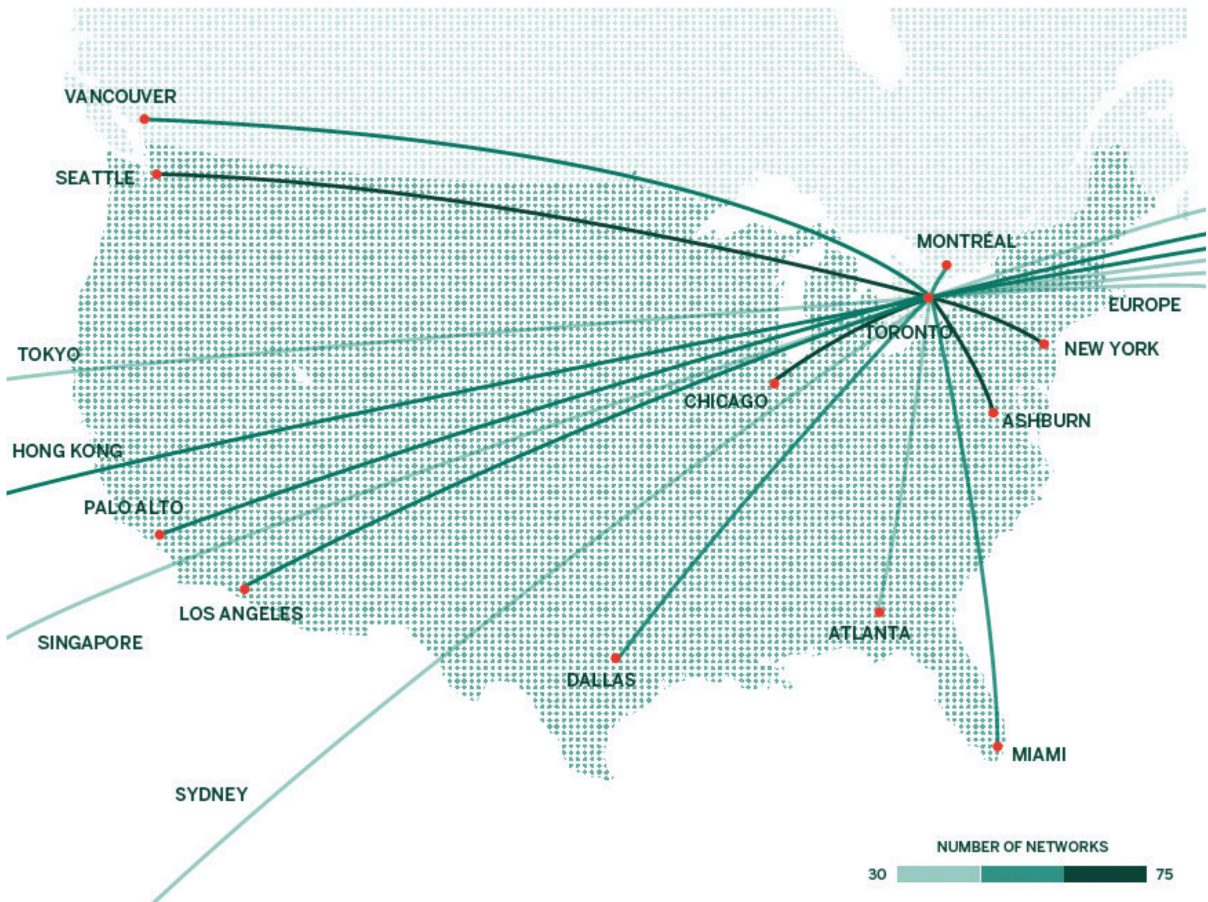
Allied acquired 151 in 2009 and has operated it very successfully since acquisition. 250 and 905 are connected to 151 via a multi-layered, diverse infrastructure of high-density fibre that Allied owns.

151 is the largest internet exchange point (IXP) in Canada and the fifth largest in North America. It houses Toronto Internet Exchange (TorIX), a not-for-profit organization that enables internet networks to connect and exchange traffic. With over 230 peers connecting, TorIX has experienced a steady and dramatic increase in traffic since 2009, with traffic in 2018 exceeding 530 gigabits per second. The traffic growth is illustrated below:



Source: TorIX Website

151 is a carrier-neutral facility. With a critical mass of carrier networks, TorIX and numerous other networks, 151 is Canada's hub for global connectivity and is the gateway to Canada for all major North American cities and numerous major international cities. This is illustrated below:



Source: PeeringDB.com

As a critical component of Canada's communications infrastructure, 151 is a network-dense urban data centre, distinct from conventional suburban data centres. The latter are analogous to interchanges on small highways. While valuable, they are relatively easy to replicate. 151 is analogous to a massive interchange on an intersecting series of super-highways. It is exceptionally valuable and very difficult to replicate.

151 has not historically generated ancillary rental revenue in the form of interconnection fees, even though there are 26,480 cross-connects in the two existing meet-me rooms. With 151 becoming the landing point for Crosslake Fibre's new fibre connection between Toronto and Buffalo, Allied will create a new meet-me room at 151, enabling it to generate ancillary rental revenue in the form of interconnection fees charged on a recurring monthly basis for cross-connects to the Crosslake's fibre.

Allied leases 173,000 square feet of GLA at 250 pursuant to a long-term lease that expires on February 28, 2061. As a result of substantial capital improvements completed by Allied, including high-density fibre connections to 151, 250 has become an important interconnected cloud-hosting facility in Canada, providing retail, wholesale and managed services.

Allied has two basic sources of rental revenue from 250. The largest source, direct rental revenue, derives from subleasing space to ultimate users. A smaller but material source, ancillary rental revenue, derives from interconnection fees charged on a recurring monthly basis for cross-connects that enable different types of users to interconnect with low-latency and redundancy, reducing network costs and improving network security and performance.

Allied expects that cross-connects at 250 will give rise to recurring ancillary rental revenue. Cross-connects utilize the existing infrastructure at 250 without occupying any of the unleased GLA or requiring additional capital expenditure by Allied.

Allied also owns 905. As a result of substantial capital improvements completed by Allied, including connecting it to 151 with high-density fibre, 58,666 square feet of GLA at the property has become an important urban data centre.

RENTAL PROPERTIES UNDERGOING INTENSIFICATION APPROVAL

One way Allied creates value is by intensifying the use of underutilized land. The land beneath the buildings in Toronto is significantly underutilized in relation to the existing zoning potential. This is also true of some of Allied's buildings in Kitchener, Montréal, Calgary, Edmonton, and Vancouver. These opportunities are becoming more compelling as the urban areas of Canada's major cities intensify. Since Allied has captured the unutilized land value at a low cost, it can achieve attractive risk-adjusted returns on intensification.

Allied began tracking the intensification potential inherent in the Toronto portfolio in the fourth quarter of 2007 (see our MD&A dated March 7, 2008, for the quarter and year ended December 31, 2007). At the time, the 46 properties in Toronto comprised 2.4 million square feet of GLA and were situated on 780,000 square feet (17.8 acres) of underutilized land immediately east and west of the Downtown Core. The 100 properties in Toronto (including properties in the development portfolio) now comprise 4.2 million square feet of GLA and are situated on 37.5 acres of underutilized land immediately east and west of the Downtown Core. With achievable rezoning, the underlying land in our Toronto portfolio could permit up to 10.7 million square feet of GLA, 6.5 million square feet more than currently is in place.

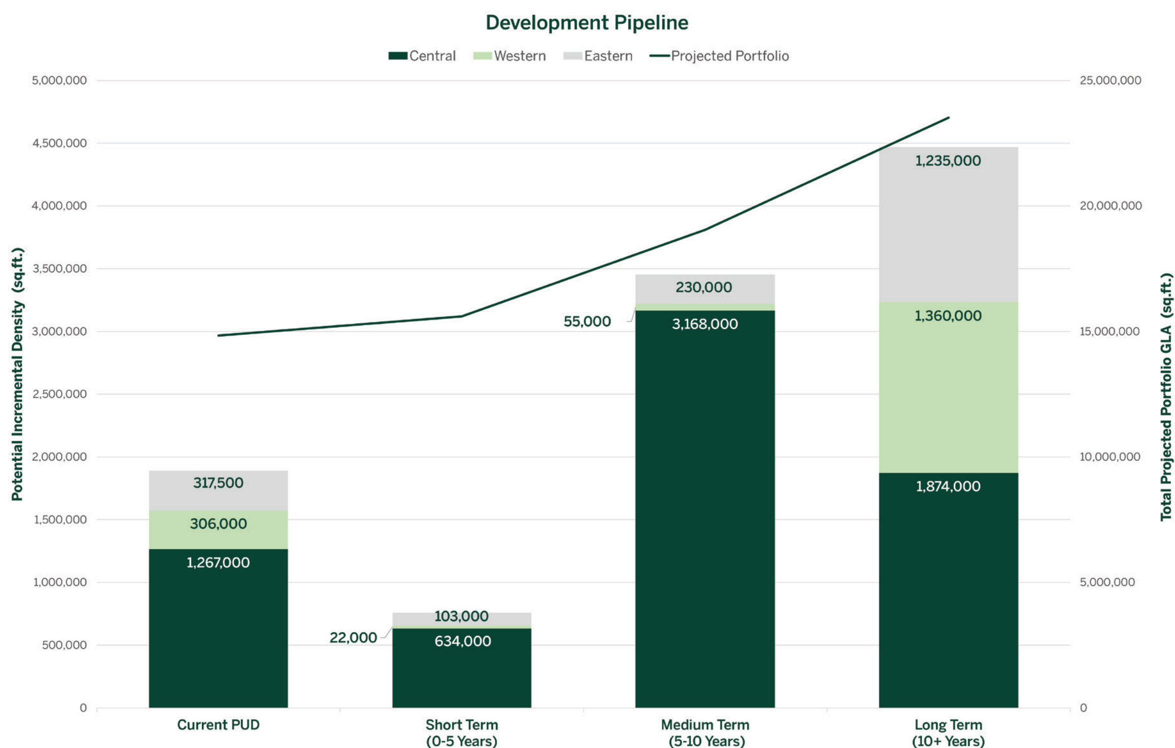
Allied entered the Montréal market in April of 2005. The 27 properties in Montréal now comprise 5.6 million square feet of GLA. As they are much larger buildings on average than those comprising the Toronto portfolio, the 39.1 acres of land on which they sit (immediately south, east and northeast of the Downtown Core) is more fully utilized than the land in the Toronto portfolio. Nevertheless, the underlying land in the Montréal portfolio could permit up to 7.5 million square feet of GLA, 1.9 million square feet more than currently is in place.

There is similar potential inherent in the rest of Allied's portfolio, which is quantified in the chart below. Across Canada on a portfolio-wide basis, there is 10.6 million square feet of potential incremental density, of which 1.9 million square feet is currently in PUD, and the remaining 8.7 million square feet is potential incremental density. Of the 8.7 million square feet of potential incremental density, 4.3 million square feet is reflected in the appraised fair values and the remaining 4.4 million square feet is not reflected in the appraised fair values.

Potential Incremental Density (in sq.ft.) - Geographic Breakdown

CITY	CURRENT GLA	CURRENT PUD (ESTIMATED ON COMPLETION)	POTENTIAL INCREMENTAL DENSITY	TOTAL POTENTIAL GLA
Toronto	4,225,357	1,120,000	5,344,000	10,689,357
Kitchener	562,902	147,000	332,000	1,041,902
Total Toronto & Kitchener	**4,788,259**	**1,267,000**	**5,676,000**	**11,731,259**
Toronto Urban Data Centres	509,410	—	—	509,410
Total Urban Data Centres	**509,410**	**—**	**—**	**509,410**
Montréal	5,608,522	317,500	1,568,000	7,494,022
Ottawa	231,468	—	—	231,468
Total Montréal & Ottawa	**5,839,990**	**317,500**	**1,568,000**	**7,725,490**
Calgary	1,045,023	306,000	1,148,000	2,499,023
Edmonton	297,851	—	230,000	527,851
Vancouver	467,642	—	59,000	526,642
Total Calgary, Edmonton & Vancouver	**1,810,516**	**306,000**	**1,437,000**	**3,553,516**
Total	**12,948,175**	**1,890,500**	**8,681,000**	**23,519,675**

The timing of development for the 8.7 million square feet of potential incremental density is impossible to predict with precision, however the chart below provides a reasonable estimate of when the potential could begin to be realized. One factor is our self-imposed limitation on development activity. The focus in the short-term and the long-term remains on the Toronto portfolio.



Allied has initiated the intensification approval process for five rental properties in Toronto and one rental property in Montréal, all of which are owned in their entirety. These properties are identified in the following table:

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	REZONING APPROVAL STATUS	USE	CURRENT GLA	ESTIMATED GLA ON COMPLETION	ESTIMATED COMPLETION
King & Peter (1)	$2,128	$81,080	Completed	Office, limited retail	86,250	790,000	Unscheduled
QRC West, Phase II (2)	1,268	36,030	Completed	Office, retail	32,624	90,000	2022
Union Centre	1,006	107,860	Completed	Office, limited retail	41,787	1,129,000	Unscheduled
King & Brant (3)	407	20,850	Completed	Office, retail	16,340	130,000	2022
Adelaide & Spadina (4)	282	25,000	Completed	Office, retail	11,015	230,000	Unscheduled
Le Nordelec	—	29,300	In Progress	Office	—	230,000	Unscheduled
Total	$5,091	$300,120			188,016	2,599,000	

(1) King & Peter is comprised of the following properties: 82 Peter and 388 King W.
(2) QRC West, Phase II is comprised of 375-381 Queen W.
(3) Allied has received permission to intensify 544 King W and 7-9 Morrison. The approval permits approximately 120,000 square feet of office space and 10,000 square feet of retail space. Allied is exploring the opportunity to increase the permitted leasable area.
(4) Adelaide & Spadina is comprised of 383-387 Adelaide W. 96 Spadina and 379 Adelaide W were previously included, but will now remain in the rental portfolio during future development activity.

Estimated GLA is based on applicable standards of area measurement and the expected or actual outcome of rezoning. These properties are currently generating NOI and will continue to do so until Allied initiates construction. With respect to the ultimate intensification of these properties, a significant amount of pre-leasing will be required on the larger projects before construction commences. The design-approval costs have been, and will continue to be, funded by Allied for its share.

DEVELOPMENT PROPERTIES

Development is another way to create value and a particularly effective one for Allied, given the strategic positioning of its portfolio in the urban areas of Canada's major cities. Urban intensification is the single most important trend in relation to Allied's business. Not only does it anchor Allied's investment and operating focus, it provides the context within which Allied creates value for its Unitholders. The pace of urban intensification is accelerating. Residential structures are moving inexorably upward, office structures are moving well beyond traditional boundaries and retailers are accepting new and different spatial configurations, all in an effort to exploit opportunity while accommodating the physical constraints of the inner-city. It has even reached a point where the migration to the suburbs that started in the 1950s is reversing itself. What was identified a few years back as an incipient trend has become a reasonably widespread reverse migration, with office users returning to the inner city to capture the ever more concentrated talent pools.

It is expected that development activity will become a more important component of Allied's growth as projects are completed. The expectation is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be successful lease-up of space in the development portfolio. The material assumption is that the office leasing market in the relevant markets remains stable. Pursuant to Allied's Declaration of Trust, the cost of Properties Under Development cannot exceed 15% of GBV. At the end of December 31, 2019, the cost of Allied's Properties Under Development was 9.4% of GBV (December 31, 2018 - 8.9%). This self-imposed limitation is intended to align the magnitude of Allied's development activity with the overall size of the business.

Properties Under Development consist of properties purchased with the intention of being developed before being operated and properties transferred from the rental portfolio once activities changing the condition or state of the property, such as the de-leasing process, commence.

Allied has the following eight Properties Under Development:

PROPERTY NAME	USE	ESTIMATED GLA ON COMPLETION (SF)	% OF OFFICE DEVELOPMENT LEASED
TELUS Sky, Calgary [(1)(2)]	Office, retail, residential	218,000	64%
425 Viger, Montréal [(3)]	Office, retail	317,500	95%
The Lougheed (604-1st SW), Calgary [(4)]	Office, retail	88,000	—
College & Manning, 547-549 College, Toronto [(1)]	Retail, residential	27,000	—
Adelaide & Duncan, Toronto [(1)(5)]	Office, retail, residential	230,000	100%
The Well, Toronto [(1)(6)]	Office, retail	763,000	84%
KING Toronto, Toronto [(1)(7)]	Office, retail	100,000	—
Breithaupt Phase III, Kitchener [(1)]	Office	147,000	100%
Total		1,890,500	81%

(1) *These properties are co-owned, reflected in the table above at Allied's ownership.*
(2) *The GLA components (in square feet) at our 33.33% share are as follows: 143,000 of office, 70,000 of residential and 5,000 of retail.*
(3) *The GLA components (in square feet) are as follows: 313,000 of office and 4,500 of retail.*
(4) *While initially working toward repositioning this property for a different use, Allied is now working toward restoring and retrofitting the property to the highest possible standards for workspace in the creative economy.*
(5) *The GLA components (in square feet) at our 50% share are as follows: 144,000 of residential, 77,000 of office and 9,000 of retail.*
(6) *Each of Allied and RioCan own an undivided 50% interest with an estimated total GLA of 3,100,000 square feet. The GLA components (in square feet) at our 50% share will be as follows: approximately 578,000 of office, 185,000 of retail, and the remaining is related to residential air rights. The air rights were sold by the co-ownership as previously announced, with closing expected to occur by 2021.*
(7) *Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The GLA components (in square feet) at our 50% share will be as follows: 200,000 of residential, 60,000 of retail and 40,000 of office.*

The following table sets out the fair value of Allied's Properties Under Development as at December 31, 2019, as well as Management's estimates with respect to the financial outcome on completion:

PROPERTY NAME	TRANSFER TO RENTAL PORTFOLIO	APPRAISED VALUE	ESTIMATED ANNUAL NOI	ESTIMATED TOTAL COST	ESTIMATED YIELD ON COST	ESTIMATED COST TO COMPLETE
TELUS Sky, Calgary [(1)]	Q1 2020	$106,960	$7,650 - $8,310	$145,000	5.3% - 5.7%	$4,310
425 Viger, Montréal	Q1 2020	123,240	6,500 - 7,000	99,881	6.5% - 7.0%	4,000
The Lougheed (604-1st SW), Calgary	Q1 2021	15,460	TBD	TBD	TBD	TBD
College & Manning, 547-549 College, Toronto [(1)]	Q1 2021	12,880	975 - 1,125	30,597	3.2% - 3.7%	13,400
Adelaide & Duncan, Toronto [(1)]	Q2 2021	84,550	10,125 - 11,500	190,600	5.3% - 6.0%	114,000
Breithaupt Phase III, Kitchener [(1) (2)]	Q4 2021	10,530	5,375 - 5,500	78,652	6.8% - 7.0%	65,600
The Well, Toronto [(1)]	Q1 2022	441,730	37,500 - 43,250	688,000	5.5% - 6.3%	296,300
KING Toronto, Toronto [(1) (3)]	Q1 2023	26,660	5,000 - 6,000	75,932	6.6% - 7.9%	43,500
Total		$822,010				

(1) *These properties are co-owned, reflected in the table above at Allied's ownership percentage of assets and liabilities.*
(2) *Breithaupt Phase III is comprised of 43 Wellington, 53 & 55 Wellington, 305 Joseph and 2-4 Stewart.*
(3) *Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The appraised value relates to the commercial component. The estimated total cost is net of the estimated gross proceeds from the sale of the residential inventory of $280,000 - $290,000.*

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.

Transfer to the rental portfolio occurs when the property is capable of operating in the manner intended by Management. Generally this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Estimated annual NOI is based on 100% economic occupancy. The most important factor affecting estimated annual NOI will be successful lease-up of vacant space in the development properties at current levels of net rent per square foot. The material assumption is that the office leasing market in the relevant markets remains stable. Estimated total cost includes acquisition cost, estimated total construction, financing costs and realty taxes. The material assumption made in formulating the estimated total cost is that construction and financing costs remain stable for the remainder of the development period. Estimated yield on cost is the estimated annual NOI as a percentage of the estimated total cost. Estimated cost to complete is the difference between the estimated total cost and the costs incurred to date.

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.

On September 19, 2017, Allied and its partner RioCan announced that they had finalized plans that would allow the co-owners to improve the return on the development of King Portland Centre. The co-owners had originally intended to develop the residential portion of the project as rental apartments and then decided to sell the residential portion as condominium units, comprised of 132 units. As of December 31, 2019, all units have been occupied for which $45,341 and $43,342 of revenue and related cost of sales, respectively, have been recognized in the consolidated statements of income and comprehensive income. Prior to 2019, a net fair value gain of $12,271 was recognized in condominium cost of sales on transfer of the property to residential inventory.

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. KING Toronto is a mixed-use property comprised of office, retail, and residential uses. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. The residential component will be developed and sold as condominiums. The sale of the residential units commenced in October 2018 and totals 210,000 square feet of GLA. Management expects the condominium sales to close in 2023.

Residential inventory is as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
King Portland Centre	$—	$36,612
KING Toronto	114,910	103,690
	$114,910	$140,302
Current	$—	$36,612
Non-current	114,910	103,690
	$114,910	$140,302

The changes in the aggregate carrying value of Allied's residential inventory is as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Balance, beginning of year	$140,302	$28,239
Acquisitions (1)	10,454	—
Dispositions (1)	(5,227)	—
Sale of residential units (2)	(43,342)	—
Development expenditures	12,723	8,373
Transfers from investment properties (3)	—	103,690
Balance, end of year	$114,910	$140,302

(1) On February 14, 2019, Allied acquired 464-466 Queen W, Toronto, at a purchase price of $10,454 and concurrently sold a 50% undivided interest to Westbank at a sale price of $5,227. This property will be transferred to the City of Toronto as parkland dedication related to the KING Toronto condominium development.

(2) Allied recognized condominium cost of sales for the 132 units occupied at King Portland Centre.

(3) On November 30, 2018, the fair market value of a portion of KING Toronto was transferred from investment property to inventory with the intention for future sale as condominium units.

DEVELOPMENT COMPLETIONS

PROPERTY	COMPLETION	INVESTMENT	STABILIZED NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
QRC West, Toronto	2015	$130,000	$12,097	9.3%	$283,700	$153,700	118.2%
The Breithaupt Block, Kitchener	2016	$25,020	$1,950	7.8%	$46,010	$20,990	83.9%
180 John, Toronto	2017	$27,500	$1,600	5.8%	$31,440	$3,940	14.3%
189 Joseph, Kitchener	2017	$11,360	$720	6.3%	$13,270	$1,910	16.8%

In addition to the development completions listed above, Allied most recently completed King Portland Centre, summarized below:

In 2012, Allied entered into an equal two-way joint arrangement with RioCan to develop King Portland Centre. Allied and RioCan each acquired an undivided 50% interest in 642 King W and 620 King W and subsequently put them into development, completing 642 King W in early 2018 and 620 King W in early 2019. They are comprised of 297,200 square feet of GLA (Allied's share 148,600 square feet) and are 99.7% leased. 602-606 King W is excluded from the figures below as they were never under development.

KING PORTLAND CENTRE	INVESTMENT	STABILIZED NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
Land Costs	$21,478					
Hard & Soft Costs	64,437					
Capitalized Interest & Operating Costs	5,033					
Condominium Profits	(14,270)					
Total Development Costs	**$76,678**	**$6,361**	**8.3%**	**$125,540**	**$48,862**	**63.7%**

The fair value is provided by our external appraiser, which is calculated based on the discounted cash flow method.

LOANS RECEIVABLE

As of December 31, 2019, total loans receivable outstanding is $245,303 (December 31, 2018 - $200,289).

In February 2015, Allied entered into a joint arrangement with Westbank and completed the acquisition of an undivided 50% interest in Adelaide & Duncan. Allied advanced $21,173 to Westbank. As at December 31, 2019, the loan receivable outstanding is $21,173 (December 31, 2018 - $21,173) and is secured by a first charge on the property and assignment of rents and leases. Interest on the loan is payable monthly. In accordance with the loan agreement, the rate increased to 7.75% per annum upon placement of construction financing (December 31, 2018 - 6.17%). The loan is repayable when the joint arrangement obtains external permanent financing.

On August 1, 2017, Allied entered into an arrangement with Westbank to provide a credit facility of up to $100,000, plus interest, for the land acquisition and the pre-development costs of 400 West Georgia in Vancouver. The facility will initially be secured by a first charge on the property and upon permanent financing, the facility will be secured by Westbank's covenant and a second charge with the construction lender having the first charge. On February 11, 2019, the facility was increased to $160,000. Interest accrues monthly at rates between 5.00% to 6.75% per annum in year one and is payable monthly at a rate of 6.75% per annum in each year thereafter until maturity. The credit facility matures on August 31, 2022, and has a one-year extension option to August 31, 2023. On placement of permanent financing, Allied intends to acquire a 50% undivided interest in 400 West Georgia based on total development costs. The loan outstanding as at December 31, 2019, is $106,292 (December 31, 2018 - $112,086).

