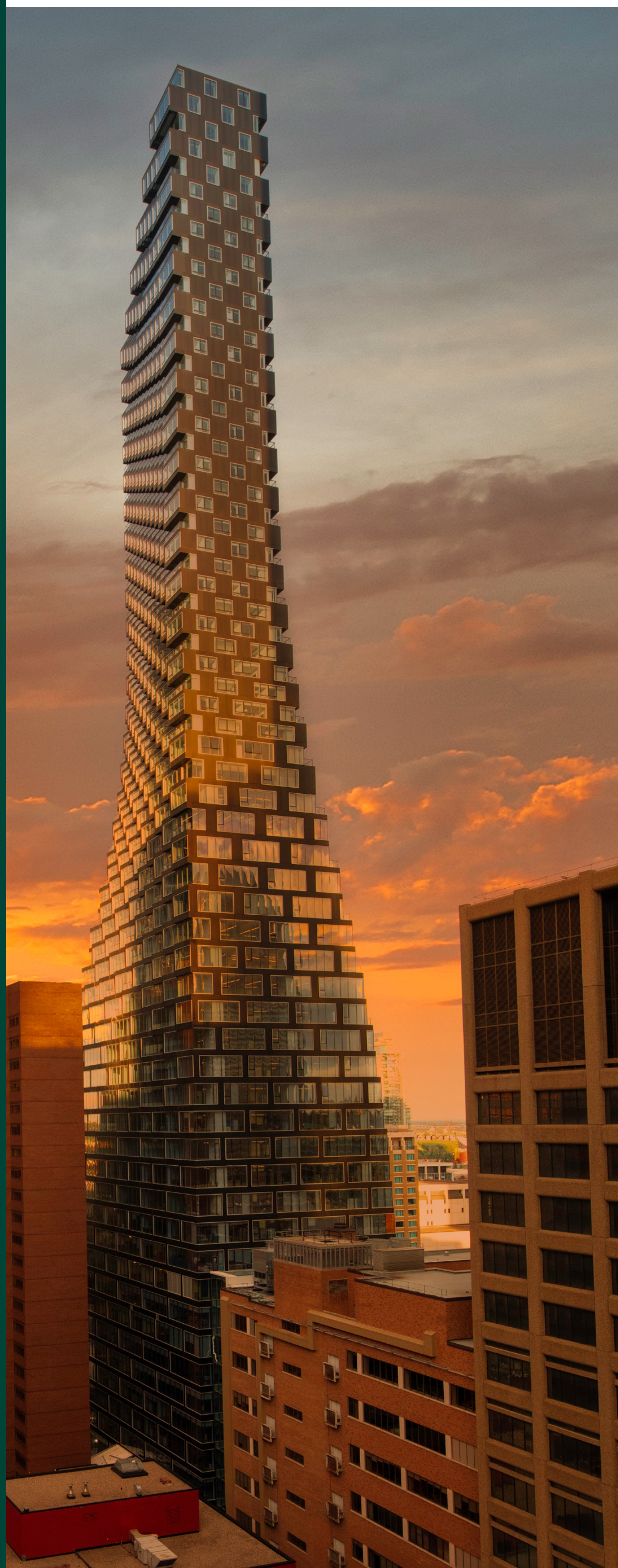
ALLIED

Annual Report December 31, 2020

Urban environments for creativity and connectivity

02.03.21



COVER: PHOTOGRAPHY BY EMA PETER

2020

YOY SANOI GROWTH 0.8%

YOY FFO PER UNIT (DECLINE) (0.2%)

YOY AFFO PER UNIT GROWTH 2.1%

YOY RENT GROWTH ON RENEWALS AND REPLACEMENTS 17.2%

YOY NAV/UNIT GROWTH 4.3%

DEBT RATIO AT YEAR-END 29.2%

UNENCUMBERED ASSETS AT YEAR-END $6.5B

ALLIED

Annual Report

December 31, 2020

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Letter to Unitholders

Dear Fellow Unitholder:

Allied pursues sustained profitability for the benefit of its unitholders by operating distinctive urban workspace and network-dense urban data centres (UDCs) in Canada's major cities. Despite the disruption caused by the global pandemic, we pursued our mission in 2020 with encouraging short-term and long-term results. Most notably, we allocated $325 million to strategic acquisitions and another $252 million to development and value-add activity. In the face of continuing robust capital allocation, we maintained strong balance-sheet metrics by raising a significant amount of capital ($700 million in unsecured debentures and $153 million in equity) on favourable terms.

Measured by short-term results, our performance was largely in-line with 2019, with our same-asset NOI and FFO per unit coming in flat and our AFFO per unit up slightly. Measured by long-term results, our performance was solid, with NAV per unit growth up 4.3% from 2019. Development completions and value-add initiatives represented 39% of our NAV per unit growth, organic NOI growth 27%, cap-rate compression in our Toronto and Montréal workspace portfolios 26% and cap-rate compression in our UDC portfolio 8%.

Our urban workspace across the country continued to strengthen in the fourth quarter. With our rent-deferral program scaling down, aided meaningfully by the Canada Emergency Rent Subsidy (CERS), and the variable component of our parking revenue recovering, our fourth quarter was stronger than our third, with same-asset NOI, FFO per unit and AFFO per unit up from the comparable quarter last year. The quarter and the year as a whole once again confirmed that our team, our properties and our user-base are truly resilient.

The resilience of our platform, coupled with uninterrupted demand for distinctive urban workspace, enabled us late in the fourth quarter to increase our annual distribution for the ninth consecutive year. While speculation about the disruptive impact of working from home continues, every indication we've received from our users is that they'll bring their workforce back to the office once the pandemic is over. For most knowledge-based organizations, working from home for an extended period of time appears to be materially sub-optimal in relation to culture, engagement and productivity.

Looking forward, we expect our operating and development environment to be generally favourable in 2021. Our internal forecast for 2021 calls for low-to-mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. While we do not forecast NAV per unit growth, we do expect to propel further growth in 2021. We also expect to allocate a large amount of capital in 2021 with the same strategic coherence and discipline we demonstrated in 2020 and prior years.

We've committed to allocate $451 million to completing our active developments over the next three years. Our completion and return estimates remained largely intact through 2020, and we currently estimate that the developments will increase our annual EBITDA by approximately $70 million and have a weighted average lease term in excess of 13 years. Not only will this augment our cash flow per unit significantly (along with anticipated organic growth), it will materially reduce our ratio of net debt to annualized EBITDA and materially increase our interest coverage ratio, our two most important debt metrics.

It follows that we continue to have deep confidence in our strategy of operating 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, 2020

Section I
–Overview

Allied is an unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust ("Declaration of Trust") dated October 25, 2002, as amended and restated from time to time, most recently on April 14, 2020. 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, 2020. 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 3, 2021, and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2020. 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"), Funds from Operations excluding condominium related items and prepayment costs ("FFO excluding condominium related items and prepayment costs"), Adjusted Funds from Operations ("AFFO"), Adjusted Funds from Operations excluding condominium related items and prepayment costs ("AFFO excluding condominium related items and prepayment costs"), Net Rental Income ("NRI") (a non-IFRS measure on a consolidated basis), Net Operating Income ("NOI"), "Same Asset NOI", Normalized Last Quarter Annualized NOI ("Normalized LQA 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"), Annualized Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Annualized Adjusted EBITDA"), "Net debt as a multiple of Annualized 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 International Financial Reporting Standards ("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, 2020. 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", "Focus and Definition", "Vision and Mission", "Environmental, Social and Governance" and "Business Environment and Outlook", Section II - Leasing under the headings "Status" and "Lease Maturity", 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: increases to Allied's annual EBITDA over the next four years due to development activities; increases to earnings per Unit; reductions in Allied's ratio of net debt to annualized EBITDA; increases to Allied's interest coverage ratio; expected capital expenditure and allocation over 2021; completion of construction and lease-up in connection with Properties Under Development ("PUDs"); growth of our FFO excluding condominium related items and prepayment costs per Unit and AFFO excluding condominium related items and prepayment costs per Unit; continued demand for space in our target markets; the expected effect of the global pandemic

and consequent economic disruption; expected erosion in rental revenue over 2021; expected changes in Allied's internal forecast; increase in operating income per square foot 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 generate ancillary revenue; our ability to achieve risk-adjusted returns on intensification; our expectations regarding the timing of development of potential incremental density; receipt of municipal approval for value-creation projects, including intensifications; Management's expectations regarding future distributions; 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, cybersecurity, and COVID-19. 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 3, 2021, 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, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019	DECEMBER 31, 2018
Portfolio					
Number of properties			**202**	192	175
Total rental GLA (000's of square feet)			**13,991**	12,948	11,192
Leased rental GLA (000's of square feet)			**12,947**	12,278	10,826
Leased area			**92.5%**	94.8%	96.7%
Occupied area			**92.1%**	94.4%	96.3%
Average in-place net rent per occupied square foot (period-end)			**23.88**	22.88	22.64
Renewal and replacement rate for leases maturing in the period			**78.3%**	84.9%	90.6%
Increase in net rent on maturing leases			**17.2%**	18.7%	17.8%
Investment properties [1]			**8,809,685**	7,576,225	6,257,647
Total assets [1]			**9,410,387**	8,324,179	6,706,271
Cost of PUD as % of GBV			**9.0%**	9.4%	8.9%
Unencumbered investment properties			**6,463,680**	5,464,860	4,266,900
Total debt [1]			**2,725,462**	2,155,181	1,957,611
Net asset value			**6,177,032**	5,717,699	4,374,663
Annualized Adjusted EBITDA	**361,992**	333,216	**349,023**	310,291	267,550
Net debt	**2,676,664**	1,943,899	**2,676,664**	1,943,899	1,939,250
Net debt as a multiple of Annualized Adjusted EBITDA	**7.4x**	5.8x	**7.7x**	6.3x	7.2x
Adjusted EBITDA	**90,498**	83,304	**349,023**	310,291	267,550
Interest expense [1] [3]	**17,774**	15,838	**72,603**	60,826	60,969
Adjusted EBITDA as a multiple of interest expense	**5.1x**	5.3x	**4.8x**	5.1x	4.4x
Rental revenue from investment properties [1]	**145,950**	134,718	**562,791**	497,256	436,396
NOI	**89,366**	81,950	**342,472**	309,992	272,285
Same Asset NOI - rental portfolio	**79,141**	77,217	**287,417**	285,020	266,669
Same Asset NOI - total portfolio	**79,507**	78,111	**288,802**	289,120	268,519
Net income excluding fair value adjustments [2]	**64,311**	55,711	**242,431**	210,994	168,704
Net income	**83,842**	264,960	**500,729**	629,223	540,276
FFO	**74,742**	66,304	**284,732**	251,083	204,695
FFO excluding condominium related items and prepayment costs [3]	**74,969**	69,085	**285,784**	259,316	213,806

($000's except per-square foot, per-Unit and financial ratios)	THREE MONTHS ENDED DECEMBER 31, 2020	THREE MONTHS ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019	YEAR ENDED DECEMBER 31, 2018
AFFO excluding condominium related items and prepayment costs [3]	**64,623**	57,645	**248,003**	219,846	177,254
Distributions	**52,493**	47,267	**205,377**	180,284	153,855
Per Unit:					
Net income excluding fair value adjustments [2]	**0.51**	0.47	**1.95**	1.87	1.72
Net income	**0.66**	2.24	**4.02**	5.58	5.51
FFO	**0.587**	0.561	**2.286**	2.227	2.089
FFO excluding condominium related items and prepayment costs [3]	**0.589**	0.584	**2.295**	2.300	2.182
FFO pay-out ratio excluding condominium related items and prepayment costs [3]	**70.0%**	68.4%	**71.9%**	69.5%	72.0%
AFFO excluding condominium related items and prepayment costs [3]	**0.508**	0.487	**1.991**	1.950	1.809
AFFO pay-out ratio excluding condominium related items and prepayment costs [3]	**81.2%**	82.0%	**82.8%**	82.0%	86.8%
Distributions	**0.41**	0.40	**1.65**	1.60	1.56
Net asset value [4]			**48.54**	46.55	42.12
Actual Units outstanding			**127,259,218**	122,838,799	103,861,945
Weighted average diluted Units outstanding	**127,298,000**	118,248,550	**124,536,634**	112,731,050	97,965,711
Financial Ratios		ALLIED'S TARGETS			
Total indebtedness ratio		<35%	**29.2%**	26.1%	29.4%
Secured indebtedness ratio		<45%	**8.2%**	9.1%	12.5%
Debt service coverage ratio		>1.50x	**2.7x**	2.5x	2.2x
Unencumbered property asset ratio		>1.40x	**3.3x**	3.9x	3.8x
Interest-coverage ratio - including interest capitalized		>3.0x	**3.4x**	3.3x	3.2x

(1) 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.

(2) Includes $2,071 and $4,296 of fair value loss related to an equity accounted investment for the three months and year ended December 31, 2020 (December 31, 2019 - $14,979 and $26,152).

(3) 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. These amounts have been excluded from the December 31, 2019 and December 31, 2018 results.

(4) Net asset value per Unit, a non-IFRS measure, is calculated as follows: total Unitholders' equity as at the corresponding period ended, (per the consolidated balance sheets) divided by the actual number of Units outstanding at period-end.

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.

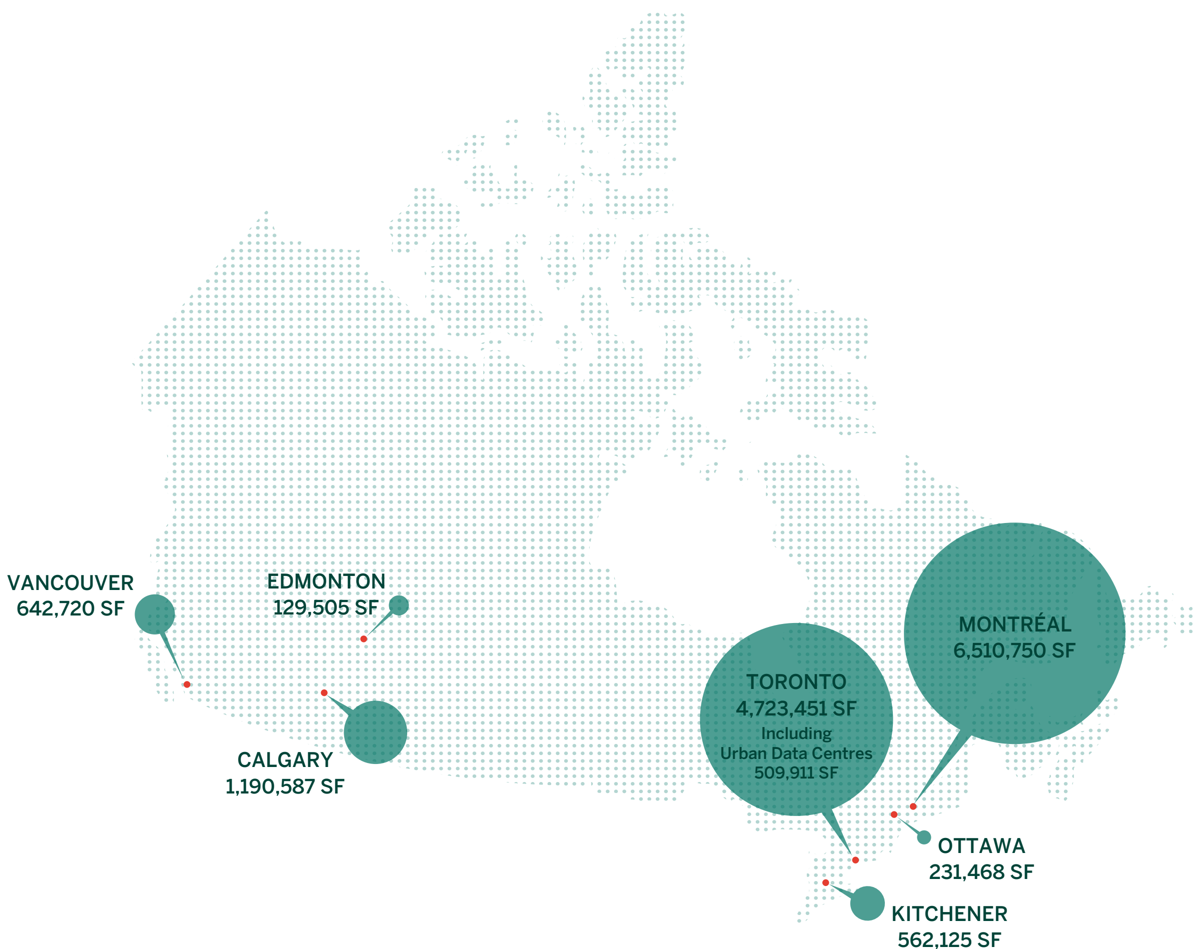
City building requires commitment, innovation and imagination, something Allied strives for on an ongoing basis. In an era of remarkable and continuous urban intensification, city building is essential to sustained profitability in real estate. Sporadic profitability is achievable without reference to 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, 2020, Allied had assets of $9.4 billion, a market capitalization of $4.8 billion and rental properties with 14.0 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, 2020, Allied completed the following property acquisitions from third parties:

PROPERTY	ACQUISITION DATE	ACQUISITION COST [1]	OFFICE GLA	RETAIL GLA	TOTAL GLA
3530-3540 Saint-Laurent, Montréal [2]	January 14, 2020	**$13,421**	47,068	4,008	51,076
4396-4410 Saint-Laurent, Montréal [3]	January 15, 2020	**18,530**	41,799	14,147	55,946
54 The Esplanade, Toronto	January 16, 2020	**26,079**	—	9,038	9,038
747 Square-Victoria, Montréal [4]	January 28, 2020	**284,541**	530,950	37,752	568,702
375 Water, Vancouver [5]	April 20, 2020	**225,404**	147,647	27,149	174,796
125 John, Toronto [6]	November 16, 2020	**4,196**	2,171	798	2,969
117-119 John, Toronto	December 24, 2020	**8,341**	—	5,800	5,800
Ancillary residential properties, Toronto [7]		**6,648**	—	—	—
Total		**$587,160**	769,635	98,692	868,327

(1) Purchase price plus transaction costs.
(2) This property has a parking lot component containing 76 spaces.
(3) This property has a parking lot component containing 40 spaces.
(4) This property has a parking lot component containing 585 spaces.
(5) This property has a parking lot component containing 53 spaces.
(6) This property has a parking lot component containing 2 spaces.
(7) Allied acquired four ancillary residential properties during the year ended December 31, 2020.

On December 23, 2020, Allied and its partners closed on the disposition of a portion of The Well air rights and associated underground parking and transfer floor slab development for cash consideration of $24,911 (at Allied's share) which represented the fair value and accordingly, there is no gain or loss on disposition.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Allied made a commitment to submit formally to independent scrutiny of its ESG performance by 2020. The most important single step was to obtain a GRESB (formerly Global Real Estate Sustainability Benchmark) Assessment and to provide an annual ESG Report. These reports identify strengths and opportunities for improvement at Allied. What is most important is that they will assist the Board and Management in establishing rational priorities going forward and provide benchmarks for measuring improvement.

We believe environmental, social and governance sensitivities are an integral part of Allied. They flow from Allied's evolution as an organization focused on the provision of distinctive urban workspace and network-dense urban data centre (UDC) space in Canada's major cities.