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied advanced $67,030 to Westbank for its purchase of a 50% undivided interest in the property. As at December 31, 2019, the loan receivable outstanding is $77,765 (December 31, 2018 - $67,030) and bears interest at a rate of 7.00% per annum. Interest accrues monthly and is payable on loan repayment. The loan is repayable at the earlier of November 23, 2023, or the closing of the condominiums.

On March 18, 2019, Allied made an amendment to the joint arrangement with Perimeter to develop Breithaupt Phase III and a loan receivable arrangement to provide 50% of the pre-development costs. As at December 31, 2019, the loan receivable outstanding is $9,365 (December 31, 2018 - nil) and bears interest at a rate of 7.00% per annum. Interest accrues monthly and is payable on loan repayment. The loan is repayable upon completion of development and rent commencement, which is anticipated to be in the fourth quarter of 2021.

On July 31, 2019, Allied entered into an arrangement with Westbank to provide a credit facility of up to $185,000, plus interest, for the land acquisition and the pre-development costs of 720 Beatty Street in Vancouver. The funding will initially be secured by a first mortgage on the property for a fixed term and bears interest at a rate of 7.00% per annum. Interest accrues monthly and is payable on loan repayment. On placement of construction financing, the mortgage will be secured by a second charge with the construction lender having the first charge. The credit facility matures in six years following approval of the project by the British Columbia Utilities Commission. On placement of permanent financing, Allied intends to acquire a 50% undivided interest in 720 Beatty based on an agreed upon formula. The loan outstanding as at December 31, 2019, is $30,708 (December 31, 2018 - nil).

The table below summarizes the loans receivable as at December 31, 2019, and December 31, 2018.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Adelaide & Duncan	**$21,173**	$21,173
400 West Georgia	**106,292**	112,086
KING Toronto	**77,765**	67,030
Breithaupt Phase III	**9,365**	—
720 Beatty	**30,708**	—
Total loans receivable	**$245,303**	$200,289

Section IV

—Liquidity and Capital Resources

Allied's liquidity and capital resources are used to fund capital investments including development activity, leasing costs, interest expense and distributions to Unitholders. The primary source of liquidity is net operating income generated from rental properties, which is dependent on rental and occupancy rates, the structure of lease agreements, leasing costs, and the rate and amount of capital investment and development activity, among other variables.

Allied has financed its operations through the use of equity, mortgage debt secured by rental properties, construction loans, an unsecured operating line, senior unsecured debentures and unsecured term loans. Conservative financial management has been consistently applied through the use of long term, fixed rate, debt financing. Allied's objective is to maximize financial flexibility while continuing to strengthen the balance sheet. Management intends to achieve this by continuing to access the equity market, unsecured debenture market, unsecured loans and growing the pool of unencumbered assets, which totals $5.5 billion as at December 31, 2019.

DEBT

Total debt and net debt are non-IFRS financial measures and do not have any standard meaning prescribed by IFRS. As computed by Allied, total debt and net debt may differ from similar computations reported by other Canadian real estate investment trusts and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers total debt and net debt to be useful measures for evaluating debt levels and interest coverage. The following illustrates the calculation of total debt (net of transaction costs) and net debt as at December 31, 2019, and December 31, 2018:

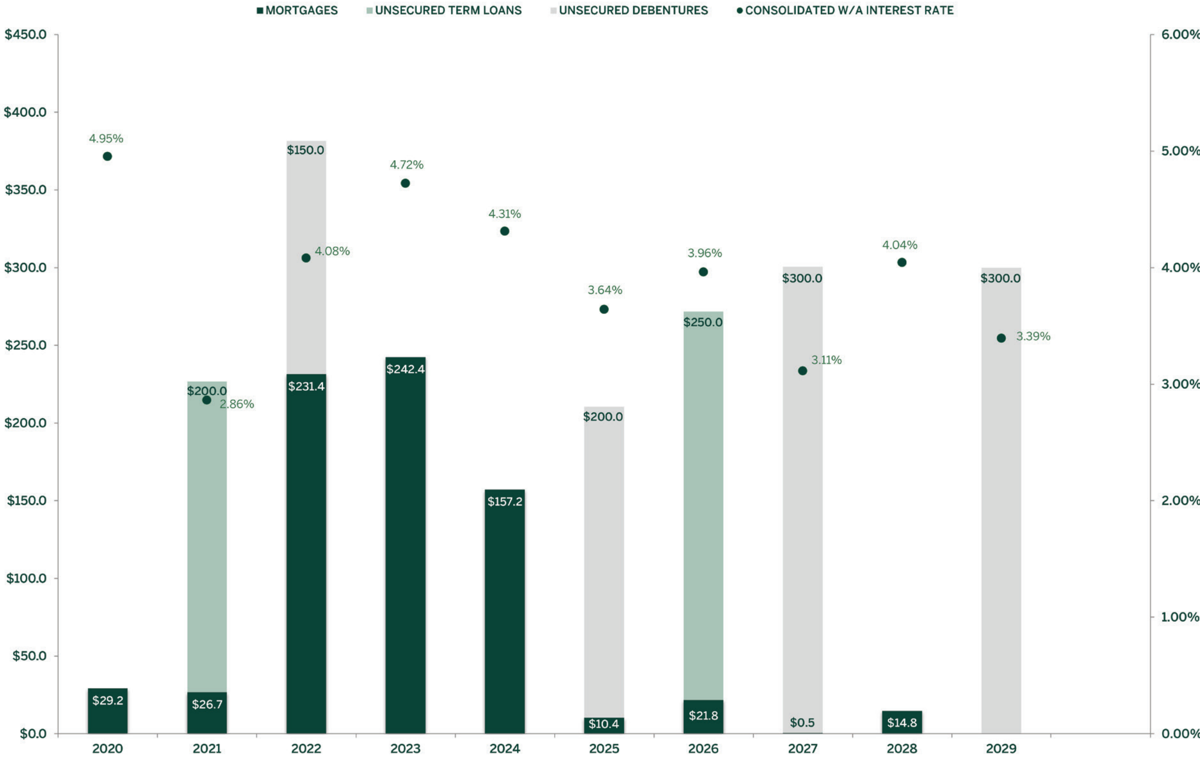
	DECEMBER 31, 2019	DECEMBER 31, 2018
Mortgages payable	$737,448	$769,473
Construction loans payable	23,210	—
Unsecured revolving operating facility	—	95,000
Senior unsecured debentures	945,369	573,320
Unsecured term loans	449,154	448,909
Total debt, IFRS basis	$2,155,181	$1,886,702
Add: share of joint venture	—	70,909
Total debt, proportionate share	$2,155,181	$1,957,611
Less cash and cash equivalents [1]	211,282	18,361
Net debt	$1,943,899	$1,939,250

(1) As of December 31, 2019, cash and cash equivalents attributable to TELUS Sky total $2,368 (December 31, 2018 - $302).

The table below summarizes the scheduled principal maturity for Allied's Mortgages Payable, Unsecured Debentures and Unsecured Term Loans:

	MORTGAGES PAYABLE	W/A INTEREST RATE OF MATURING MORTGAGES	SENIOR UNSECURED DEBENTURES	W/A INTEREST RATE	UNSECURED TERM LOANS	W/A INTEREST RATE	TOTAL	CONSOLIDATED W/A INTEREST RATE OF MATURING DEBT
2020	29,243	4.95%	—	—	—	—	29,243	4.95%
2021	26,668	—	—	—	200,000	2.86%	226,668	2.86%
2022	231,356	4.19%	150,000	3.93%	—	—	381,356	4.08%
2023	242,366	4.72%	—	—	—	—	242,366	4.72%
2024	157,198	4.31%	—	—	—	—	157,198	4.31%
2025	10,384	3.63%	200,000	3.64%	—	—	210,384	3.64%
2026	21,834	3.59%	—	—	250,000	3.99%	271,834	3.96%
2027	487	—	300,000	3.11%	—	—	300,487	3.11%
2028	14,750	4.04%	—	—	—	—	14,750	4.04%
2029	—	—	300,000	3.39%	—	—	300,000	3.39%
	$734,286	4.38%	$950,000	3.44%	$450,000	3.49%	$2,134,286	3.77%

The chart below summarizes the maturities of principal in regards to Allied's debt obligations as at December 31, 2019:



MORTGAGES PAYABLE

As of December 31, 2019, mortgages payable, net of financing costs, total $737,448 and have a weighted average stated interest rate of 4.38% (December 31, 2018 - 4.38%). The weighted average term of the mortgage debt is 3.8 years (December 31, 2018 - 4.6 years). The mortgages are secured by a first registered charge over specific investment properties and first general assignments of leases, insurance and registered chattel mortgages.

The following table contains information on the remaining contractual mortgage maturities:

	PRINCIPAL REPAYMENTS	BALANCE DUE AT MATURITY	DECEMBER 31, 2019	DECEMBER 31, 2018
2020	25,530	3,713	29,243	
2021	26,668	—	26,668	
2022	25,728	205,628	231,356	
2023	16,781	225,585	242,366	
2024	4,726	152,472	157,198	
2025	1,596	8,788	10,384	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
Mortgages, principal	$103,200	$631,086	$734,286	$771,916
Net premium on assumed mortgages			5,400	924
Net financing costs			(2,238)	(3,367)
			$737,448	$769,473

For the year ended December 31, 2019, in addition to regularly scheduled principal payments, Allied repaid mortgages totaling $172,642 with a weighted average interest rate of 4.22%.

CONSTRUCTION LOANS PAYABLE

As of December 31, 2019, and December 31, 2018, Allied's obligation under the construction loans is as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2019	DECEMBER 31, 2018
TELUS Sky	33.33%	October 31, 2019	$—	$70,909
Adelaide & Duncan	50.00%	August 11, 2023	23,210	—
			$23,210	$70,909

On June 23, 2015, the TELUS Sky joint arrangement obtained a $342,000 construction lending facility from a syndicate of Canadian banks for the TELUS Sky joint arrangement, in which Allied's 33.33% share is $114,000. On August 8, 2019, the date of maturity was extended by two months to October 31, 2019, and bears interest at bank prime plus 70 basis points or banker's acceptance rate plus 195 basis points. On October 31, 2019, Allied entered into a credit agreement to repay its share of the construction lending facility in its entirety. This resulted in lower interest cost and extended the weighted average term to maturity of Allied's debt. Allied is providing a joint and several guarantee to support the facility and is earning a related guarantee fee.

On January 31, 2019, the Adelaide & Duncan joint arrangement obtained a $270,000 construction lending facility from a syndicate of Canadian banks, in which Allied's 50% share is $135,000. The loan matures on August 11, 2023, and bears interest at bank prime plus 35 basis points or bankers' acceptance rate plus 135 basis points. Allied is providing a joint and several guarantee to support the construction facility for the Adelaide & Duncan development. On August 23, 2019, the Adelaide & Duncan joint arrangement entered into a swap agreement to fix 75% of construction costs up to $209,572 at 2.86%.

In September 2019, Allied and Perimeter received a commitment from a syndicate of Canadian banks for a construction loan for the Breithaupt Phase III joint arrangement, subject to execution of definitive financing documents and completion of customary financing conditions. The commitment is expected to fund up to $138,000 (Allied's 50% share being $69,000). The loan matures on December 2, 2022, and bears interest at bank prime or banker's acceptance rate plus 120 basis points. Allied is providing a joint and several guarantee to support the facility and is earning a related guarantee fee. The construction loan has no balance outstanding as at December 31, 2019.

UNSECURED REVOLVING OPERATING FACILITY

As of December 31, 2019, and December 31, 2018, Allied's obligation under the unsecured revolving operating facility is as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Unsecured Facility limit	**$400,000**	$400,000
Amounts drawn under the Unsecured Facility	**—**	(95,000)
Letters of credit outstanding under the Unsecured Facility	**(14,896)**	(14,404)
Remaining unused balance under the Unsecured Facility	**$385,104**	$290,596

As at December 31, 2019, Allied has access to an Unsecured Facility of $400,000 with a maturity of January 29, 2022. The Unsecured Facility bears interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points, subject to certain conditions being met. In the event that these conditions are not met, the Unsecured Facility will bear interest at bank prime plus 70 basis points or bankers' acceptance plus 170 basis points with a standby fee of 34 basis points. The Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $500,000. The Unsecured Facility has no balance outstanding as at December 31, 2019 (December 31, 2018 - $95,000).

On January 21, 2020, Allied amended the Unsecured Facility to extend the maturity to January 30, 2023. The Facility will bear interest at bank prime plus 20 basis points or bankers' acceptance plus 120 basis points with a standby fee of 24 basis points, subject to certain conditions being met. In the event that these conditions are not met, the Unsecured Facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

SENIOR UNSECURED DEBENTURES

As of December 31, 2019, and December 31, 2018, Allied's obligation under the senior unsecured debentures is as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	DECEMBER 31, 2019	DECEMBER 31, 2018
Series A	3.748%	May 13, 2020	May 13 and November 13	$—	$225,000
Series B	3.934%	November 14, 2022	May 14 and November 14	150,000	150,000
Series C	3.636%	April 21, 2025	April 21 and October 21	200,000	200,000
Series D	3.394%	August 15, 2029	February 15 and August 15	300,000	—
Series E	3.113%	April 8, 2027	April 8 and October 8	300,000	—
Unsecured Debentures, principal				$950,000	$575,000
Net premium on Unsecured Debentures				—	216
Net financing costs				(4,631)	(1,896)
				$945,369	$573,320

The Series A, B, C, D, and E debentures are collectively referred to as the "Unsecured Debentures".

On August 15, 2019, Allied issued $300,000 of 3.394% Series D Unsecured Debentures (the "Series D Debentures") due August 15, 2029, with semi-annual interest payments due on February 15 and August 15 of each year commencing February 15, 2020. Debt financing costs of $1,843 were incurred and recorded against the principal owing.

Proceeds from the Series D Debentures were used to redeem $225,000 of an aggregate principal amount of 3.748% Series A Debentures due May 13, 2020, in full, with a prepayment penalty of $2,563, repay amounts drawn on the Unsecured Facility in the amount of $55,000, and for general working capital purposes.

On October 8, 2019, Allied issued $300,000 of 3.113% Series E Unsecured Debentures (the "Series E Debentures") due April 8, 2027, with semi-annual interest payments due on April 8 and October 8 of each year commencing April 8, 2020. Debt financing costs of $1,760 were incurred and recorded against the principal owing.

Proceeds from the Series E Debentures were used to prepay $165,752 aggregate principal amount of first mortgages, with a prepayment penalty of $3,455, repay amounts drawn on the Unsecured Facility in the amount of $60,000, and to fund its development and value-add initiatives.

The respective financing costs and premium recognized are amortized using the effective interest method and recorded to Interest Expense.

UNSECURED TERM LOANS

As of December 31, 2019, and December 31, 2018, Allied's obligation under the unsecured term loans is as follows:

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2019	DECEMBER 31, 2018
Unsecured Term Loan	3.992%	January 14, 2026	Monthly	**$250,000**	$250,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	**100,000**	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	**100,000**	100,000
Unsecured Term Loans, principal				**$450,000**	$450,000
Net financing costs				**(846)**	(1,091)
				$449,154	$448,909

The Unsecured Term Loan and Unsecured Term Facility are collectively referred to as the "Unsecured Term Loans".

On December 14, 2018, Allied entered into a new Unsecured Term Loan with a financial institution for $250,000 at a rate of 3.992% due on January 14, 2024, with two one-year extensions to January 14, 2026. The proceeds from the loan were used to repay the $150,000 maturing term loan due on December 14, 2018, at a rate of 2.645% and the balance was used to reduce amounts drawn on the Unsecured Facility. Debt financing costs of $810 were incurred and recorded against the principal owing.

The respective financing costs are amortized using the effective interest method and recorded to Interest Expense.

CREDIT RATINGS

Allied's credit ratings for the Unsecured Debentures are summarized below:

DEBT	RATING AGENCY	LONG-TERM CREDIT RATING	TREND/OUTLOOK
Unsecured Debentures	DBRS	BBB	Positive
Unsecured Debentures	Moody's Investors Service	Baa2	Stable

DBRS Limited ("DBRS") provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. The minimum investment grade rating is "BBB (low)," with the highest rating being "AAA." On May 17, 2019, DBRS upgraded Allied's trend from stable to positive. On December 4, 2019, DBRS upgraded Allied's rating from BBB (low) to BBB, and maintained the positive trend.

On June 25, 2018, Moody's Investors Service Inc. ("Moody's") assigned Allied an issuer and an unsecured debt rating of "Baa3," with a stable rating outlook. The minimum investment grade rating is "Baa3," with the highest rating being "Aaa". On April 9, 2019, Moody's upgraded Allied's outlook from stable to positive. On October 30, 2019, Moody's upgraded Allied's rating from Baa3 to Baa2, with a stable outlook.

With these two ratings, Allied's ability to access the debt capital markets on favourable financial terms will be enhanced. Allied expects the ratings to be particularly helpful as Allied continues to fortify the balance sheet with a view to bringing added financial flexibility and discipline to the urban development program.

The above-mentioned ratings assigned to the Unsecured Debentures are not recommendations to buy, sell or hold any securities of Allied. Allied has paid customary rating fees to DBRS and Moody's in connection with the above-mentioned ratings. There can be no assurance that any rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by the rating agency if in its judgment circumstances so warrant.

FINANCIAL COVENANTS

The Unsecured Facility, Unsecured Term Loans and Unsecured Debentures contain numerous financial covenants. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. The related covenants are as follows:

UNSECURED FACILITY AND UNSECURED TERM LOANS

The following outlines the requirements of covenants as defined in the agreements governing the Unsecured Facility and Unsecured Term Loans.

COVENANT	THRESHOLD	DECEMBER 31, 2019	DECEMBER 31, 2018
Indebtedness ratio	Below 60%	**26.1%**	29.4%
Secured indebtedness ratio	Below 45%	**9.1%**	12.5%
Debt service coverage ratio	Consolidated adjusted EBITDA to be more than 1.5 times debt service payments	**2.5x**	2.2x
Equity maintenance	At least $1,250,000 plus 75% of future equity issuances ($2,683,314)	**5,717,699**	4,374,663
Unencumbered property assets value ratio	Unencumbered property assets to be more than 1.4 times total unsecured debt	**3.9x**	3.8%
Distribution payout ratio	Maintain distributions below 100% of FFO	**71.5%**	72.4%

SENIOR UNSECURED DEBENTURES

The following outlines the requirements of covenants specified in the trust indenture with respect to the Unsecured Debentures.

COVENANT	THRESHOLD	DECEMBER 31, 2019	DECEMBER 31, 2018
Pro forma interest coverage ratio	Maintain a 12-month rolling consolidated pro forma EBITDA of at least 1.65 times pro forma interest expense	**3.1x**	2.9x
Pro forma asset coverage test	Maintain net consolidated debt below 65% of net aggregate assets on a pro forma basis	**26.0%**	29.3%
Equity maintenance covenant	Maintain Unitholders' equity above $300,000	**5,717,699**	4,374,663
Pro forma unencumbered net aggregate adjusted asset ratio	Maintain pro forma unencumbered net aggregate adjusted assets above 1.4 times consolidated unsecured indebtedness	**4.4x**	4.2x

As of December 31, 2019, Allied was in compliance with the terms and covenants of the agreements governing the Unsecured Facility, the Unsecured Term Loans and the Unsecured Debentures.

A number of other financial ratios are also monitored by Allied, including net debt to EBITDA and EBITDA as a multiple of interest expense. These ratios are presented in Section I—Overview.

UNITHOLDERS' EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the year ended December 31, 2019, and for December 31, 2018.

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	UNITS	AMOUNT	UNITS	AMOUNT
Units, beginning of year	**103,861,945**	**$2,835,395**	92,935,150	$2,399,768
Restricted Unit plan (net of forfeitures)	**—**	**(2,462)**	—	(2,584)
Unit option plan - options exercised	**277,854**	**10,437**	84,595	3,043
Unit offering	**18,699,000**	**882,102**	10,842,200	435,168
Units, end of year	**122,838,799**	**$3,725,472**	103,861,945	$2,835,395

As at February 5, 2020, 122,838,799 Trust Units and 1,213,310 options to purchase Units were issued and outstanding.

On December 4, 2019, Allied raised gross proceeds of $345,449 through the issuance of 6,555,000 Units at a price of $52.70 per unit. Costs relating to the issuance totaled $14,568 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On June 19, 2019, Allied raised gross proceeds of $345,524 through the issuance of 7,176,000 Units at a price of $48.15 per unit. Costs relating to the issuance totaled $14,571 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On March 7, 2019, Allied raised gross proceeds of $230,018 through the issuance of 4,968,000 Units at a price of $46.30 per unit. Costs relating to the issuance totaled $9,750 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On September 26, 2018, Allied raised gross proceeds of $155,264 through the issuance of 3,548,900 Units at a price of $43.75 per unit. Costs relating to the issuance totaled $6,760 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On June 22, 2018, Allied raised gross proceeds of $299,025 through the issuance of 7,293,300 Units at a price of $41.00 per unit. Costs relating to the issuance totaled $12,361 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

Allied does not hold any of its own Units, nor does Allied reserve any Units for issue under options and contracts.

The table below represents weighted average Units outstanding for:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Basic	**117,917,803**	103,859,370	**112,443,006**	97,785,091
Unit Option Plan	**330,747**	203,197	**288,044**	180,620
Fully diluted	**118,248,550**	104,062,567	**112,731,050**	97,965,711

NORMAL COURSE ISSUER BID

On February 20, 2019, Allied received approval from the Toronto Stock Exchange ("TSX") for the renewal of its normal course issuer bid ("NCIB"), which entitles Allied to purchase up to 10,205,838 of its outstanding Units, representing approximately 10% of its public float as at February 14, 2019. The NCIB commenced February 22, 2019, and will expire on February 21, 2020, or such earlier date as Allied completes its purchases pursuant to the NCIB. All purchases under the NCIB will be made on the open market through the facilities of the TSX or alternate trading systems in Canada at market prices prevailing at the time of purchase. Any Units that are repurchased will either be cancelled or delivered to participants under Allied's Restricted Unit Plan or to employees pursuant to Allied's employee programs.

During the year ended December 31, 2019, Allied purchased 52,162 Units for $2,513 at a weighted average price of $48.18 per unit under its NCIB program, of which 51,858 were purchased for delivery to participants under Allied's Restricted Unit Plan and 304 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

During the year ended December 31, 2018, Allied purchased 62,044 Units for $2,598 at a weighted average price of $41.87 per unit under its NCIB program, of which 61,733 Units were purchased for delivery to participants under Allied's Restricted Unit Plan and 311 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

UNIT OPTION AND RESTRICTED UNIT PLANS

Allied adopted a Unit Option Plan providing for the issuance, from time to time, at the discretion of the trustees, of options to purchase Units for cash. Participation in the Unit Option Plan is restricted to certain employees of Allied. The Unit Option Plan complies with the requirements of the Toronto Stock Exchange. The exercise price of any option granted will not be less than the closing market price of the Units on the day preceding the date of grant. The term of the options may not exceed ten years. Options granted prior to February 22, 2017 vest evenly over three years; options granted subsequently vest evenly over four years from the date of grant. All options are settled in Units.

At December 31, 2019, Allied had issued options to purchase 1,213,310 Units outstanding, of which 604,445 had vested. At December 31, 2018, Allied had options to purchase 1,169,497 Units outstanding, of which 596,331 had vested.

For the year ended December 31, 2019, Allied recorded a share-based payment expense related to options of $1,583 in general and administrative expense in the consolidated statements of income and comprehensive income (for the year ended December 31, 2018 - $1,346).

In March 2010, Allied adopted a restricted unit plan (the "Restricted Unit Plan"), whereby restricted Units ("Restricted Units") are granted to certain key employees and trustees, at the discretion of the Board of Trustees. The Restricted Units are purchased in the open market. Employees who are granted Restricted Units have the right to vote and to receive distributions from the date of the grant. The Restricted Units vest as to one-third on each of the three anniversaries following the date of the grant. Whether vested or not, without the specific authority of the Governance and Compensation Committee, the Restricted Units may not be sold, mortgaged or otherwise disposed of for a period of six years following the date of the grant. The Restricted Unit Plan contains provisions providing for the forfeiture within specified time periods of unvested Restricted Units in the event the employee's employment is terminated. At December 31, 2019, Allied had 287,023 Restricted Units outstanding (December 31, 2018 – 267,420).

For the year ended December 31, 2019, Allied recorded a share-based payment expense related to Restricted Units of $2,437 in general and administrative expense in the consolidated statements of income and comprehensive income (for the year ended December 31, 2018 - $2,247).

DISTRIBUTIONS TO UNITHOLDERS

Allied is focused on increasing distributions to its Unitholders on a regular and prudent basis. During the first 12 months of operations, Allied made regular monthly distributions of $1.10 per unit on an annualized basis. The distribution increases since then are set out in the table below:

	MARCH, 2004	MARCH, 2005	MARCH, 2006	MARCH, 2007	MARCH, 2008	DECEMBER, 2012
Annualized increase per unit	$0.04	$0.04	$0.04	$0.04	$0.06	$0.04
% increase	3.6%	3.5%	3.4%	3.3%	4.8%	3.0%
Annualized distribution per unit	$1.14	$1.18	$1.22	$1.26	$1.32	$1.36

	DECEMBER, 2013	DECEMBER, 2014	DECEMBER, 2015	DECEMBER, 2016	DECEMBER, 2017	DECEMBER, 2018	JANUARY 2020
Annualized increase per unit	$0.05	$0.05	$0.04	$0.03	$0.03	$0.04	$0.05
% increase	3.7%	3.5%	2.7%	2.0%	2.0%	2.6%	3.1%
Annualized distribution per unit	$1.41	$1.46	$1.50	$1.53	$1.56	$1.60	$1.65

SOURCES OF DISTRIBUTIONS

For the three months and year ended December 31, 2019, Allied declared $47,267 and $180,284, respectively in distributions (three months and year ended December 31, 2018 - $40,817 and $153,855, respectively).

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Distributions declared	**$47,267**	$40,817	**$180,284**	$153,855
Net income	**$264,960**	$137,270	**$629,223**	$540,276
Cash flows provided by operating activities	**$67,577**	$72,085	**$245,650**	$236,748
Normalized AFFO excluding condo marketing costs	**$57,551**	$46,795	**$219,967**	$177,254
Excess of net income over distributions declared	**$217,693**	$96,453	**$448,939**	$386,421
Excess of cash flows provided by operating activities over distributions declared	**$20,310**	$31,268	**$65,366**	$82,893
Excess of cash provided by normalized AFFO over distributions declared	**$10,284**	$5,978	**$39,683**	$23,399

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 2019.

In determining the amount of distributions to be made to Unitholders, Allied's Board of Trustees consider many factors, including provisions in its Declaration of Trust, macro-economic and industry specific environments, the overall financial condition of Allied, future capital requirements, debt covenants, and taxable income. In accordance with Allied's distribution policy, Management and the Board of Trustees regularly review Allied's rate of distributions to ensure an appropriate level of cash and non-cash distributions. Management anticipates that distributions declared will, in the foreseeable future, continue to vary from net income as net income includes fair value adjustments and other non-cash items. While cash flows from operating activities are generally sufficient to cover distribution requirements, timing of expenses and seasonal fluctuations in non-cash working capital may result in a shortfall. These seasonal or short-term fluctuations will be funded, if necessary, by the Unsecured Facility. As such, the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Based on current facts and assumptions, Management does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

The current rate of distribution amounts to $1.65 per unit per annum (December 31, 2018 - $1.60 per unit per annum).

COMMITMENTS

At December 31, 2019, Allied had future commitments as set out below, excluding the amount held within equity accounted investments:

	DECEMBER 31, 2019
Capital expenditures and committed acquisitions	$687,242

Commitments as at December 31, 2019, and December 31, 2018, of $1,238 and $719 were held within equity accounted investments.

The above does not include Allied's lease liability commitments, which are disclosed in Note 12 of the consolidated financial statements for the year ended December 31, 2019.

Section V

—Discussion of Operations

The following sets out summary information and financial results for the three months and year ended December 31, 2019, and the comparable period in 2018. Unless otherwise noted, the figures in this section represents proportionate basis of accounting.

NET INCOME AND COMPREHENSIVE INCOME

The following table reconciles the consolidated statement of income and comprehensive income, on a proportionate basis, for the three months and year ended December 31, 2019, and December 31, 2018.

	THREE MONTHS ENDED					
	DECEMBER 31, 2019			DECEMBER 31, 2018		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Rental revenue from investment properties	**$134,306**	**$412**	**$134,718**	$112,889	$—	$112,889
Property operating costs	**(59,174)**	**(102)**	**(59,276)**	(47,925)	—	(47,925)
Net rental income	**75,132**	**310**	**75,442**	64,964	—	64,964
Condominium revenue	**30,600**	**—**	**30,600**	—	—	—
Condominium cost of sales	**(29,022)**	**—**	**(29,022)**	—	—	—
Condominium profits	**1,578**	**—**	**1,578**	—	—	—
Operating income	**$76,710**	**$310**	**$77,020**	$64,964	$—	$64,964
Interest expense	**(19,202)**	**(91)**	**(19,293)**	(14,422)	—	(14,422)
General and administrative expenses	**(5,990)**	**—**	**(5,990)**	(5,220)	—	(5,220)
Condominium marketing expenses	**(904)**	**94**	**(810)**	(1,609)	—	(1,609)
Amortization of other assets	**(365)**	**—**	**(365)**	(360)	—	(360)
Interest income	**5,149**	**—**	**5,149**	2,573	—	2,573
Fair value gain on investment properties	**216,130**	**(14,979)**	**201,151**	101,395	(1,024)	100,371
Fair value gain (loss) on derivative instruments	**8,098**	**—**	**8,098**	(10,034)	—	(10,034)
Net loss from joint venture	**(14,666)**	**14,666**	**—**	(1,024)	1,024	—
Gain on disposal of investment properties	**—**	**—**	**—**	1,007	—	1,007
Net income and comprehensive income	**$264,960**	**$—**	**$264,960**	$137,270	$—	$137,270

	YEAR ENDED					
	DECEMBER 31, 2019			DECEMBER 31, 2018		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Rental revenue from investment properties	**$496,109**	**$1,147**	**$497,256**	$436,396	$—	$436,396
Property operating costs	**(210,747)**	**(277)**	**(211,024)**	(185,938)	—	(185,938)
Net rental income	**285,362**	**870**	**286,232**	250,458	—	250,458
Condominium revenue	**45,341**	**—**	**45,341**	—	—	—
Condominium cost of sales	**(43,342)**	**—**	**(43,342)**	—	—	—
Condominium profits	**1,999**	**—**	**1,999**	—	—	—
Operating income	**$287,361**	**$870**	**$288,231**	$250,458	$—	$250,458
Interest expense	**(66,403)**	**(441)**	**(66,844)**	(68,471)	—	(68,471)
General and administrative expenses	**(21,953)**	**—**	**(21,953)**	(17,059)	—	(17,059)
Condominium marketing expenses	**(4,214)**	**(121)**	**(4,335)**	(1,609)	—	(1,609)
Amortization of other assets	**(1,456)**	**—**	**(1,456)**	(1,556)	—	(1,556)
Interest income	**17,351**	**—**	**17,351**	6,941	—	6,941
Fair value gain on investment properties	**450,490**	**(26,152)**	**424,338**	378,883	(1,848)	377,035
Fair value (loss) on derivative instruments	**(6,109)**	**—**	**(6,109)**	(6,470)	—	(6,470)
Net loss from joint venture	**(25,844)**	**25,844**	**—**	(1,848)	1,848	—
Gain on disposal of investment properties	**—**	**—**	**—**	1,007	—	1,007
Net income and comprehensive income	**$629,223**	**$—**	**$629,223**	$540,276	$—	$540,276

Net income and comprehensive income for the three months and year ended December 31, 2019, increased by $127,690 and $88,947, respectively, over the comparable period in 2018. Excluding the effect of the prepayment cost, condominium profits, fair value changes on investment properties and derivative instruments, net income for the three months and year ended December 31, 2019, was up by $11,662 and $38,807, respectively, from the same period in the prior year. This was primarily due to an increase in net rental and interest income, partially offset by higher general and administrative expenses.

NET OPERATING INCOME ("NOI")

NOI is a non-IFRS financial measure and should not be considered as an alternative to net income or net income and comprehensive income, cash flow from operating activities or any other measure prescribed under IFRS. NOI does not have any standardized meaning prescribed by IFRS. As computed by Allied, NOI may differ from similar computations reported by other Canadian real estate investment trusts and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers NOI to be a useful measure of performance for rental properties. Effective for the year ended December 31, 2019, NOI includes an adjustment to exclude the condominium revenue and cost of sales. Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

Allied operates in seven urban markets — Montréal, Ottawa, Toronto, Kitchener, Calgary, Edmonton and Vancouver. For the purpose of analyzing NOI, Allied groups the cities by geographic location.

Over the past year, Allied's real estate portfolio has grown through acquisitions and development activities that have positively contributed to the operating results for the year ended December 31, 2019, as compared to the same period in the prior year.

The following table reconciles operating income to net rental income and net operating income. Management considers NRI and NOI to be useful measures of performance for rental properties. NRI is a non-IFRS financial measure and should not be considered as an alternative to net income and comprehensive income, cash flow from operating activities or any other measure prescribed under IFRS. NRI does not have any standardized meaning prescribed by IFRS. NRI is comprised of operating income less condominium profits.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Operating income	**$77,020**	$64,964	**$288,231**	$250,458
Condominium revenue	**(30,600)**	—	**(45,341)**	—
Condominium cost of sales	**29,022**	—	**43,342**	—
Net rental income	**$75,442**	$64,964	**$286,232**	$250,458
Amortization of improvement allowances (1)	**7,935**	7,788	**30,997**	28,819
Amortization of straight-line rents (1)	**(1,427)**	(2,381)	**(7,237)**	(6,992)
NOI	**$81,950**	$70,371	**$309,992**	$272,285

(1) Includes Allied's proportionate share of the equity accounted investment for the following amounts for the three months and year ended December 31, 2019, respectively: amortization improvement allowances of $56 and $201 and amortization of straight-line rents of $463 and $1,343.

The following tables set out the NOI by segment and space type from the rental and development properties for the three months and year ended December 31, 2019, and the comparable period in 2018.

	THREE MONTHS ENDED				CHANGE	
SEGMENT	DECEMBER 31, 2019		DECEMBER 31, 2018		$	%
Urban Workspace						
Montréal & Ottawa	$23,125	28.2%	$17,565	25.0%	$5,560	31.7%
Toronto & Kitchener	37,040	45.2%	31,570	44.8%	5,470	17.3%
Calgary, Edmonton & Vancouver	9,095	11.1%	8,700	12.4%	395	4.5%
Urban Workspace - Total	69,260	84.5%	57,835	82.2%	11,425	19.8%
Urban Data Centres	12,690	15.5%	12,536	17.8%	154	1.2%
NOI	$81,950	100.0%	$70,371	100.0%	$11,579	16.5%

	THREE MONTHS ENDED				CHANGE	
TYPE OF SPACE	DECEMBER 31, 2019		DECEMBER 31, 2018		$	%
Urban Workspace - Office	$58,374	71.2%	$49,303	70.1%	$9,071	18.4%
Urban Data Centres	12,690	15.5%	12,536	17.8%	154	1.2%
Urban Workspace - Retail	6,397	7.8%	5,238	7.4%	1,159	22.1%
Urban Workspace - Parking	4,489	5.5%	3,294	4.7%	1,195	36.3%
NOI	$81,950	100.0%	$70,371	100.0%	$11,579	16.5%

The increase in NOI for the three months ended December 31, 2019, was primarily the result of rent growth in Montréal and Toronto, contributions from acquisitions in Montréal and Vancouver and the development completion of King Portland Centre in Toronto.

	YEAR ENDED				CHANGE	
SEGMENT	DECEMBER 31, 2019		DECEMBER 31, 2018		$	%
Urban Workspace						
Montréal & Ottawa	$81,463	26.3%	$68,555	25.2%	$12,908	18.8%
Toronto & Kitchener	139,317	44.9%	122,410	45.0%	16,907	13.8%
Calgary, Edmonton & Vancouver	35,831	11.6%	32,182	11.8%	3,649	11.3%
Urban Workspace - Total	256,611	82.8%	223,147	82.0%	33,464	15.0%
Urban Data Centres	53,381	17.2%	49,138	18.0%	4,243	8.6%
NOI	$309,992	100.0%	$272,285	100.0%	$37,707	13.8%

TYPE OF SPACE	YEAR ENDED DECEMBER 31, 2019		DECEMBER 31, 2018		CHANGE $	%
Urban Workspace - Office	**$218,588**	**70.5%**	$188,629	69.4%	$29,959	15.9%
Urban Data Centres	**53,381**	**17.2%**	49,138	18.0%	4,243	8.6%
Urban Workspace - Retail	**22,911**	**7.4%**	21,629	7.9%	1,282	5.9%
Urban Workspace - Parking	**15,112**	**4.9%**	12,889	4.7%	2,223	17.2%
NOI	**$309,992**	**100.0%**	$272,285	100.0%	$37,707	13.8%

The increase in NOI for the year ended December 31, 2019, was primarily the result of occupancy and rent growth in Montréal and Toronto, rent growth in the UDC portfolio, contributions from acquisitions in Montréal and Vancouver and the development completion of King Portland Centre in Toronto.

SAME ASSET NOI

Same asset NOI is a non-IFRS measure and refers to the NOI for those properties that Allied owned and operated for the entire period in question and for the same period in the prior year. Allied strives to maintain or increase same asset NOI over time.

The same asset NOI in the table below refers to those investment properties that were owned by Allied from October 1, 2018, to December 31, 2019. The same asset NOI of the development portfolio for the three months ended December 31, 2019, consists of 425 Viger, Adelaide & Duncan, King Portland Centre, KING Toronto, 305 Joseph, TELUS Sky, and The Well.

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2019	DECEMBER 31, 2018	$	%
Urban Workspace				
Montréal & Ottawa	**$17,581**	$17,312	$269	1.6%
Toronto & Kitchener	**33,354**	30,473	2,881	9.5%
Calgary, Edmonton & Vancouver	**7,540**	8,331	(791)	(9.5)%
Urban Workspace	**58,475**	56,116	2,359	4.2%
Urban Data Centres	**12,690**	12,537	153	1.2%
Rental Portfolio - Same Asset NOI	**71,165**	68,653	2,512	3.7%
Urban Workspace	**962**	441	521	118.1%
Development Portfolio - Same Asset NOI	**962**	441	521	118.1%
Total Portfolio - Same Asset NOI	**$72,127**	$69,094	$3,033	4.4%
Acquisitions	**7,303**	415	6,888	
Dispositions	**—**	250	(250)	
Lease terminations	**169**	168	1	
Development fees and corporate items	**2,351**	444	1,907	
NOI	**$81,950**	$70,371	$11,579	16.5%
Amortization of improvement allowances	**(7,935)**	(7,788)	(147)	
Amortization of straight-line rents	**1,427**	2,381	(954)	
Condominium profits	**1,578**	—	1,578	
Operating income	**$77,020**	$64,964	$12,056	18.6%

Same asset NOI of the total portfolio increased by 4.4% for the three months ended December 31, 2019. Same asset NOI of the rental portfolio increased by 3.7% as a result of rent growth in Toronto, Montréal and the UDC portfolio. Same asset NOI of the development portfolio increased by 118.1%, primarily as a result of rent commencement at King Portland Centre.

The same asset NOI in the table below refers to those investment properties that were owned by Allied from January 1, 2018, to December 31, 2019. The same asset NOI of the development portfolio for the year ended December 31, 2019, consists of 425 Viger, Adelaide & Duncan, College & Palmerston (including 547 College), College & Manning, King Portland Centre (including 642 King), KING Toronto, The Lougheed (604-1st SW), Le Nordelec, TELUS Sky, and The Well.

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2019	DECEMBER 31, 2018	$	%
Urban Workspace				
Montréal & Ottawa	**$70,561**	$68,144	$2,417	3.5%
Toronto & Kitchener	**126,580**	117,961	8,619	7.3%
Calgary, Edmonton & Vancouver	**30,892**	31,426	(534)	(1.7)%
Urban Workspace	**228,033**	217,531	10,502	4.8%
Urban Data Centres	**53,226**	49,138	4,088	8.3%
Rental Portfolio - Same Asset NOI	**281,259**	266,669	14,590	5.5%
Urban Workspace	**5,129**	1,850	3,279	177.2%
Development Portfolio - Same Asset NOI	**5,129**	1,850	3,279	177.2%
Total Portfolio - Same Asset NOI	**$286,388**	$268,519	$17,869	6.7%
Acquisitions	**16,657**	734	15,923	
Dispositions	**—**	1,181	(1,181)	
Lease terminations	**801**	460	341	
Development fees and corporate items	**6,146**	1,391	4,755	
NOI	**$309,992**	$272,285	$37,707	13.8%
Amortization of improvement allowances	**(30,997)**	(28,819)	(2,178)	
Amortization of straight-line rents	**7,237**	6,992	245	
Condominium profits	**1,999**	—	1,999	
Operating income	**$288,231**	$250,458	$37,773	15.1%

Same asset NOI of the total portfolio increased by 6.7% for the year ended December 31, 2019. Same asset NOI of the rental portfolio increased by 5.5% as a result of rent and occupancy growth in Toronto, Montréal, and Vancouver and rent growth in the UDC portfolio. Same asset NOI of the development portfolio increased by 177.2%, primarily as a result of rent commencement at King Portland Centre.

INTEREST EXPENSE

Interest expense for the three months and year ended December 31, 2019, and 2018 is as follows:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Interest on debt:				
Mortgages payable	**$8,102**	$8,206	**$33,989**	$38,452
Construction loans payable	**244**	—	**604**	—
Unsecured Facility	**631**	581	**2,667**	2,779
Unsecured Debentures	**8,012**	5,466	**24,629**	21,714
Unsecured Term Loans	**3,945**	2,652	**15,679**	9,838
Interest on lease liabilities	**2,078**	2,065	**8,350**	8,292
Amortization, premium (discount) on debt	**(449)**	(98)	**(1,000)**	(1,828)
Amortization, net financing costs	**406**	422	**1,660**	1,746
	$22,969	$19,294	**$86,578**	$80,993
Less: Interest capitalized to qualifying investment properties and residential inventory	**(7,222)**	(4,872)	**(26,193)**	(20,024)
Interest expense excluding prepayment cost	**$15,747**	$14,422	**$60,385**	$60,969
Prepayment cost	**3,455**	—	**6,018**	7,502
Interest expense, IFRS basis	**$19,202**	$14,422	**$66,403**	$68,471
Add: share from joint venture	**91**	—	**441**	—
Total interest expense, proportionate basis	**$19,293**	$14,422	**$66,844**	$68,471

For the three months and year ended December 31, 2019, excluding capitalized interest and the prepayment cost, interest expense increased by $3,675 and $5,585, respectively, over the comparable period due to a higher balance of construction loans, unsecured debentures and term loans.

For the three months and year ended December 31, 2019, capitalized interest increased over the comparable period with the continuation of development and upgrade activities across the portfolio.

In accordance with IAS 23 - *Borrowing Costs*, interest may be capitalized on properties in connection with activity required to get the assets ready for their intended use (refer to note 2 (g) in Allied's audited consolidated financial statements for the year ended December 31, 2019, for further details). This would include upgrade work as well as work completed in relation to a future development, such as obtaining zoning approval, completing site approval plans, engineering and architectural drawings. On completion of upgrade and development activity, the ability to capitalize interest expense ends, partially offsetting the positive impact of occupancy commencement.

GENERAL AND ADMINISTRATIVE EXPENSES

For the three months and year ended December 31, 2019, general and administrative expenses increased by $770 and $4,894, respectively, from the comparable period. The increase is mainly due to higher compensation expenses related to Allied's expanding management team, corporate expenses and professional fees.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Salaries and benefits	**$5,263**	$4,870	**$19,036**	$15,277
Professional and trustees fees	**761**	814	**3,388**	2,801
Office and general expenses	**1,163**	566	**3,932**	2,823
	$7,187	$6,250	**$26,356**	$20,901
Capitalized to qualifying investment properties	**(1,197)**	(1,030)	**(4,403)**	(3,842)
Total general and administrative expenses	**$5,990**	$5,220	**$21,953**	$17,059

OTHER FINANCIAL PERFORMANCE MEASURES

FUNDS FROM OPERATIONS AND NORMALIZED FUNDS FROM OPERATIONS ("FFO" AND "NORMALIZED FFO")

FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts and should not be considered as an alternative to net income or comprehensive income, cash flow from operating activities or any other measure prescribed under IFRS. While FFO does not have any standardized meaning prescribed by IFRS, the Real Property Association of Canada ("REALpac") established a standardized definition of FFO. Management believes that it is a useful measure of operating performance.

In the third and fourth quarter of 2019, Allied incurred $2,563 and $3,455, respectively, of prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages, which was partially offset by incremental condominium profits of $1,999 in the year. In June 2018, Allied incurred $7,502 of prepayment cost in connection with the favourable refinancing of the first mortgage on 151 Front W, Toronto. Allied initiated condominium pre-sales at KING Toronto, a 50/50 joint venture with Westbank, in the fourth quarter of 2018. The first three phases have sold well, and the fourth and final phase has been released to strong demand. For the year ended December 31, 2019, Allied incurred $4,335 (at its share) of non-recurring marketing costs in connection with the pre-sales activity. (Marketing costs associated with merchant development are expensed when incurred.) Allied and Westbank have initiated construction of KING Toronto. Normalized FFO excluding condo marketing costs starts with the standardized definition of FFO and removes the effects of these one-time items.

For the three months ended December 31, 2019, Normalized FFO excluding condo marketing costs totaled $0.583 per unit. This is an increase of $0.033 per unit, or 6.0%, over the comparable period in the prior year. The increase was primarily due to an increase in NOI and interest income, partially offset by higher general and administrative expenses.

For the year ended December 31, 2019, excluding the prepayment cost and incremental condominium profits, Normalized FFO excluding condo marketing costs totaled $2.301 per unit. This is an increase of $0.119 per unit, or 5.5%, over the comparable period in the prior year. This was primarily due to an increase in NOI, interest income, and lower interest expense, partially offset by higher general and administrative expenses.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate Normalized FFO pay-out ratio, which is the ratio of actual distributions to Normalized FFO in a given period. For the three months and year ended December 31, 2019, the Normalized FFO pay-out ratio excluding condo marketing costs was 68.5% and 69.5%, respectively.

NORMALIZED ADJUSTED FUNDS FROM OPERATIONS ("NORMALIZED AFFO")

AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts and should not be considered as an alternative to net income or comprehensive income, cash flow from operating activities or any other measure prescribed under IFRS. AFFO does not have any standardized meaning prescribed by IFRS. The Real Property Association of Canada ("REALpac") established a standardized definition of AFFO in its February 2017 white paper. Management considers AFFO to be a useful measure of recurring economic earnings. The principal advantage of AFFO is that it starts from the standardized definition of FFO and takes account of regular maintenance capital expenditures and regular leasing expenditures while ignoring the impact of non-cash revenue. With the adoption of the February 2017 white paper, Allied added recoverable maintenance capital expenditures and incremental leasing costs related to regular leasing in order to comply with the white paper. As regular maintenance capital expenditures and regular leasing expenditures are not incurred evenly throughout a fiscal year, there can be volatility in AFFO on a quarterly basis.

For the three months ended December 31, 2019, Normalized AFFO excluding condo marketing costs totaled $0.487 per unit. This represents an increase of $0.037 per unit, or 8.2%, over the comparable period in the prior year. Normalized AFFO excluding condo marketing costs per unit increase is largely attributable to the changes in Normalized FFO excluding condo marketing costs discussed above, lower straight-line rents, partially offset by higher regular and recoverable maintenance capital expenditures.

For the year ended December 31, 2019, Normalized AFFO excluding condo marketing costs totaled $1.951 per unit. This represents an increase of $0.142 per unit, or 7.8%, over the comparable period in the prior year. Normalized AFFO excluding condo marketing costs per unit increased primarily due to the changes in Normalized FFO excluding condo marketing costs discussed above, and lower regular leasing expenditures, partially offset by higher straight line rent, higher regular and recoverable maintenance capital expenditures and incremental leasing costs.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate Normalized AFFO pay-out ratio, which is the ratio of actual distributions to Normalized AFFO in a given period. For the three months and year ended December 31, 2019, the Normalized AFFO excluding condo marketing costs pay-out ratio was 82.1% and 82.0%, respectively.

The following table reconciles Allied's net income to FFO, Normalized FFO and Normalized AFFO for the three months ended December 31, 2019, and December 31, 2018.