Long before going public, Allied focused on the adaptive re-use of older structures built over a century ago for light-industrial purposes. The goal at the time was not to minimize the impact on the environment. Rather, it was to meet what was rightly perceived to be a growing need on the part of users of workspace for environments that would assist them in attracting, motivating and retaining knowledge workers. Nevertheless, by re-cycling buildings rather than re-building them, Allied minimized the impact on the environment. This evolved into greater sensitivity as to the environmental impact of its activity.

Again long before its initial public offering (IPO), Allied concentrated its properties in specific urban areas. The goal at the time was not to make a social contribution. Rather, it was to meet what was rightly perceived to be the need on the part of users of workspace to grow in amenity-rich, mixed-use urban communities. Nevertheless, by aggregating buildings in this way, Allied became sensitized to the impact on the surrounding communities in which it operates. Allied began to see its buildings as part of a larger urban ecosystem and to acknowledge its responsibility to the surrounding community as a whole.

Finally, the launch of Allied's IPO in 2003 increased its sensitivity to governance. The sensitivities at the time were predominantly financial and operational, but as Allied evolved and attracted unitholders globally, the sensitivity to a broader conception of governance increased. Allied's Board and Management began to see governance as something that could strengthen the business significantly.

Allied's Board and Management are committed to making the inherent approach to ESG more manifest, deliberate and measurable. They have always believed that submitting to informed scrutiny will make it a better business, and formally submitting to ESG scrutiny is no exception in this regard. The Board and Management look forward to your feedback.

On December 2, 2020, Allied published its Inaugural Environmental, Social and Governance (ESG) Report on the home page of its website at www.alliedreit.com. Allied obtained a GRESB Assessment for 2019, which was published by GRESB on November 24, 2020. Allied received a score of 64, which was recognized by GRESB as a "strong first-year showing". Allied intends to obtain a GRESB Assessment and to provide an ESG Report on an annual basis.

On December 8, 2020, Massey Hall announced that Allied made a landmark contribution to the Massey Hall Revitalization. This transformative support expands the project's original scope and introduces Canada's premiere multi-purpose performance facility, Allied Music Centre, home of historic Massey Hall. This partnership with Massey Hall will enable Allied to contribute meaningfully to its communities over an extended period of time. It will also enrich the experience of the many creative organizations and people who use Allied's urban workspace across the country.

BUSINESS ENVIRONMENT AND OUTLOOK

Allied's internal forecast for 2021 calls for low-to-mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. While Allied does not forecast NAV per unit growth, it does expect to propel further growth in 2021. Allied also expects to allocate a large amount of capital in 2021 with the same strategic coherence and discipline it demonstrated in 2020 and prior years.

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

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

Section II
–Leasing

Allied strives to maintain high levels of occupancy and leased area. At December 31, 2020, Allied's rental portfolio was 92.5% leased.

STATUS

Leasing status for the rental portfolio as at December 31, 2020, is summarized below:

	GLA	AS A % OF TOTAL GLA (1)
Leased area (occupied & committed)		
December 31, 2019	**12,277,746**	**94.8%**
Vacancy committed for future leases	(60,635)	
Occupancy - December 31, 2019	**12,217,111**	**94.4%**
Previous committed vacant space now occupied	55,085	
New leases and expansions on vacant space	130,507	
New vacancies during the period	(344,048)	
Surrender / early termination agreements	(116,616)	
Suite additions, re-measurements and removals	30,109	
Occupancy (pre acquisitions, dispositions and transfers)	**11,972,148**	**92.5%**
Occupancy related to acquired properties	767,116	
Occupancy related to transfers from PUD	381,975	
Occupancy related to transfers to PUD	(233,860)	
Occupancy - December 31, 2020	**12,887,379**	**92.1%**
Vacancy committed for future leases	59,159	
Leased area (occupied & committed) - December 31, 2020	**12,946,538**	**92.5%**

(1) *Excludes properties under development.*

Of the 13,990,606 square feet total GLA in Allied's rental portfolio, 12,887,379 square feet were occupied by users on December 31, 2020. Another 59,159 square feet were subject to contractual lease commitments with users whose leases commence subsequent to December 31, 2020, bringing the leased area to 12,946,538 square feet, which represents 92.5% 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 2021	Q2 2021	Q4 2021	Q3 2023	TOTAL
Lease commitments - GLA	31,052	18,501	4,056	5,550	59,159
% of lease commitments	52.5%	31.3%	6.9%	9.3%	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 IFRS), capitalization ends on occupancy. During occupancy, rental revenue is recognized and interest and realty taxes are expensed.

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

RENT COMMENCEMENT (ECONOMIC OCCUPANCY)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q4 2023	TOTAL
Lease commitments - GLA	22,834	8,218	8,751	4,056	9,750	5,550	59,159
% of lease commitments	38.6%	13.9%	14.8%	6.9%	16.5%	9.3%	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, 2020, September 30, 2020, and December 31, 2019:

	DECEMBER 31, 2020	SEPTEMBER 30, 2020	DECEMBER 31, 2019
Toronto	**452,297**	362,451	66,845
Kitchener	**35,421**	—	1,429
Montréal	**301,566**	220,530	49,370
Calgary	**17,941**	26,497	55,889
Edmonton	**—**	2,416	2,416
Vancouver	**34,511**	37,995	9,819
Total square feet	**841,736**	649,889	185,768
% of Total GLA	**6.0%**	4.7%	1.4%

This level of marketed sublease space is somewhat elevated, but does not represent an operating or leasing challenge to Allied.

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, 2020, 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, 2020, including re-measurement	634,742	152,753	24.1%	481,989
Maturities during the year ended December 31, 2020	1,140,146	892,908	78.3%	247,238

On January 1, 2020, 634,742 square feet of GLA was vacant. By the year ended December 31, 2020, Allied had leased 152,753 square feet of this GLA, leaving 481,989 square feet unleased (net of vacancy transferred to PUD, if any).

Leases for 1,140,146 square feet of GLA matured in the year ended December 31, 2020, at the end of which Allied renewed or replaced leases totaling 892,908 square feet of GLA, leaving 247,238 square feet unleased.

For the year ended December 31, 2020, the table below summarizes the rental rates achieved for leases that were either renewed or replaced. Overall, this has resulted in an increase of 7.7% and 17.2% in the net rent per square foot from maturing leases in the three months and year ended December 31, 2020, respectively. The majority of this increase stems from material rent growth in Allied's primary target markets.

LEASE RENEWALS/ REPLACEMENTS

	FOR THE YEAR ENDED DECEMBER 31, 2020		
	ABOVE IN-PLACE RENTS	AT IN-PLACE RENTS	BELOW IN-PLACE RENTS
% of total leased SF	65.0%	23.6%	11.4%
Maturing leases - weighted average rent	$19.35	$31.15	$23.52
Renewals and replacements - weighted average rent	$25.63	$31.15	$15.35

USER PROFILE

The following sets out Allied's user-mix on the basis of percentage of rental revenue for the year ended December 31, 2020:

CATEGORY	% OF RENTAL REVENUE DECEMBER 31, 2020
Business services and professional	34.7%
Telecommunications and information technology	29.8%
Media and entertainment	12.8%
Retail	9.1%
Financial services	4.9%
Government	4.4%
Parking and other	3.0%
Educational and institutional	1.3%
	100.0%

The following sets out the percentage of rental revenue from the top 10 users by rental revenue for the year ended December 31, 2020:

USER	% OF REVENUE DECEMBER 31, 2020	WEIGHTED AVERAGE REMAINING LEASE TERM (YEARS)	CREDIT RATING DBRS/S&P/MOODY'S
Cloud Service Provider	4.5%	1.7	-/AAA/Aaa*
Ubisoft	2.7%	11.5	Not Rated
Cologix	2.4%	17.0	-/B-/B3
Equinix	2.1%	4.3	-/BBB-/Baa3
Shopify Inc.	1.5%	4.7	Not Rated
National Capital Commission, a Canadian Crown Corporation	1.4%	20.1	Not Rated
Bell Canada	1.4%	14.9	BBB/BBB+/Baa2
Morgan Stanley	1.3%	8.9	AH/BBB+/A2
Entertainment One	1.0%	7.5	-/BBB-/Baa3*
Technicolor Canada	1.0%	3.6	-/CCC+/Caa2*
	19.3%	9.4	

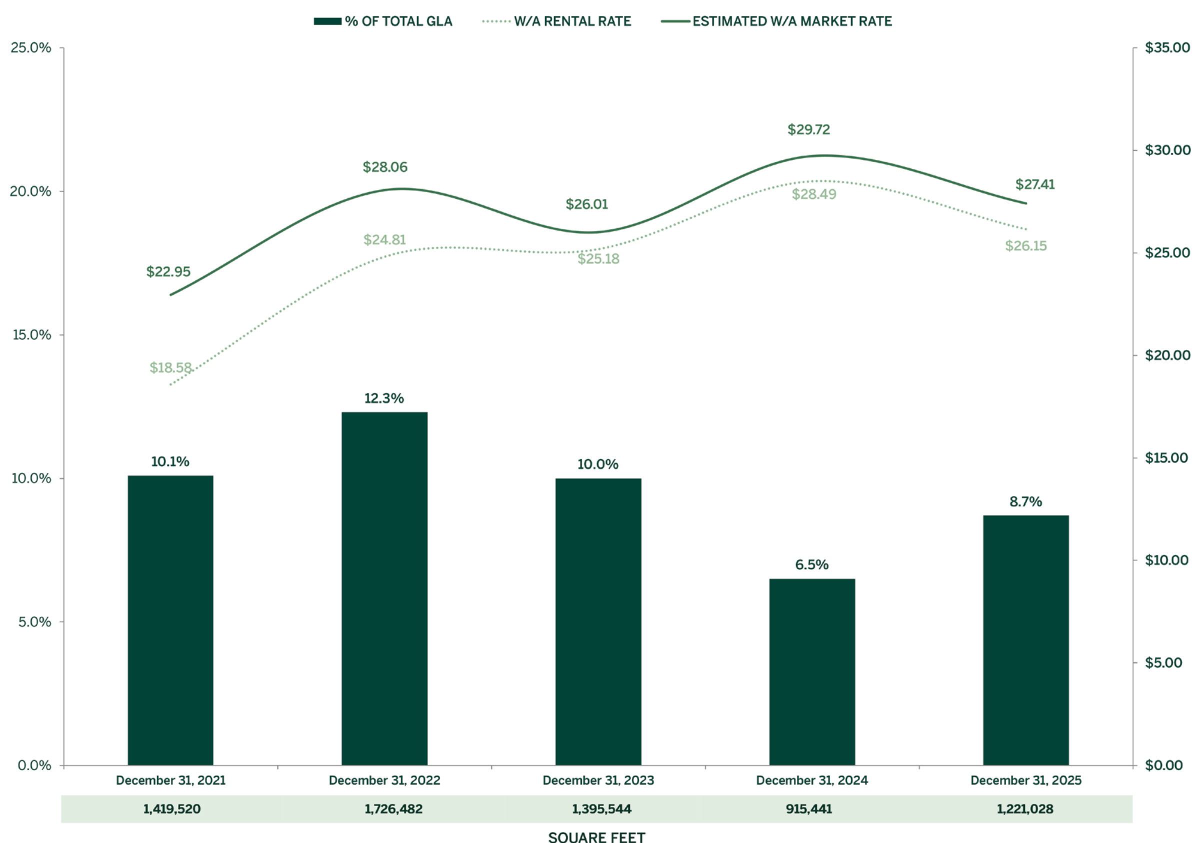
** Credit rating for parent company*

LEASE MATURITY

As at December 31, 2020, 92.5% of the GLA in Allied's rental portfolio was leased. The weighted average term to maturity of Allied's leases at that date was 5.7 years. The weighted average market net rental rate is based on Management's estimates of today's market rental rates 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 UDC leases that mature up to 2025 and the corresponding estimated weighted average market rental rate as at December 31, 2020. 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, 2021	1,419,520	10.1%	18.58	22.95
December 31, 2022	1,726,482	12.3%	24.81	28.06
December 31, 2023	1,395,544	10.0%	25.18	26.01
December 31, 2024	915,441	6.5%	28.49	29.72
December 31, 2025	1,221,028	8.7%	26.15	27.41



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, 2021	723,465	10.7%	16.62	17.94
December 31, 2022	646,135	9.6%	17.86	18.83
December 31, 2023	417,594	6.2%	16.88	17.69
December 31, 2024	208,688	3.1%	17.45	17.03
December 31, 2025	347,388	5.2%	16.82	17.08

TORONTO & KITCHENER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2021	465,431	9.7%	19.47	30.58
December 31, 2022	742,537	15.5%	21.46	27.46
December 31, 2023	629,421	13.2%	25.78	30.28
December 31, 2024	417,742	8.7%	28.61	31.67
December 31, 2025	578,666	12.1%	25.36	29.11

CALGARY, EDMONTON & VANCOUVER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2021	219,996	11.2%	20.89	18.27
December 31, 2022	243,329	12.4%	21.67	23.51
December 31, 2023	324,161	16.5%	26.47	20.20
December 31, 2024	234,848	12.0%	23.11	21.15
December 31, 2025	218,579	11.1%	22.10	14.18

URBAN DATA CENTRES	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2021	10,628	2.1%	109.52	124.66
December 31, 2022	94,481	18.5%	106.81	107.52
December 31, 2023	24,368	4.8%	134.82	136.01
December 31, 2024	54,163	10.6%	96.47	100.60
December 31, 2025	76,395	15.0%	86.18	99.45

Section III
–Asset Profile

The following table reconciles the consolidated balance sheet, on a proportionate basis, as at December 31, 2020 and December 31, 2019.

	DECEMBER 31, 2020			DECEMBER 31, 2019		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Assets						
Non-current assets						
Investment properties	**$8,687,375**	**$122,310**	**$8,809,685**	$7,469,265	$106,960	$7,576,225
Residential inventory	**140,038**	**—**	**140,038**	114,910	—	114,910
Investment in joint venture and loan receivable	**117,112**	**(117,112)**	**—**	95,596	(95,596)	—
Loans and notes receivable	**322,543**	**—**	**322,543**	247,413	—	247,413
Other assets	**23,643**	**533**	**24,176**	39,788	—	39,788
	9,290,711	**5,731**	**9,296,442**	7,966,972	11,364	7,978,336
Current assets						
Cash and cash equivalents	**45,512**	**3,286**	**48,798**	208,914	2,368	211,282
Loans and notes receivable	**93**	**—**	**93**	3,863	—	3,863
Accounts receivable, prepaid expenses and deposits	**64,452**	**602**	**65,054**	129,944	754	130,698
	110,057	**3,888**	**113,945**	342,721	3,122	345,843
Total assets	**$9,400,768**	**$9,619**	**$9,410,387**	$8,309,693	$14,486	$8,324,179

	DECEMBER 31, 2020			DECEMBER 31, 2019		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Liabilities						
Non-current liabilities						
Debt	**$2,698,794**	**$—**	**$2,698,794**	$2,125,938	$—	$2,125,938
Other liabilities	**63,045**	**—**	**63,045**	33,923	—	33,923
Lease liabilities	**157,068**	**—**	**157,068**	155,221	—	155,221
	2,918,907	**—**	**2,918,907**	2,315,082	—	2,315,082
Current liabilities						
Debt	**26,668**	**—**	**26,668**	29,243	—	29,243
Accounts payable and other liabilities	**278,161**	**9,619**	**287,780**	247,669	14,486	262,155
	304,829	**9,619**	**314,448**	276,912	14,486	291,398
Total liabilities	**3,223,736**	**9,619**	**3,233,355**	2,591,994	14,486	2,606,480
Unitholders' equity	**6,177,032**	**—**	**6,177,032**	5,717,699	—	5,717,699
Total liabilities and Unitholders' equity	**$9,400,768**	**$9,619**	**$9,410,387**	$8,309,693	$14,486	$8,324,179

As at December 31, 2020, Allied's portfolio consisted of 202 investment properties (183 rental properties, nine development properties and 10 ancillary parking facilities), with a fair value of $8,809,685.

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

	THREE MONTHS ENDED DECEMBER 31, 2020			YEAR ENDED DECEMBER 31, 2020		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL
Balance, beginning of period	$7,755,255	$934,550	$8,689,805	$6,754,215	$822,010	$7,576,225
Additions:						
Acquisitions	12,537	—	12,537	587,160	—	587,160
Improvement allowances (1)	9,784	(150)	9,634	33,531	10,145	43,676
Leasing commissions (1)	1,614	16	1,630	8,080	3,369	11,449
Capital expenditures (1)	25,915	86,335	112,250	82,739	277,681	360,420
Dispositions	—	(24,911)	(24,911)	—	(24,911)	(24,911)
Transfers from PUD (1)	121,280	(121,280)	—	251,380	(251,380)	—
Transfers to PUD	(20,320)	20,320	—	(77,828)	77,828	—
Finance leases	407	—	407	1,763	—	1,763
Amortization of straight-line rent and improvement allowances (1)	(6,604)	128	(6,476)	(24,964)	2,574	(22,390)
Fair value gain (loss) on investment properties (1)	13,297	1,512	14,809	297,089	(20,796)	276,293
Balance, end of period	$7,913,165	$896,520	$8,809,685	$7,913,165	$896,520	$8,809,685

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months and year ended December 31, 2020: improvement allowances of $990 and $3,871; leasing commissions of $14 and $175; capital expenditures of $1,817 and $13,654; transfers from PUD of $121,280; amortization of straight-line rent and improvement allowances of $280 and $1,947; and fair value loss on investment properties of $2,071 and $4,296.

For the year ended December 31, 2020, Allied capitalized $31,010 of borrowing costs, $24,311 of which related to development activity and $2,336 to upgrade activity in the rental portfolio (250 Front W and 151 Front W). Allied capitalized $4,363 of borrowing costs to qualifying residential inventory.

In the year ended December 31, 2020, Allied completed the development of 425 Viger and TELUS Sky and has transferred these properties into the rental portfolio.

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, 2020, 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 resulting portfolio weighted average capitalization rate was 4.82%, detailed in the table below:

OVERALL CAPITALIZATION RATE	DECEMBER 31, 2020			DECEMBER 31, 2019		
	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE $	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE $
Montréal & Ottawa	**4.75% - 6.75%**	**5.08%**	**$2,419,295**	5.00% - 7.00%	5.28%	$1,855,598
Toronto & Kitchener	**3.75% - 5.75%**	**4.47%**	**3,428,395**	4.00% - 5.75%	4.62%	3,208,262
Calgary, Edmonton & Vancouver	**3.50% - 7.00%**	**4.76%**	**1,040,835**	3.75% - 7.00%	4.96%	752,405
Urban Data Centres	**5.00% - 5.75%**	**5.32%**	**1,024,640**	5.25% - 6.25%	5.60%	937,950
Rental Properties	**3.50% - 7.00%**	**4.80%**	**$7,913,165**	3.75% - 7.00%	4.96%	$6,754,215
Properties Under Development	**5.25% - 7.00%**	**5.95%**	**896,520**	5.00% - 7.00%	5.25%	822,010
Total Investment Properties	**3.50% - 7.00%**	**4.82%**	**$8,809,685**	3.75% - 7.00%	4.98%	$7,576,225

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 180 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 31.8% of the last quarter annualized NOI for the period ended December 31, 2020.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
Cité Multimédia, Montréal	$21,598	$421,530	4.75%	Desjardins, Morgan Stanley, SAP Canada
700 de la Gauchetière, Montréal	17,148	366,200	5.25%	AON Canada Inc, Autorité Régionale de Transport Métropolitain, National Bank of Canada, Hydro-Québec
Le Nordelec, Montréal	14,682	297,880	5.00%	Gsoft, Unity Technologies, Yellow Pages Media
QRC West, Toronto	12,846	289,020	4.25%	eOne, Sapient Canada
747 Rue du Square Victoria, Montréal (1)	11,012	276,000	—	C-Cap Commercial, Dussault Systèmes Canada, Secretariat of the Convention on Biological Diversity, Société Québecoise des Infrastructures
5455 de Gaspé Avenue, Montréal	9,006	144,540	5.00%	Attraction Media, Framestore, Ubisoft
555 Richmond Street West, Toronto	7,801	180,290	4.75%	Centre Francophone de Toronto, Synaptive
375 Water Street, Vancouver (2)	6,871	225,000	—	Incognito Software Inc., Quarterdeck Brewing Co, Salesforce.com
King Portland Centre, Toronto	6,556	163,980	3.81%	Indigo, Shopify
5445 de Gaspé Avenue, Montréal	6,035	99,990	5.25%	Ubisoft, Sun Life
Total	$113,555	$2,464,430	4.77%	

(1) Allied acquired 747 Rue du Square Victoria in the first quarter ended March 31, 2020. The appraised fair value remains as the purchase price net of closing costs for one year, after which the appraiser transitions to a discounted cash flow model.