RECONCILIATION OF FFO, NORMALIZED FFO AND NORMALIZED AFFO

	THREE MONTHS ENDED		
	DECEMBER 31, 2019	DECEMBER 31, 2018	CHANGE
Net income and comprehensive income	**$264,960**	$137,270	$127,690
Adjustment to fair value of investment properties	**(216,130)**	(101,395)	(114,735)
Adjustment to fair value of derivative instruments	**(8,098)**	10,034	(18,132)
Loss on disposal of investment properties	**—**	(1,007)	1,007
Incremental leasing costs	**1,968**	1,646	322
Amortization of improvement allowances	**7,879**	7,788	91
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**14,979**	1,024	13,955
Amortization of improvement allowances	**56**	—	56
Interest capitalized [1]	**690**	297	393
FFO	**$66,304**	$55,657	$10,647
One-time items [2]	**1,877**	—	1,877
Normalized FFO [2]	**$68,181**	$55,657	$12,524
Condominium marketing costs	**810**	1,609	(799)
Normalized FFO [2] excluding condo marketing costs	**$68,991**	$57,266	$11,725
Amortization of straight-line rents	**(964)**	(2,381)	1,417
Regular leasing expenditures	**(4,168)**	(4,372)	204
Regular maintenance capital expenditures	**(1,852)**	(796)	(1,056)
Incremental leasing (related to regular leasing expenditures)	**(1,377)**	(1,152)	(225)
Recoverable maintenance capital expenditures	**(2,616)**	(1,770)	(846)
Adjustments relating to joint venture:			
Amortization of straight-line rents	**(463)**	—	(463)
Normalized AFFO [2] excluding condo marketing costs	**$57,551**	$46,795	$10,756
Weighted average number of Units			
Basic	**117,917,803**	103,859,370	14,058,433
Diluted	**118,248,550**	104,062,567	14,185,983
Per Unit - basic			
FFO	**$0.562**	$0.536	$0.026

	THREE MONTHS ENDED		
	DECEMBER 31, 2019	DECEMBER 31, 2018	CHANGE
Normalized FFO [2]	**$0.578**	$0.536	$0.042
Normalized FFO [2] excluding condominium marketing costs	**$0.585**	$0.551	$0.034
Normalized AFFO [2] excluding condominium marketing costs	**$0.488**	$0.451	$0.037
Per Unit - diluted			
FFO	**$0.561**	$0.535	$0.026
Normalized FFO [2]	**$0.577**	$0.535	$0.042
Normalized FFO [2] excluding condominium marketing costs	**$0.583**	$0.550	$0.033
Normalized AFFO [2] excluding condominium marketing costs	**$0.487**	$0.450	$0.037
Payout Ratio			
FFO	**71.3%**	73.3%	(2.0%)
Normalized FFO [2]	**69.3%**	73.3%	(4.0%)
Normalized FFO [2] excluding condominium marketing costs	**68.5%**	71.3%	(2.8%)
Normalized AFFO [2] excluding condominium marketing costs	**82.1%**	87.2%	(5.1%)

(1) This amount represents the interest capitalized to Allied's joint venture investment in TELUS Sky. This amount is not capitalized to properties under development under IFRS, but is allowed as an adjustment under REALPac's definition of FFO.

(2) In the fourth quarter of 2019, Allied incurred $3,455 of prepayment cost in connection with the favourable refinancing of first mortgages, which was partially offset by incremental condominium profits of $1,578. Allied normalized the presentation of FFO and AFFO by excluding these items.

The following table reconciles Allied's net income to FFO, Normalized FFO and Normalized AFFO for the year ended December 31, 2019, and December 31, 2018.

	YEAR ENDED		
	DECEMBER 31, 2019	DECEMBER 31, 2018	CHANGE
Net income and comprehensive income	**$629,223**	$540,276	$88,947
Adjustment to fair value of investment properties	**(450,490)**	(378,883)	(71,607)
Adjustment to fair value of derivative instruments	**6,109**	6,470	(361)
Loss on disposal of investment properties	**—**	(1,007)	1,007
Incremental leasing costs	**7,530**	5,986	1,544
Amortization of improvement allowances	**30,796**	28,819	1,977
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**26,152**	1,848	24,304
Amortization of improvement allowances	**201**	—	201
Interest capitalized [1]	**1,562**	1,186	376
FFO	**$251,083**	$204,695	$46,388
One-time items [2]	**4,019**	7,502	(3,483)
Normalized FFO [2]	**255,102**	212,197	42,905
Condominium marketing costs	**4,335**	1,609	2,726
Normalized FFO [2] excluding condo marketing costs	**$259,437**	$213,806	$45,631
Amortization of straight-line rents	**(5,894)**	(6,992)	1,098
Regular leasing expenditures	**(18,353)**	(19,900)	1,547
Regular maintenance capital expenditures	**(3,656)**	(1,524)	(2,132)
Incremental leasing (related to regular leasing expenditures)	**(5,271)**	(4,190)	(1,081)
Recoverable maintenance capital expenditures	**(4,953)**	(3,946)	(1,007)
Adjustments relating to joint venture:			
Amortization of straight-line rents	**(1,343)**	—	(1,343)
Normalized AFFO [2] excluding condo marketing costs	**$219,967**	$177,254	$42,713
Weighted average number of Units			
Basic	**112,443,006**	97,785,091	14,657,915
Diluted	**112,731,050**	97,965,711	14,765,339
Per Unit - basic			
FFO	**$2.233**	$2.093	$0.140
Normalized FFO [2]	**$2.269**	$2.170	$0.099
Normalized FFO [2] excluding condominium marketing costs	**$2.307**	$2.186	$0.121
Normalized AFFO [2] excluding condominium marketing costs	**$1.956**	$1.813	$0.143

	YEAR ENDED		
	DECEMBER 31, 2019	DECEMBER 31, 2018	CHANGE
Per Unit - diluted			
FFO	**$2.227**	$2.089	$0.138
Normalized FFO [(2)]	**$2.263**	$2.166	$0.097
Normalized FFO [(2)] excluding condominium marketing costs	**$2.301**	$2.182	$0.119
Normalized AFFO [(2)] excluding condominium marketing costs	**$1.951**	$1.809	$0.142
Payout Ratio			
FFO	**71.8%**	75.2%	(3.4%)
Normalized FFO [(2)]	**70.7%**	72.5%	(1.8%)
Normalized FFO [(2)] excluding condo marketing costs	**69.5%**	72.0%	(2.5%)
Normalized AFFO [(2)] excluding condo marketing costs	**82.0%**	86.8%	(4.8%)

(1) This amount represents the interest capitalized to Allied's joint venture investment in TELUS Sky. This amount is not capitalized to properties under development under IFRS, but is allowed as an adjustment under REALPac's definition of FFO.

(2) In the third and fourth quarter of 2019, Allied incurred $2,563 and $3,455, respectively, of prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages, which was partially offset by incremental condominium profits of $1,999 in the year. In June 2018, Allied incurred $7,502 of prepayment cost in connection with the favourable refinancing of the first mortgage on 151 Front W, Toronto. Allied normalized the presentation of FFO and AFFO by excluding these items.

CAPITAL EXPENDITURES

Our portfolio requires ongoing maintenance capital expenditures and leasing expenditures. Leasing expenditures include the cost of in-suite or base-building improvements made in connection with the leasing of vacant space or the renewal or replacement of users occupying space covered by maturing leases, as well as improvement allowances and commissions paid in connection with the leasing of vacant space and the renewal or replacement of users occupying space covered by maturing leases.

For the three months ended December 31, 2019, Allied incurred (i) $4,168 in regular leasing expenditures or $9.46 per leased square foot, (ii) $1,852 in regular maintenance capital expenditures and (iii) $2,616 of recoverable maintenance capital expenditures.

For the year ended December 31, 2019, Allied incurred (i) $18,353 in regular leasing expenditures or $10.68 per leased square foot, (ii) $3,656 in regular maintenance capital expenditures and (iii) $4,953 of recoverable maintenance capital expenditures.

For the year ended December 31, 2019, Allied invested $84,784 and $297,046, respectively, of revenue enhancing capital into the rental and development portfolio to enhance its income-producing capability and in ongoing development activity.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Regular leasing expenditures	**$4,168**	$4,372	**$18,353**	$19,900
Regular maintenance capital expenditures	**$1,852**	$796	**$3,656**	$1,524
Recoverable maintenance capital expenditures	**$2,616**	$1,770	**$4,953**	$3,946
Revenue-enhancing capital and development costs	**$84,784**	$94,809	**$297,046**	$238,740

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA")

EBITDA is a non-IFRS measure that is comprised of earnings before interest expense, income taxes, depreciation expense and amortization expense. Adjusted EBITDA, as defined by Allied, is a non-IFRS measure that is comprised of net earnings before interest expense, income taxes, depreciation expense and amortization expense, gains and losses on disposal of investment properties and the fair value changes associated with investment properties and financial instruments.

EBITDA is a metric that can be used to help determine Allied's ability to service its debt, finance capital expenditures and provide distributions to its Unitholders. Additionally, Adjusted EBITDA removes the non-cash impact of the fair value changes and gains and losses on investment property dispositions.

The ratio of Net Debt to Adjusted EBITDA is included and calculated each period to provide information on the level of Allied's debt versus Allied's ability to service that debt. Adjusted EBITDA is used as part of this calculation as the fair value changes and gains and losses on investment property dispositions do not impact cash flow, which is a critical part of the measure.

The following table reconciles Allied's net income and comprehensive income to Adjusted EBITDA for the year ended December 31, 2019, and December 31, 2018.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018	**DECEMBER 31, 2019**	DECEMBER 31, 2018
Net income and comprehensive income for the period	**$264,960**	$137,270	**$629,223**	$540,276
Interest expense	**19,293**	14,422	**66,844**	68,471
Amortization of equipment and other assets	**365**	360	**1,456**	1,556
Amortization of improvement allowances	**7,935**	7,788	**30,997**	28,819
Fair value (gain) on investment properties	**(201,151)**	(100,371)	**(424,338)**	(377,035)
Fair value loss (gain) on derivative instruments	**(8,098)**	10,034	**6,109**	6,470
(Gain) loss on disposal of investment properties	**—**	(1,007)	**—**	(1,007)
Adjusted EBITDA	**$83,304**	$68,496	**$310,291**	$267,550

Section VI
—Historical Performance

The following sets out summary information and financial results, on an IFRS basis, for the eight most recently completed fiscal quarters.

	Q4 2019 [1]	Q3 2019 [1]	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018 [1]	Q1 2018
Rental revenue from investment properties	$134,306	$127,867	$117,449	$116,486	$112,889	$109,630	$106,983	$106,894
Condominium revenue	30,600	14,741	—	—	—	—	—	—
Property operating costs	$(59,174)	$(54,284)	$(47,857)	$(49,432)	$(47,925)	$(46,145)	$(45,540)	$(46,328)
Condominium cost of sales	(29,022)	(14,320)	—	—	—	—	—	—
Operating income	$76,710	$74,004	$69,593	$67,054	$64,964	$63,485	$61,443	$60,566
Net income and comprehensive income	$264,960	$121,191	$99,895	$143,177	$137,270	$204,654	$113,652	$84,700
Weighted average units (diluted)	118,248,550	116,563,480	110,368,003	105,546,682	104,062,567	100,680,315	93,868,833	93,099,918
Distributions	$47,267	$46,393	$44,484	$42,140	$40,817	$39,575	$37,210	$36,253
FFO	$66,304	$63,674	$62,557	$58,548	$55,657	$55,253	$43,750	$50,035
FFO per unit (diluted)	$0.561	$0.546	$0.567	$0.555	$0.535	$0.549	$0.466	$0.537
FFO pay-out ratio	71.3%	72.9%	71.1%	72.0%	73.3%	71.6%	85.1%	72.5%
Normalized FFO [1]	$68,181	$65,816	$62,557	$58,548	$55,657	$55,253	$51,252	$50,035
Normalized FFO per unit (diluted) [1]	$0.577	$0.565	$0.567	$0.555	$0.535	$0.549	$0.546	$0.537
Normalized FFO pay-out ratio [1]	69.3%	70.5%	71.1%	72.0%	73.3%	71.6%	72.6%	72.5%
Normalized FFO [1] per unit (diluted) excluding condominium marketing costs	$0.583	$0.576	$0.579	$0.563	$0.550	$0.549	$0.546	$0.537
Normalized AFFO [1]	$56,741	$56,866	$51,840	$50,186	$45,186	$47,034	$42,610	$40,815
Normalized AFFO per unit (diluted) [1]	$0.480	$0.488	$0.470	$0.475	$0.434	$0.467	$0.454	$0.438
Normalized AFFO pay-out ratio [1]	83.3%	81.6%	85.8%	84.0%	90.3%	84.1%	87.3%	88.8%
Normalized AFFO [1] per unit (diluted) excluding condominium marketing costs	$0.487	$0.499	$0.482	$0.484	$0.450	$0.467	$0.454	$0.438

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	Q4 2019 [1]	Q3 2019 [1]	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018 [1]	Q1 2018
Net debt as a multiple of annualized adjusted EBITDA	5.8x	6.7x	5.6x	6.2x	7.1x	6.3x	6.8x	7.7x
Total indebtedness ratio	26.1%	28.1%	25.8%	27.0%	29.4%	27.6%	29.9%	34.0%
Total rental GLA	12,948	12,878	11,507	11,422	11,192	10,953	10,940	10,929
Leased rental GLA	12,278	12,234	11,080	11,010	10,826	10,541	10,435	10,380
Leased area %	94.8%	95.0%	96.3%	96.4%	96.7%	96.2%	95.4%	95.0%

(1) In the third and fourth quarter of 2019, Allied incurred $2,563 and $3,455, respectively, of prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages, which was partially offset by incremental condominium profits of $1,999 in the year. In June 2018, Allied incurred $7,502 of prepayment cost in connection with the favourable refinancing of the first mortgage on 151 Front W, Toronto. Allied normalized the presentation of FFO and AFFO by excluding these items.

Factors that cause variation from quarter to quarter include, but are not limited to, occupancy, cost of capital, same asset NOI, acquisition activity, leasing expenditures and maintenance capital expenditures. Allied's commitment to the balance sheet is evidenced by the fact that net debt as a multiple of annualized adjusted EBITDA declined from 7.7x to 5.8x over the last eight quarters.

Section VII

— Accounting Estimates and Assumptions

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments and estimates in applying Allied's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Critical accounting estimates and assumptions are discussed in Allied's audited consolidated financial statements for the year ended December 31, 2019, and the notes contained therein.

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and any respective changes are discussed in Allied's audited consolidated financial statements for the year ended December 31, 2019, and the notes contained therein.

Furthermore, the future accounting policy changes as proposed by the International Accounting Standards Board (the "IASB") are discussed in Allied's consolidated financial statements for the year ended December 31, 2019, and notes contained therein.

Section VIII

—Disclosure Controls and Internal Controls

Management maintains appropriate information systems, procedures and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO") evaluated, or caused to be evaluated under their direct supervision, the design and operating effectiveness of disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) at December 31, 2019, and based on that evaluation, have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO evaluated, or caused to be evaluated under their direct supervision, the effectiveness of our internal control over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) at December 31, 2019, using the COSO Internal Control - Independent Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, the CEO and the CFO determined that our internal controls over financial reporting were appropriately designed and were operating effectively.

No changes were made in our design of internal controls over financial reporting during the year ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance of control issues, including whether instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that Management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by Management override.

Section IX
— Risks and Uncertainties

There are certain risk factors inherent in the investment and ownership of real estate. Real estate investments are capital intensive, and success from real estate investments depends upon maintaining occupancy levels and rental income flows to generate acceptable returns. These success factors are dependent on general economic conditions and local real estate markets, demand for leased premises and competition from other available properties.

Allied's portfolio is focused on a particular asset class in seven metropolitan real estate markets in Canada. This focus enables Management to capitalize on certain economies of scale and competitive advantages that would not otherwise be available.

FINANCING AND INTEREST RATE RISK

Allied is subject to risk associated with debt financing. The availability of debt to re-finance existing and maturing loans and the cost of servicing such debt will influence Allied's success. In order to minimize risk associated with debt financing, Allied strives to re-finance maturing loans with long-term fixed-rate debt and to stagger the maturities over time. Allied's current debt-maturity schedule is set out below:

Interest rates on total debt are between 2.83% and 5.08% with a weighted average interest rate of 3.77%. The weighted average term of our debt is 5.19 years. The aforementioned excludes the revolving Unsecured Facility and construction loans, refer to note 11(b) and (c) of the audited consolidated financial statements for further details.

Allied is additionally subject to risk associated with equity financing. The ability to access the equity capital markets at appropriate points in time and at an acceptable cost will influence Allied's success. In order to minimize the risk associated with equity financing, Allied engages in extensive investor relations activity with retail and institutional investors globally and strives to fix the cost of equity in conjunction with a clear use of proceeds.

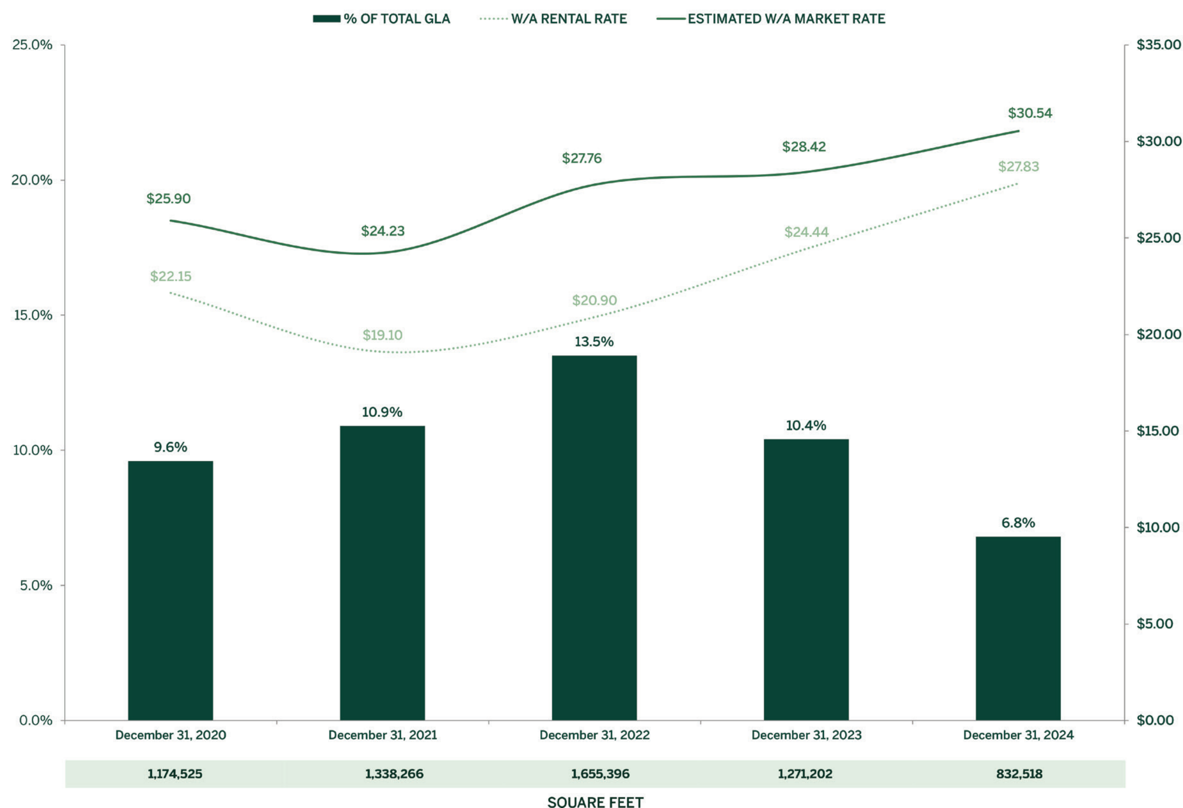
CREDIT RISK

Allied is subject to credit risk arising from the possibility that users may not be able to fulfill their lease obligations. Allied strives to mitigate this risk by maintaining a diversified user-mix and limiting exposure to any single user. Allied's exposure to top 10 users is 22.2% of gross revenue and the credit quality of our top 10 users continues to improve.

As Allied has invested in mortgages to facilitate acquisitions, further credit risks arise in the event that borrowers default on the repayment of their mortgages to Allied. Allied's mortgage investments will typically be subordinate to prior ranking mortgage or charges. Not all of Allied's financing activities will translate into acquisitions. As at December 31, 2019, Allied had $245,303 in loans receivable, the majority of which is loaned to affiliates of a single private company. In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the mortgage investment. Allied mitigates this risk by obtaining corporate guarantees and/or registered mortgage charges.

LEASE ROLL-OVER RISK

Allied is subject to lease roll-over risk. Lease roll-over risk arises from the possibility that Allied may experience difficulty renewing or replacing users occupying space covered by leases that mature. Allied strives to stagger its lease maturity schedule so that it is not faced with a disproportionately large level of lease maturities in a given year. Allied's current lease maturity schedule is set out below:



In evaluating lease roll-over risk, it is informative to determine Allied's sensitivity to a decline in occupancy. For every full-year decline of 100 basis points in occupancy at its average rental rate per square foot, Allied's annual Normalized AFFO would decline by approximately $4,972 (approximately $0.044 per unit). The decline in Normalized AFFO per unit would be more pronounced if the decline in occupancy involved space leased above the average rental rate per square foot and less pronounced if the decline in occupancy involved space leased below the average rental rate per square foot.

ENVIRONMENTAL AND CLIMATE CHANGE RISK

As an owner of real estate, Allied is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Allied could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Allied's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against Allied. Allied is not aware of any material non-compliance with environmental laws at any of the properties. Allied is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the properties or any pending or threatened claims relating to environmental conditions at the properties.

Allied will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, Allied does not believe that costs relating to environmental matters will have a material adverse effect on Allied's business, financial condition or results of operation. However, environmental laws and regulations may change and Allied may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Allied's business, financial condition or results of operation. It is Allied's operating policy to obtain a Phase I environmental assessment conducted by an independent and experienced environmental consultant prior to acquiring a property. Phase I environmental assessments have been performed in respect of all properties.

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the properties. The extent of Allied's casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Allied is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of its buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on Allied's business by increasing the cost of property insurance, and/or energy at the properties. As a result, the consequences of natural disasters, severe weather and climate change could increase Allied's costs and reduce Allied's cash flow.

DEVELOPMENT RISK

As an owner of Properties Under Development, Allied is subject to development risks, such as construction delays, cost over-runs and the failure of users to take occupancy and pay rent in accordance with lease arrangements. In connection with all Properties Under Development, Allied incurs development costs prior to (and in anticipation of) achieving a stabilized level of rental revenue. In the case of the development of ancillary or surplus land, these risks are managed in most cases by not commencing construction until a satisfactory level of pre-leasing is achieved. Overall, these risks are managed through Allied's Declaration, which states that the cost of development cannot exceed 15% of GBV.

TAXATION RISK

On June 22, 2007, specified investment flow through trusts or partnerships ("SIFT") rules were introduced and changed the manner in which certain trusts are taxed. Certain distributions from a SIFT would not be deductible in computing the SIFT's taxable income and therefore the distributions would be subject to trust entity level tax, at the general tax rate applicable to Canadian corporations. Trusts that meet the REIT exemption are not subject to SIFT rules. The determination as to whether Allied qualifies for the REIT exemption in a particular taxation year can only be made with certainty at the end of that taxation year. Asset tests need to be met at all times in the taxation year and revenue tests need to be met for the taxation year. While there is uncertainty surrounding the interpretation of the relevant provisions of the REIT exemption and application of SIFT rules, Allied expects that it will qualify for the REIT exemption.

JOINT ARRANGEMENT RISK

Allied has entered into various joint arrangements and partnerships with different entities. If these joint arrangements or partnerships do not perform as expected or default on financial obligations, Allied has an associated risk. Allied reduces this risk by seeking to negotiate contractual rights upon default, by entering into agreements with financially stable partners and by working with partners who have a successful record of completing development projects.

CYBERSECURITY RISK

The efficient operation of Allied's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of Allied's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Allied's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with users, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. Allied takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. For information stored with or processed by third parties, Allied undertakes due diligence prior to working with them and uses contractual means to ensure compliance to standards set by Allied. Additionally, Allied monitors and assesses risks surrounding collection, usage, storage, protection, and retention/destruction practices of personal data. These measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

REAL ESTATE RISK

Allied is subject to the conventional risks associated with the ownership of real estate. Allied strives to mitigate these risks by remaining fully informed on best practices, trends and legislative and demographic changes in the commercial real estate markets within which we operate. Allied additionally strives to mitigate these risks by focusing intently on execution.