(2) Allied acquired 375 Water Street in the second quarter ended June 30, 2020. The appraised fair value remains as the purchase price net of closing costs for one year, after which the appraiser transitions to a discounted cash flow model.

NETWORK-DENSE URBAN DATA CENTRES

Allied operates three network-dense 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 15.8% of the total annualized NOI for the period ended December 31, 2020.

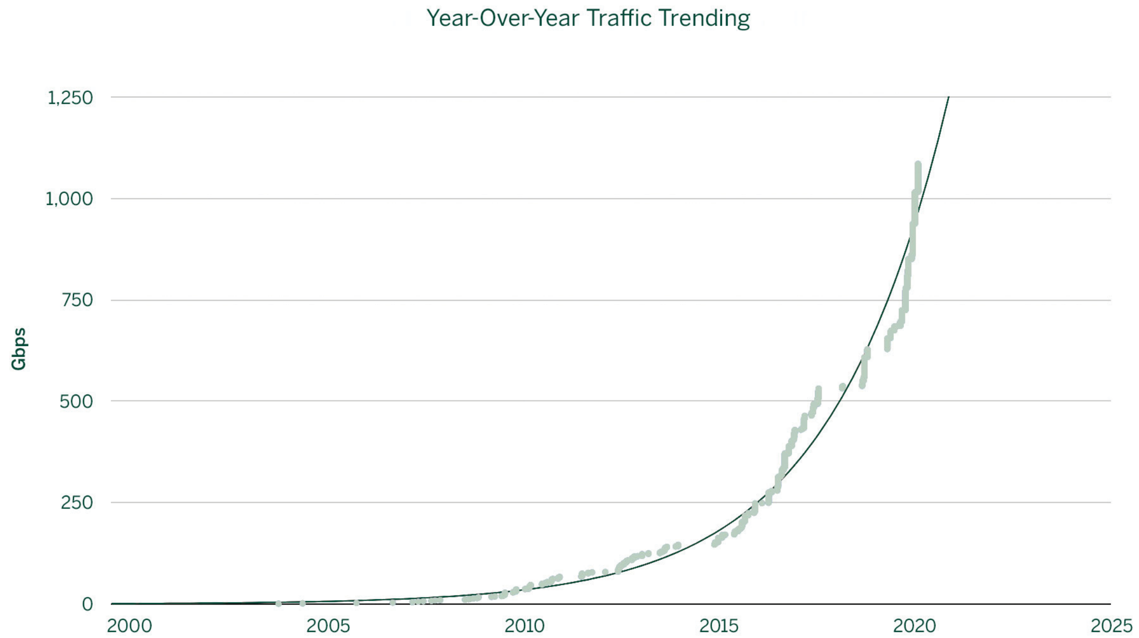
PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
151 Front W, Toronto	$36,770	$593,610	5.00%	Bell, Cologix, Equinix
250 Front W, Toronto	15,448	332,500	5.75%	AWS, Cloud Service Provider
905 King W, Toronto	4,437	98,530	5.75%	Beanfield, Cloud Service Provider, Cologix
Total	$56,655	$1,024,640	5.32%	

Regular rental revenue represented 88.7% of annualized NOI from UDCs in 2020. Ancillary rental revenue represented 11.3% of annualized NOI from UDCs. Ancillary rental revenue is comprised of revenue from the rental of conduit space, rack space and cross-connects.

	NORMALIZED LQA NOI	% OF UDC
NOI from regular rental revenue	$50,257	88.7%
NOI from ancillary rental revenue	6,398	11.3%
Total normalized LQA NOI	$56,655	100%

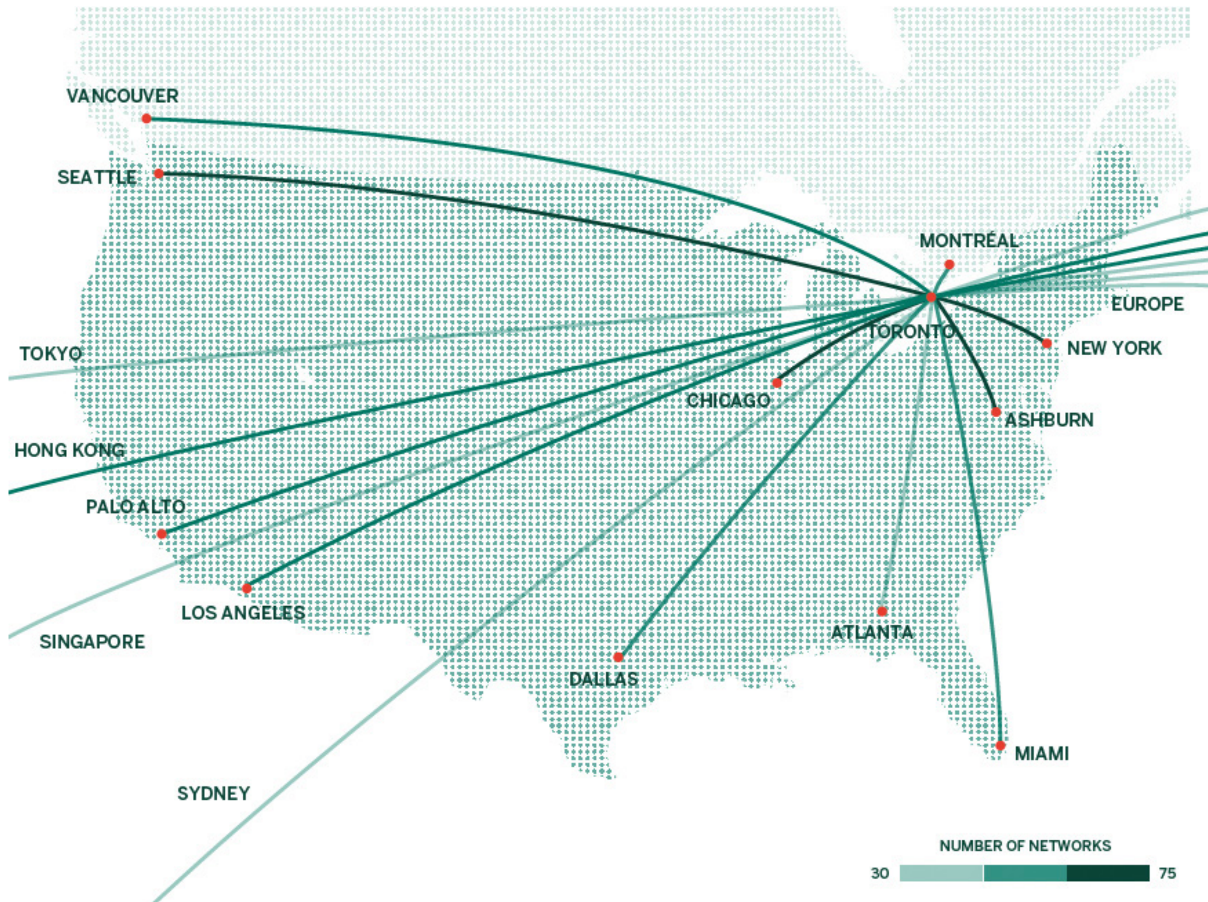
Allied acquired 151 in 2009 and has operated it very successfully since acquisition. 250 and 905 are connected to 151 via a multi-layered, diverse infrastructure of high-density fibre that Allied owns.

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 2020 exceeding 1,200 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.

Allied leases 173,000 square feet of GLA at 250 pursuant to a long-term lease that expires on June 2, 2062. 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 also owns 905. As a result of substantial capital improvements completed by Allied, including connecting it to 151 with high-density fibre, 59,056 square feet of GLA at the property has become an important urban data centre.

Allied has two basic sources of rental revenue from 151, 250 and 905. The largest source, direct rental revenue, derives from subleasing space to ultimate users. A smaller but material source, ancillary rental revenue, derives from conduit fees, rack fees and 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 and 905 will give rise to recurring ancillary rental revenue. Cross-connects utilize the existing infrastructure at 250 and 905 without occupying any of the unleased GLA or requiring additional capital expenditure by Allied.

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 107 properties in Toronto (including properties in the development portfolio) now comprise 4.2 million square feet of GLA and are situated on 37.9 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 10.8 million square feet of GLA, 6.6 million square feet more than currently is in place.

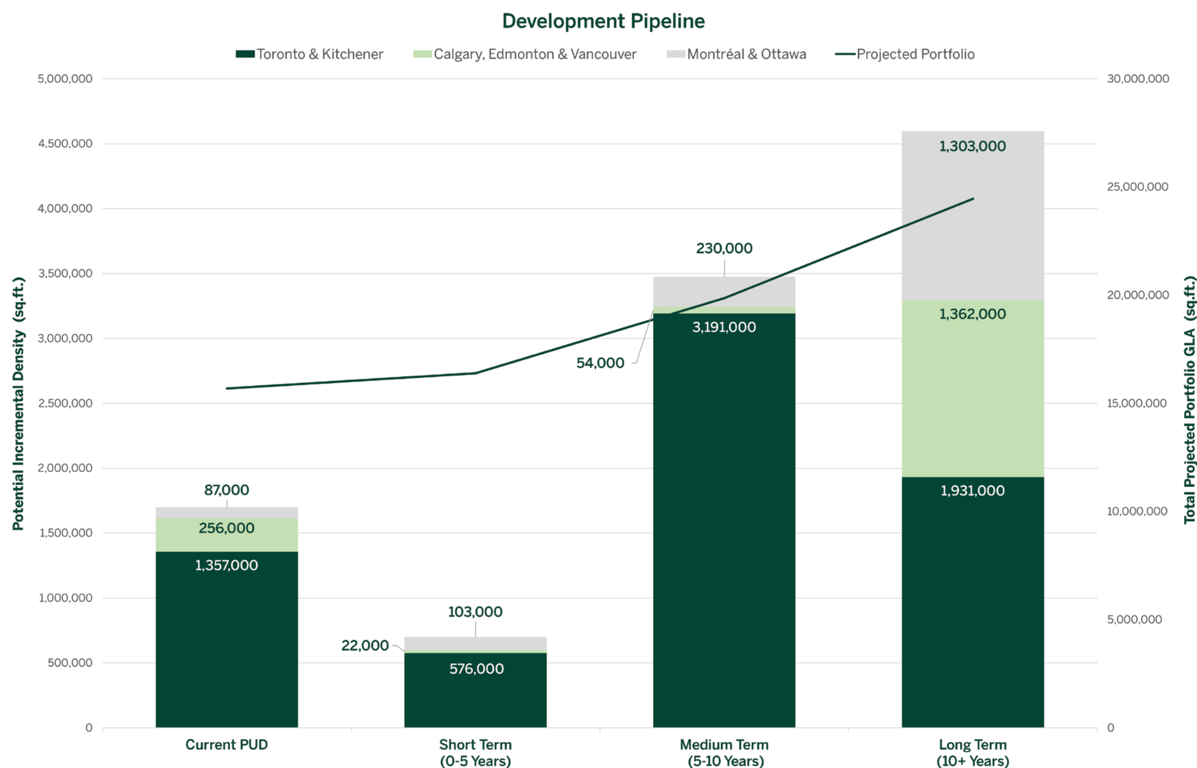
Allied entered the Montréal market in April of 2005. The 30 properties in Montréal now comprise 6.5 million square feet of GLA. As they are much larger buildings on average than those comprising the Toronto portfolio, the 41.8 acres of land on which they sit (immediately south, east and northeast of the Downtown Core) are more fully utilized than the land in the Toronto portfolio. Nevertheless, the underlying land in the Montréal portfolio could permit up to 8.2 million square feet of GLA, 1.7 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 10.5 million square feet of potential incremental density, of which 1.7 million square feet is currently in PUD, and the remaining 8.8 million square feet is potential incremental density. Of the 8.8 million square feet of potential incremental density, 2.7 million square feet is reflected in the appraised fair values, mainly at properties where zoning approvals are in place. The remaining 6.1 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	4,213,540	1,210,000	5,365,221	10,788,761
Kitchener	562,125	147,000	332,369	1,041,494
Total Toronto & Kitchener	**4,775,665**	**1,357,000**	**5,697,590**	**11,830,255**
Toronto Urban Data Centres	509,911	—	—	509,911
Total Urban Data Centres	**509,911**	**—**	**—**	**509,911**
Montréal	6,510,750	87,473	1,635,504	8,233,727
Ottawa	231,468	—	—	231,468
Total Montréal & Ottawa	**6,742,218**	**87,473**	**1,635,504**	**8,465,195**
Calgary	1,192,978	88,000	1,148,679	2,429,657
Edmonton	129,505	168,437	230,417	528,359
Vancouver	642,720	—	59,115	701,835
Total Calgary, Edmonton & Vancouver	**1,965,203**	**256,437**	**1,438,211**	**3,659,851**
Total	**13,992,997**	**1,700,910**	**8,771,305**	**24,465,212**

The timing of development for the 8.8 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 four rental properties in Toronto and one rental property in Montréal, all of which are owned in their entirety by Allied. 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)	$2,892	$83,070	Completed	Office, limited retail	86,230	790,000	Unscheduled
Union Centre	1,564	107,860	Completed	Office, limited retail	41,787	1,129,000	Unscheduled
King & Brant (2)	—	20,850	Under Appeal	Office, retail	16,340	130,000	Unscheduled
Adelaide & Spadina (3)	278	24,680	Completed	Office, retail	11,015	230,000	Unscheduled
Le Nordelec	—	29,300	In Progress	Office	—	230,000	Unscheduled
Total	$4,734	$265,760			155,372	2,509,000	

(1) King & Peter is comprised of 82 Peter and 388 King W.
(2) 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.
(3) 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.

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 December 31, 2020, the cost of Allied's Properties Under Development was 9.0% of GBV (December 31, 2019 - 9.4%). 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 nine Properties Under Development:

PROPERTY NAME	USE	ESTIMATED GLA ON COMPLETION (SF)	% OF OFFICE DEVELOPMENT LEASED
The Lougheed (604-1st SW), Calgary [1]	Office, retail	88,000	—
College & Manning, 547-549 College, Toronto [2]	Retail, residential	27,000	—
Boardwalk Building, Edmonton [3]	Office, retail	168,437	—
Breithaupt Phase III, Kitchener [2]	Office	147,000	100%
The Well, Toronto [2][4]	Office, retail	763,000	84%
400 Atlantic, Montréal	Office, retail	87,473	—
Adelaide & Duncan, Toronto [2][5]	Office, retail, residential	230,000	100%
QRC West Phase II, Toronto [6]	Office, retail	90,000	—
KING Toronto, Toronto [2][7]	Office, retail	100,000	—
Total		1,700,910	59%

(1) 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.
(2) These properties are co-owned, reflected in the table above at Allied's ownership interest.
(3) The GLA components (in square feet) are as follows: 130,141 of office and 28,859 of retail.
(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 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 the first phase closing in December 2020 and the remaining phases expected to close in 2021.
(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) The GLA components (in square feet) are as follows: 75,500 of office and 14,500 of retail.
(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, 2020, 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
The Lougheed (604-1st SW), Calgary	Q3 2021	$15,030	TBD	TBD	TBD	TBD
College & Manning, 547-549 College, Toronto [1]	Q3 2021	19,060	975 - 1,125	31,504	3.1% - 3.6%	9,000
Boardwalk Building, Edmonton	Q4 2021	31,430	TBD	TBD	TBD	TBD
Breithaupt Phase III, Kitchener [1][2]	Q1 2022	38,510	5,375 - 5,500	78,652	6.8% - 7.0%	53,300
The Well, Toronto [1]	Q1 2022	602,820	37,500 - 43,250	728,000	5.2% - 5.9%	174,600
400 Atlantic, Montréal	Q1 2022	8,660	TBD	TBD	TBD	TBD
Adelaide & Duncan, Toronto [1][4]	Q2 2022	107,200	9,625 - 11,125	193,600	5.0% - 5.7%	92,700
QRC West Phase II, Toronto	Q1 2023	39,840	4,000 - 4,400	80,704	5.0% - 5.5%	51,700
KING Toronto, Toronto [1][3]	Q4 2023	33,970	5,000 - 6,000	83,069	6.0% - 7.7%	40,300
Total		$896,520				

(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.
(4) The project is anticipated to be completed in two phases. The commercial phase is scheduled for completion in Q2 2022 and the residential phase is scheduled for completion in Q4 2023.

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 is as follows:

	DECEMBER 31, 2020	DECEMBER 31, 2019
KING Toronto	**$140,038**	$114,910

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

	DECEMBER 31, 2020	DECEMBER 31, 2019
Balance, beginning of year	**$114,910**	$140,302
Acquisitions [1]	**—**	10,454
Dispositions [1]	**—**	(5,227)
Sale of residential units [2]	**—**	(43,342)
Development expenditures	**25,128**	12,723
Balance, end of year	**$140,038**	$114,910

(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 in 2019 for the 132 units occupied at King Portland Centre.

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 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 condominium units, totaling 440 units. Management expects the condominium sales to close in 2023.

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	$12,846	9.9%	$289,020	$159,020	122.3%
The Breithaupt Block, Kitchener	2016	$25,020	$1,950	7.8%	$48,980	$23,960	95.8%
180 John, Toronto	2017	$27,500	$1,600	5.8%	$31,380	$3,880	14.1%
189 Joseph, Kitchener	2017	$11,360	$720	6.3%	$13,590	$2,230	19.6%

In 2004, Allied expanded into Montréal with the purchase of 425 Viger. At the time, the property comprised of 200,000 square feet of GLA and was fully leased. In 2007, Allied purchased the adjacent parking lot with the intention of intensifying the combined property once the main user's lease expired. Allied began the intensification activity in Q1 2018, and completed the project in Q2 2020. The property now consists of 317,500 square feet of GLA.

425 VIGER	INVESTMENT	STABILIZED NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
Land Costs	$30,076					
Hard & Soft Costs	66,353					
Capitalized Interest & Operating Costs	7,839					
Total Development Costs	**$104,268**	**$8,422**	**8.1%**	**$157,430**	**$53,162**	**51.0%**

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 299,150 square feet of GLA (Allied's share 149,575 square feet) and are 99.7% leased. 602-606 King W is excluded from the figures below as they were never under development. The property is targeting LEED platinum certification.

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**	**$6,186**	**8.1%**	**$139,690**	**$63,012**	**82.2%**

The fair values are provided by Allied's external appraiser, which are calculated based on the discounted cash flow method.

LOANS RECEIVABLE

As of December 31, 2020, total loans receivable outstanding is $320,526 (December 31, 2019 - $245,303).

In February 2015, Allied entered into a joint arrangement with Westbank and completed the acquisition of an undivided 50% interest in Adelaide & Duncan. As part of the arrangement, Allied advanced $21,173 to Westbank for its purchase of a 50% undivided interest in the property. The facility is secured by a charge on the property (subordinated to the construction lender) and assignment of rents and leases. Interest accrues and is payable monthly at a rate of 7.75% per annum. The loan is repayable when the joint arrangement obtains external permanent financing. As at December 31, 2020, the loan receivable outstanding is $21,173 (December 31, 2019 - $21,173).

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 is secured by Westbank's covenant and a charge on the property (subordinated to the construction lender). On February 11, 2019, the facility was increased to $160,000. Interest accrues and is payable monthly at a rate of 6.75% per annum. 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. As at December 31, 2020, the loan receivable outstanding is $120,825 (December 31, 2019 - $106,292).

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. The facility will initially be secured by a first mortgage on the property. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable at the earlier of November 23, 2023, or the closing of the condominium units. As at December 31, 2020, the loan receivable outstanding is $84,566 (December 31, 2019 - $77,765).

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. The facility is secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable upon completion of development and rent commencement, which is anticipated to take place in the third quarter of 2022. As at December 31, 2020, the loan receivable outstanding is $10,637 (December 31, 2019 - $9,365).

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. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues and is payable monthly at a rate of 7.00% per annum. 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. As at December 31, 2020, the loan receivable outstanding is $83,325 (December 31, 2019 - $30,708).

The table below summarizes the loans receivable as at December 31, 2020, and December 31, 2019.

	DECEMBER 31, 2020	DECEMBER 31, 2019
Adelaide & Duncan	**$21,173**	$21,173
400 West Georgia	**120,825**	106,292
KING Toronto	**84,566**	77,765
Breithaupt Phase III	**10,637**	9,365
720 Beatty	**83,325**	30,708
Total loans receivable	**$320,526**	$245,303

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, unsecured operating lines, 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 $6,463,680 as at December 31, 2020.

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, 2020, and December 31, 2019:

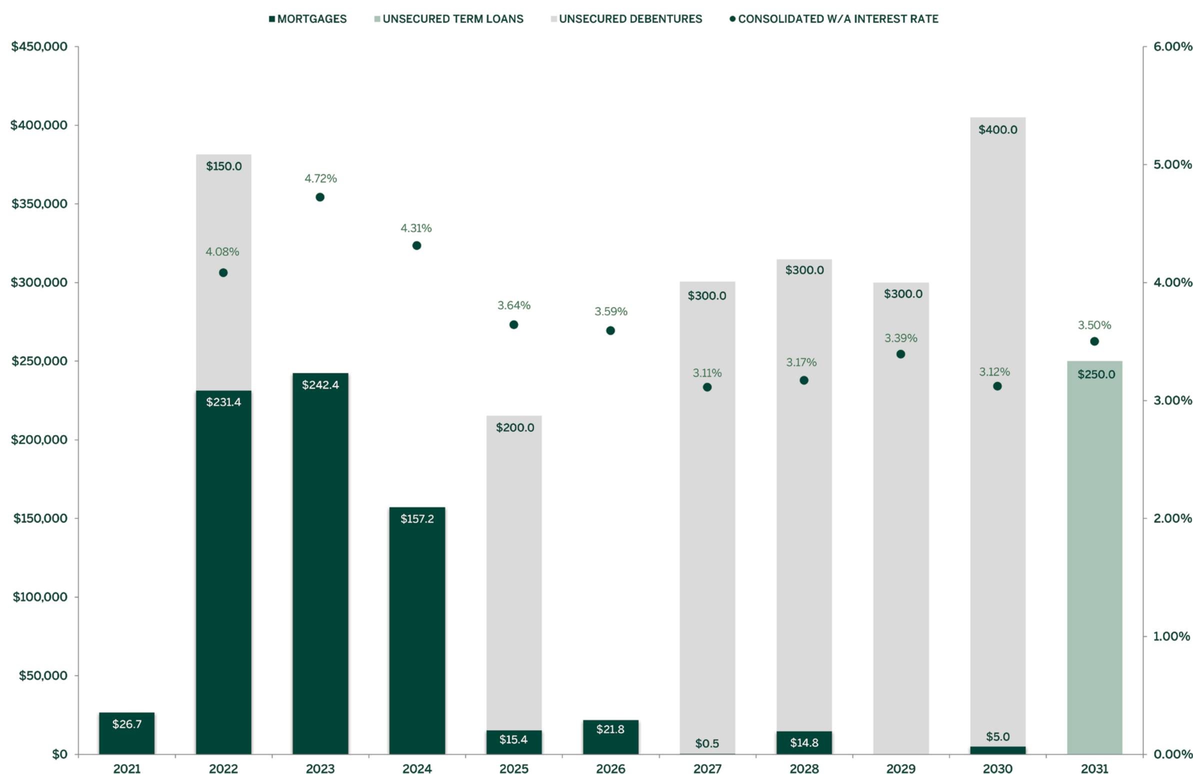
	DECEMBER 31, 2020	DECEMBER 31, 2019
Mortgages payable	**$716,813**	$737,448
Construction loans payable	**57,104**	23,210
Unsecured revolving operating facilities	**60,000**	—
Senior unsecured debentures	**1,642,119**	945,369
Unsecured term loans	**249,426**	449,154
Total debt, IFRS basis and at proportionate share [1]	**$2,725,462**	$2,155,181
Less cash and cash equivalents [2]	**48,798**	211,282
Net debt	**$2,676,664**	$1,943,899

(1) As of December 31, 2020, there was no debt outstanding attributable to TELUS Sky (December 31, 2019 - nil).
(2) As of December 31, 2020, cash and cash equivalents attributable to TELUS Sky total $3,286 (December 31, 2019 - $2,368).

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
2021	$26,668	—%	$—	—%	$—	—%	$26,668	—%
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	15,384	3.63%	200,000	3.64%	—	—%	215,384	3.64%
2026	21,834	3.59%	—	—%	—	—%	21,834	3.59%
2027	487	—%	300,000	3.11%	—	—%	300,487	3.11%
2028	14,750	4.04%	300,000	3.13%	—	—%	314,750	3.17%
2029	—	—%	300,000	3.39%	—	—%	300,000	3.39%
2030	5,000	—%	400,000	3.12%	—	—%	405,000	3.12%
2031	—	—%	—	—%	250,000	3.50%	250,000	3.50%
	$715,043	4.31%	$1,650,000	3.31%	$250,000	3.50%	$2,615,043	3.60%

The chart below summarizes the maturities of principal in regards to Allied's debt obligations as at December 31, 2020:



MORTGAGES PAYABLE

As of December 31, 2020, mortgages payable, net of financing costs, total $716,813 and have a weighted average stated interest rate of 4.31% (December 31, 2019 - 4.38%). The weighted average term of the mortgage debt is 2.9 years (December 31, 2019 - 3.8 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, 2020	DECEMBER 31, 2019
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	6,596	8,788	15,384	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
2030	5,000	—	5,000	
Mortgages, principal	$87,670	$627,373	$715,043	$734,286
Net premium on assumed mortgages			3,555	5,400
Net financing costs			(1,785)	(2,238)
			$716,813	$737,448

CONSTRUCTION LOANS PAYABLE

As of December 31, 2020, and December 31, 2019, Allied's obligation under the construction loans is as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2020	DECEMBER 31, 2019
Adelaide & Duncan	50%	August 11, 2023	$44,051	$23,210
Breithaupt Phase III	50%	December 2, 2022	7,406	—
KING Toronto	50%	December 17, 2024	5,647	—
			$57,104	$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, limited to $135,000, to support the construction facility and is earning a related guarantee fee. On August 23, 2019, the Adelaide & Duncan joint arrangement entered into a swap agreement to fix 75% of the construction costs up to $209,572 at 2.86%.

On February 21, 2020, Allied and Perimeter obtained a $138,000 construction loan for the Breithaupt Phase III joint arrangement from a syndicate of Canadian banks, in which Allied's 50% share is $69,000. The loan matures on December 2, 2022, and bears interest at bank prime or bankers' acceptance rate plus 120 basis points. Allied is providing a joint and several guarantee, limited to $69,000, to support the facility and is earning a related guarantee fee.

On December 17, 2020, Allied and Westbank obtained a $465,000 GREEN construction loan for the KING Toronto joint arrangement from a syndicate of Canadian banks, in which Allied's 50% share is $232,500. The loan matures on December 17, 2024, and bears interest at bank prime plus 45 basis points or bankers' acceptance rate plus 145 basis points. Allied is providing a joint and several guarantee, limited to $232,500, to support the facility and is earning a related guarantee fee.

UNSECURED REVOLVING OPERATING FACILITIES

As of December 31, 2020 and December 31, 2019, Allied's obligations under the unsecured revolving operating facilities (the "Unsecured Facilities") are as follows:

			DECEMBER 31, 2020				
	MATURITY DATE	INTEREST RATES ON DRAWINGS	STANDBY FEE	FACILITY LIMIT	DRAW-INGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured facility limit $400,000 (1)	January 30, 2023	Prime + 0.20% or Bankers' acceptance + 1.20% (2)	0.24%	$400,000	$(60,000)	$(22,420)	$317,580
Unsecured facility limit $100,000	April 20, 2021	Prime + 0.45% or Bankers' acceptance + 1.45%	0.29%	100,000	—	—	100,000
				$500,000	$(60,000)	$(22,420)	$417,580

(1) This unsecured facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $500,000.

(2) The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this 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.

			DECEMBER 31, 2019				
	MATURITY DATE	INTEREST RATES ON DRAWINGS	STANDBY FEE	FACILITY LIMIT	DRAW-INGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured facility limit $400,000 (1)	January 29, 2022	Prime + 0.45% or Bankers' acceptance + 1.45% (2)	0.29%	$400,000	$—	$(14,896)	$385,104

(1) This unsecured facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $500,000.

(2) The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this 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.

On April 21, 2020, Allied entered into a $100,000 bilateral unsecured line of credit which matures on April 20, 2021, bearing interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

On January 29, 2021, Allied amended the unsecured facilities to merge the two existing facilities into one facility with a limit of $500,000 plus a $100,000 accordion feature and to extend the maturity to January 11, 2024. 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, 2020, and December 31, 2019, Allied's obligation under the senior unsecured debentures is as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	DECEMBER 31, 2020	DECEMBER 31, 2019
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**	300,000
Series E	3.113%	April 8, 2027	April 8 and October 8	**300,000**	300,000
Series F	3.117%	February 21, 2030	February 21 and August 21	**400,000**	—
Series G	3.131%	May 15, 2028	May 15 and November 15	**300,000**	—
Unsecured Debentures, principal				**$1,650,000**	$950,000
Net financing costs				**(7,881)**	(4,631)
				$1,642,119	$945,369

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

On February 21, 2020, Allied issued $400,000 of 3.117% Series F Senior Unsecured Debentures (the "Series F Debentures") due February 21, 2030, with semi-annual interest payments due on February 21 and August 21 each year commencing on August 21, 2020. Debt financing costs of $2,350 were incurred and recorded against the principal owing.

Proceeds from the Series F Debentures were used to prepay $200,000 aggregate principal amount of the Unsecured Term Facility maturing March 16, 2021, repay amounts drawn on the Unsecured Facility in the amount of $110,000, to fund Allied's development and value-add initiatives and for general working capital purposes.

On May 15, 2020, Allied issued $300,000 of 3.131% Series G Senior Unsecured Debentures (the "Series G Debentures") due May 15, 2028, with semi-annual interest payments due on May 15 and November 15 each year commencing on November 15, 2020. Debt financing costs of $1,950 were incurred and recorded against the principal owing.

Proceeds from the Series G Debentures were used to repay amounts drawn on the Unsecured Facility in the amount of $240,000 and for general working capital purposes.

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, 2020, and December 31, 2019, Allied's obligation under the unsecured term loans is as follows:

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2020	DECEMBER 31, 2019
Unsecured Term Loan	3.496%	January 14, 2031	Monthly	**$250,000**	$250,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	**—**	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	**—**	100,000
Unsecured Term Loans, principal				**$250,000**	$450,000
Net financing costs				**(574)**	(846)
				$249,426	$449,154

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

On February 10, 2020, Allied repaid $100,000 of the principal amount of Tranche 1 of the Unsecured Term Facility due March 16, 2021. On March 4, 2020, Allied repaid $100,000 of the principal amount of Tranche 2, representing the remaining balance of the Unsecured Term Facility due March 16, 2021.

On August 11, 2020, Allied entered into an amended Unsecured Term Loan at a new fixed interest rate of 3.496% (December 31, 2019 - 3.992%) and a new maturity date of January 14, 2031 (December 31, 2019 - January 14, 2026).

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

CREDIT RATINGS

Allied's credit ratings as at December 31, 2020, are summarized below:

DEBT	RATING AGENCY	LONG-TERM CREDIT RATING	TREND/OUTLOOK
Issuer Rating & Unsecured Debentures	DBRS Limited	BBB	Stable
Issuer Rating & Unsecured Debentures	Moody's Investors Service Inc.	Baa2	Stable

DBRS Limited ("DBRS") and Moody's Investors Service Inc. ("Moody's") provide issuer ratings and credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. The minimum DBRS investment grade rating is "BBB (low)," with the highest rating being "AAA." The minimum Moody's investment grade rating is "Baa3," with the highest rating being "Aaa".

With these 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 Allied and 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 Facilities, 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 FACILITIES AND UNSECURED TERM LOANS

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

COVENANT	THRESHOLD	DECEMBER 31, 2020	DECEMBER 31, 2019
Indebtedness ratio	Below 60%	**29.2%**	26.1%
Secured indebtedness ratio	Below 45%	**8.2%**	9.1%
Debt service coverage ratio	Consolidated adjusted EBITDA to be more than 1.5 times debt service payments	**2.7x**	2.5x
Equity maintenance	At least $1,250,000 plus 75% of future equity issuances ($2,797,710)	**6,177,032**	5,717,699
Unencumbered property assets value ratio	Unencumbered property assets to be more than 1.4 times total unsecured debt	**3.3x**	3.9x
Distribution payout ratio	Maintain distributions below 100% of FFO	**70.8%**	71.5%

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, 2020	DECEMBER 31, 2019
Pro forma interest coverage ratio	Maintain a 12-month rolling consolidated pro forma EBITDA of at least 1.65 times pro forma interest expense	**3.2x**	3.1x
Pro forma asset coverage test	Maintain net consolidated debt below 65% of net aggregate assets on a pro forma basis	**29.1%**	26.0%
Equity maintenance	Maintain Unitholders' equity above $300,000	**6,177,032**	5,717,699
Pro forma unencumbered net aggregate adjusted asset ratio	Maintain pro forma unencumbered net aggregate adjusted assets above 1.4 times consolidated unsecured indebtedness	**3.6x**	4.4x

As of December 31, 2020, Allied was in compliance with the terms and covenants of the agreements governing the Unsecured Facilities, 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 years ended December 31, 2020, and December 31, 2019.

	DECEMBER 31, 2020		DECEMBER 31, 2019	
	UNITS	**AMOUNT**	UNITS	AMOUNT
Units, beginning of year	**122,838,799**	**$3,725,472**	103,861,945	$2,835,395
Restricted Unit Plan (net of forfeitures)	**—**	**(2,695)**	—	(2,462)
Unit Option Plan - options exercised	**277,311**	**9,805**	277,854	10,437
Unit issuance	**4,143,108**	**152,079**	18,699,000	882,102
Units, end of year	**127,259,218**	**$3,884,661**	122,838,799	$3,725,472

As at February 3, 2021, 127,259,218 Trust Units and 1,288,229 options to purchase Units were issued and outstanding.

On September 4, 2020, Allied raised gross proceeds of $153,295 through a private placement issuance of 4,143,108 Units at a price of $37.00 per Unit. Costs relating to the issuance totaled $1,216 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, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019
Basic	**127,256,661**	117,917,803	**124,427,715**	112,443,006
Unit Option Plan	**41,339**	330,747	**108,919**	288,044
Fully diluted	**127,298,000**	118,248,550	**124,536,634**	112,731,050

NORMAL COURSE ISSUER BID

On February 20, 2020, 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 12,100,300 of its outstanding Units, representing approximately 10% of its public float as at February 10, 2020. The NCIB commenced February 24, 2020, and will expire on February 23, 2021, 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, 2020, Allied purchased 48,688 Units for $2,767 at a weighted average price of $56.83 per Unit under its NCIB program, of which 48,148 Units were purchased for delivery to participants under Allied's Restricted Unit Plan and 540 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 (the "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 TSX. 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, 2020, Allied had granted options to purchase up to 1,288,229 Units outstanding, of which 548,396 had vested. At December 31, 2019, Allied had options to purchase 1,213,310 Units outstanding, of which 604,445 had vested.

For the year ended December 31, 2020, Allied recorded a share-based payment expense related to options of $1,988 (December 31, 2019 - $1,583) in general and administrative expense in the consolidated statements of income and comprehensive income.

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 and trustees who are granted Restricted Units have the right to vote and to receive distributions from the date of the grant. The Restricted Units granted to employees vest as to one-third on each of the three anniversaries following the date of the grant. Restricted Units granted to non-management trustees are fully vested. 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, except that in the case of a non-management trustee, the release date will be automatically accelerated to the date such person ceases to hold office as a trustee of Allied. The Restricted Unit Plan contains provisions providing for the vesting or forfeiture of unvested Restricted Units within specified time periods in the event the employee's employment is terminated, and authorizes the Chief Executive Officer, in his or her discretion, to accelerate the release date and vesting of Restricted Units in certain circumstances where an employee's employment is terminated. At December 31, 2020, Allied had 288,135 Restricted Units outstanding (December 31, 2019 - 287,023).

For the year ended December 31, 2020, Allied recorded a share-based payment expense related to Restricted Units of $2,804 (December 31, 2019 - $2,437) in general and administrative expense in the consolidated statements of income and comprehensive income.

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	DECEMBER, 2013
Annualized increase per Unit	$0.04	$0.04	$0.04	$0.04	$0.06	$0.04	$0.05
% increase	3.6%	3.5%	3.4%	3.3%	4.8%	3.0%	3.7%
Annualized distribution per Unit	$1.14	$1.18	$1.22	$1.26	$1.32	$1.36	$1.41

	DECEMBER, 2014	DECEMBER, 2015	DECEMBER, 2016	DECEMBER, 2017	DECEMBER, 2018	JANUARY, 2020	JANUARY, 2021
Annualized increase per Unit	$0.05	$0.04	$0.03	$0.03	$0.04	$0.05	$0.05
% increase	3.5%	2.7%	2.0%	2.0%	2.6%	3.1%	3.0%
Annualized distribution per Unit	$1.46	$1.50	$1.53	$1.56	$1.60	$1.65	$1.70

SOURCES OF DISTRIBUTIONS

For the three months and year ended December 31, 2020, Allied declared $52,493 and $205,377 in distributions, respectively (three months and year ended December 31, 2019 - $47,267 and $180,284, respectively).