Section X

— *Property Table*

DECEMBER 31, 2019 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
28 Atlantic	10,065	—	—	10,065		—	10,065	100.0%
32 Atlantic	50,434	—	—	50,434		—	50,434	100.0%
47 Jefferson	6,884	—	—	6,884		—	6,884	100.0%
64 Jefferson	78,820	—	—	78,820		—	78,820	100.0%
905 King W	51,262	1,400	—	52,662		—	52,662	100.0%
College & Manning - 559-563 College [1]	24,627	2,634	—	27,261		—	27,261	100.0%
College & Palmerston - 491 College [1]	8,863	3,717	—	12,580		—	12,580	100.0%
The Castle - 135 Liberty	55,152	—	—	55,152		—	55,152	100.0%
The Castle - 41 Fraser	13,921	—	—	13,921		—	13,921	100.0%
The Castle - 47 Fraser	7,468	3,480	—	10,948		—	10,948	100.0%
The Castle - 49 Fraser	17,472	—	—	17,472		7,109	10,363	59.3%
The Castle - 53 Fraser	79,048	—	—	79,048		—	79,048	100.0%
The Castle - 8 Pardee	—	2,681	—	2,681		—	2,681	100.0%
King West	**404,016**	**13,912**	**—**	**417,928**	**3.2%**	**7,109**	**410,819**	**98.3%**
141 Bathurst	10,101	—	—	10,101		—	10,101	100.0%
183 Bathurst	24,136	5,643	—	29,779		—	29,779	100.0%
241 Spadina	24,833	6,046	—	30,879		—	30,879	100.0%
379 Adelaide W	38,560	3,045	—	41,605		—	41,605	100.0%
383 Adelaide W	4,515	—	—	4,515		—	4,515	100.0%
387 Adelaide W	6,500	—	—	6,500		—	6,500	100.0%
420 Wellington W	31,221	3,163	—	34,384		—	34,384	100.0%

DECEMBER 31, 2019 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
425 Adelaide W	72,404	2,903	—	75,307		951	74,356	98.7%
425-439 King W	66,486	23,497	—	89,983		—	89,983	100.0%
441-443 King W	6,377	2,904	—	9,281		—	9,281	100.0%
445-455 King W	31,513	16,342	—	47,855		—	47,855	100.0%
460 King W	10,144	4,285	—	14,429		—	14,429	100.0%
461 King W	38,689	35,833	—	74,522		—	74,522	100.0%
468 King W	63,121	—	—	63,121		—	63,121	100.0%
469 King W	61,618	12,273	—	73,891		—	73,891	100.0%
478 King W (2)	—	4,351	—	4,351		—	4,351	100.0%
485 King W	12,339	—	—	12,339		—	12,339	100.0%
500 King W	44,130	21,598	—	65,728		—	65,728	100.0%
522 King W	28,850	21,863	—	50,713		—	50,713	100.0%
544 King W	16,340	—	—	16,340		—	16,340	100.0%
552-560 King W	6,784	17,395	—	24,179		—	24,179	100.0%
555 Richmond W	296,162	1,850	—	298,012		4,850	293,162	98.4%
579 Richmond W	26,818	—	—	26,818		—	26,818	100.0%
662 King W	33,731	—	—	33,731		—	33,731	100.0%
668 King W	—	6,934	—	6,934		—	6,934	100.0%
80-82 Spadina	60,004	16,009	—	76,013		—	76,013	100.0%
96 Spadina	79,450	8,815	—	88,265		575	87,690	99.4%
King Portland Centre - 602-606 King W (1)	19,208	6,346	—	25,554		3,383	22,171	86.8%
King Portland Centre - 642 King W (1)	7,382	4,900	—	12,282		375	11,907	97.0%
King West Central	**1,121,416**	**225,995**	**—**	**1,347,411**	**10.4%**	**10,134**	**1,337,277**	**99.3%**
116 Simcoe	15,461	—	—	15,461		—	15,461	100.0%
179 John	70,923	—	—	70,923		—	70,923	100.0%
180 John	45,631	—	—	45,631		—	45,631	100.0%
185 Spadina	55,213	—	—	55,213		—	55,213	100.0%
200 Adelaide W	26,614	—	—	26,614		—	26,614	100.0%
208-210 Adelaide W	11,477	—	—	11,477		—	11,477	100.0%
217-225 Richmond W	30,205	22,587	—	52,792		2,698	50,094	94.9%
257 Adelaide W	42,763	—	—	42,763		—	42,763	100.0%
312 Adelaide W	62,420	5,583	—	68,003		2,294	65,709	96.6%
331-333 Adelaide W	19,048	3,725	—	22,773		—	22,773	100.0%
358-360 Adelaide W	50,786	—	—	50,786		—	50,786	100.0%

DECEMBER 31, 2019 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
375-381 Queen W	21,541	11,083	—	32,624		—	32,624	100.0%
388 King W	20,275	19,060	—	39,335		—	39,335	100.0%
82 Peter	38,583	8,332	—	46,915		8,332	38,583	82.2%
99 Spadina	51,058	—	—	51,058		—	51,058	100.0%
QRC West - 134 Peter, Phase I	298,782	8,213	—	306,995		—	306,995	100.0%
QRC West - 364 Richmond W, Phase I	38,279	—	—	38,279		—	38,279	100.0%
Union Centre	41,787	—	—	41,787		4,952	36,835	88.2%
Entertainment District	**940,846**	**78,583**	**—**	**1,019,429**	**7.9%**	**18,276**	**1,001,153**	**98.2%**
193 Yonge	34,349	16,898	—	51,247		—	51,247	100.0%
Downtown	**34,349**	**16,898**	**—**	**51,247**	**0.4%**	**—**	**51,247**	**100.0%**
106 Front E	24,146	10,554	—	34,700		—	34,700	100.0%
184 Front E	84,115	4,829	—	88,944		—	88,944	100.0%
35-39 Front E	34,653	13,822	—	48,475		—	48,475	100.0%
36-40 Wellington E	15,494	9,993	—	25,487		—	25,487	100.0%
41-45 Front E	20,958	14,239	—	35,197		—	35,197	100.0%
45-55 Colborne	30,622	13,158	—	43,780		1,592	42,188	96.4%
47 Front E	9,068	4,337	—	13,405		—	13,405	100.0%
49 Front E	9,482	10,435	—	19,917		—	19,917	100.0%
50 Wellington E	22,112	12,454	—	34,566		—	34,566	100.0%
56 Esplanade	59,270	22,137	—	81,407		1,177	80,230	98.6%
60 Adelaide E	105,571	4,608	—	110,179		—	110,179	100.0%
70 Esplanade	19,590	6,109	—	25,699		—	25,699	100.0%
St. Lawrence Market	**435,081**	**126,675**	**—**	**561,756**	**4.3%**	**2,769**	**558,987**	**99.5%**
137 George	1,770	—	—	1,770		1,770	—	—%
204-214 King E	115,426	13,837	—	129,263		—	129,263	100.0%
230 Richmond E	73,542	—	—	73,542		—	73,542	100.0%
252-264 Adelaide E	44,536	2,582	—	47,118		1,404	45,714	97.0%
489 Queen E	31,737	—	—	31,737		—	31,737	100.0%
70 Richmond E	34,333	—	—	34,333		—	34,333	100.0%
Dominion Square - 468 Queen N	30,398	3,523	—	33,921		4,683	29,238	86.2%
Dominion Square - 468 Queen S	34,313	9,091	—	43,404		—	43,404	100.0%

DECEMBER 31, 2019 PROPERTIES	Urban Workspace		Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA						
Dominion Square - 478-496 Queen	6,552	33,526	—	40,078		—	40,078	100.0%
QRC East - 111 Queen E	172,881	38,549	—	211,430		3,046	208,384	98.6%
QRC South - 100 Lombard	44,671	—	—	44,671		—	44,671	100.0%
Queen Richmond	**590,159**	**101,108**	**—**	**691,267**	**5.3%**	**10,903**	**680,364**	**98.4%**
Toronto	**3,525,867**	**563,171**	**—**	**4,089,038**	**31.6%**	**49,191**	**4,039,847**	**98.8%**
189-195 Joseph	26,462	—	—	26,462		—	26,462	100.0%
25 Breithaupt [3]	46,845	—	—	46,845		—	46,845	100.0%
51 Breithaupt [3]	66,355	—	—	66,355		—	66,355	100.0%
72 Victoria	89,860	—	—	89,860		—	89,860	100.0%
The Tannery - 151 Charles W	307,570	25,810	—	333,380		4,785	328,595	98.6%
Kitchener	**537,092**	**25,810**	**—**	**562,902**	**4.3%**	**4,785**	**558,117**	**99.2%**
Toronto & Kitchener	**4,062,959**	**588,981**	**—**	**4,651,940**	**35.9%**	**53,976**	**4,597,964**	**98.8%**
The Chambers - 40 Elgin	195,994	5,500	—	201,494		—	201,494	100.0%
The Chambers - 46 Elgin	29,974	—	—	29,974		2,430	27,544	91.9%
Ottawa	**225,968**	**5,500**	**—**	**231,468**	**1.8%**	**2,430**	**229,038**	**99.0%**
3510 Saint-Laurent	85,687	15,022	—	100,709		15,537	85,172	84.6%
3575 Saint-Laurent	165,501	19,276	—	184,777		15,887	168,890	91.4%
400 Atlantic	87,181	292	—	87,473		5,164	82,309	94.1%
4446 Saint-Laurent	72,798	7,251	—	80,049		3,209	76,840	96.0%
451-481 Saint-Catherine W	20,879	9,984	—	30,863		2,350	28,513	92.4%
480 Saint-Laurent	50,249	6,323	—	56,572		15,360	41,212	72.9%
5445 de Gaspé	480,945	896	—	481,841		—	481,841	100.0%
5455 de Gaspé	465,071	22,539	—	487,610		24,392	463,218	95.0%
5505 Saint-Laurent	244,685	2,221	—	246,906		—	246,906	100.0%
6300 Parc	181,180	3,736	—	184,916		7,008	177,908	96.2%
645 Wellington	129,017	8,115	—	137,132		—	137,132	100.0%
700 de la Gauchetière W	954,114	41,617	—	995,731		131,917	863,814	86.8%
740 Saint-Maurice	67,692	—	—	67,692		—	67,692	100.0%
8 Place du Commerce	48,306	11,633	—	59,939		—	59,939	100.0%
85 Saint-Paul W	79,404	—	—	79,404		18,382	61,022	76.9%
Cité Multimédia - 111 Duke	358,913	12,571	—	371,484		4,530	366,954	98.8%
Cité Multimédia - 50 Queen	27,071	—	—	27,071		—	27,071	100.0%

DECEMBER 31, 2019 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
Cité Multimédia - 700 Wellington	135,232	—	—	135,232		12,005	123,227	91.1%
Cité Multimédia - 75 Queen	253,311	2,513	—	255,824		644	255,180	99.8%
Cité Multimédia - 80 Queen	65,044	4,203	—	69,247		3,152	66,095	95.5%
Cité Multimédia - 87 Prince	100,116	1,040	—	101,156		—	101,156	100.0%
El Pro Lofts - 644 Courcelle	145,030	8,451	—	153,481		32,910	120,571	78.6%
Le Nordelec - 1301-1303 Montmorency	7,550	—	—	7,550		—	7,550	100.0%
Le Nordelec - 1655 Richardson	32,893	—	—	32,893		—	32,893	100.0%
Le Nordelec - 1751 Richardson & 1700 Saint-Patrick	787,001	42,401	—	829,402		28,212	801,190	96.6%
RCA Building - 1001 Lenoir	304,555	39,013	—	343,568		63,731	279,837	81.5%
Montréal	**5,349,425**	**259,097**	**—**	**5,608,522**	**43.3%**	**384,390**	**5,224,132**	**93.2%**
Montréal & Ottawa	**5,575,393**	**264,597**	**—**	**5,839,990**	**45.1%**	**386,820**	**5,453,170**	**93.4%**
613 11th SW	—	4,288	—	4,288		—	4,288	100.0%
617 11th SW	3,230	6,306	—	9,536		—	9,536	100.0%
Alberta Block - 805 1st SW	9,094	22,540	—	31,634		1,534	30,100	95.2%
Alberta Hotel - 808 1st SW	28,036	20,424	—	48,460		10,563	37,897	78.2%
Atrium on Eleventh - 625 11th SE	34,870	1,410	—	36,280		9,316	26,964	74.3%
Biscuit Block - 438 11th SE	51,298	—	—	51,298		—	51,298	100.0%
Burns Building - 237 8th SE	75,040	1,249	—	76,289		1,070	75,219	98.6%
Cooper Block - 809 10th SW	35,256	—	—	35,256		5,278	29,978	85.0%
Customs House - 134 11th SE	73,352	—	—	73,352		—	73,352	100.0%
Demcor Condo - 221 10th SE	14,253	—	—	14,253		14,253	—	—%
Demcor Tower - 239 10th SE	25,749	—	—	25,749		6,022	19,727	76.6%
Five Roses Building - 731-739 10th SW (4)	—	10,432	—	10,432		—	10,432	100.0%
Glenbow - 802 11th SW (4)	—	3,660	—	3,660		—	3,660	100.0%
Glenbow - 822 11th SW (4)	4,848	3,919	—	8,767		2,168	6,599	75.3%
Glenbow Annex - 816 11th SW (4)	—	4,511	—	4,511		—	4,511	100.0%
Glenbow Cornerblock - 838 11th SW (4)	5,499	5,606	—	11,105		573	10,532	94.8%
Glenbow Ellison - 812 11th SW (4)	5,676	—	—	5,676		5,676	—	—%
Kipling Square - 601 10th SW	48,502	—	—	48,502		13,281	35,221	72.6%

DECEMBER 31, 2019 PROPERTIES	Urban Workspace Office GLA	Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
Leeson Lineham Building - 209 8th SW	33,241	—	—	33,241		—	33,241	100.0%
LocalMotive - 1240 20th SE	57,537	—	—	57,537		4,871	52,666	91.5%
Odd Fellows - 100 6th SW	33,474	—	—	33,474		—	33,474	100.0%
Pilkington Building - 402 11th SE	40,253	—	—	40,253		—	40,253	100.0%
Roberts Block - 603-605 11th SW	23,645	27,499	—	51,144		16,989	34,155	66.8%
Sherwin Block - 738 11th SW (4)	10,845	4,895	—	15,740		—	15,740	100.0%
Telephone Building - 119 6th SW	63,063	—	—	63,063		—	63,063	100.0%
Vintage Towers - 322-326 11th SW	190,219	20,418	—	210,637		3,758	206,879	98.2%
Woodstone Building - 1207-1215 13th SE	33,152	—	—	33,152		14,217	18,935	57.1%
Young Block - 129 8th SW	7,734	—	—	7,734		2,414	5,320	68.8%
Calgary	**907,866**	**137,157**	**—**	**1,045,023**	**8.1%**	**111,983**	**933,040**	**89.3%**
Boardwalk Building - 10310 102nd NW	121,318	18,067	—	139,385		—	139,385	100.0%
Revillon Building - 10310 102nd NW	149,029	—	—	149,029		17,393	131,636	88.3%
Revillon Parkade - 10230 104th NW	—	9,437	—	9,437		—	9,437	100.0%
Edmonton	**270,347**	**27,504**	**—**	**297,851**	**2.3%**	**17,393**	**280,458**	**94.2%**
1040 Hamilton	36,276	9,162	—	45,438		12,167	33,271	73.2%
1050 Homer	28,483	14,215	—	42,698		—	42,698	100.0%
1220 Homer	21,708	—	—	21,708		—	21,708	100.0%
1286 Homer	25,637	—	—	25,637		—	25,637	100.0%
151-155 West Hastings	38,512	—	—	38,512		—	38,512	100.0%
2233 Columbia Street	21,591	6,852	—	28,443		—	28,443	100.0%
342 Water	18,416	2,886	—	21,302		—	21,302	100.0%
365 Railway	31,528	—	—	31,528		—	31,528	100.0%
840 Cambie	89,377	—	—	89,377		—	89,377	100.0%
948-950 Homer	45,003	—	—	45,003		—	45,003	100.0%
Sun Tower - 128 West Pender	76,303	1,693	—	77,996		4,182	73,814	94.6%
Vancouver	**432,834**	**34,808**	**—**	**467,642**	**3.6%**	**16,349**	**451,293**	**96.5%**
Calgary, Edmonton, & Vancouver	**1,611,047**	**199,469**	**—**	**1,810,516**	**14.0%**	**145,725**	**1,664,791**	**92.0%**
Total Office and Retail	**11,249,399**	**1,053,047**	**—**	**12,302,446**	**95.0%**	**586,521**	**11,715,925**	**95.2%**

DECEMBER 31, 2019 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
151 Front W	—	—	277,744	277,744		28,008	249,736	89.9%
250 Front W	—	—	173,000	173,000		55,900	117,100	67.7%
905 King W	—	—	58,666	58,666		—	58,666	100.0%
Urban Data Centres	**—**	**—**	**509,410**	**509,410**	**3.9%**	**83,908**	**425,502**	**83.5%**
Total Rental Portfolio, Excluding PUD Transfers	**11,249,399**	**1,053,047**	**509,410**	**12,811,856**	**98.9%**	**670,429**	**12,141,427**	**94.8%**
King Portland Centre - 620 King W [1]	128,599	7,720	—	136,319		—	136,319	100.0%
Total Rental Portfolio, Including PUD Transfers	**11,377,998**	**1,060,767**	**509,410**	**12,948,175**	**100%**	**670,429**	**12,277,746**	**94.8%**

Note that the table above does not include ancillary residential properties, which total 12 and are included in the property count.

(1) RioCan/Allied Joint Arrangement
(2) Lifetime/Allied Joint Arrangement
(3) Perimeter/Allied Joint Arrangement
(4) First Capital/Allied Joint Arrangement

PROPERTIES UNDER DEVELOPMENT

Property	ESTIMATED GLA ON COMPLETION (SF)
TELUS Sky, Calgary [1]	218,000
425 Viger, Montréal	317,500
The Lougheed (604-1st SW), Calgary	88,000
College & Manning, 547-549 College, Toronto [2]	27,000
Adelaide & Duncan, Toronto [3]	230,000
The Well, Toronto [4]	763,000
KING Toronto, Toronto [3][5]	100,000
Breithaupt Phase III, Kitchener [6]	147,000
Total Development Portfolio	1,890,500

(1) TELUS/Westbank/Allied Joint Venture
(2) RioCan/Allied Joint Arrangement
(3) Westbank/Allied Joint Arrangement
(4) Each of Allied and RioCan own an undivided 50% interest with an estimated total GLA of 3,100,000 square feet. The GLA components (in square feet) at our 50% share will be as follows: approximately 534,000 of office, 212,000 of retail, and the remaining is related to residential air rights. The air rights were sold by the co-ownership as previously announced, with closing expected to occur by 2021.
(5) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W and 539 King W. The GLA components (in square feet) at our 50% share will be as follows: 200,000 of residential, 60,000 of retail and 40,000 of office.
(6) Perimeter/Allied Joint Arrangement. Breithaupt Phase III is comprised of 43 Wellington, 53 & 55 Wellington, 305 Joseph and 2-4 Stewart.

ANCILLARY PARKING FACILITIES

Property	NUMBER OF SPACES
7-9 Morrison, Toronto	25
15 Brant, Toronto	203
78 Spadina, Toronto	39
105 George, Toronto	15
301 Markham, Toronto	47
388 Richmond, Toronto	121
464 King, Toronto	12
478 King, Toronto [1]	65
560 King, Toronto	171
650 King, Toronto	71
Total Parking	769

(1) Lifetime/Allied Joint Arrangement

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

Management's Statement of Responsibility for Financial Reporting

The accompanying consolidated financial statements, management's discussion and analysis of results of operations and financial condition and the annual report are the responsibility of the Management of Allied Properties Real Estate Investment Trust ("Allied"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and where appropriate, include amounts which are based on judgments, estimates and assumptions of Management.

Management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized.

The Board of Trustees (the "Board") is responsible for ensuring that Management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee (the "Committee"), which is comprised entirely of independent trustees. The Committee reviews the consolidated financial statements with both Management and the independent auditors. The Committee reports its findings to the Board, which approves the consolidated financial statements before they are submitted to the Unitholders of Allied.

Deloitte LLP (the "Auditors"), the independent auditors of Allied, have audited the consolidated financial statements of Allied in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the consolidated financial statements. The Auditors have direct and full access to, and meet periodically with the Committee, both with and without Management present.

Michael R. Emory
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Cecilia C. Williams, CPA, CA
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Independent Auditor's Report

TO THE UNITHOLDERS AND THE BOARD OF TRUSTEES OF ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST

OPINION

We have audited the consolidated financial statements of Allied Properties Real Estate Investment Trust (the "Trust"), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis of Results of Operations and Financial Condition
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis of Results of Operations and Financial Condition and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Antonio Ciciretto.

/s/ Deloitte LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO, ONTARIO
FEBRUARY 5, 2020

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

(in thousands of Canadian dollars)	NOTES	DECEMBER 31, 2019	DECEMBER 31, 2018
Assets			
Non-current assets			
Investment properties	5	$7,469,265	$6,162,457
Residential inventory	6	114,910	103,690
Investment in joint venture and loan receivable	7	95,596	18,456
Loans and notes receivable	8	247,413	202,367
Other assets	9	39,788	28,518
		7,966,972	6,515,488
Current assets			
Cash and cash equivalents	20	208,914	18,059
Loans and notes receivable	8	3,863	11,077
Accounts receivable, prepaid expenses and deposits	10	129,944	45,838
Residential inventory	6	—	36,612
		342,721	111,586
Total assets		$8,309,693	$6,627,074
Liabilities			
Non-current liabilities			
Debt	11	$2,125,938	$1,850,621
Other liabilities	13	33,923	—
Lease liabilities	12	155,221	156,663
		2,315,082	2,007,284
Current liabilities			
Debt	11	29,243	36,081
Accounts payable and other liabilities	13	247,669	209,046
		276,912	245,127
Total liabilities		2,591,994	2,252,411
Unitholders' equity		5,717,699	4,374,663
Total liabilities and Unitholders' equity		$8,309,693	$6,627,074

Commitments and Contingencies (note 26)
The accompanying notes are an integral part of these consolidated financial statements.

Gordon Cunningham
TRUSTEE

Michael R. Emory
TRUSTEE

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

(in thousands of Canadian dollars, except unit and per unit amounts)	NOTES	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Rental revenue from investment properties	18	$496,109	$436,396
Condominium revenue	18	45,341	—
Total revenue		541,450	436,396
Property operating costs		(210,747)	(185,938)
Condominium cost of sales	6	(43,342)	—
Total operating expenses		(254,089)	(185,938)
Operating income		287,361	250,458
Interest expense	11 (f)	(66,403)	(68,471)
General and administrative expenses	19	(21,953)	(17,059)
Condominium marketing expenses		(4,214)	(1,609)
Amortization of other assets	9	(1,456)	(1,556)
Interest income		17,351	6,941
Fair value gain on investment properties	5	450,490	378,883
Fair value loss on derivative instruments	14, 25 (d)	(6,109)	(6,470)
Net loss from joint venture		(25,844)	(1,848)
Gain on disposal of investment properties		—	1,007
Net income and comprehensive income		$629,223	$540,276
Income per unit			
Basic		$5.60	$5.53
Diluted		$5.58	$5.51
Weighted average number of Units	17		
Basic		112,443,006	97,785,091
Diluted		112,731,050	97,965,711

The accompanying notes are an integral part of these consolidated financial statements.

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

(in thousands of Canadian dollars)	NOTES	TRUST UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
Balance at January 1, 2018	15	$2,399,768	$1,134,614	$14,640	$3,549,022
Net income and comprehensive income		—	540,276	—	540,276
Unit offering (net of issuance costs)	15	435,168	—	—	435,168
Distributions		—	(153,855)	—	(153,855)
Unit option plan – options exercised	16 (a)	3,043	—	—	3,043
Contributed surplus – Unit option plan	16 (a)	—	—	1,346	1,346
Restricted Unit plan (net of forfeitures)	16 (b)	(2,584)	—	2,247	(337)
Balance at December 31, 2018		$2,835,395	$1,521,035	$18,233	$4,374,663

(in thousands of Canadian dollars)	NOTES	TRUST UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
Balance at January 1, 2019	**15**	**$2,835,395**	**$1,521,035**	**$18,233**	**$4,374,663**
Net income and comprehensive income		**—**	**629,223**	**—**	**629,223**
Unit offering (net of issuance costs)	**15**	**882,102**	**—**	**—**	**882,102**
Distributions		**—**	**(180,284)**	**—**	**(180,284)**
Unit option plan – options exercised	**16 (a)**	**10,437**	**—**	**—**	**10,437**
Contributed surplus – Unit option plan	**16 (a)**	**—**	**—**	**1,583**	**1,583**
Restricted Unit plan (net of forfeitures)	**16 (b)**	**(2,462)**	**—**	**2,437**	**(25)**
Balance at December 31, 2019		**$3,725,472**	**$1,969,974**	**$22,253**	**$5,717,699**

The accompanying notes are an integral part of these consolidated financial statements.