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019
Distributions declared	**$52,493**	$47,267	**$205,377**	$180,284
Net income	**$83,842**	$264,960	**$500,729**	$629,223
Cash flows provided by operating activities	**$77,400**	$67,577	**$356,257**	$244,599
AFFO excluding condominium related items and prepayment costs	**$64,623**	$57,645	**$248,003**	$219,846
AFFO excluding condominium related items and prepayment costs payout ratio	**81.2%**	82.0%	**82.8%**	82.0%
Excess of net income over distributions declared	**$31,349**	$217,693	**$295,352**	$448,939
Excess of cash flows provided by operating activities over distributions declared	**$24,907**	$20,310	**$150,880**	$64,315
Excess of cash provided by AFFO excluding condominium related items and prepayment costs over distributions declared	**$12,130**	$10,378	**$42,626**	$39,562

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 the Real Property Association of Canada (“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 Facilities. 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 rate of distribution as at December 31, 2020, amounts to $1.65 per Unit per annum (December 31, 2019 - $1.60 per Unit per annum).

COMMITMENTS

At December 31, 2020, Allied had future commitments as set out below, excluding the amount held within equity accounted investments:

	DECEMBER 31, 2020
Capital expenditures and committed acquisitions	**$335,344**

Commitments as at December 31, 2020, and December 31, 2019, of $551 and $1,238, respectively, 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, 2020.

Section V
–Discussion of Operations

The following sets out summary information and financial results for the three months and year ended December 31, 2020, and the comparable period in 2019. Unless otherwise noted, the figures in this section are presented on a proportionate basis of accounting.

NET INCOME AND COMPREHENSIVE INCOME

The following table reconciles the consolidated statements of income and comprehensive income, on a proportionate basis, for the three months and year ended December 31, 2020, and December 31, 2019.

	THREE MONTHS ENDED					
	DECEMBER 31, 2020			DECEMBER 31, 2019		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Rental revenue from investment properties	**$145,173**	**$777**	**$145,950**	$134,306	$412	$134,718
Property operating costs	**(62,421)**	**(639)**	**(63,060)**	(59,174)	(102)	(59,276)
Net rental income	**82,752**	**138**	**82,890**	75,132	310	75,442
Condominium revenue	**—**	**—**	**—**	30,600	—	30,600
Condominium cost of sales	**—**	**—**	**—**	(29,022)	—	(29,022)
Condominium profits	**—**	**—**	**—**	1,578	—	1,578
Operating income	**$82,752**	**$138**	**$82,890**	$76,710	$310	$77,020
Interest expense	**(17,774)**	**—**	**(17,774)**	(19,202)	(91)	(19,293)
General and administrative expenses	**(5,211)**	**—**	**(5,211)**	(5,990)	—	(5,990)
Condominium marketing expenses	**(227)**	**(44)**	**(271)**	(904)	94	(810)
Amortization of other assets	**(341)**	**—**	**(341)**	(365)	—	(365)
Interest income	**5,018**	**—**	**5,018**	5,149	—	5,149
Fair value gain (loss) on investment properties	**16,880**	**(2,071)**	**14,809**	216,130	(14,979)	201,151
Fair value gain on derivative instruments	**4,722**	**—**	**4,722**	8,098	—	8,098
Net loss from joint venture	**(1,977)**	**1,977**	**—**	(14,666)	14,666	—
Net income and comprehensive income	**$83,842**	**$—**	**$83,842**	$264,960	$—	$264,960

	YEAR ENDED					
	DECEMBER 31, 2020			DECEMBER 31, 2019		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPOR-TIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPOR-TIONATE BASIS
Rental revenue from investment properties	**$560,327**	**$2,464**	**$562,791**	$496,109	$1,147	$497,256
Property operating costs	**(241,490)**	**(1,219)**	**(242,709)**	(210,747)	(277)	(211,024)
Net rental income	**318,837**	**1,245**	**320,082**	285,362	870	286,232
Condominium revenue	**178**	**—**	**178**	45,341	—	45,341
Condominium cost of sales	**—**	**—**	**—**	(43,342)	—	(43,342)
Condominium profits	**178**	**—**	**178**	1,999	—	1,999
Operating income	**$319,015**	**$1,245**	**$320,260**	$287,361	$870	$288,231
Interest expense	**(72,603)**	**—**	**(72,603)**	(66,403)	(441)	(66,844)
General and administrative expenses	**(22,215)**	**—**	**(22,215)**	(21,953)	—	(21,953)
Condominium marketing expenses	**(1,230)**	**(133)**	**(1,363)**	(4,214)	(121)	(4,335)
Amortization of other assets	**(1,467)**	**—**	**(1,467)**	(1,456)	—	(1,456)
Interest income	**19,819**	**—**	**19,819**	17,351	—	17,351
Fair value gain (loss) on investment properties	**280,590**	**(4,296)**	**276,294**	450,490	(26,152)	424,338
Fair value loss on derivative instruments	**(17,996)**	**—**	**(17,996)**	(6,109)	—	(6,109)
Net loss from joint venture	**(3,184)**	**3,184**	**—**	(25,844)	25,844	—
Net income and comprehensive income	**$500,729**	**$—**	**$500,729**	$629,223	$—	$629,223

Net income and comprehensive income for the three months and year ended December 31, 2020, decreased by $181,118 and $128,494, respectively, over the comparable period in 2019. Excluding the effect of the fair value changes on investment properties and derivative instruments, net income for the three months ended December 31, 2020, was up by $8,600 from the same period in the prior year, primarily due to an increase in net operating income and lower interest expense. Excluding the effect of the fair value changes on investment properties and derivative instruments, net income for the year ended December 31, 2020 was up by $31,437 from the same period in the prior year, primarily due to an increase in net operating and interest income, partially offset by higher interest expense.

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.

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.

Allied's real estate portfolio has grown through acquisitions and development activities that have positively contributed to the operating results for the three months and year ended December 31, 2020, as compared to the same period in the prior year.

The following table reconciles operating income to net operating income.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019
Operating income	**$82,890**	$77,020	**$320,260**	$288,231
Condominium revenue	**—**	(30,600)	**(178)**	(45,341)
Condominium cost of sales	**—**	29,022	**—**	43,342
Net rental income	**$82,890**	$75,442	**$320,082**	$286,232
Amortization of improvement allowances [1]	**8,072**	7,935	**32,522**	30,997
Amortization of straight-line rents [1]	**(1,596)**	(1,427)	**(10,132)**	(7,237)
NOI	**$89,366**	$81,950	**$342,472**	$309,992

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months and year ended December 31, 2020: amortization improvement allowances of $113 and $329, respectively, (December 31, 2019 - $56 and $201, respectively) and amortization of straight-line rents of $(393) and $(2,276), respectively (December 31, 2019 - $(463) and $(1,343), respectively).

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, 2020, and the comparable period in 2019.

	THREE MONTHS ENDED				CHANGE	
SEGMENT	**DECEMBER 31, 2020**		DECEMBER 31, 2019		$	%
Urban Workspace						
Montréal & Ottawa	**$27,936**	**31.2%**	$23,125	28.2%	$4,811	20.8%
Toronto & Kitchener	**36,967**	**41.4%**	37,040	45.2%	(73)	(0.2)%
Calgary, Edmonton & Vancouver	**10,071**	**11.3%**	9,095	11.1%	976	10.7%
Urban Workspace - Total	**74,974**	**83.9%**	69,260	84.5%	5,714	8.3%
Urban Data Centres	**14,392**	**16.1%**	12,690	15.5%	1,702	13.4%
NOI	**$89,366**	**100.0%**	$81,950	100.0%	$7,416	9.0%

	THREE MONTHS ENDED				CHANGE	
TYPE OF SPACE	**DECEMBER 31, 2020**		DECEMBER 31, 2019		$	%
Urban Workspace - Office	**$65,228**	**73.0%**	$58,374	71.2%	$6,854	11.7%
Urban Data Centres	**14,392**	**16.1%**	12,690	15.5%	1,702	13.4%
Urban Workspace - Retail	**6,826**	**7.6%**	6,397	7.8%	429	6.7%
Urban Workspace - Parking	**2,920**	**3.3%**	4,489	5.5%	(1,569)	(35.0)%
NOI	**$89,366**	**100.0%**	$81,950	100.0%	$7,416	9.0%

The increase in NOI for the three months ended December 31, 2020, was primarily the result of rent growth in Montréal, rent and ancillary revenue growth in the UDC portfolio, a Québec government subsidy related to the CECRA program and contributions from acquisitions in Montréal, Vancouver, and Calgary. This was partially offset by a decrease in variable parking revenue.

SEGMENT	YEAR ENDED DECEMBER 31, 2020		DECEMBER 31, 2019		CHANGE $	%
Urban Workspace						
Montréal & Ottawa	**$106,711**	**31.2%**	$81,463	26.3%	$25,248	31.0%
Toronto & Kitchener	**141,405**	**41.3%**	139,317	44.9%	2,088	1.5%
Calgary, Edmonton & Vancouver	**38,451**	**11.2%**	35,831	11.6%	2,620	7.3%
Urban Workspace - Total	**286,567**	**83.7%**	256,611	82.8%	29,956	11.7%
Urban Data Centres	**55,905**	**16.3%**	53,381	17.2%	2,524	4.7%
NOI	**$342,472**	**100.0%**	$309,992	100.0%	$32,480	10.5%

TYPE OF SPACE	YEAR ENDED DECEMBER 31, 2020		DECEMBER 31, 2019		CHANGE $	%
Urban Workspace - Office	**$248,564**	**72.6%**	$218,588	70.5%	$29,976	13.7%
Urban Data Centres	**55,905**	**16.3%**	53,381	17.2%	2,524	4.7%
Urban Workspace - Retail	**24,953**	**7.3%**	22,911	7.4%	2,042	8.9%
Urban Workspace - Parking	**13,050**	**3.8%**	15,112	4.9%	(2,062)	(13.6)%
NOI	**$342,472**	**100.0%**	$309,992	100.0%	$32,480	10.5%

The increase in NOI for the year ended December 31, 2020, was primarily the result of rent growth in Montréal and Toronto, rent and ancillary revenue growth in the UDC portfolio and contributions from acquisitions in Montréal, Vancouver and Calgary. This was partially offset by a decrease in variable parking revenue and rent abatements totaling $5,100 provided under the CECRA program in all regions.

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.

Same asset NOI in the table below refers to those investment properties that were owned by Allied from October 1, 2019, to December 31, 2020. Same asset NOI of the development portfolio for the three months ended December 31, 2020, consists of 425 Viger, 305 Joseph, Adelaide & Duncan, KING Toronto, TELUS Sky, The Well, QRC West Phase II, 400 Atlantic and Boardwalk Building.

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2020	DECEMBER 31, 2019	$	%
Urban Workspace				
Montréal & Ottawa	**$24,176**	$22,201	$1,975	8.9%
Toronto & Kitchener	**32,822**	33,903	(1,081)	(3.2)%
Calgary, Edmonton & Vancouver	**7,751**	8,423	(672)	(8.0)%
Urban Workspace	**64,749**	64,527	222	0.3%
Urban Data Centres	**14,392**	12,690	1,702	13.4%
Rental Portfolio - Same Asset NOI	**79,141**	77,217	1,924	2.5%
Urban Workspace	**366**	894	(528)	(59.1)%
Development Portfolio - Same Asset NOI	**366**	894	(528)	(59.1)%
Total Portfolio - Same Asset NOI	**$79,507**	$78,111	$1,396	1.8%
Acquisitions	**5,215**	131	5,084	
Lease terminations	**542**	169	373	
Development fees and corporate items	**4,102**	3,539	563	
NOI	**$89,366**	$81,950	$7,416	9.0%
Amortization of improvement allowances	**(8,072)**	(7,935)	(137)	
Amortization of straight-line rents	**1,596**	1,427	169	
Condominium profits	**—**	1,578	(1,578)	
Operating income	**$82,890**	$77,020	$5,870	7.6%

Same asset NOI of the total portfolio increased by 1.8% for the three months ended December 31, 2020. Same asset NOI of the rental portfolio increased by 2.5% primarily as a result of rent growth in Montréal, revenue growth in the UDC portfolio and a Québec government subsidy related to the CECRA program partially offset by a decrease in variable parking revenue. Same asset NOI of the UDC portfolio increased by 13.4% as a result of rent and ancillary revenue growth. Same asset NOI of the development portfolio decreased with the completion of deleasing activity in order to commence development at QRC West Phase II, 400 Atlantic and Boardwalk Building.

Same asset NOI in the table below refers to those investment properties that were owned by Allied from January 1, 2019, to December 31, 2020. Same asset NOI of the development portfolio for the year ended December 31, 2020, consists of 425 Viger, 305 Joseph, Adelaide & Duncan, KING Toronto, TELUS Sky, The Well, QRC West Phase II, 400 Atlantic and Boardwalk Building.

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2020	DECEMBER 31, 2019	$	%
Urban Workspace				
Montréal & Ottawa	**$74,431**	$70,670	$3,761	5.3%
Toronto & Kitchener	**128,947**	129,806	(859)	(0.7)%
Calgary, Edmonton & Vancouver	**28,273**	31,318	(3,045)	(9.7)%
Urban Workspace	**231,651**	231,794	(143)	(0.1)%
Urban Data Centres	**55,766**	53,226	2,540	4.8%
Rental Portfolio - Same Asset NOI	**287,417**	285,020	2,397	0.8%
Urban Workspace	**1,385**	4,100	(2,715)	(66.2)%
Development Portfolio - Same Asset NOI	**1,385**	4,100	(2,715)	(66.2)%
Total Portfolio - Same Asset NOI	**$288,802**	$289,120	$(318)	(0.1)%
Acquisitions	**41,488**	11,257	30,231	
Lease terminations	**1,163**	801	362	
Development fees and corporate items	**11,019**	8,814	2,205	
NOI	**$342,472**	$309,992	$32,480	10.5%
Amortization of improvement allowances	**(32,522)**	(30,997)	(1,525)	
Amortization of straight-line rents	**10,132**	7,237	2,895	
Condominium profits	**178**	1,999	(1,821)	
Operating income	**$320,260**	$288,231	$32,029	11.1%

Same asset NOI of the total portfolio decreased by 0.1% for the year ended December 31, 2020. Same asset NOI of the rental portfolio increased by 0.8% as a result of rent growth in Montréal and revenue growth in the UDC portfolio which was offset by lower variable parking revenue and rent abatements totaling $5,100 provided under the CECRA program in all regions. Same asset NOI of the UDC portfolio increased by 4.8% as a result of increased ancillary revenue. Same asset NOI of the development portfolio decreased with the discontinuation of capitalized operating costs as fixturing commenced at 425 Viger and TELUS Sky, as well as the completion of deleasing activity in order to commence development at KING Toronto, QRC West Phase II, 400 Atlantic and Boardwalk Building.

INTEREST EXPENSE

Interest expense for the three months and year ended December 31, 2020, and 2019 is as follows:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019
Interest on debt:				
Mortgages payable	**$7,670**	$8,102	**$31,141**	$33,989
Construction loans payable	**378**	244	**1,351**	604
Unsecured Facilities	**423**	631	**2,152**	2,667
Unsecured Debentures	**13,669**	8,012	**49,455**	24,629
Unsecured Term Loans	**2,206**	3,945	**10,353**	15,679
Interest on lease liabilities	**2,219**	2,078	**8,926**	8,350
Amortization, discount on debt	**(469)**	(449)	**(1,846)**	(1,000)
Amortization, net financing costs	**518**	406	**2,081**	1,660
	$26,614	$22,969	**$103,613**	$86,578
Less: Interest capitalized to qualifying investment properties and residential inventory	**(8,840)**	(7,222)	**(31,010)**	(26,193)
Interest expense excluding prepayment costs	**$17,774**	$15,747	**$72,603**	$60,385
Prepayment costs	**—**	3,455	**—**	6,018
Interest expense, IFRS basis	**$17,774**	$19,202	**$72,603**	$66,403
Add: share from joint venture	**—**	91	**—**	441
Total Interest expense, proportionate basis	**$17,774**	$19,293	**$72,603**	$66,844

For the three months and year ended December 31, 2020, without taking into account capitalized interest and prepayment costs, interest expense increased by $3,554 and $16,594, respectively, over the comparable period primarily due to a higher balance of unsecured debentures, offset by a lower balance of unsecured term loans and mortgages payable.

For the year ended December 31, 2020, 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, 2020, 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

General and administrative expenses for the three months and year ended December 31, 2020 and 2019 are as follows:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019
Salaries and benefits	**$4,412**	$5,263	**$18,652**	$19,036
Professional and trustees fees	**807**	761	**3,747**	3,388
Office and general expenses	**1,289**	1,163	**4,628**	3,932
	$6,508	$7,187	**$27,027**	$26,356
Capitalized to qualifying investment properties	**(1,297)**	(1,197)	**(4,812)**	(4,403)
Total general and administrative expenses	**$5,211**	$5,990	**$22,215**	$21,953

For the three months and year ended December 31, 2020, general and administrative expenses decreased by $779 and increased by $262 from the comparable period, respectively. The decrease for the three months ended December 31, 2020, is mainly due to lower compensation expenses.

OTHER FINANCIAL PERFORMANCE MEASURES

FUNDS FROM OPERATIONS ("FFO") AND FFO EXCLUDING CONDOMINIUM RELATED ITEMS AND PREPAYMENT COSTS

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, REALpac established a standardized definition of FFO. Management believes that it is a useful measure of operating performance.

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 three months and year ended December 31, 2020, Allied incurred $227 and $1,230 (at its share) of condominium 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.

FFO excluding condominium related items and prepayment costs starts with the standardized definition of FFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs and financing prepayment costs.

For the three months ended December 31, 2020, FFO per Unit excluding condominium related items and prepayment costs totaled $0.589. This is an increase of $0.005 or 0.9% over the comparable period in the prior year. The increase was primarily due to an increase in NOI, lower interest expense and lower general and administrative expenses partially offset by lower interest income.

For the year ended December 31, 2020, FFO per Unit excluding condominium related items and prepayment costs totaled $2.295. This is a decrease of $0.005 or 0.2% over the comparable period in the prior year. The decrease was primarily due to rent abatements provided under the CECRA program and higher interest expense partially offset by an increase in NOI and higher interest income.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate FFO pay-out ratio excluding condominium related items and prepayment costs, which is the ratio of actual distributions to FFO excluding condominium related items and prepayment costs in a given period. For the three months and year ended December 31, 2020, the FFO pay-out ratio excluding condominium related items and prepayment costs was 70.0% and 71.9%, respectively.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO") EXCLUDING CONDOMINIUM RELATED ITEMS AND PREPAYMENT COSTS

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. REALpac established a standardized definition of AFFO in its February 2017 White Paper ("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 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, 2020, AFFO per Unit excluding condominium related items and prepayment costs totaled $0.508. This represents an increase of $0.021 or 4.3% over the comparable period in the prior year. AFFO excluding condominium related items and prepayment costs increased primarily due to the changes in FFO excluding condominium related items and prepayment costs discussed above, lower recoverable maintenance capital expenditures and lower regular leasing expenditures partially offset by higher amortization of straight line rent and regular maintenance capital expenditures.

For the year ended December 31, 2020, AFFO per Unit excluding condominium related items and prepayment costs totaled $1.991. This represents an increase of $0.041 or 2.1% over the comparable period in the prior year. AFFO excluding condominium related items and prepayment costs increased primarily due to the changes in FFO excluding condominium related items and prepayment costs discussed above and lower regular leasing expenditures partially offset by higher amortization of straight line rent and higher regular and recoverable maintenance capital expenditures.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate AFFO pay-out ratio excluding condominium related items and prepayment costs, which is the ratio of actual distributions to AFFO excluding condominium related items and prepayment costs in a given period. For the three months and year ended December 31, 2020, the AFFO pay-out ratio excluding condominium related items and prepayment costs was 81.2% and 82.8%, respectively.

RECONCILIATION OF FFO AND AFFO

The following table reconciles Allied's net income to FFO, FFO excluding condominium related items and prepayment costs and AFFO excluding condominium related items and prepayment costs for the three months ended December 31, 2020, and December 31, 2019.

	THREE MONTHS ENDED		
	DECEMBER 31, 2020	DECEMBER 31, 2019	CHANGE
Net income and comprehensive income	**$83,842**	$264,960	$(181,118)
Adjustment to fair value of investment properties	**(16,880)**	(216,130)	199,250
Adjustment to fair value of derivative instruments	**(4,722)**	(8,098)	3,376
Incremental leasing costs	**1,745**	1,968	(223)
Amortization of improvement allowances	**7,959**	7,879	80
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**2,071**	14,979	(12,908)
Amortization of improvement allowances	**113**	56	57
Interest capitalized [1]	**614**	690	(76)
FFO	**$74,742**	$66,304	$8,438
Condominium revenue	**—**	(30,600)	30,600
Condominium cost of sales	**—**	29,022	(29,022)
Condominium marketing costs	**227**	904	(677)
Prepayment costs	**—**	3,455	(3,455)
FFO excluding condominium related items and prepayment costs	**$74,969**	$69,085	$5,884
Amortization of straight-line rents	**(1,203)**	(964)	(239)
Regular leasing expenditures	**(3,849)**	(4,168)	319
Regular maintenance capital expenditures	**(1,939)**	(1,852)	(87)
Incremental leasing (related to regular leasing expenditures)	**(1,221)**	(1,377)	156
Recoverable maintenance capital expenditures	**(1,741)**	(2,616)	875
Adjustment relating to joint venture:			
Amortization of straight-line rents	**(393)**	(463)	70
AFFO excluding condominium related items and prepayment costs	**$64,623**	$57,645	$6,978

	THREE MONTHS ENDED		
	DECEMBER 31, 2020	DECEMBER 31, 2019	CHANGE
Weighted average number of Units			
Basic	**127,256,661**	117,917,803	9,338,858
Diluted	**127,298,000**	118,248,550	9,049,450
Per Unit - basic			
FFO	**$0.587**	$0.562	$0.025
FFO excluding condominium related items and prepayment costs	**$0.589**	$0.586	$0.003
AFFO excluding condominium related items and prepayment costs	**$0.508**	$0.489	$0.019
Per Unit - diluted			
FFO	**$0.587**	$0.561	$0.026
FFO excluding condominium related items and prepayment costs	**$0.589**	$0.584	$0.005
AFFO excluding condominium related items and prepayment costs	**$0.508**	$0.487	$0.021
Pay-out Ratio			
FFO	**70.2%**	71.3%	(1.1)%
FFO excluding condominium related items and prepayment costs	**70.0%**	68.4%	1.6%
AFFO excluding condominium related items and prepayment costs	**81.2%**	82.0%	(0.8)%

(1) This amount represents interest expense on Allied's joint venture investment in TELUS Sky and is not capitalized under IFRS, but is allowed as an adjustment under REALpac's definition of FFO.

The following table reconciles Allied's net income to FFO, FFO excluding condominium related items and prepayment costs and AFFO excluding condominium related items and prepayment costs for the year ended December 31, 2020, and December 31, 2019.

	YEAR ENDED		
	DECEMBER 31, 2020	DECEMBER 31, 2019	CHANGE
Net income and comprehensive income	**$500,729**	$629,223	$(128,494)
Adjustment to fair value of investment properties	**(280,590)**	(450,490)	169,900
Adjustment to fair value of derivative instruments	**17,996**	6,109	11,887
Incremental leasing costs	**7,069**	7,530	(461)
Amortization of improvement allowances	**32,193**	30,796	1,397
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**4,296**	26,152	(21,856)
Amortization of improvement allowances	**329**	201	128
Interest capitalized [1]	**2,710**	1,562	1,148
FFO	**$284,732**	$251,083	$33,649
Condominium revenue	**(178)**	(45,341)	45,163
Condominium cost of sales	**—**	43,342	(43,342)
Condominium marketing costs	**1,230**	4,214	(2,984)
Prepayment costs	**—**	6,018	(6,018)
FFO excluding condominium related items and prepayment costs	**$285,784**	$259,316	$26,468
Amortization of straight-line rents	**(7,856)**	(5,894)	(1,962)
Regular leasing expenditures	**(11,016)**	(18,353)	7,337
Regular maintenance capital expenditures	**(5,908)**	(3,656)	(2,252)
Incremental leasing (related to regular leasing expenditures)	**(4,950)**	(5,271)	321
Recoverable maintenance capital expenditures	**(5,775)**	(4,953)	(822)
Adjustment relating to joint venture:			
Amortization of straight-line rents	**(2,276)**	(1,343)	(933)
AFFO excluding condominium related items and prepayment costs	**$248,003**	$219,846	$28,157
Weighted average number of Units			
Basic	**124,427,715**	112,443,006	11,984,709
Diluted	**124,536,634**	112,731,050	11,805,584
Per Unit - basic			
FFO	**$2.288**	$2.233	$0.055
FFO excluding condominium related items and prepayment costs	**$2.297**	$2.306	$(0.009)

	YEAR ENDED		
	DECEMBER 31, 2020	DECEMBER 31, 2019	CHANGE
AFFO excluding condominium related items and prepayment costs	**$1.993**	$1.955	$0.038
Per Unit - diluted			
FFO	**$2.286**	$2.227	$0.059
FFO excluding condominium related items and prepayment costs	**$2.295**	$2.300	$(0.005)
AFFO excluding condominium related items and prepayment costs	**$1.991**	$1.950	$0.041
Pay-out Ratio			
FFO	**72.1%**	71.8%	0.3%
FFO excluding condominium related items and prepayment costs	**71.9%**	69.5%	2.4%
AFFO excluding condominium related items and prepayment costs	**82.8%**	82.0%	0.8%

(1) This amount represents interest expense on Allied's joint venture investment in TELUS Sky and is not capitalized under IFRS, but is allowed as an adjustment under REALpac's definition of FFO.

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, 2020, Allied incurred (i) $3,849 in regular leasing expenditures or $9.44 per leased square foot, (ii) $1,939 in regular maintenance capital expenditures and (iii) $1,741 of recoverable maintenance capital expenditures.

For the year ended December 31, 2020, Allied incurred (i) $11,016 in regular leasing expenditures or $8.70 per leased square foot, (ii) $5,908 in regular maintenance capital expenditures and (iii) $5,775 of recoverable maintenance capital expenditures.

For the three months and year ended December 31, 2020, Allied invested $108,570 and $348,737 of revenue enhancing capital, respectively, into the rental and development portfolio to enhance its income-producing capability and in ongoing development activity.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019
Regular leasing expenditures	**$3,849**	$4,168	**$11,016**	$18,353
Regular maintenance capital expenditures	**$1,939**	$1,852	**$5,908**	$3,656
Recoverable maintenance capital expenditures	**$1,741**	$2,616	**$5,775**	$4,953
Revenue-enhancing capital and development costs	**$108,570**	$84,784	**$348,737**	$297,046

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 three months and year ended December 31, 2020, and December 31, 2019.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019	**DECEMBER 31, 2020**	DECEMBER 31, 2019
Net income and comprehensive income for the period	**$83,842**	$264,960	**$500,729**	$629,223
Interest expense	**17,774**	19,293	**72,603**	66,844
Amortization of other assets	**341**	365	**1,467**	1,456
Amortization of improvement allowances	**8,072**	7,935	**32,522**	30,997
Fair value gain on investment properties	**(14,809)**	(201,151)	**(276,294)**	(424,338)
Fair value (gain) loss on derivative instruments	**(4,722)**	(8,098)	**17,996**	6,109
Adjusted EBITDA	**$90,498**	$83,304	**$349,023**	$310,291

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 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019 [1]	Q3 2019 [1]	Q2 2019	Q1 2019
Rental revenue from investment properties	$145,173	$139,673	$136,504	$138,977	$134,306	$127,867	$117,449	$116,486
Condominium revenue	—	65	113	—	30,600	14,741	—	—
Property operating costs	$(62,421)	$(60,647)	$(59,204)	$(59,218)	$(59,174)	$(54,284)	$(47,857)	$(49,432)
Condominium cost of sales	—	—	—	—	(29,022)	(14,320)	—	—
Operating income	$82,752	$79,091	$77,413	$79,759	$76,710	$74,004	$69,592	$67,054
Net income and comprehensive income	$83,842	$69,013	$92,961	$254,913	$264,960	$121,191	$99,895	$143,177
Weighted average Units (diluted)	127,298,000	124,390,540	123,207,219	123,255,260	118,248,550	116,563,480	110,368,003	105,546,682
Distributions	$52,493	$51,354	$50,784	$50,746	$47,267	$46,393	$44,484	$42,140
FFO	$74,742	$70,276	$68,624	$71,089	$66,304	$63,674	$62,557	$58,548
FFO per Unit (diluted)	$0.587	$0.565	$0.557	$0.577	$0.561	$0.546	$0.567	$0.555
FFO pay-out ratio	70.2%	73.1%	74.0%	71.4%	71.3%	72.9%	71.1%	72.0%
FFO excluding condominium related items and prepayments costs	$74,969	$70,486	$68,652	$71,677	$69,085	$66,994	$63,845	$59,394
FFO per Unit (diluted) excluding condominium related items and prepayment costs	$0.589	$0.567	$0.557	$0.582	$0.584	$0.575	$0.578	$0.563
FFO pay-out ratio excluding condominium related items and prepayment costs	70.0%	72.9%	74.0%	70.8%	68.4%	69.2%	69.7%	70.9%
AFFO excluding condominium related items and prepayments costs	$64,623	$59,796	$61,216	$62,367	$57,645	$58,044	$53,127	$51,033
AFFO per Unit (diluted) excluding condominium related items and prepayment costs	$0.508	$0.481	$0.497	$0.506	$0.487	$0.498	$0.481	$0.484
AFFO pay-out ratio excluding condominium related items and prepayment costs	81.2%	85.9%	83.0%	81.4%	82.0%	79.9%	83.7%	82.6%

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019 [(1)]	Q3 2019 [(1)]	Q2 2019	Q1 2019
Net debt as a multiple of annualized adjusted EBITDA	7.4x	7.2x	7.6x	6.8x	5.8x	6.7x	5.6x	6.2x
Total indebtedness ratio	29.2%	28.8%	29.3%	27.2%	26.1%	28.1%	25.8%	27.0%
Total rental GLA	13,991	13,930	14,097	13,632	12,948	12,878	11,507	11,422
Leased rental GLA	12,947	12,990	13,343	12,929	12,278	12,234	11,080	11,010
Leased area %	92.5%	93.3%	94.7%	94.8%	94.8%	95.0%	96.3%	96.4%

(1) In the third and fourth quarters 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.

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.

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, 2020, 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, 2020, and the notes contained therein.

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, 2020, 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, 2020, 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 Allied's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) at December 31, 2020, 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 internal controls over financial reporting were appropriately designed and were operating effectively.

No changes were made in the design of internal controls over financial reporting during the period ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, Allied's 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.

COVID-19 RISK

The ongoing COVID-19 pandemic, and government restrictive measures intended to contain or manage its impact, could adversely affect Allied's business, financial condition and results of operations. The duration and impact of the COVID-19 pandemic on Allied remains unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of Allied.

The global pandemic could have adverse consequences on Allied including, but not limited to, business continuity interruptions, disruptions and costs of development activities, unfavorable market conditions, and threats to the health and safety of employees. Allied's users may also face business challenges as a result of the pandemic that may adversely affect their business and their ability to pay rent as required under the leases. Allied has abated rent under the CECRA program and has afforded rent deferrals to certain users. There can be no assurance that deferred rents will be collected in accordance with deferral arrangements or at all. Any inability to collect rents in a timely manner or at all could adversely affect Allied's business and financial results.

Allied is a party to various joint arrangements and partnerships with different entities. If these joint arrangements or partnerships do not perform as expected or default on financial obligations due in whole or in part to factors related to COVID-19, Allied has an associated risk. Allied has mitigated these risks by negotiating 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.

Certain of the materials and products used in the development of Allied's Properties Under Development are sourced from third-party suppliers and manufacturers in China and elsewhere. The COVID-19 pandemic has resulted in the extended shutdown of certain businesses across the world which may in turn result in disruptions or delays to the supply of such materials and products including disruptions from the temporary closure of third-party supplier and manufacturer facilities and interruptions in product supply. Any disruption of Allied's suppliers and their contract manufacturers may have an impact on the planned development of Allied's Properties Under Development and related timelines.

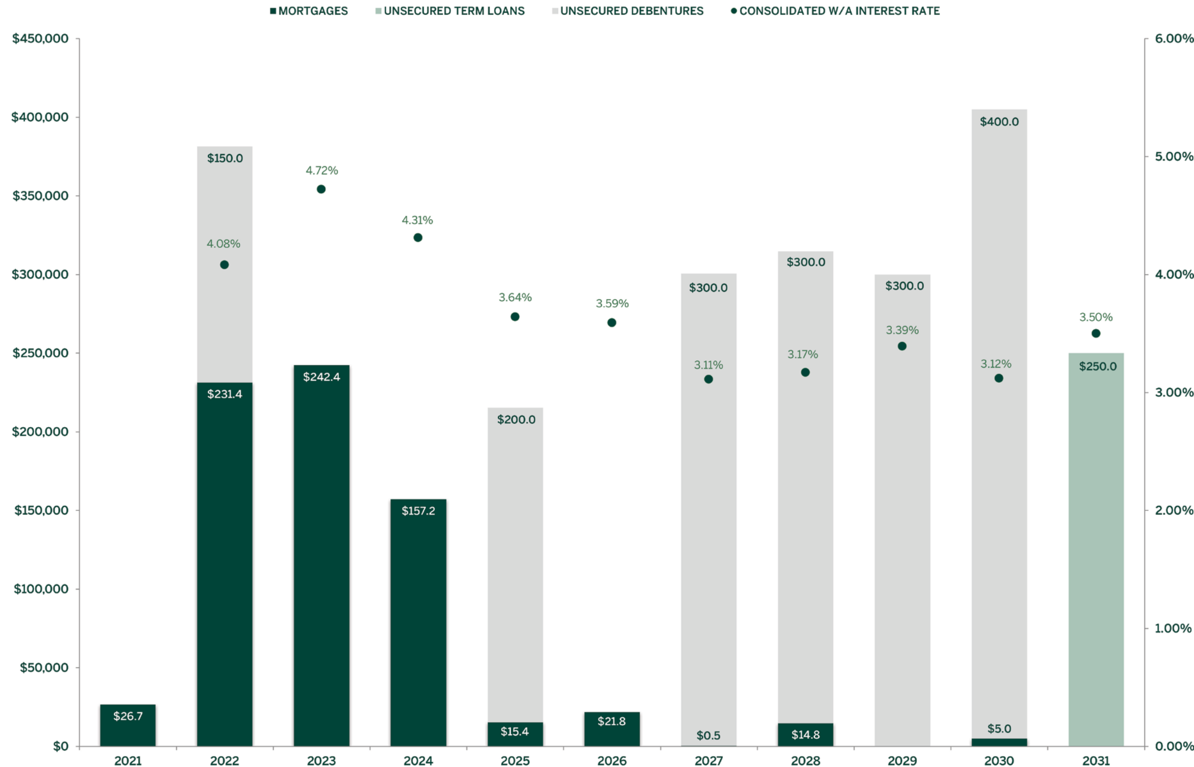
The duration of business disruptions and related financial impact of COVID-19 cannot be reasonably estimated at this time nor can Allied predict how consumers and users will respond while restrictive measures continue or thereafter. In response to the pandemic, Allied has developed and implemented a plan to monitor and mitigate risks posed to its employees, users and business. Allied's plan is guided by local public health authorities and governments in each of its markets. Allied continues to closely monitor business operations and may take further actions that respond to directives of governments and public health authorities or that are in the best interests of employees, users, suppliers or other stakeholders, as necessary.

However, no such plan can eliminate the risks associated with events of this magnitude, and much of the impacts will be the result of matters beyond Allied's control. There can be no assurance that the measures undertaken to date will eliminate the risk of disruption to Allied's business operations and development activity, and there can be no assurance that Allied's users will be able to maintain their business operations and continue to be able to pay rent in full, on a timely basis or at all. Such events could materially adversely affect Allied's operations, reputation and financial condition, including the fair value of Allied's properties.

The global pandemic has caused an economic slowdown and increased volatility in financial markets, which has negatively impacted the market price for the equity securities of Allied. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally. Although the impact of COVID-19, and its duration, on the global economy remains uncertain, disruptions caused by COVID-19 may materially adversely affect Allied's users, the debt and equity markets and Allied's operations and financial performance. It could also potentially affect Allied's current credit ratings, total return and distributions. Even after the COVID-19 pandemic has subsided, Allied may experience material adverse impacts to its business as a result of the global economy, including any related recession, as well as lingering effects on Allied's employees, suppliers, third-party service providers and/or users.

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 3.11% and 4.80% with a weighted average interest rate of 3.60%. The weighted average term of our debt is 6.15 years. The aforementioned excludes the construction loans and Unsecured Facilities, refer to note 11(b) and (c) of the 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.