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

		YEAR ENDED	
(in thousands of Canadian dollars)	NOTES	DECEMBER 31, 2019	DECEMBER 31, 2018
Operating activities			
Net income for the year		**$629,223**	$540,276
Fair value gain on investment properties	**5**	**(450,490)**	(378,883)
Fair value loss on derivative instruments	**25 (d)**	**6,109**	6,470
Realized gain on derivative instruments	**25 (d)**	**(2,146)**	—
(Gain) on disposal of investment properties		**—**	(1,007)
Interest expense (excluding capitalized interest)	**11 (f)**	**66,403**	68,471
Interest paid (excluding capitalized interest)	**20, 5, 6**	**(60,079)**	(69,363)
Interest income		**(17,351)**	(6,941)
Interest received	**20**	**12,102**	6,941
Net loss from joint venture	**7**	**25,844**	1,848
Amortization of equipment and other assets	**9**	**1,456**	1,556
Amortization of improvement allowances	**5**	**30,796**	28,819
Amortization of straight-line rents	**5**	**(5,894)**	(6,992)
Amortization of discount on debt	**11 (f)**	**(1,127)**	(1,828)
Amortization of lease liabilities		**(1,279)**	(68)
Unit compensation expense	**16**	**4,020**	3,593
Additions to residential inventory	**6**	**(17,950)**	(8,373)
Change in other non-cash financing items	**7**	**(3,316)**	1,924
Change in other non-cash operating items	**7, 20**	**29,329**	50,305
Cash provided by operating activities		**245,650**	236,748
Financing activities			
Repayment of mortgages payable	**4, 11 (a)**	**(192,878)**	(213,653)
Proceeds from senior unsecured debentures (net of financing costs)	**11 (d)**	**596,397**	—
Repayment of senior unsecured debentures	**11 (d)**	**(225,000)**	—
Proceeds from unsecured term loan (net of financing costs)	**11 (e)**	**—**	99,190
Principal payments of lease liabilities		**(2,049)**	(24)
Distributions paid to Unitholders		**(177,760)**	(152,123)
Proceeds of Unit offering (net of issuance costs)	**15**	**882,102**	435,168
Proceeds from exercise of Unit options	**15, 16**	**10,437**	3,043
Restricted Unit Plan (net of forfeitures)	**15, 16**	**(2,462)**	(2,584)

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018 *- continued*

(in thousands of Canadian dollars)	NOTES	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Proceeds from notes receivables	8 (b)	551	575
Proceeds from Unsecured Revolving Operating Facility	11 (c)	338,000	470,000
Repayments of Unsecured Revolving Operating Facility	11 (c)	(433,000)	(400,000)
Proceeds from construction loan	11 (c)	23,210	—
Financing costs		(96)	(719)
Loan receivable payments received	8 (a)	35,057	—
Loan receivable issued to third-party	7, 8 (a), 20	(178,566)	(44,943)
Cash provided by financing activities		673,943	193,930
Investing activities			
Acquisition of investment properties	4	(370,075)	(123,279)
Deposits on acquisitions	10 (d)	(28,250)	—
Additions to investment properties (including capitalized interest)	5, 7	(274,707)	(217,440)
Additions to equipment and other assets	9	(396)	(2,613)
Leasing commissions	5, 7	(17,533)	(21,022)
Improvement allowances	5	(37,777)	(54,024)
Cash used in investing activities		(728,738)	(418,378)
Increase (decrease) in cash and cash equivalents		190,855	12,300
Cash and cash equivalents, beginning of year		18,059	5,759
Cash and cash equivalents, end of year		$208,914	$18,059

Supplemental cash flow information (note 20)
The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Allied Properties Real Estate Investment Trust ("Allied") is a Canadian unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust dated October 25, 2002, most recently amended May 12, 2016. Allied is governed by the laws of the Province of Ontario and began operations on February 19, 2003. The Units of Allied are traded on the Toronto Stock Exchange and are traded under the symbol "AP.UN".

Allied is domiciled in Ontario, Canada. The address of Allied's registered office and its principal place of business is 134 Peter Street, Suite 1700, Toronto, Ontario, M5V 2H2.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) *Statement of compliance*

The consolidated financial statements of Allied for the year ended December 31, 2019, and 2018, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the years presented unless otherwise noted.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the amounts reported. Allied's basis for applying judgments, estimates and assumptions to its accounting policies are described in note 2 and 3 below.

The consolidated financial statements for the year ended December 31, 2019, and 2018, were approved and authorized for issue by the Board of Trustees on February 5, 2020.

(B) *Basis of presentation*

The consolidated financial statements have been prepared on a historical cost basis except for the following items that were measured at fair value:

- investment properties as described in note 2 (d) and note 5; and
- interest rate swaps as described in note 2 (i).

The consolidated financial statements are presented in Canadian dollars, which is Allied's functional currency, and all amounts are rounded to the nearest thousand, unless otherwise indicated.

The preparation of these consolidated financial statements requires Allied to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods. Significant estimates and assumptions include the fair values assigned to investment properties, interest rate derivative contracts, and allowances for doubtful accounts.

(c) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of Allied and its subsidiaries.

Subsidiaries are all entities over which Allied has control, where control is defined as the power to direct the relevant activities of an entity so as to obtain benefit from its activities. Control exists when a parent company is exposed to, or has rights to, variable returns from the subsidiaries and has the ability to affect those returns through its power.

Subsidiaries are consolidated from the date control is transferred to Allied, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Allied. All subsidiaries have a reporting date of December 31.

(d) *Investment properties*

At the time of acquisition of a property, Allied applies judgment when determining if the acquisition is an asset acquisition or a business combination.

Allied classifies its acquisitions as asset acquisitions when it acquires properties or a portfolio of properties and it has not assumed any employees or acquired an operating platform.

Investment properties include rental properties and properties under development that are owned by Allied, or leased by Allied as a lessee, to earn rental revenue and/or for capital appreciation. Investment properties are accounted for using the fair value model. Rental income and operating expenses from investment properties are reported within 'total revenue' and 'total operating expenses' respectively.

Where Allied has concluded an acquisition of an asset, Allied uses the asset purchase model whereby the initial cost of an investment property is comprised of its purchase price and any directly attributable expenditures. Directly attributable expenditures include transaction costs such as due diligence costs, appraisal fees, environmental fees, legal fees, land transfer taxes, and brokerage fees.

Investment properties are externally appraised quarterly and are reported in the consolidated balance sheets at their fair values. Fair value is based on valuations prepared by a nationally recognized and qualified independent professional appraiser with sufficient experience with respect to both the geographic location and the nature of the investment property and supported by market evidence. Any gain or loss resulting from a change in the fair value of an investment property is immediately recognized in the Consolidated Statements of Income and Comprehensive Income. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The independent professional appraiser engaged by Allied predominantly uses the discounted cash flow method to determine fair value, whereby the income and expenses are projected over the anticipated term of the investment and combined with a terminal value, all of which is discounted using an appropriate discount rate. Properties under development are measured using both a comparable sales method and a discounted cash flow method, net of costs to complete, as of the balance sheet date. For further details on methods used, refer to note 5. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

Allied has applied judgment based on the extent that costs are incurred to enhance the service potential of the property in determining whether certain costs are additions to the carrying amount of investment properties or will be expensed.

Allied has applied judgment when reporting its properties under development. The cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs attributable to the development. See 2 (g) below for further information regarding Allied's accounting for borrowing costs.

(e) *Joint Arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. A joint operation usually results from direct interests in the assets and liabilities of an investee. None of the parties involved have unilateral control of a joint operation. Allied accounts for its joint arrangements as joint operations wherein it records its share of the assets, liabilities, revenue and expenses of the joint operations.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets relating to the arrangement, and usually results from the establishment of a separate legal entity. Allied accounts for its joint ventures using the equity method. The share of results of earnings (loss) of the joint venture is reflected in the consolidated statement of income and comprehensive income.

Under the equity method, an investment in a joint venture is recognized initially in the consolidated balance sheet at cost and adjusted thereafter to recognize Allied's share of the profit or loss and other comprehensive income of the joint venture in accordance with Allied's accounting policies. When Allied's share of losses of a joint venture exceeds Allied's interest in that joint venture (which includes any long-term interests that, in substance, form part of Allied's net investment in the joint venture), Allied continues recognizing its share of further losses to the extent that Allied has incurred legal or constructive obligations or made payments on behalf of the joint venture.

When Allied transacts with a joint venture, profits and losses resulting from the transactions with the joint venture are recognized in Allied's consolidated financial statements only to the extent of interests in the joint venture that are not related to Allied.

(F) *Revenue Recognition*

Allied has retained substantially all of the risks and benefits of ownership of its investment properties and as such accounts for its leases with tenants as operating leases.

Revenue from investment properties include rents from tenants under leases, property tax and operating cost recoveries, percentage participation rents, lease cancellation fees, parking income and other income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. The difference between revenue recognized and the cash received is included in investment properties as straight-line rents receivable.

Lease incentives provided to tenants are deferred and amortized on a straight-line basis against revenue over the term of the lease. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Percentage participation rents are recognized after the minimum sales level has been achieved with each lease, where applicable. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectability is reasonably assured. Other income is recognized upon provision of goods or services when collectability is reasonably assured.

Contracts with customers for residential condominium units generally include one distinct performance obligation. Revenue is measured at the transaction price agreed under the contract, and is recognized at the point in time in which control over the property has been transferred. Customer deposits received are held in trust and restricted for use.

(G) *Borrowing Costs*

Borrowing costs directly attributable to acquiring or constructing a qualifying investment property are capitalized. Capitalization commences when the activities necessary to prepare an asset for development or redevelopment begin, and ceases once the asset is substantially complete, or is suspended if the development of the asset is suspended. The amount of borrowing costs capitalized 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. Where borrowings are associated with specific developments, the amount capitalized is the gross costs incurred on those borrowings. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

(H) *Other Assets*

Computer and office equipment and owner occupied property are included in other assets and are stated at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Allied records amortization expense on a straight-line basis over the assets' estimated useful life which is generally three to seven years. The assets' residual values and useful lives are reviewed annually or if expectations differ from previous estimates, and adjusted if appropriate.

When events and circumstances indicate an asset may be impaired, the carrying amount is written down immediately to its recoverable amount (defined as the higher of an asset's fair value less costs to sell and its value in use).

(I) *Financial Instruments*

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less.

Mortgages payable consists of the legal liabilities owing pursuant to loans secured by mortgages and premiums and discounts recognized on loans assumed on acquisition of properties, netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

The following table describes Allied's classification and measurement of its financial assets and liabilities:

ASSET/LIABILITY	CLASSIFICATION	MEASUREMENT
Loans and notes receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Debt	Other financial liabilities	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Interest rate swaps	Fair value through profit or loss	Fair value

Allied designated its accounts receivable, loans and notes receivable, and cash and cash equivalents as loans and receivables; its debt and accounts payable and other liabilities as other financial liabilities. All derivatives, including embedded derivatives, are classified at fair value through profit or loss and are recorded on the consolidated balance sheet at fair value.

At the end of each reporting period, Allied will reassess categorization between levels in the hierarchy to determine whether transfers have occurred. The reassessment is based on the lowest level input that is significant to the fair value measurement in its entirety.

FINANCIAL ASSETS

Financial assets are classified as loans and receivables or fair value through profit or loss. Financial assets are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as at fair value through profit or loss, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as at fair value through profit or loss are recognized immediately in net income.

Allied assesses, on a continual basis, whether there is objective evidence that a financial asset that is not carried at fair value through profit or loss is impaired based on changes in the credit risk of the financial asset since initial recognition. An impairment loss, which is the excess of the carrying amount over the fair value, is recognized if the present value of estimated future cash flows discounted at the original effective interest rate inherent in the loan is less than its carrying value and is measured as the difference between the two amounts. Impairments are recognized in the Consolidated Statements of Income and Comprehensive Income.

FINANCIAL LIABILITIES

Financial liabilities are classified and measured as disclosed in the table above. Financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Allied measures its debt, finance lease obligations, and accounts payable and other liabilities, at amortized cost using the effective interest method. All interest-related charges are reported in the Consolidated Statements of Income and Comprehensive Income and are included within 'Interest expense', except for those interest-related charges capitalized to qualifying properties under development or rental properties.

From time to time, Allied uses derivative financial instruments to manage risks from fluctuations in interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values unless they are effective cash flow hedging instruments.

On the date a derivative contract is entered into, Allied assesses whether or not to designate the derivative as either a hedge of the fair value of a recognized asset or liability (a "fair-value hedge") or a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability or a forecasted transaction (a "cash-flow hedge"). Allied does not hold any fair-value or cash-flow hedges.

Allied has entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates on variable rate mortgages and unsecured term loans. Gains or losses arising from the change in fair values of the interest rate derivative contracts are recognized in the Consolidated Statements of Income and Comprehensive Income.

(J) *Unitholders' Equity*

Trust Units represents the initial value of Units that have been issued. Any transaction costs associated with the issuing of Units are deducted from Unit proceeds.

Unitholders' equity includes all current and prior period retained income. Distributions payable to Unitholders are included in 'Distributions payable to Unitholders' when the distributions have been approved and declared prior to the reporting date, but have yet to be paid.

(K) *Short-Term Employee Benefits*

Allied does not provide pension plan benefits. Short-term employee benefits are expensed as a period expense.

(L) *Unit-Based Payments*

Equity-settled unit-based payments to employees and trustees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled unit-based payments is expensed on a straight-line basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on Allied's estimate of equity instruments that will eventually vest. At the end of each reporting period, Allied revises its estimate of the number of equity instruments that are expected to vest. Allied utilizes the Black-Scholes Model for the valuation of unit options with no performance criteria, see note 16 for assumptions used.

Units granted under the Unit Option Plan and Restricted Unit Plan are subject to vesting conditions and disposition restrictions, in order to provide a long term compensation incentive. The Unit Options and Restricted Units are subject to forfeiture until the participant has held his or her position with Allied for a specified period of time. Full vesting of Restricted Units and Unit Options may not occur until the participant has remained employed by Allied for three and four years, respectively from the date of grant. Upon forfeiture of Unit Options and Restricted Units by an employee or trustee of Allied, the expense related to any unvested, forfeited Unit Options and Restricted Units recognized up to and including the date of the forfeiture is reversed.

(m) *Provisions*

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Allied does not have any provisions as of the date of this report.

(n) *Per Unit Calculations*

Basic net income per unit is calculated by dividing net income by the weighted average number of Units outstanding for the period (refer to note 17 for further details).

Diluted net income per unit is calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of the outstanding unit purchase options. The denominator is increased by the total number of additional Units that would have been issued by Allied assuming exercise of all unit purchase options with exercise prices below the average market price for the year (refer to note 16 for further details).

(o) *Residential Inventories*

Residential inventory are assets that are developed by Allied for sale in the ordinary course of business and is recorded at the lower of cost and estimated net realizable value. Impairment is reviewed at each reporting date, with any losses recognized in net income when the carrying value of the inventory exceeds its net realizable value. The net realizable value is defined as the entity-specific future selling price, including any development plans, in the ordinary course of business less estimated costs of completion and selling costs.

The cost of residential inventory includes any costs that are directly attributable to bring the projects to a state of active development, which includes borrowing costs. Borrowing costs are accounted under IAS 23 similarly to Allied's policies for capitalization to qualifying assets.

(p) *Accounting standards adopted in 2019*

IFRS 16 - LEASES ("IFRS 16")

Allied has adopted IFRS 16, as issued by the IASB in January 2016, which replaces IAS 17, *Leases*, and related interpretations effective on January 1, 2019. Allied has elected to apply the standard on a modified retrospective basis and accordingly the comparative period has not been restated.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requires the lessee to recognize a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases (lease term of 12 months or less) and leases of low-value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged with the distinction between operating leases and finance leases being retained. However, IFRS 16 requires enhanced disclosures to be provided by lessors.

Allied has historically recorded five land leases and accounted for the respective leases as finance leases under IAS 17. Accordingly, the adoption of IFRS 16 resulted in a change in the description of the line item entitled finance lease obligations to the new line item entitled lease liabilities. There was no impact to the measurement of the finance lease obligations and corresponding investment properties on the adoption of IFRS 16.

As no right-of-use asset or lease liabilities have been recognized in the period there is no cumulative effect adjustment required to be recorded in retained earnings on initial application of IFRS 16.

For short-term leases and leases of low-value assets, Allied has elected to recognize the lease expense in the period in accordance with the practical expedients of IFRS 16. This expense is presented within property operating costs and/or general and administrative expenses, as applicable, in the consolidated statements of income and comprehensive income. The total amount expensed during the year ended December 31, 2019, is $270.

The adoption of IFRS 16 did not have an impact on the consolidated statements of cash flows as all short-term leases and low-value asset payments continue to be recorded within cash provided by operating activities line items.

(Q) *Comparative figures*

As a result of the condominium sales earned in the year ended December 31, 2019, a revised sub-total entitled operating income has replaced the previous sub-total net rental income on the face of the consolidated statement of income and comprehensive income. Also, the comparative figures have been revised for the accounting related to a joint venture (see Note 7) and related segment disclosures.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments and estimates in applying Allied's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that Allied believes could have the most significant impact on the amounts recognized in the consolidated financial statements. Allied's significant accounting policies are disclosed in note 2.

INVESTMENT PROPERTIES

Judgments Made in Relation to Accounting Policies Applied - Judgment is applied in determining whether certain costs are additions to the carrying value of investment properties, identifying the point at which substantial completion of a development property occurs, and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. Allied also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. Allied has determined through the appropriate analysis that all the properties it has acquired to date to be asset acquisitions.

Key Sources of Estimation - The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. For further details, see note 5. The review of anticipated cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

JOINT ARRANGEMENTS

Judgments Made in Relation to Accounting Policies Applied - Judgment is applied in determining whether Allied has joint control and whether the arrangements are joint operations or joint ventures. In assessing whether the joint arrangements are joint operations or joint ventures, management applies judgment to determine Allied's rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

LEASES

Judgments Made in Relation to Accounting Policies Applied - Prior to the adoption of IFRS 16, Allied has applied judgment to determine whether the freehold lease and certain land leases, where Allied is the lessee, are operating leases or finance leases. In order to determine the classification, Allied considers judgments and estimates related to lease terms, incremental borrowing rates, and contingent rent and fixed payments. Pursuant to the long term contractual obligations in each, they are finance leases and accordingly they are classified as investment properties.

All tenant leases where Allied is the lessor have been determined to be operating leases.

INCOME TAXES

Judgments Made in Relation to Accounting Policies Applied - Allied qualifies as a mutual fund trust ("MFT") and a REIT as defined in the Income Tax Act (Canada). Allied is not liable to pay entity level Canadian income taxes provided that its taxable income is fully distributed to Unitholders each year and if it meets the prescribed rules under the Income Tax Act (Canada) to be a REIT and MFT. This results in no current or deferred income tax being recognized in the financial statements.

Allied applies judgment in determining whether it will continue to qualify as a REIT and in assessing its interpretation and application to its assets and revenue. While there are uncertainties in interpretation and application of these rules, Allied believes it meets the REIT and MFT rules.

Allied expects to continue to qualify as a REIT under the Income Tax Act (Canada), however, should it no longer qualify, it would be subject to entity level tax and would be required to recognize current and deferred income taxes.

4. ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2019, Allied completed the following property acquisitions from third parties:

PROPERTY	ACQUISITION DATE	PROPERTY TYPE	INVESTMENT PROPERTY	INTEREST ACQUIRED
738-11th SW, Calgary	April 9, 2019	Office, Retail	6,145	50%
2233 Columbia, Vancouver	April 11, 2019	Office, Retail	25,074	100%
2-4 Stewart, Kitchener	May 9, 2019	Development	1,791	50%
1050 Homer, Vancouver	May 27, 2019	Office, Retail	41,420	100%
53-55 Wellington, Kitchener	June 3, 2019	Development	371	50%
1001 Rue Lenoir, Montréal	July 2, 2019	Office, Retail	82,091	100%
700 de la Gauchetière, Montréal	July 17, 2019	Office, Retail	335,714	100%
365 Railway, Vancouver	September 26, 2019	Office	18,988	100%
134-11th SE, Calgary	November 28, 2019	Office	14,800	100%
Ancillary residential properties, Toronto [1]	-	Residential	23,074	100%
			$549,468	

(1) Allied acquired eight ancillary residential properties in 2019.

The total purchase price for the above noted properties of $549,468 is comprised of net cash consideration of $370,075, the assumption of other liabilities of $17,442 and mortgage assumptions of $161,951.

During the year ended December 31, 2018, Allied completed the following property acquisitions from third parties:

PROPERTY	ACQUISITION DATE	PROPERTY TYPE	INVESTMENT PROPERTY	INTEREST ACQUIRED
464 King W, Toronto	January 18, 2018	Parking	$7,529	100%
812-11th SW, Calgary	January 25, 2018	Retail	1,750	50%
137 George, Toronto	January 30, 2018	Office, Retail	1,110	100%
731-10th SW, Calgary	February 12, 2018	Retail	5,970	50%
305 Joseph, Kitchener	June 21, 2018	Parking	888	50%
1220 Homer, Vancouver	October 15, 2018	Office	18,072	100%
802-11th SW, Calgary	October 15, 2018	Retail	2,287	50%
151 West Hastings, Vancouver	November 30, 2018	Office	40,061	100%
668 King W, Toronto	November 30, 2018	Retail	12,547	100%
342 Water, Vancouver	December 3, 2018	Office, Retail	20,074	100%
644 Courcelle, Montréal	December 19, 2018	Office, Retail	33,108	100%
			$143,396	

The total purchase price for the above noted properties of $143,396 is comprised of net cash consideration of $123,279, the assumption of other liabilities of $1,442, and mortgages payable of $18,675.

DISPOSITIONS

During the year ended December 31, 2019, Allied did not dispose of any investment properties.

During the year ended December 31, 2018, Allied completed the following disposition of an investment property to a third party:

PROPERTY	DISPOSITION DATE	PROPERTY TYPE	SELLING PRICE
KING Toronto [(1)]	November 30, 2018	Residential, Office, Retail	$63,225
Total selling price			$63,225
Net selling costs			(20)
Working capital adjustments			3,825
Loan Issuance			(67,030)
Net cash consideration received			$—

(1) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, and 539 King W.

5. INVESTMENT PROPERTIES

Changes to the carrying amounts of investment properties are summarized as follows:

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL
Balance, beginning of year	$5,592,216	$570,241	$6,162,457	$5,168,621	$387,365	$5,555,986
Additions:						
Acquisitions	547,306	2,162	549,468	143,396	—	143,396
Improvement allowances	37,755	22	37,777	48,607	5,417	54,024
Leasing commissions	13,310	4,223	17,533	13,823	7,199	21,022
Capital expenditures	55,428	219,279	274,707	40,091	177,349	217,440
Dispositions	—	—	—	—	(67,030)	(67,030)
Transfers from PUD	98,850	(98,850)	—	67,180	(67,180)	—
Transfers to PUD	(6,530)	6,530	—	(185,770)	185,770	—
Transfers to residential inventory	—	—	—	—	(103,690)	(103,690)
Transfers to other assets	(152)	—	(152)	(17,631)	—	(17,631)
Lease liabilities	1,887	—	1,887	1,884	—	1,884
Amortization of straight-line rent and improvement allowances	(24,882)	(20)	(24,902)	(23,287)	1,460	(21,827)
Fair value gain on investment properties	439,027	11,463	450,490	335,302	43,581	378,883
Balance, end of year	$6,754,215	$715,050	$7,469,265	$5,592,216	$570,241	$6,162,457

For the year ended December 31, 2019, Allied capitalized $20,979 of borrowing costs to qualifying investment properties (December 31, 2018 - $18,760).

Included in the rental properties amounts noted above are right-of-use assets with a fair value of $509,860 (December 31, 2018 - $502,040) representing the fair value of Allied's interest in five investment properties with corresponding lease liabilities. The leases' maturities range from 24.8 years to 82.5 years.

VALUATION METHODOLOGY

The appraised fair value of investment properties is most commonly determined using the following methodologies:

(A) Discounted cash flow method - Under this approach, 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 ("NOI"), a non-GAAP measure, in the terminal year. This method is primarily used to value the rental properties portfolio.

(B) Comparable sales method - 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.

In accordance with its policy, Allied measures and records its investment properties using valuations under the supervision of Management with the support of an independent external appraiser. 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 year. 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.

SIGNIFICANT INPUTS

There are significant unobservable inputs used, such as capitalization rates, in determining the fair value of each investment property. Accordingly, all investment properties are measured in accordance with the fair value measurement hierarchy levels and the inputs for investment properties comprise Level 3 unobservable inputs, reflecting Management's best estimate of what market participants would use in pricing the asset at the measurement date. Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted NOI. Generally, an increase in NOI will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties. Below are the rates used in the modeling process for valuations.

	WEIGHTED AVERAGE	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Discount rate	**6.63%**	6.64%
Terminal capitalization rate	**5.38%**	5.55%
Overall capitalization rate	**4.98%**	5.13%
Discount horizon (years)	**10**	10

The analysis below shows the maximum impact on fair values of possible changes in capitalization rates, assuming no changes in NOI:

CHANGE IN CAPITALIZATION RATE OF	-0.50%	-0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Investment Properties	**$833,623**	**$394,781**	**$(357,039)**	**$(681,502)**

6. 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.

On September 19, 2017, Allied and its partner RioCan announced that they had finalized plans that would allow the co-owners to improve the return on the development of King Portland Centre. The co-owners had originally intended to develop the residential portion of the project as rental apartments and then decided to sell the residential portion as condominium units, comprised of 132 units. As of December 31, 2019, all units have been occupied for which $45,341 and $43,342 of revenue and related cost of sales, respectively, have been recognized in the consolidated statements of income and comprehensive income.

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. KING Toronto is a mixed-use property comprised of office, retail, and residential uses. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. The residential component will be developed and sold as condominiums. The sale of the residential units commenced in October 2018 and totals 210,000 square feet of GLA.

For the year ended December 31, 2019, Allied capitalized $5,214 of borrowing costs to qualifying residential inventory (December 31, 2018 - $1,264).

Residential inventory is as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
King Portland Centre	**$—**	$36,612
KING Toronto	**114,910**	103,690
	$114,910	$140,302
Current	**$—**	$36,612
Non-current	**114,910**	103,690
	$114,910	$140,302

The changes in the aggregate carrying value of Allied's residential inventory is as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Balance, beginning of year	$140,302	$28,239
Acquisitions [1]	10,454	—
Dispositions [1]	(5,227)	—
Sale of residential units [2]	(43,342)	—
Development expenditures	12,723	8,373
Transfers from investment properties [3]	—	103,690
Balance, end of year	$114,910	$140,302

(1) On February 14, 2019, Allied acquired 464-466 Queen W, Toronto, at a purchase price of $10,454 and concurrently sold a 50% undivided interest to Westbank at a sale price of $5,227. This property will be transferred to the City of Toronto as parkland dedication related to the KING Toronto condominium development.

(2) Allied recognized condominium cost of sales for the 132 units occupied at King Portland Centre.

(3) On November 30, 2018, the fair market value of a portion of KING Toronto was transferred from investment property to inventory with the intention for future sale as condominium units.

7. INVESTMENT IN JOINT VENTURE AND LOAN RECEIVABLE

Investment in joint venture and the associated loan receivable is comprised of the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Investment in joint venture	$(8,439)	$18,456
Loans receivable from joint venture	104,035	—
	$95,596	$18,456

On July 2, 2013, Allied entered into a partnership agreement whereby Allied holds a one-third voting and economic interest in 7th Avenue Sky Partnership ("TELUS Sky"). TELUS Sky was created with the specific purpose of acquiring the entire beneficial interest in the property located at 100-114 7th Avenue SW, Calgary and participating in its construction and development.

On October 31, 2019, Allied advanced a construction loan in the amount of $96,142 to TELUS Sky, with the loan having a maximum limit of $114,000. The loan matures on August 31, 2021, and bears interest at bank prime plus 45 basis points or banker's acceptance rate plus 145 basis points. As at December 31, 2019, the loan receivable outstanding is $104,035 (December 31, 2018 - nil). Allied is providing a joint and several guarantee, in the amount of $114,000 to support the TELUS Sky facility.

Allied accounts for its interests in joint ventures using the equity method. The financial information below represents TELUS Sky at 100%, as well as Allied's one-third interest.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Current assets (including cash and cash equivalents)	$9,377	$7,391
Non-current assets	320,880	285,568
Current liabilities	(43,457)	(24,865)
Non-current liabilities	(312,117)	(212,726)
Net assets of TELUS Sky at 100%	$(25,317)	$55,368
Net assets of TELUS Sky at Allied's share [1]	$(8,439)	$18,456
Revenue	$3,441	$—
Expenses	(830)	—
Interest expense	(1,326)	—
General and administrative expense	(362)	—
Fair value loss	(78,455)	(5,543)
Net loss and total comprehensive loss of TELUS Sky at 100%	$(77,532)	$(5,543)
Net loss and total comprehensive loss at Allied's share [1]	$(25,844)	$(1,848)

(1) Includes costs only pertaining to Allied, and not the joint venture.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Opening balance	$18,456	$20,304
Net earnings	(25,844)	(1,848)
Distributions	(1,051)	—
Ending balance	$(8,439)	$18,456

The comparative figures for the year ended December 31, 2018, have been revised in respect of the accounting for Allied's investment in TELUS Sky from a joint operation to a joint venture. As a result the consolidated balance sheet, statement of income and comprehensive income and statement of cash flow accounts summarized in the table below were revised; and there was no impact on net income, earnings per share and the consolidated statement of equity. The revision had an immaterial impact on the January 1, 2018, opening balance sheet.

	PREVIOUSLY REPORTED	ADJUSTMENT	REVISED PRESENTATION
Consolidated Balance Sheet, as at December 31, 2018			
Investment properties	$6,257,647	$(95,190)	**$6,162,457**
Investment in joint venture and loan receivable	—	18,456	**18,456**
Cash and cash equivalents	18,361	(302)	**18,059**
Accounts receivable, prepaid expenses and deposits	47,999	(2,161)	**45,838**
Current debt	106,990	(70,909)	**36,081**
Accounts payable and other liabilities	217,334	(8,288)	**209,046**
Consolidated Statement of Income & Comprehensive Income for the year ended December 31, 2018			
Interest expense	(67,285)	(1,186)	**(68,471)**
Fair value gain on investment properties	375,848	3,034	**378,882**
Net loss from joint venture	—	(1,848)	**(1,848)**
Consolidated Statement of Cash Flows for the year ended December 31, 2018			
Cash provided by operating activities			
Fair value (gain) on investment properties	(375,849)	(3,034)	**(378,883)**
Change in other non-cash financing items	1,918	6	**1,924**
Change in other non-cash operating items	51,758	(1,453)	**50,305**
Cash provided by financing activities			
Proceeds of construction loan	24,151	(24,151)	**—**
Cash used by investing activities			
Additions to investment properties	(244,210)	26,770	**(217,440)**
Leasing commissions	(21,023)	1	**(21,022)**

8. LOANS AND NOTES RECEIVABLE

Loans and notes receivable are as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Loans receivable (a)	**$245,303**	$200,289
Notes and other receivables (b)	**5,973**	13,155
	$251,276	$213,444
Current	**$3,863**	$11,077
Non-current	**247,413**	202,367
	$251,276	$213,444

(A) In February 2015, Allied entered into a joint arrangement with Westbank and completed the acquisition of an undivided 50% interest in Adelaide & Duncan. Allied advanced $21,173 to Westbank. As at December 31, 2019, the loan receivable outstanding is $21,173 (December 31, 2018 - $21,173) and is secured by a first charge on the property and assignment of rents and leases. Interest on the loan is payable monthly. In accordance with the loan agreement, the rate increased to 7.75% per annum upon placement of construction financing (December 31, 2018 - 6.17%). The loan is repayable when the joint arrangement obtains external permanent financing.

On August 1, 2017, Allied entered into an arrangement with Westbank to provide a credit facility of up to $100,000, plus interest, for the land acquisition and the pre-development costs of 400 West Georgia in Vancouver. The facility will initially be secured by a first charge on the property and upon permanent financing, the facility will be secured by Westbank's covenant and a second charge with the construction lender having the first charge. On February 11, 2019, the facility was increased to $160,000. Interest accrues monthly at rates between 5.00% to 6.75% per annum in year one and is payable monthly at a rate of 6.75% per annum in each year thereafter until maturity. The credit facility matures on August 31, 2022, and has a one-year extension option to August 31, 2023. The loan outstanding as at December 31, 2019, is $106,292 (December 31, 2018 - $112,086).

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied advanced $67,030 to Westbank for its purchase of a 50% undivided interest in the property. As at December 31, 2019, the loan receivable outstanding is $77,765 (December 31, 2018 - $67,030) and bears interest at a rate of 7.00% per annum. Interest accrues monthly and is payable on loan repayment. The loan is repayable at the earlier of November 23, 2023, or the closing of the condominiums.

On March 18, 2019, Allied made an amendment to the joint arrangement with Perimeter to develop Breithaupt Phase III and a loan receivable arrangement to provide 50% of the pre-development costs. As at December 31, 2019, the loan receivable outstanding is $9,365 (December 31, 2018 - nil) and bears interest at a rate of 7.00% per annum. Interest accrues monthly and is payable on loan repayment. The loan is repayable upon completion of development and rent commencement, which is anticipated to be in the fourth quarter of 2021.

On July 31, 2019, Allied entered into an arrangement with Westbank to provide a credit facility of up to $185,000, plus interest, for the land acquisition and the pre-development costs of 720 Beatty Street in Vancouver. The funding will initially be secured by a first mortgage on the property for a fixed term and bears interest at a rate of 7.00% per annum. Interest accrues monthly and is payable on loan repayment. On placement of construction financing, the mortgage will be secured by a second charge with the construction lender having the first charge. The credit facility matures in six years following approval of the project by the British Columbia Utilities Commission. The loan outstanding as at December 31, 2019, is $30,708 (December 31, 2018 - nil).

(b) As at December 31, 2019, the balance of notes and other receivables includes $3,713 of mortgage receivables (December 31, 2018 - $10,967) from the purchaser of Allied's Québec City portfolio as the mortgage transfer was not executed by the lender. The remaining balance is made up of individually insignificant notes receivable.

9. OTHER ASSETS

Other assets consist of the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Equipment and other assets [1]	$5,081	$6,141
Property, plant and equipment [2]	17,782	17,631
Prepaid deposits [3]	13,202	—
Interest rate swap derivative assets	3,723	4,746
	$39,788	$28,518

(1) During the year ended December 31, 2019, Allied recorded amortization of equipment and other assets of $1,456 (December 31, 2018 - $1,556).
(2) This relates to owner-occupied property.
(3) These are deposits from the sale of residential condominium units for KING Toronto, which are held in trust.

10. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

	DECEMBER 31, 2019	DECEMBER 31, 2018
User trade receivables - net of allowance (a)	$7,686	$7,271
Other user receivables (b)	46,569	3,581
Miscellaneous receivables (c)	15,258	9,647
Prepaid expenses and deposits (d)	60,431	25,339
	$129,944	$45,838

(a) *User trade receivables*

User trade receivables include minimum rent, annual common area maintenance recoverable costs, property tax recovery billings and other recoverable charges.

An allowance is maintained for expected credit losses resulting from the inability of users to meet obligations under lease agreements. Allied actively reviews receivables on a continuous basis and determines the potentially uncollectible accounts on a per-user basis giving consideration to their credit risk and records an impairment based on expected credit losses as required.

The movement in the allowance for doubtful accounts is reconciled as follows:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Allowance for doubtful accounts, beginning of year	$2,333	$2,342
Additional provision recorded during the year	2,837	2,926
Reversal of previous provisions	(1,008)	(1,469)
Receivables written off during the year	(263)	(1,466)
Allowance for doubtful accounts, end of year	$3,899	$2,333

(B) *Other user receivables*

Other user receivables pertain to unbilled operating costs such as common area maintenance and property tax recoveries and chargebacks. Included in this amount is $40,153 of condominium sales receivables related to King Portland Centre (net of deposits).

(C) *Miscellaneous receivables*

Miscellaneous receivables consist primarily of property taxes recoverable from municipalities and insurance claims. As at December 31, 2019, there are no credit risk indicators that the debtors will not meet their payment obligations.

(D) *Prepaid expenses and deposits*

Prepaid expenses primarily relate to property operating expenses (mainly realty taxes and insurance), deposits relating to acquisitions of $29,080 (December 31, 2018 - $3,780) and deposits held in trust of $18,340 (December 31, 2018 - $9,000) received from the sale of residential condominium units.

11. DEBT

Debt consists of the following items, net of financing costs:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Mortgages payable (a)	$737,448	$769,473
Construction loans payable (b)	23,210	—
Unsecured revolving operating facility (c)	—	95,000
Senior unsecured debentures (d)	945,369	573,320
Unsecured term loans (e)	449,154	448,909
	$2,155,181	$1,886,702
Current	$29,243	$36,081
Non-current	2,125,938	1,850,621
	$2,155,181	$1,886,702

(A) *Mortgages payable*

Mortgages payable have a weighted average stated interest rate of 4.38% as at December 31, 2019 (December 31, 2018 - 4.38%). The mortgages are secured by a first registered charge over specific investment properties and first general assignments of leases, insurance and registered chattel mortgages.

	PRINCIPAL REPAYMENTS	BALANCE DUE AT MATURITY	DECEMBER 31, 2019	DECEMBER 31, 2018
2020	25,530	3,713	29,243	
2021	26,668	—	26,668	
2022	25,728	205,628	231,356	
2023	16,781	225,585	242,366	
2024	4,726	152,472	157,198	
2025	1,596	8,788	10,384	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
Mortgages, principal	$103,200	$631,086	$734,286	$771,916
Net premium on assumed mortgages			5,400	924
Net financing costs			(2,238)	(3,367)
			$737,448	$769,473

(b) *Construction loans payable*

As of December 31, 2019, and December 31, 2018, Allied's obligation under the construction loans is as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2019	DECEMBER 31, 2018
Adelaide & Duncan	50.00%	August 11, 2023	23,210	—
			$23,210	$—

On January 31, 2019, the Adelaide & Duncan joint arrangement obtained a $270,000 construction lending facility from a syndicate of Canadian banks, in which Allied's 50% share is $135,000. The loan matures on August 11, 2023, and bears interest at bank prime plus 35 basis points or bankers' acceptance rate plus 135 basis points. Allied is providing a joint and several guarantee to support the construction facility for the Adelaide & Duncan development. On August 23, 2019, the Adelaide & Duncan joint arrangement entered into a swap agreement to fix 75% of construction costs up to $209,572 at 2.86%.

In September 2019, Allied and Perimeter received a commitment from a syndicate of Canadian banks for a construction loan for the Breithaupt Phase III joint arrangement, subject to execution of definitive financing documents and completion of customary financing conditions. The commitment is expected to fund up to $138,000 (Allied's 50% share being $69,000). The loan matures on December 2, 2022, and bears interest at bank prime or banker's acceptance rate plus 120 basis points. Allied is providing a joint and several guarantee to support the facility and is earning a related guarantee fee. The construction loan has no balance outstanding as at December 31, 2019.

(c) *Unsecured revolving operating facility*

As of December 31, 2019, and December 31, 2018, Allied's obligation under the unsecured revolving operating facility is as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Unsecured Facility limit	$400,000	$400,000
Amounts drawn under the Unsecured Facility	—	(95,000)
Letters of credit outstanding under the Unsecured Facility	(14,896)	(14,404)
Remaining unused balance under the Unsecured Facility	$385,104	$290,596

As at December 31, 2019, Allied has access to an Unsecured Facility of $400,000 with a maturity of January 29, 2022. The Unsecured Facility bears interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points, subject to certain conditions being met. In the event that these conditions are not met, the Unsecured Facility will bear interest at bank prime plus 70 basis points or bankers' acceptance plus 170 basis points with a standby fee of 34 basis points. The Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $500,000. The Unsecured Facility has no balance outstanding as at December 31, 2019 (December 31, 2018 - $95,000).

On January 21, 2020, Allied amended the Unsecured Facility to extend the maturity to January 30, 2023. The Facility will bear interest at bank prime plus 20 basis points or bankers' acceptance plus 120 basis points with a standby fee of 24 basis points, subject to certain conditions being met. In the event that these conditions are not met, the Unsecured Facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

(D) *Senior unsecured debentures*

As of December 31, 2019, and December 31, 2018, Allied's obligation under the senior unsecured debentures is as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	DECEMBER 31, 2019	DECEMBER 31, 2018
Series A	3.748%	May 13, 2020	May 13 and November 13	$—	$225,000
Series B	3.934%	November 14, 2022	May 14 and November 14	150,000	150,000
Series C	3.636%	April 21, 2025	April 21 and October 21	200,000	200,000
Series D	3.394%	August 15, 2029	February 15 and August 15	300,000	—
Series E	3.113%	April 8, 2027	April 8 and October 8	300,000	—
Unsecured Debentures, principal				$950,000	$575,000
Net premium on Unsecured Debentures				—	216
Net financing costs				(4,631)	(1,896)
				$945,369	$573,320

The Series A, B, C, D and E Debentures are collectively referred to as the "Unsecured Debentures".

On August 15, 2019, Allied issued $300,000 of 3.394% Series D Unsecured Debentures (the "Series D Debentures") due August 15, 2029, with semi-annual interest payments due on February 15 and August 15 of each year commencing February 15, 2020. Debt financing costs of $1,843 were incurred and recorded against the principal owing.

Proceeds from the Series D Debentures were used to redeem $225,000 of an aggregate principal amount of 3.748% Series A Debentures due May 13, 2020, in full, with a prepayment penalty of $2,563, repay amounts drawn on the Unsecured Facility in the amount of $55,000, and for general working capital purposes.

On October 8, 2019, Allied issued $300,000 of 3.113% Series E Unsecured Debentures (the "Series E Debentures") due April 8, 2027, with semi-annual interest payments due on April 8 and October 8 of each year commencing April 8, 2020. Debt financing costs of $1,760 were incurred and recorded against the principal owing.

Proceeds from the Series E Debentures were used to prepay $165,752 aggregate principal amount of first mortgages, with a prepayment penalty of $3,455, repay amounts drawn on the Unsecured Facility in the amount of $60,000, and to fund its development and value-add initiatives.

The respective financing costs and premium recognized are amortized using the effective interest method and recorded to Interest Expense (note 11 (f)).

(e) *Unsecured term loans*

As of December 31, 2019, and December 31, 2018, Allied's obligation under the unsecured term loans is as follows:

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2019	DECEMBER 31, 2018
Unsecured Term Loan	3.992%	January 14, 2026	Monthly	**$250,000**	$250,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	**100,000**	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	**100,000**	100,000
Unsecured Term Loans, principal				**$450,000**	$450,000
Net financing costs				**(846)**	(1,091)
				$449,154	$448,909

The Unsecured Term Loan and Unsecured Term Facility are collectively referred to as the "Unsecured Term Loans".

On December 14, 2018, Allied entered into a new Unsecured Term Loan with a financial institution for $250,000 at a rate of 3.992% due on January 14, 2024, with two one-year extensions to January 14, 2026. The proceeds from the loan were used to repay the $150,000 maturing term loan due on December 14, 2018, at a rate of 2.645% and the balance was used to reduce amounts drawn on the Unsecured Facility. Debt financing costs of $810 were incurred and recorded against the principal owing.

The respective financing costs are amortized using the effective interest method and recorded to Interest Expense (note 11 (f)).

(f) *Interest expense*

Interest expense consists of the following:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Interest on debt:		
Mortgages payable	$33,989	$38,452
Construction loans payable	604	—
Unsecured Facility	2,667	2,779
Unsecured Debentures	24,629	21,714
Unsecured Term Loans	15,679	9,838
Interest on lease liabilities	8,350	8,292
Amortization, discount on debt	(1,000)	(1,828)
Amortization, net financing costs	1,660	1,746
	$86,578	$80,993
Less: Interest capitalized to qualifying investment properties and residential inventory	(26,193)	(20,024)
Interest expense excluding prepayment cost	$60,385	$60,969
Prepayment cost	6,018	7,502
Interest expense	$66,403	$68,471

Borrowing costs have been capitalized to qualifying investment properties and residential inventory, where applicable, at a weighted average rate of 3.77% per annum (December 31, 2018 – 3.94%).

(g) *Schedule of principal repayments*

The table below summarizes the scheduled principal maturity for Allied's Mortgages payable, Construction loans payable, Unsecured Facility, Unsecured Debentures and Unsecured Term Loans.

	2020	2021	2022	2023	2024	THEREAFTER	TOTAL
Mortgages payable, principal repayments	$25,530	$26,668	$25,728	$16,781	$4,726	$3,767	$103,200
Mortgages payable, balance due at maturity	3,713	—	205,628	225,585	152,472	43,688	631,086
Construction loans payable	—	—	—	23,210	—	—	23,210
Unsecured Debentures	—	—	150,000	—	—	800,000	950,000
Unsecured Term Loans	—	200,000	—	—	—	250,000	450,000
Total	$29,243	$226,668	$381,356	$265,576	$157,198	$1,097,455	$2,157,496

A description of Allied's risk management objectives and policies for financial instruments is provided in note 25.

12. LEASE LIABILITIES

Allied's future minimum lease liability payments as a lessee are as follows:

	2020 (1)	2021 - 2024 (1)	THEREAFTER	DECEMBER 31, 2019	DECEMBER 31, 2018
Future minimum lease payments	$9,699	$40,299	$453,202	$503,200	$512,865
Interest accrued on lease obligations	526	875	—	1,401	911
Less: amounts representing interest payments	(10,225)	(41,174)	(297,981)	(349,380)	(357,113)
Present value of lease payments	$—	$—	$155,221	$155,221	$156,663

(1) The future minimum lease payments prior to 2024 are less than the effective interest on the lease liabilities.

Some of Allied's lease agreements contain contingent rent clauses. Contingent rental payments are recognized in the consolidated statements of income and comprehensive income as required when contingent criteria are met. The lease agreements contain renewal options, purchase options, escalation clauses, additional debt and further leasing clauses. For the year ended December 31, 2019, minimum lease payments of $11,629 were paid by Allied (December 31, 2018 - $8,335).

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consists of the following:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Trade payables and other liabilities	$157,014	$122,075
Prepaid user rents	63,844	54,958
Accrued interest payable	10,473	5,418
Distributions payable to Unitholders	16,338	13,814
Residential deposits (1)	23,203	5,000
Interest rate swap derivative liability (2)	10,720	7,781
	$281,592	$209,046
Current	$247,669	$209,046
Non-current (3)	33,923	—
	$281,592	$209,046

(1) These deposits relate to KING Toronto in 2019 and King Portland Centre in 2018.
(2) The interest rate swap derivative liability is classified as non-current in 2019.
(3) Non-current liabilities are composed of residential deposits totaling $23,203 and an interest rate swap derivative liability totaling $10,720.

14. FAIR VALUE MEASUREMENTS

The classification, measurement basis, and related fair value disclosures of the financial assets and liabilities are summarized in the following table:

		DECEMBER 31, 2019		DECEMBER 31, 2018	
	CLASSIFICATION/ MEASUREMENT	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial Assets:					
Loans and notes receivable (note 8)	Amortized cost	**251,276**	**251,276**	213,444	213,444
Loan receivable from joint venture (note 7)	Amortized cost	**104,035**	104,035	—	—
Cash and cash equivalents (note 20)	Amortized cost	**208,914**	**208,914**	18,059	18,059
Accounts receivable (note 10)	Amortized cost	**69,513**	**69,513**	20,499	20,499
Interest rate swap derivative assets (note 9)	FVTPL	**3,723**	**3,723**	4,746	4,746
Financial Liabilities:					
Debt (note 11)					
Mortgages	Amortized cost	**737,448**	**759,823**	769,473	798,485
Construction loans payable	Amortized cost	**23,210**	**23,210**	—	—
Unsecured Facility	Amortized cost	**—**	**—**	95,000	95,000
Unsecured Debentures	Amortized cost	**945,369**	**966,973**	573,320	570,616
Unsecured Term Loans	Amortized cost	**449,154**	**457,310**	448,909	454,350
Interest rate swap liability (note 13)	FVTPL	**10,720**	**10,720**	7,781	7,781
Accounts payable and other liabilities (note 13)	Amortized cost	**270,872**	**270,872**	201,265	201,265

Allied uses various methods in estimating the fair value of assets and liabilities that are measured on a recurring or non-recurring basis in the consolidated balance sheet after initial recognition. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

— Level 1 – quoted prices in active markets for identical assets and liabilities;

— Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and

— Level 3 – valuation technique for which significant inputs are not based on observable market data.

The following table presents the hierarchy of assets and liabilities:

	DECEMBER 31, 2019			DECEMBER 31, 2018		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial Assets:						
Loans and notes receivable (note 8)	—	251,276	—	—	213,444	—
Loan receivable from joint venture (note 7)	—	104,035	—	—	—	—
Cash and cash equivalents (note 20)	208,914	—	—	18,059	—	—
Accounts receivable (note 10)	—	69,513	—	—	20,499	—
Interest rate swap derivative assets (note 9)	—	3,723	—	—	4,746	—
Financial Liabilities:						
Debt (note 11)						
Mortgages	—	759,823	—	—	798,485	—
Construction loans payable	—	23,210	—	—	—	—
Unsecured Facility	—	—	—	—	95,000	—
Unsecured Debentures	—	966,973	—	—	570,616	—
Unsecured Term Loans	—	457,310	—	—	454,350	—
Interest rate swap liability (note 13)	—	10,720	—	—	7,781	—
Accounts payable and other liabilities (note 13)	—	270,872	—	—	201,265	—

The carrying value of Allied's financial assets and liabilities approximates the fair value except for debt (note 11).

There were no transfers between levels of the fair value hierarchy during the periods.

Other than as described in investment properties (note 5), the following summarizes the significant methods and assumptions used in estimating the fair value of Allied's financial assets and liabilities measured at fair value:

INTEREST RATE SWAP DERIVATIVE CONTRACTS

The fair value of Allied's interest rate derivative contracts, which represent a net liability as at December 31, 2019, is $6,997 (December 31, 2018 - $3,035). The fair value of the derivative contracts is determined using forward interest rates observable in the market (Level 2).

	DECEMBER 31, 2019	DECEMBER 31, 2018
Interest rate swap derivative asset (note 9)	$3,723	$4,746
Interest rate swap derivative liability (note 13)	(10,720)	(7,781)
Net (liability)	$(6,997)	$(3,035)

DEBT

The fair value of debt is determined by discounting the cash flows of these financial instruments using period end market rates for instruments of similar terms and credit risks that are observable in the market (Level 2).

15. UNITHOLDERS' EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the year ended December 31, 2019, and December 31, 2018.

	DECEMBER 31, 2019		DECEMBER 31, 2018	
	UNITS	AMOUNT	UNITS	AMOUNT
Units, beginning of year	**103,861,945**	**$2,835,395**	92,935,150	$2,399,768
Restricted Unit plan (net of forfeitures) (note 16(b))	**—**	**(2,462)**	—	(2,584)
Unit option plan - options exercised (note 16(a))	**277,854**	**10,437**	84,595	3,043
Unit offering	**18,699,000**	**882,102**	10,842,200	435,168
Units, end of year	**122,838,799**	**$3,725,472**	103,861,945	$2,835,395

On December 4, 2019, Allied raised gross proceeds of $345,449 through the issuance of 6,555,000 Units at a price of $52.70 per unit. Costs relating to the issuance totaled $14,568 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On June 19, 2019, Allied raised gross proceeds of $345,524 through the issuance of 7,176,000 Units at a price of $48.15 per unit. Costs relating to the issuance totaled $14,571 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On March 7, 2019, Allied raised gross proceeds of $230,018 through the issuance of 4,968,000 Units at a price of $46.30 per unit. Costs relating to the issuance totaled $9,750 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On September 26, 2018, Allied raised gross proceeds of $155,264 through the issuance of 3,548,900 Units at a price of $43.75 per unit. Costs relating to the issuance totaled $6,760 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

On June 22, 2018, Allied raised gross proceeds of $299,025 through the issuance of 7,293,300 Units at a price of $41.00 per unit. Costs relating to the issuance totaled $12,361 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

Allied does not hold any of its own Units, nor does Allied reserve any Units for issue under options and contracts.

DISTRIBUTIONS

On January 15, 2020, Allied declared a distribution for the month of January 2020 of $0.1375 per unit, representing $1.65 per unit on an annualized basis to Unitholders of record on January 31, 2020.

NORMAL COURSE ISSUER BID

On February 20, 2019, Allied received approval from the Toronto Stock Exchange ("TSX") for the renewal of its normal course issuer bid ("NCIB"), which entitles Allied to purchase up to 10,205,838 of its outstanding Units, representing approximately 10% of its public float as at February 14, 2019. The NCIB commenced February 22, 2019, and will expire on February 21, 2020, or such earlier date as Allied completes its purchases pursuant to the NCIB. All purchases under the NCIB will be made on the open market through the facilities of the TSX or alternate trading systems in Canada at market prices prevailing at the time of purchase. Any Units that are repurchased will either be cancelled or delivered to participants under Allied's Restricted Unit Plan or to employees pursuant to Allied's employee programs.

During the year ended December 31, 2019, Allied purchased 52,162 Units for $2,513 at a weighted average price of $48.18 per unit under its NCIB program, of which 51,858 were purchased for delivery to participants under Allied's Restricted Unit Plan and 304 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

During the year ended December 31, 2018, Allied purchased 62,044 Units for $2,598 at a weighted average price of $41.87 per unit under its NCIB program, of which 61,733 Units were purchased for delivery to participants under Allied's Restricted Unit Plan and 311 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

16. UNIT OPTION AND RESTRICTED UNIT PLANS

(A) *Unit Option Plan*

Allied adopted a Unit Option Plan providing for the issuance, from time to time, at the discretion of the trustees, of options to purchase Units for cash. Participation in the Unit Option Plan is restricted to certain employees of Allied. The Unit Option Plan complies with the requirements of the Toronto Stock Exchange. The exercise price of any option granted will not be less than the closing market price of the Units on the day preceding the date of grant. Options granted prior to February 22, 2017, vest evenly over three years and options granted subsequently vest evenly over four years from the date of grant. All options are settled in Units.

SUMMARY OF UNIT OPTION GRANTS:

Date granted	Expiry date	Units granted	Exercise price	Exercised - life to date	Forfeited - life to date	Net outstanding	Vested
March 3, 2015	March 3, 2020	302,706	$40.60	(208,689)	—	94,017	94,017
March 1, 2016	March 1, 2026	540,480	$31.56	(186,466)	(19,132)	334,882	334,882
February 22, 2017	February 22, 2027	279,654	$35.34	(15,717)	—	263,937	124,110
February 14, 2018	February 14, 2028	198,807	$40.30	—	—	198,807	51,436
February 13, 2019	February 13, 2029	323,497	$47.53	—	(1,830)	321,667	—
		1,645,144		(410,872)	(20,962)	1,213,310	604,445

	YEAR ENDED DECEMBER 31, 2019		YEAR ENDED DECEMBER 31, 2018	
	The range of exercise prices	Weighted average remaining contractual life (years)	The range of exercise prices	Weighted average remaining contractual life (years)
For the Units outstanding at the end of the year	**$31.56-47.53**	**7.02**	$31.56-40.60	6.26

	YEAR ENDED DECEMBER 31, 2019		YEAR ENDED DECEMBER 31, 2018	
	Number of Units	Weighted average exercise price	Number of Units	Weighted average exercise price
Balance at the beginning of the year	**1,169,497**	**$36.05**	1,057,084	$35.24
Granted during the year	**323,497**	**47.53**	198,807	40.30
Forfeited during the year	**(1,830)**	**47.53**	(1,799)	31.56
Exercised during the year	**(277,854)**	**37.56**	(84,595)	35.97
Balance at the end of the year	**1,213,310**	**$38.75**	1,169,497	$36.05
Units exercisable at the end of the year	**604,445**	**$34.49**	596,331	$36.12

Allied accounts for its Unit Option Plan using the fair value method, under which compensation expense is measured at the date options are granted and recognized over the vesting period.

Allied utilizes the Black-Scholes Model for the valuation of Unit options with no performance criteria.

Assumptions utilized in the Black-Scholes Model for option valuation are as follows:

	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Unit options granted	323,497	198,807
Unit option holding period (years)	10	10
Volatility rate	18.85%	24.48%
Distribution yield	3.37%	3.87%
Risk-free interest rate	1.87%	2.32%
Value of options granted	$1,980	$1,354

The underlying expected volatility was determined by reference to historical data of Allied's Units over 10 years.

For the year ended December 31, 2019, Allied recorded a share-based payment expense of $1,583 in general and administrative expense in the consolidated statements of income and comprehensive income (for the year ended December 31, 2018 - $1,346).

(B) *Restricted Unit Plan*

Certain employees and the Trustees of Allied may be granted Restricted Units pursuant to the terms of the Restricted Unit Plan, which are subject to vesting conditions and disposition restrictions, in order to provide a long-term compensation incentive. The Restricted Units will not vest and remain subject to forfeiture until the participant has held his or her position with Allied for a specific period of time. One third of the Restricted Units vest on each of the first, second and third anniversaries from the date of grant. Units required under the Restricted Unit Plan are acquired in the secondary market through a custodian and then distributed to the individual participant accounts. The following is a summary of the activity of Allied's Restricted Unit Plan:

	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
Restricted Units, beginning of the year	267,420	241,557
Granted	51,858	61,733
Expiration of restriction year	(31,586)	(35,870)
Forfeited	(669)	—
Restricted Units, end of the year	287,023	267,420

For the year ended December 31, 2019, Allied recorded a share-based payment expense of $2,437 in general and administrative expense in the consolidated statements of income and comprehensive income (for the year ended December 31, 2018 - $2,247).

17. WEIGHTED AVERAGE NUMBER OF UNITS

The weighted average number of Units for the purpose of calculating basic and diluted income per unit is as follows:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Basic	**112,443,006**	97,785,091
Unit Option Plan	**288,044**	180,620
Fully diluted	**112,731,050**	97,965,711

18. TOTAL REVENUE

Total revenue includes the following:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Rental revenue (1)	**$227,528**	$200,760
Tax and insurance recoveries	**83,368**	69,144
Miscellaneous revenue (2)	**22,506**	9,687
Operating cost recoveries	**162,707**	156,805
Total rental revenue from investment properties	**$496,109**	$436,396
Condominium revenue	**45,341**	—
Total revenue	**$541,450**	$436,396

(1) Includes straight-line rent, amortization of tenant improvements and parking revenue earned at properties.
(2) Includes lease terminations, third-party managed parking, variable percentage rent and other miscellaneous items.

Future minimum rental income is as follows:

	2020	2021 - 2024	THEREAFTER	TOTAL
Future minimum rental income	**$271,583**	**$844,713**	**$938,739**	**$2,055,035**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Salaries and benefits	$19,036	$15,277
Professional and trustee fees	3,388	2,801
Office and general expenses	3,932	2,823
	$26,356	$20,901
Capitalized to qualifying investment properties	(4,403)	(3,842)
Total general and administrative expenses	$21,953	$17,059

20. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents include the following components:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Cash	$208,414	$17,059
Short-term deposits	500	1,000
Total cash and cash equivalents	$208,914	$18,059

The following summarizes supplemental cash flow information in operating activities:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Supplemental		
Interest paid on debt (including capitalized interest (note 11))	$86,272	$89,387
Interest received	$12,102	$6,941

The following summarizes supplemental cash flow information in financing activities:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Supplemental		
Non-cash loan issuance (note 8)	$5,540	$—
Non-cash proceeds from loan receivables	$6,703	$67,030
Non-cash mortgage payments	$6,703	$—

The following summarizes supplemental cash flow information in investing activities:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Supplemental		
Mortgages assumed (note 4)	**$161,951**	$18,675

The following summarizes the change in non-cash operating items:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Net change in accounts receivable, prepaid expenses and deposits	**$(97,308)**	$631
Add back: Deposits from acquired properties	**28,250**	—
Change in inventory due to sale of residential units	**43,342**	—
Net change in loans and notes receivable	**6,340**	195
Net change in accounts payable and other liabilities	**72,546**	54,461
Less: Non-cash interest	**(6,324)**	892
Less: Distributions payable to Unitholders	**(2,524)**	(1,732)
Less: Mortgage interest swap liability	**(2,939)**	(3,707)
Less: Accrued amounts from disposed properties	**—**	1,007
Less: Accrued amounts from acquired properties (net of assumed mortgage premiums)	**(12,054)**	(1,442)
Change in non-cash operating items	**$29,329**	$50,305

21. JOINT OPERATIONS

Allied has investments in properties under joint arrangements which are accounted for as joint operations. The following tables summarize Allied's ownership interests in joint operations and its share of the rights to the assets, its share of the obligations with respect to liabilities, and its share of revenues and expenses for the joint operations in which it participates.

Allied's joint arrangements are governed by agreements with the respective co-owners. Included within the agreements are standard exit and transfer provisions that include, but are not limited to, buy/sell and/or right of first offers or refusals that provide for unwinding the arrangement. Allied is liable for its proportionate share of the obligations of the arrangement. In the event that there is default on payment by the co-owner, credit risk is typically mitigated with an option to remedy any non-performance by the defaulting co-owner, as well as recourse against the asset, whereby claims would be against both the underlying real estate investments and the co-owner in default.

			OWNERSHIP	
PROPERTIES	LOCATION	CURRENT STATUS	DECEMBER 31, 2019	DECEMBER 31, 2018
478 King W	Toronto, ON	Rental Property	50%	50%
642 King W	Toronto, ON	Rental Property	50%	50%
731-10th SW	Calgary, AB	Rental Property	50%	50%
802-838 11th SW, Glenbow Assembly	Calgary, AB	Rental Property	50%	50%
Adelaide & Duncan	Toronto, ON	Property Under Development	50%	50%
Breithaupt Block	Kitchener, ON	Rental Property and Property Under Development	50%	50%
College & Manning	Toronto, ON	Rental Property and Property Under Development	50%	50%
College & Palmerston	Toronto, ON	Rental Property	50%	50%
KING Toronto	Toronto, ON	Property Under Development	50%	50%
King Portland Centre	Toronto, ON	Rental Property	50%	50%
Sherwin Block	Calgary, AB	Rental Property	50%	—%
The Well [(1)]	Toronto, ON	Property Under Development	50%	50%

(1) Allied owns an undivided 40% interest in the residential component and an undivided 50% interest in the commercial component of The Well. The residential component is comprised of residential air rights, which were sold by the co-ownership in 2016, with closing expected to occur by 2021 when certain specified conditions are met. The commercial component is comprised of the office and retail components of the property under development.

	DECEMBER 31, 2019	DECEMBER 31, 2018
Total assets	$1,034,433	$795,029
Total liabilities	$273,556	$150,838

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Revenue	**$63,068**	$10,362
Expenses	**(55,960)**	(5,998)
Income before fair value adjustment on investment properties	**7,108**	4,364
Fair value (loss) gain on investment properties	**(10,213)**	69,788
Net income (loss) gain	**$(3,105)**	$74,152

22. SEGMENTED INFORMATION

IFRS 8, *Operating Segments*, requires reportable segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and assessing its performance. Allied has determined that its CODM is the President and Chief Executive Officer. Allied's operating segments are managed by use of properties and geographical locations. Urban Data Centres are comprised of properties operating similar to data centres and colocation facilities. The urban office properties are managed by geographic location consisting of three areas. Allied has relabelled the previous segments referred to as Eastern Canada, Central Canada and Western Canada to be known as Montréal and Ottawa, Toronto and Kitchener, and Calgary, Edmonton, Vancouver. The comparative periods have been updated to conform to the revised segment naming convention and current period terminology.

The CODM measures and evaluates the performance of Allied's operating segments based on net rental income and condominium profits.

Management reviews assets and liabilities on a total basis and therefore assets and liabilities are not included in the segmented information below.

Allied does not allocate interest expense to segments as debt is viewed by Management to be used for the purpose of acquisitions, development and improvement of all the properties. Similarly, general and administrative expenses, interest income, fair value of investment properties and fair value of derivative instruments are not allocated to operating segments.

The following summary tables present a reconciliation of operating income to net income for the year ended December 31, 2019, and 2018.

SEGMENTED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Year ended December 31, 2019	MONTRÉAL & OTTAWA	TORONTO & KITCHENER	CALGARY, EDMONTON & VANCOUVER [1]	URBAN DATA CENTRES	CONDO-MINIUMS	JOINT VENTURE (TELUS SKY)	TOTAL
Rental revenue from investment properties	$144,849	$208,035	$56,311	$88,055	$—	$(1,141)	$496,109
Property operating costs	(73,040)	(79,460)	(23,599)	(34,919)	—	271	(210,747)
Net rental income	$71,809	$128,575	$32,712	$53,136	$—	$(870)	
Condominium revenue	—	—	—	—	45,341	—	45,341
Condominium cost of sales	—	—	—	—	(43,342)	—	(43,342)
Condominium profits	$—	$—	$—	$—	$1,999	$—	
Interest expense							(66,403)
General and administrative expenses							(21,953)
Condominium marketing expenses							(4,214)
Amortization of other assets							(1,456)
Interest income							17,351
Fair value gain on investment properties							450,490
Fair value loss on derivative instruments							(6,109)
Net loss from joint venture							(25,844)
Net income and comprehensive income							$629,223

(1) Includes Allied's proportionate share of revenue and expenses of its investment in TELUS Sky

SEGMENTED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Year ended December 31, 2018	MONTRÉAL & OTTAWA	TORONTO & KITCHENER	CALGARY, EDMONTON & VANCOUVER	URBAN DATA CENTRES	JOINT VENTURE (TELUS SKY)	TOTAL
Rental revenue from investment properties	$115,696	$192,674	$49,138	$78,888	$—	$436,396
Property operating costs	(57,707)	(74,851)	(22,177)	(31,203)	—	(185,938)
Net rental income	$57,989	$117,823	$26,961	$47,685	$—	
Interest expense						(68,471)
General and administrative expenses						(17,059)
Condominium marketing expenses						(1,609)
Amortization of other assets						(1,556)
Interest income						6,941
Fair value gain on investment properties						378,883
Fair value loss on derivative instruments						(6,470)
Net loss from joint venture						(1,848)
Loss on disposal of investment properties						1,007
Net income and comprehensive income						$540,276

23. INCOME TAXES

Allied qualifies as a REIT and MFT for income tax purposes. Pursuant to its Declaration of Trust, it also distributes or designates substantially all of its taxable income to Unitholders and deducts such distributions or designations for income tax purposes. Accordingly, there is no entity level tax and no provision for current and deferred income taxes in the financial statements. Income tax obligations relating to distributions of Allied are the obligations of the Unitholders.

24. RELATED PARTY TRANSACTIONS

Allied's related parties include its subsidiaries, nominee corporations, Allied Properties Management Trust, Allied Properties Management Limited Partnership, Allied Properties Management GP Limited, the joint venture, key management, Board of Trustees, and their close family members.

Allied engages in third-party property management business, including the provision of services for properties in which certain trustees of Allied have an ownership interest. For the year ended December 31, 2019, real estate service revenue earned from these properties was $373 (for the year ended December 31, 2018 - $290).

The loan to the joint venture has a balance outstanding of $104,035 (December 31, 2018 - nil) (see Note 7).

The transactions are in the normal course of operations and were measured at the amount set out in agreement between the respective property owners. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Transactions with key management personnel are summarized in the table below:

	YEAR ENDED	
	DECEMBER 31, 2019	DECEMBER 31, 2018
Salary, bonus and other short-term employee benefits	**$4,552**	$4,386
Unit-based compensation	**3,337**	2,895
	$7,889	$7,281

25. RISK MANAGEMENT

(A) *Capital management*

Allied defines capital as the aggregate of Unitholders' equity, mortgages payable, construction loans payable, Unsecured Facility, Unsecured Debentures, Unsecured Term Loans and lease liabilities. Allied manages its capital to comply with investment and debt restrictions pursuant to the Declaration of Trust, to comply with debt covenants, to ensure sufficient operating funds are available to fund business strategies, to fund leasing and capital expenditures, to fund acquisitions and development activities of properties, and to provide stable and growing cash distributions to Unitholders.

Various debt, equity and earnings distributions ratios are used to monitor capital adequacy requirements. For debt management, debt to gross book value and fair value, debt average term to maturity, and variable debt as a percentage of total debt are the primary ratios used in capital management. The Declaration of Trust requires Allied to maintain debt to gross book value, as defined by the Declaration of Trust, of less than 60% (65% including convertible debentures, if any) and the variable rate debt and debt having maturities of less than one year to not exceed 15% of gross book value. As at December 31, 2019, the debt to gross book value ratio was 26.1% (December 31, 2018 - 29.4%) and debts having variable interest rates or maturities of less than one year aggregated to 0.4% of gross book value (December 31, 2018 - 3.0%).

On November 19, 2019, Allied filed a short form base shelf prospectus allowing for the issuance, from time to time, of Units and debt securities, or any combination thereof having an aggregate offering price of up to $2,000,000. This document is valid for a 25-month period.

Allied has certain key financial covenants in its Unsecured Debentures, Unsecured Facility and Unsecured Term Loans. The key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are evaluated by Allied on an ongoing basis to ensure compliance with the agreements. Allied was in compliance with each of the key financial covenants under these agreements as at December 31, 2019.

(B) *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in market prices. Allied is exposed to interest rate risk on its borrowings. Substantively all of Allied's mortgages payable as at December 31, 2019, are at fixed interest rates and are not exposed to changes in interest rates during the term of the debt. However, there is interest rate risk associated with Allied's fixed interest rate term debt due to the expected requirement to refinance such debts upon maturity. As fixed rate debt matures and as Allied utilizes additional floating rate debt under the Unsecured Facility, Allied will be further exposed to changes in interest rates. As at December 31, 2019, the Unsecured Facility, which is at a floating interest rate and is exposed to changes in interest rates, had no balance outstanding (December 31, 2018 - $95,000). In addition, there is a risk that interest rates will fluctuate from the date Allied commits to a debt to the date the interest rate is set with the lender. As part of its risk management program, Allied endeavours to maintain an appropriate mix of fixed rate and floating rate debt, to stagger the maturities of its debt and to minimize the time between committing to a debt and the date the interest rate is set with the lender.

The following table illustrates the annualized sensitivity of income and equity to a reasonably possible change in interest rates of +/- 1.0%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

		-1.0%	+1.0%
AS AT DECEMBER 31, 2019	CARRYING AMOUNT	INCOME IMPACT	INCOME IMPACT
Mortgages and construction loans payable maturing within one year	$29,243	$292	$(292)

(c) *Credit risk*

As Allied has provided loans and advances to facilitate property development, further credit risks arise in the event that borrowers default on the repayment of their amounts owing to Allied. Allied's loans and advances will be subordinate to prior ranking mortgages or charges. As at December 31, 2019, Allied had $245,303 outstanding in loans receivable (December 31, 2018 - $200,289) and $104,035 outstanding in joint venture loan receivable (December 31, 2018 - nil). In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the loan value. Allied mitigates this risk by obtaining corporate guarantees and/or registered mortgage charges.

Credit risk from user receivables arises from the possibility that users may experience financial difficulty and be unable to fulfill their lease commitments, resulting in Allied incurring a financial loss. Allied manages credit risk to mitigate exposure to financial loss by staggering lease maturities, diversifying revenue sources over a large user base, ensuring no individual user contributes a significant portion of Allied's revenues and conducting credit reviews of new users. Management reviews user receivables on a regular basis and reduces carrying amounts through the use of an allowance for doubtful accounts and the amount of any loss is recognized in the consolidated statements of income and comprehensive income within property operating costs. As at December 31, 2019, and December 31, 2018, the allowance for doubtful accounts totals $3,899 and $2,333, respectively.

Allied considers that all the financial assets that are not impaired or past due for each of the reporting dates under review are of good quality. The carrying amount of accounts receivable best represents Allied's maximum exposure to credit risk. None of Allied's financial assets are secured by collateral or other credit enhancements. An aging of trade receivables, including trade receivables past due but not impaired can be shown as follows:

	DECEMBER 31, 2019	DECEMBER 31, 2018
Less than 30 days	$2,658	$1,693
30 to 60 days	835	1,719
More than 60 days	4,193	3,859
Total	$7,686	$7,271

(D) *Liquidity risk*

Liquidity risk arises from the possibility of not having sufficient capital available to fund ongoing operations or the ability to refinance or meet obligations as they come due. Mitigation of liquidity risk is also managed through credit risk as discussed above. A significant portion of Allied's assets have been pledged as security under the related mortgages and other security agreements. Interest rates on the mortgages payable are between 3.59% and 5.08% for December 31, 2019 (December 31, 2018 - 3.59% and 5.58%).

As at December 31, 2019, Allied has entered into interest rate derivative contracts to limit its exposure to fluctuations in interest rates on $84,594 of its variable rate mortgages payable and $450,000 of its variable rate Unsecured Term Loans (December 31, 2018 - $208,712 and $450,000, respectively). Gains or losses arising from the change in fair values of the interest rate derivative contracts are recognized in the consolidated statements of income and comprehensive income. For the year ended December 31, 2019, Allied recognized as part of the change in fair value adjustment on derivative instruments a net loss of $6,109 (for the year ended December 31, 2018 – a net loss of $6,470).

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, diversifying Allied's sources of funding, maintaining a well-staggered debt maturity profile and actively monitoring market conditions.

(E) *Maturity Analysis*

The undiscounted future principal and interest payments on Allied's debt instruments are as follows:

	2020	2021	2022	2023	THEREAFTER	TOTAL
Mortgages payable	$60,378	$56,665	$258,352	$259,552	$213,055	$848,002
Construction loans payable	772	772	772	23,725	—	26,041
Unsecured Debentures	32,694	32,694	182,694	17,454	886,544	1,152,080
Unsecured Term Loans	15,700	209,980	9,980	9,980	269,960	515,600
Total	**$109,544**	**$300,111**	**$451,798**	**$310,711**	**$1,369,559**	**$2,541,723**

26. COMMITMENTS AND CONTINGENCIES

Allied has entered into commitments for acquisitions, building renovations with respect to leasing activities and development costs. The commitments as at December 31, 2019, and December 31, 2018, were $687,242 and $401,806, respectively.

Commitments as at December 31, 2019, and December 31, 2018, of $1,238 and $719 were held within equity accounted investments.

Allied is subject to legal and other claims in the normal course of business. Management and legal counsel evaluate all claims. In the opinion of Management these claims are generally covered by Allied's insurance policies and any liability from such remaining claims are not probable to occur and would not have a material effect on the consolidated financial statements.

Allied, through a financial intermediary, has issued letters of credit in the amount of $15,036 (December 31, 2018 - $14,545).

27. SUBSEQUENT EVENTS

On January 14, 2020, Allied completed the purchase of 3530-3540 Saint-Laurent, Montréal, for total cash consideration of $13,000.

On January 15, 2020, Allied completed the purchase of 4396-4410 Saint Laurent, Montréal, for total cash consideration of $18,000.

On January 16, 2020, Allied completed the purchase of 54 The Esplanade, Toronto, for a total purchase price of $25,000, comprised of net cash consideration of $15,000 and a mortgage assumption of $10,000.

On January 28, 2020, Allied completed the purchase of 747 Square-Victoria, Montréal, for total cash consideration of $276,000.

2020 Outlook

- MID-SINGLE-DIGIT % GROWTH IN SANOI
- MID-SINGLE-DIGIT % GROWTH IN FFO/UNIT
- MID-SINGLE-DIGIT % GROWTH IN AFFO/UNIT
- CONTINUED GROWTH IN NAV/UNIT
- CONTINUED STRONG DEBT-METRICS
- CONTINUED GROWTH IN UNENCUMBERED ASSETS

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