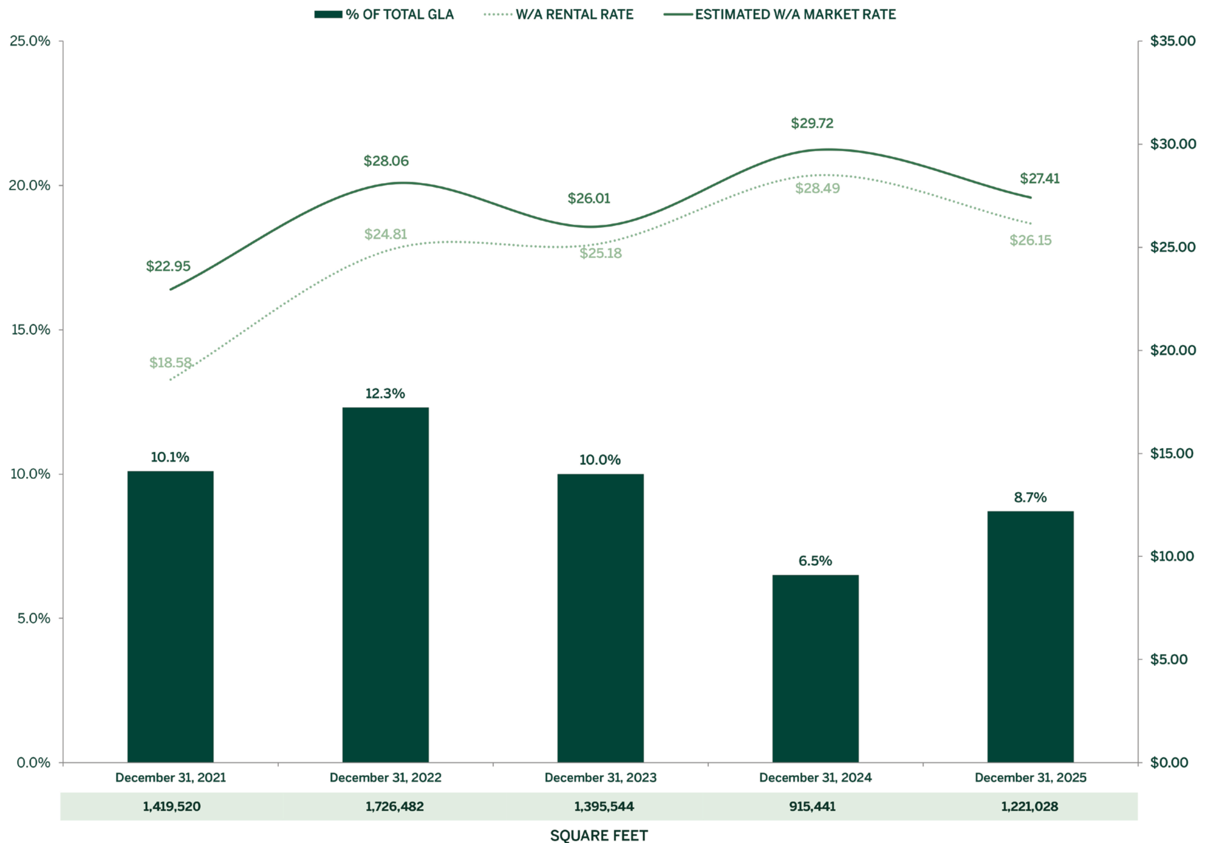
CREDIT RISK

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 19.3% 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, 2020, Allied had $320,526 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 AFFO excluding condominium related items and prepayment costs would decline by approximately $5,628 (approximately $0.045 per Unit). The decline in AFFO excluding condominium related items and prepayment costs 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, 2020 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	14,857	—	—	14,857		—	14,857	100.0%
The Castle - 47 Fraser	7,468	3,480	—	10,948		3,706	7,242	66.1%
The Castle - 49 Fraser	17,472	—	—	17,472		13,979	3,493	20.0%
The Castle - 53 Fraser	78,797	—	—	78,797		—	78,797	100.0%
The Castle - 8 Pardee	—	2,681	—	2,681		—	2,681	100.0%
King West	**404,701**	**13,912**	**—**	**418,613**	**3.0%**	**17,685**	**400,928**	**95.8%**
141 Bathurst	10,101	—	—	10,101		—	10,101	100.0%
183 Bathurst	24,136	5,643	—	29,779		7,874	21,905	73.6%
241 Spadina	24,833	6,046	—	30,879		—	30,879	100.0%
379 Adelaide W	38,560	3,045	—	41,605		7,409	34,196	82.2%
383 Adelaide W	4,515	—	—	4,515		2,382	2,133	47.2%
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, 2020 PROPERTIES	Urban Workspace							
	Office GLA	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		3,854	71,453	94.9%
425-439 King W	66,486	23,497	—	89,983		—	89,983	100.0%
441-443 King W	6,377	2,904	—	9,281		3,156	6,125	66.0%
445-455 King W	31,523	16,342	—	47,865		—	47,865	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	296,172	1,850	—	298,022		6,816	291,206	97.7%
579 Richmond W	26,818	—	—	26,818		3,459	23,359	87.1%
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	79,456	8,815	—	88,271		2,959	85,312	96.6%
King Portland Centre - 602-606 King W (1)	19,208	6,364	—	25,572		—	25,572	100.0%
King Portland Centre - 620 King W (1)	127,658	9,170	—	136,828		—	136,828	100.0%
King Portland Centre - 642 King W (1)	7,382	5,365	—	12,747		375	12,372	97.1%
King West Central	**1,249,100**	**235,648**	**—**	**1,484,748**	**10.6%**	**38,284**	**1,446,464**	**97.4%**
116 Simcoe	15,461	—	—	15,461		—	15,461	100.0%
117 & 119 John	—	5,800	—	5,800		5,800	—	—%
125 John	2,171	798	—	2,969		798	2,171	73.1%
179 John	70,923	—	—	70,923		3,863	67,060	94.6%
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		1,854	9,623	83.8%
217-225 Richmond W	30,205	22,587	—	52,792		7,985	44,807	84.9%
257 Adelaide W	42,763	—	—	42,763		—	42,763	100.0%

DECEMBER 31, 2020 PROPERTIES	Urban Workspace							
	Office GLA	Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
312 Adelaide W	62,420	5,584	—	68,004		2,294	65,710	96.6%
331-333 Adelaide W	19,048	3,725	—	22,773		—	22,773	100.0%
358-360 Adelaide W	50,786	—	—	50,786		8,575	42,211	83.1%
388 King W	20,275	19,040	—	39,315		1,601	37,714	95.9%
82 Peter	40,069	6,846	—	46,915		—	46,915	100.0%
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	88.1%
Entertainment District	**922,962**	**72,593**	**—**	**995,555**	**7.1%**	**37,722**	**957,833**	**96.2%**
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	24,125	10,554	—	34,679		3,397	31,282	90.2%
184 Front E	84,115	4,829	—	88,944		—	88,944	100.0%
35-39 Front E	34,653	13,822	—	48,475		8,329	40,146	82.8%
36-40 Wellington E	15,494	9,993	—	25,487		—	25,487	100.0%
41-45 Front E	20,958	14,239	—	35,197		6,991	28,206	80.1%
45-55 Colborne	30,622	13,158	—	43,780		5,571	38,209	87.3%
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%
54 Esplanade	—	9,038	—	9,038		—	9,038	100.0%
56 Esplanade	59,270	22,137	—	81,407		5,461	75,946	93.3%
60 Adelaide E	105,571	4,608	—	110,179		15,896	94,283	85.6%
70 Esplanade	19,590	6,109	—	25,699		—	25,699	100.0%
St. Lawrence Market	**435,060**	**135,713**	**—**	**570,773**	**4.1%**	**45,645**	**525,128**	**92.0%**
137 George	1,770	—	—	1,770		1,770	—	—%
139 George	1,200	—	—	1,200		1,200	—	—%
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		4,480	42,638	90.5%
489 Queen E	31,737	—	—	31,737		6,927	24,810	78.2%
70 Richmond E	34,469	—	—	34,469		—	34,469	100.0%

DECEMBER 31, 2020 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
Dominion Square - 468 Queen N	30,399	3,523	—	33,922		—	33,922	100.0%
Dominion Square - 468 Queen S	34,313	9,091	—	43,404		—	43,404	100.0%
Dominion Square - 478-496 Queen	6,552	33,526	—	40,078		—	40,078	100.0%
QRC East - 111 Queen E	190,697	20,733	—	211,430		8,393	203,037	96.0%
QRC South - 100 Lombard	44,671	—	—	44,671		6,610	38,061	85.2%
Queen Richmond	**609,312**	**83,292**	**—**	**692,604**	**5.0%**	**29,380**	**663,224**	**95.8%**
Toronto	**3,655,484**	**558,056**	**—**	**4,213,540**	**30.1%**	**168,716**	**4,044,824**	**96.0%**
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	89,840	—	—	89,840		2,056	87,784	97.7%
The Tannery - 151 Charles W	306,813	25,810	—	332,623		16,335	316,288	95.1%
Kitchener	**536,315**	**25,810**	**—**	**562,125**	**4.0%**	**18,391**	**543,734**	**96.7%**
Toronto & Kitchener	**4,191,799**	**583,866**	**—**	**4,775,665**	**34.1%**	**187,107**	**4,588,558**	**96.1%**
The Chambers - 40 Elgin	195,994	5,500	—	201,494		—	201,494	100.0%
The Chambers - 46 Elgin	28,218	1,756	—	29,974		2,430	27,544	91.9%
Ottawa	**224,212**	**7,256**	**—**	**231,468**	**1.7%**	**2,430**	**229,038**	**99.0%**
3510 Saint-Laurent	85,646	15,022	—	100,668		2,181	98,487	97.8%
3530-3540 Saint-Laurent	47,068	4,008	—	51,076		4,780	46,296	90.6%
3575 Saint-Laurent	165,501	19,276	—	184,777		13,971	170,806	92.4%
425 Viger	313,000	4,500	—	317,500		16,915	300,585	94.7%
4396-4410 Saint-Laurent	41,799	14,147	—	55,946		3,322	52,624	94.1%
4446 Saint-Laurent	72,815	7,251	—	80,066		7,849	72,217	90.2%
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		2,649	53,923	95.3%
5445 de Gaspé	483,685	896	—	484,581		6,806	477,775	98.6%
5455 de Gaspé	466,816	22,562	—	489,378		2,514	486,864	99.5%
5505 Saint-Laurent	244,685	2,221	—	246,906		—	246,906	100.0%
6300 Parc	181,180	3,736	—	184,916		19,093	165,823	89.7%
645 Wellington	129,017	8,115	—	137,132		6,811	130,321	95.0%
700 de la Gauchetière W	954,114	32,371	—	986,485		140,068	846,417	85.8%

DECEMBER 31, 2020 PROPERTIES	Urban Workspace Office GLA	Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
740 Saint-Maurice	67,692	—	—	67,692		9,559	58,133	85.9%
747 Square-Victoria	530,950	37,752	—	568,702		65,837	502,865	88.4%
8 Place du Commerce	48,240	11,633	—	59,873		—	59,873	100.0%
85 Saint-Paul W	79,395	—	—	79,395		27,526	51,869	65.3%
Cité Multimédia - 111 Duke	358,913	12,571	—	371,484		4,758	366,726	98.7%
Cité Multimédia - 50 Queen	27,071	—	—	27,071		1,255	25,816	95.4%
Cité Multimédia - 700 Wellington	135,232	—	—	135,232		12,005	123,227	91.1%
Cité Multimédia - 75 Queen	253,311	2,513	—	255,824		3,157	252,667	98.8%
Cité Multimédia - 80 Queen	65,044	4,203	—	69,247		4,848	64,399	93.0%
Cité Multimédia - 87 Prince	100,116	1,040	—	101,156		1,040	100,116	99.0%
El Pro Lofts - 644 Courcelle	145,355	8,451	—	153,806		37,028	116,778	75.9%
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	787,035	42,401	—	829,436		54,036	775,400	93.5%
RCA Building - 1001 Lenoir	308,796	35,727	—	344,523		87,887	256,636	74.5%
Montréal	**6,204,047**	**306,703**	**—**	**6,510,750**	**46.5%**	**538,245**	**5,972,505**	**91.7%**
Montréal & Ottawa	**6,428,259**	**313,959**	**—**	**6,742,218**	**48.2%**	**540,675**	**6,201,543**	**92.0%**
613 11th SW	—	4,288	—	4,288		—	4,288	100.0%
617 11th SW	3,230	6,306	—	9,536		3,088	6,448	67.6%
Alberta Block - 805 1st SW	9,094	22,540	—	31,634		3,939	27,695	87.5%
Alberta Hotel - 808 1st SW	28,036	20,424	—	48,460		10,563	37,897	78.2%
Atrium on Eleventh - 625 11th SE	34,705	1,410	—	36,115		15,316	20,799	57.6%
Biscuit Block - 438 11th SE	51,298	—	—	51,298		—	51,298	100.0%
Burns Building - 237 8th SE	66,769	7,423	—	74,192		1,414	72,778	98.1%
Cooper Block - 809 10th SW	35,256	—	—	35,256		5,278	29,978	85.0%
Customs House - 134 11th SE	73,352	—	—	73,352		5,652	67,700	92.3%
Demcor Condo - 221 10th SE	14,253	—	—	14,253		14,253	—	—%
Demcor Tower - 239 10th SE	25,337	—	—	25,337		—	25,337	100.0%

DECEMBER 31, 2020 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
Five Roses Building - 731-739 10th SW [4]	—	10,404	—	10,404		—	10,404	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		5,563	3,204	36.5%
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]	6,672	—	—	6,672		—	6,672	100.0%
Kipling Square - 601 10th SW	48,502	—	—	48,502		10,033	38,469	79.3%
Leeson Lineham Building - 209 8th SW	27,821	5,420	—	33,241		—	33,241	100.0%
LocalMotive - 1240 20th SE	57,536	—	—	57,536		—	57,536	100.0%
Odd Fellows - 100 6th SW	33,474	—	—	33,474		—	33,474	100.0%
Pilkington Building - 402 11th SE	40,253	—	—	40,253		5,898	34,355	85.3%
Roberts Block - 603-605 11th SW	23,645	27,499	—	51,144		13,595	37,549	73.4%
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%
TELUS Sky - 685 Centre SW [5]	143,000	5,000	—	148,000		47,392	100,608	68.0%
Vintage Towers - 322-326 11th SW	190,219	20,418	—	210,637		41,377	169,260	80.4%
Woodstone Building - 1207-1215 13th SE	32,423	—	—	32,423		12,109	20,314	62.7%
Young Block - 129 8th SW	7,734	—	—	7,734		2,414	5,320	68.8%
Calgary	**1,036,864**	**153,723**	**—**	**1,190,587**	**8.5%**	**198,457**	**992,130**	**83.3%**
Revillon Building - 10310 102nd NW	129,505	—	—	129,505		17,393	112,112	86.6%
Edmonton	**129,505**	**—**	**—**	**129,505**	**0.9%**	**17,393**	**112,112**	**86.6%**
1040 Hamilton	36,276	9,162	—	45,438		14,071	31,367	69.0%
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	21,591	6,852	—	28,443		—	28,443	100.0%

DECEMBER 31, 2020 PROPERTIES	Urban Workspace Office GLA	Retail GLA	Urban Data Centres GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
342 Water	18,434	3,206	—	21,640		10,780	10,860	50.2%
365 Railway	31,528	—	—	31,528		—	31,528	100.0%
375 Water	147,647	27,149	—	174,796		14,447	160,349	91.7%
840 Cambie	89,377	—	—	89,377		—	89,377	100.0%
948-950 Homer	23,245	21,758	—	45,003		—	45,003	100.0%
Sun Tower - 128 West Pender	76,247	1,693	—	77,940		7,149	70,791	90.8%
Vancouver	**558,685**	**84,035**	**—**	**642,720**	**4.6%**	**46,447**	**596,273**	**92.8%**
Calgary, Edmonton, & Vancouver	**1,725,054**	**237,758**	**—**	**1,962,812**	**14.0%**	**262,297**	**1,700,515**	**86.6%**
Total Office and Retail	**12,345,112**	**1,135,583**	**—**	**13,480,695**	**96.4%**	**990,079**	**12,490,616**	**92.7%**
151 Front W	—	—	277,855	277,855		7,090	270,765	97.4%
250 Front W	—	—	173,000	173,000		46,899	126,101	72.9%
905 King W	—	—	59,056	59,056		—	59,056	100.0%
Urban Data Centres	**—**	**—**	**509,911**	**509,911**	**3.6%**	**53,989**	**455,922**	**89.4%**
Total Rental Portfolio	**12,345,112**	**1,135,583**	**509,911**	**13,990,606**	**100%**	**1,044,068**	**12,946,538**	**92.5%**

Note that the table above does not include ancillary residential properties, which total 14 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
(5) Westbank/Allied/TELUS Joint Arrangement

PROPERTIES UNDER DEVELOPMENT

PROPERTIES UNDER DEVELOPMENT	ESTIMATED GLA ON COMPLETION (SF)
The Lougheed (604-1st SW), Calgary	88,000
College & Manning, 547-549 College, Toronto (1)	27,000
Boardwalk Building, Edmonton	168,437
Breithaupt Phase III, Kitchener (2)	147,000
The Well, Toronto (3)	763,000
400 Atlantic, Montréal	87,473
Adelaide & Duncan, Toronto (4)	230,000
QRC West Phase II, Toronto (5)	90,000
KING Toronto, Toronto (4)(6)	100,000
Total Development Portfolio	1,700,910

(1) RioCan/Allied Joint Arrangement
(2) Perimeter/Allied Joint Arrangement. Breithaupt Phase III is comprised of 43 Wellington, 53 & 55 Wellington, 305 Joseph and 2-4 Stewart.
(3) 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 the first phase closing in December 2020 and the remaining phases expected to close in 2021.
(4) Westbank/Allied Joint Arrangement.
(5) The GLA components (in square feet) are as follows: 75,500 of office and 14,500 of retail.
(6) 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.

ANCILLARY PARKING FACILITIES

ANCILLARY PARKING FACILITIES	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, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.

KEY AUDIT MATTER

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

FAIR VALUE OF INVESTMENT PROPERTIES — REFER TO NOTES 2(D), 3 AND 5 OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTER DESCRIPTION

Investment properties are accounted for using the fair value model. The Trust predominantly uses the discounted cash flow ("DCF") method to estimate fair value and uses the comparable sales method primarily for properties under development. The critical assumptions relating to the Trust's estimates of fair values of investment properties include discount rates, terminal capitalization rates, and anticipated cash flow assumptions relating to occupancy and rental rates.

While there are several assumptions that are required to determine the fair value of all investment properties using the DCF method, the critical assumptions with the highest degree of subjectivity and impact on fair values are the anticipated rental rates, discount rates, and terminal capitalization rates. Auditing these critical assumptions required a high degree of auditor judgment as the estimations made by management contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve fair value specialists.

HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT

Our audit procedures related to the anticipated rental rates, discount rates and terminal capitalization rates used to determine the fair value of the investment properties included the following, among others:

- Evaluated the effectiveness of controls over determining investment properties' fair value, including those over the determination of the anticipated rental rates, discount rates and terminal capitalization rates.
- Evaluated the reasonableness of management's forecast of anticipated rental rates by comparing management's forecasts with historical results, internal communications to management and the Board of Trustees, and contractual information, where applicable.
- With the assistance of fair value specialists, evaluated the reasonableness of management's forecast of anticipated rental rates, discount rates and terminal capitalization rates by considering recent market transactions and industry surveys.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 3, 2021

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019

(in thousands of Canadian dollars)	NOTES	DECEMBER 31, 2020	DECEMBER 31, 2019
Assets			
Non-current assets			
Investment properties	5	$8,687,375	$7,469,265
Residential inventory	6	140,038	114,910
Investment in joint venture and loan receivable	7	117,112	95,596
Loans and notes receivable	8	322,543	247,413
Other assets	9	23,643	39,788
		9,290,711	7,966,972
Current assets			
Cash and cash equivalents	20	45,512	208,914
Loans and notes receivable	8	93	3,863
Accounts receivable, prepaid expenses and deposits	10	64,452	129,944
		110,057	342,721
Total assets		$9,400,768	$8,309,693
Liabilities			
Non-current liabilities			
Debt	11	$2,698,794	$2,125,938
Other liabilities	13	63,045	33,923
Lease liabilities	12	157,068	155,221
		2,918,907	2,315,082
Current liabilities			
Debt	11	26,668	29,243
Accounts payable and other liabilities	13	278,161	247,669
		304,829	276,912
Total liabilities		3,223,736	2,591,994
Unitholders' equity		6,177,032	5,717,699
Total liabilities and Unitholders' equity		$9,400,768	$8,309,693

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 YEARS ENDED DECEMBER 31, 2020 AND 2019

(in thousands of Canadian dollars, except Unit and per Unit amounts)	NOTES	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019
Rental revenue from investment properties	18	**$560,327**	$496,109
Condominium revenue	18	**178**	45,341
Total revenue		**560,505**	541,450
Property operating costs		**(241,490)**	(210,747)
Condominium cost of sales	6	**—**	(43,342)
Total operating expenses		**(241,490)**	(254,089)
Operating income		**319,015**	287,361
Interest expense	11 (f)	**(72,603)**	(66,403)
General and administrative expenses	19	**(22,215)**	(21,953)
Condominium marketing expenses		**(1,230)**	(4,214)
Amortization of other assets	9	**(1,467)**	(1,456)
Interest income		**19,819**	17,351
Fair value gain on investment properties	5	**280,590**	450,490
Fair value loss on derivative instruments	14, 25 (d)	**(17,996)**	(6,109)
Net loss from joint venture	7	**(3,184)**	(25,844)
Net income and comprehensive income		**$500,729**	$629,223
Income per Unit			
Basic		**$4.02**	$5.60
Diluted		**$4.02**	$5.58
Weighted average number of Units	17		
Basic		**124,427,715**	112,443,006
Diluted		**124,536,634**	112,731,050

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 YEARS ENDED DECEMBER 31, 2020 AND 2019

(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 issuance (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

(in thousands of Canadian dollars)	**NOTES**	**TRUST UNITS**	**RETAINED EARNINGS**	**CONTRIBUTED SURPLUS**	**TOTAL**
Balance at January 1, 2020	**15**	**$3,725,472**	**$1,969,974**	**$22,253**	**$5,717,699**
Net income and comprehensive income		**—**	**500,729**	**—**	**500,729**
Unit issuance (net of issuance costs)	**15**	**152,079**	**—**	**—**	**152,079**
Distributions		**—**	**(205,377)**	**—**	**(205,377)**
Unit Option Plan – options exercised	**16 (a)**	**9,805**	**—**	**—**	**9,805**
Contributed surplus – Unit Option Plan	**16 (a)**	**—**	**—**	**1,988**	**1,988**
Restricted Unit Plan (net of forfeitures)	**16 (b)**	**(2,695)**	**—**	**2,804**	**109**
Balance at December 31, 2020		**$3,884,661**	**$2,265,326**	**$27,045**	**$6,177,032**

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 YEARS ENDED DECEMBER 31, 2020 AND 2019

		YEAR ENDED	
(in thousands of Canadian dollars)	NOTES	DECEMBER 31, 2020	DECEMBER 31, 2019
Operating activities			
Net income for the year		$500,729	$629,223
Fair value gain on investment properties	5	(280,590)	(450,490)
Fair value loss on derivative instruments	25 (d)	17,996	6,109
Realized loss (gain) on derivative instruments	25 (d)	80	(2,146)
Interest expense (excluding capitalized interest)	11 (f)	72,603	66,403
Interest paid (excluding capitalized interest)	5, 6, 12, 20	(66,511)	(60,079)
Interest income		(19,819)	(17,351)
Interest received		13,560	12,102
Net loss from joint venture	7	3,184	25,844
Amortization of other assets	9	1,467	1,456
Amortization of improvement allowances	5	32,193	30,796
Amortization of straight-line rents	5	(7,856)	(5,894)
Amortization of discount on debt	11 (f)	(1,846)	(1,127)
Amortization of lease liabilities	12	113	(1,279)
Unit compensation expense	16	4,792	4,020
Additions to residential inventory	6	(25,128)	(17,950)
Change in other non-cash financing items		2,081	(4,367)
Change in other non-cash operating items	7, 20	109,209	29,329
Cash provided by operating activities		356,257	244,599
Financing activities			
Repayment of mortgages payable	11 (a)	(25,783)	(192,878)
Proceeds from senior unsecured debentures (net of financing costs)	11 (d)	695,700	596,397
Repayment of senior unsecured debentures	11 (d)	—	(225,000)
Repayment of unsecured term loan	11 (e)	(200,000)	—
Principal payments of lease liabilities	12	(30)	(2,049)
Distributions paid to Unitholders		(204,217)	(177,760)
Proceeds of Unit issuance (net of issuance costs)	15	152,079	882,102
Proceeds from exercise of Unit options	15, 16	9,805	10,437
Restricted Unit Plan (net of forfeitures)	15, 16	(2,695)	(2,462)
Proceeds from notes receivable	8 (b)	253	551
Proceeds from Unsecured Revolving Operating Facility	11 (c)	560,000	338,000

(continued)

(in thousands of Canadian dollars)	NOTES	YEAR ENDED DECEMBER 31, 2020	DECEMBER 31, 2019
Repayments of Unsecured Revolving Operating Facility	**11 (c)**	**(500,000)**	(433,000)
Proceeds from construction loan	**11 (b)**	**33,894**	23,210
Financing costs		**(306)**	(96)
Loan receivable payments received	**8 (a)**	**252**	35,057
Loan receivable issued to third-party	**7, 8 (a), 20**	**(77,927)**	(178,566)
Cash provided by financing activities		**441,025**	673,943
Investing activities			
Acquisition of investment properties	**4**	**(567,971)**	(370,075)
Deposits on acquisitions	**10 (d)**	**(3,550)**	(28,250)
Additions to investment properties (including capitalized interest)	**5, 11 (f)**	**(346,766)**	(274,707)
Net proceeds on disposition of properties under development	**4**	**24,911**	—
(Contributions to) distributions from equity accounted investments	**7**	**(15,448)**	1,051
Additions to equipment and other assets	**9**	**(781)**	(396)
Leasing commissions	**5**	**(11,274)**	(17,533)
Improvement allowances	**5**	**(39,805)**	(37,777)
Cash used in investing activities		**(960,684)**	(727,687)
Increase (decrease) in cash and cash equivalents		**(163,402)**	190,855
Cash and cash equivalents, beginning of year		**208,914**	18,059
Cash and cash equivalents, end of year		**$45,512**	$208,914

Note 20 contains supplemental cash flow information.
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 April 14, 2020. 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 ("TSX") 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 years ended December 31, 2020 and 2019, 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 years ended December 31, 2020 and 2019, were approved and authorized for issue by the Board of Trustees on February 3, 2021.

(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 expected credit losses.

(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 a property or a portfolio of properties and it has not 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 non-recoverable capital 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 (referred to as tenant improvements) 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.

For the assets that are amortized, 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.

Unit options granted under the Unit Option Plan and Restricted Units granted under the 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) *Leases*

Allied adopted IFRS 16, *Leases* ("IFRS 16") as issued by the IASB in January 2016, which replaced IAS 17, *Leases*, and related interpretations effective on January 1, 2019. Allied elected to apply the standard on a modified retrospective basis.

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. IFRS 16 brings most leases on balance sheet as right-of-use ("ROU") assets and ROU lease liabilities, eliminating the distinction between operating and finance leases. Land held as part of the operating leases ("ground leases") which meets the definition of investment property is classified as ROU assets within investment properties. Management office leases and leases for equipment components embedded as part of service contracts which do not meet the definitions of investment property are recognized as ROU assets within other real estate assets. Refer below to the various lease types identified and their respective financial statement classification.

TYPE OF LEASE	ROU ASSET CLASSIFICATION	ROU LIABILITY CLASSIFICATION
Ground lease	Investment properties	Lease liability
Management office	Other assets	Lease liability
Other	Other assets	Lease liability

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted by using the Allied's incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. Lease liability is remeasured when there is a change in the future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under the residual value guarantee or, as appropriate, change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Allied has applied significant judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal or termination options. The assessment of whether Allied is reasonably certain to exercise such options impacts the lease term which in turn, affects the amount of lease obligations and right-of-use assets recognized. Allied also applies judgment in determining the discount rate used to present value the lease obligations.

The adoption of IFRS 16 in 2019 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) *IAS 20, government grants*

Allied recognizes government assistance, in the form of grants or forgivable loans, when there is reasonable assurance that Allied will be able to comply with the conditions attached to the assistance and that the assistance will be received. Government assistance that compensates Allied for expenses incurred is recognized in the consolidated statements of income and comprehensive income, as a reduction of the related expense, in the periods in which the expenses are recognized. Refer to note 10 for the specific impact of this program on Allied.

(R) *Comparative figures*

Certain comparative figures in the consolidated statements of cash flows have been revised to conform to the presentation in the current year.

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.

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.

Impact of COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in unprecedented social and economic challenges. As a result, there are material areas of uncertainty with respect to Allied's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as the restriction measures continue or change in Canada. In addition, Allied cannot predict the extent and severity of the economic disruption flowing from the global pandemic.

In the preparation of these consolidated financial statements, Allied has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of December 31, 2020. Actual results could differ from those estimates.

The following estimates and assumptions have been significantly impacted by the COVID-19 pandemic:

Valuation of Investment Properties

Given the rapidly evolving circumstances surrounding COVID-19, it is difficult to predict with certainty the extent and severity of the COVID-19 pandemic and the impact it will have on the operations of Allied's users. The impact of the COVID-19 pandemic is highly dependent on future developments, which include among other things, emerging information concerning COVID-19 and the actions required to contain or manage its impact. In determining the fair value of investment properties, Allied considered the impact on its user base related to the COVID-19 pandemic as well as the overall market performance. In line with the valuation process outlined in notes 2(d), 3 and 5, Allied has considered the effects of COVID-19 on assumptions such as rent growth, vacancy loss assumptions, credit loss assumptions, as well as valuation metrics. Allied has adjusted cash flow assumptions for its estimate of near term disruptions to cash flows to reflect collections, vacancy and assumptions on new leasing. Allied undertook a process to assess the appropriateness of the discount and terminal capitalization rates considering changes to risk free rates, changes to credit spreads as well as changes to property-level cash flows and any risk premium inherent in such cash flow changes. These considerations are reflected in the fair value adjustments of investment properties.

User Trade Receivables

In assessing the adequacy of the allowance for expected credit loss on user trade receivables, Allied has considered the likelihood of collection of current receivables given the impact on user operations as a result of COVID-19. Allied continues to work with users facing financial challenges as a result of the pandemic, including for the period of the programs existence by participating in the Canada Emergency Rent Assistance ("CECRA") program and providing rental abatement or deferrals to certain challenged users. Rental abatements provided for past amounts due are treated as expected credit loss allowance.

Loans and Notes Receivable

As a result of increased uncertainty arising from COVID-19, Allied considered whether there is an increase in credit risk for the loans and notes receivable in accordance with the requirements of IFRS 9, *Financial Instruments*. Allied considered various factors in assessing the credit risks, including but not limited to, borrower payment patterns and loan status, the status of project leasing and/or condominium sales, the development status of each project, the corresponding value of the loan collateral and the financial health and status of the respective debtors.

Allied's assessment of expected credit losses for user trade receivables and loans and notes receivable is inherently subjective due to the forward-looking nature of the assessments. As a result, the value of the expected credit loss is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

4. ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2020, Allied completed the following property acquisitions from third parties:

PROPERTY	ACQUISITION DATE	PROPERTY TYPE	INVESTMENT PROPERTY	INTEREST ACQUIRED
3530-3540 Saint-Laurent, Montréal	January 14, 2020	Office, Retail	$13,421	100%
4396-4410 Saint-Laurent, Montréal	January 15, 2020	Office, Retail	18,530	100%
54 The Esplanade, Toronto	January 16, 2020	Retail	26,079	100%
747 Square-Victoria, Montréal	January 28, 2020	Office, Retail	284,541	100%
375 Water, Vancouver	April 20, 2020	Office, Retail	225,404	100%
125 John, Toronto	November 16, 2020	Office, Retail	4,196	100%
117-119 John, Toronto	December 24, 2020	Retail	8,341	100%
Ancillary residential properties, Toronto (1)	—	Residential	6,648	100%
			$587,160	

(1) Allied acquired four ancillary residential properties during the year ended December 31, 2020.

The total purchase price for the above-noted properties during the year ended December 31, 2020, of $587,160 is comprised of net cash consideration paid of $567,971, the assumption of other liabilities of $9,189 and a mortgage assumption of $10,000.

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 during the year ended December 31, 2019, of $549,468 is comprised of net cash consideration of $370,075, the assumption of other liabilities of $17,442 and mortgages payable of $161,951.

Dispositions

On December 23, 2020, Allied and its partners closed on the disposition of a portion of The Well air rights and associated underground parking and transfer floor slab development for cash consideration of $24,911 (at Allied's share) which represented the fair value and accordingly, there is no gain or loss on disposition.

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

5. INVESTMENT PROPERTIES

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

	DECEMBER 31, 2020			DECEMBER 31, 2019		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL
Balance, beginning of year	**$6,754,215**	**$715,050**	**$7,469,265**	$5,592,216	$570,241	$6,162,457
Additions:						
Acquisitions	**587,160**	**—**	**587,160**	547,306	2,162	549,468
Improvement allowances	**32,541**	**7,264**	**39,805**	37,755	22	37,777
Leasing commissions	**8,066**	**3,208**	**11,274**	13,310	4,223	17,533
Capital expenditures	**80,922**	**265,844**	**346,766**	55,428	219,279	274,707
Dispositions	**—**	**(24,911)**	**(24,911)**	—	—	—
Transfers from PUD	**130,100**	**(130,100)**	**—**	98,850	(98,850)	—
Transfers to PUD	**(77,828)**	**77,828**	**—**	(6,530)	6,530	—
Transfers to other assets	**—**	**—**	**—**	(152)	—	(152)
Lease liabilities	**1,763**	**—**	**1,763**	1,887	—	1,887
Amortization of straight-line rent and improvement allowances	**(25,244)**	**907**	**(24,337)**	(24,882)	(20)	(24,902)
Fair value gain (loss) on investment properties	**299,160**	**(18,570)**	**280,590**	439,027	11,463	450,490
Balance, end of year	**$7,790,855**	**$896,520**	**$8,687,375**	$6,754,215	$715,050	$7,469,265

For the year ended December 31, 2020, Allied capitalized $26,647 of borrowing costs to qualifying investment properties (December 31, 2019 - $20,979).

Included in the rental properties amounts noted above are right-of-use assets with a fair value of $525,940 (December 31, 2019 - $509,860) representing the fair value of Allied's interest in five investment properties with corresponding lease liabilities. The leases' maturities range from 23.8 years to 81.5 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, 2020	DECEMBER 31, 2019
Discount rate	**6.35%**	6.63%
Terminal capitalization rate	**5.18%**	5.38%
Overall capitalization rate	**4.82%**	4.98%
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	**$1,006,627**	**$475,750**	**$(428,787)**	**$(817,236)**

6. RESIDENTIAL INVENTORY

Residential inventory is as follows:

	DECEMBER 31, 2020	DECEMBER 31, 2019
KING Toronto	**$140,038**	$114,910

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

	DECEMBER 31, 2020	DECEMBER 31, 2019
Balance, beginning of year	**$114,910**	$140,302
Acquisitions [(1)]	**—**	10,454
Dispositions [(1)]	**—**	(5,227)
Sale of residential units [(2)]	**—**	(43,342)
Development expenditures	**25,128**	12,723
Balance, end of year	**$140,038**	$114,910

(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 in 2019 for the 132 units occupied at King Portland Centre.

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, totaling 132 units. As of December 31, 2019, all units were occupied and as of June 30, 2020, ownership has transferred to the occupants of all units.

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 condominium units, totaling 440 units.

For the year ended December 31, 2020, Allied capitalized $4,363 of borrowing costs to qualifying residential inventory (December 31, 2019 - $5,214).

7. INVESTMENT IN JOINT VENTURE AND LOAN RECEIVABLE

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

	DECEMBER 31, 2020	DECEMBER 31, 2019
Investment in joint venture	**$3,825**	$(8,439)
Loans receivable from joint venture	**113,287**	104,035
	$117,112	$95,596

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 properties 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 bankers' acceptance rate plus 145 basis points. As at December 31, 2020, the loan receivable outstanding is $113,287 (December 31, 2019 - $104,035). 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%, and at Allied's one-third interest.

	DECEMBER 31, 2020	DECEMBER 31, 2019
Current assets (including cash and cash equivalents)	**$11,664**	$9,377
Non-current assets	**368,529**	320,880
Current liabilities	**(28,857)**	(43,457)
Non-current liabilities	**(339,861)**	(312,117)
Net assets of TELUS Sky at 100%	**$11,475**	$(25,317)
Net assets of TELUS Sky at Allied's share (1)	**$3,825**	$(8,439)

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

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Revenue	$7,392	$3,441
Expenses	(3,657)	(830)
Interest expense	—	(1,326)
General and administrative expense	(399)	(362)
Fair value loss	(12,888)	(78,455)
Net loss and total comprehensive loss of TELUS Sky at 100%	$(9,552)	$(77,532)
Net loss and total comprehensive loss at Allied's share [1]	$(3,184)	$(25,844)

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

	DECEMBER 31, 2020	DECEMBER 31, 2019
Opening balance	$(8,439)	$18,456
Net earnings (loss)	(3,184)	(25,844)
Contributions	17,914	—
Distributions	(2,466)	(1,051)
Ending balance	$3,825	$(8,439)

8. LOANS AND NOTES RECEIVABLE

Loans and notes receivable are as follows:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Loans receivable (a)	$320,526	$245,303
Notes and other receivables (b)	2,110	5,973
	$322,636	$251,276
Current	$93	$3,863
Non-current	322,543	247,413
	$322,636	$251,276

(a) In February 2015, Allied entered into a joint arrangement with Westbank and completed the acquisition of an undivided 50% interest in Adelaide & Duncan. As part of the arrangement, Allied advanced $21,173 to Westbank for its purchase of a 50% undivided interest in the property. The facility is secured by a charge on the property (subordinated to the construction lender) and assignment of rents and leases. Interest accrues and is payable monthly at a rate of 7.75% per annum. The loan is repayable when the joint arrangement obtains external permanent financing. As at December 31, 2020, the loan receivable outstanding is $21,173 (December 31, 2019 - $21,173).

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 is secured by Westbank's covenant and a charge on the property (subordinated to the construction lender). On February 11, 2019, the facility was increased to $160,000. Interest accrues and is payable monthly at a rate of 6.75% per annum. The credit facility matures on August 31, 2022, and has a one-year extension option to August 31, 2023. As at December 31, 2020, the loan receivable outstanding is $120,825 (December 31, 2019 - $106,292).

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. The facility will initially be secured by a first mortgage on the property. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable at the earlier of November 23, 2023, or the closing of the condominium units. As at December 31, 2020, the loan receivable outstanding is $84,566 (December 31, 2019 - $77,765).

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. The facility is secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable upon completion of development and rent commencement, which is anticipated to take place in the third quarter of 2022. As at December 31, 2020, the loan receivable outstanding is $10,637 (December 31, 2019 - $9,365).

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. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues and is payable monthly at a rate of 7.00% per annum. The credit facility matures in six years following approval of the project by the British Columbia Utilities Commission. As at December 31, 2020, the loan receivable outstanding is $83,325 (December 31, 2019 - $30,708).

Allied has assessed the expected credit losses on an individual loan basis. Allied assesses the risk of expected credit losses, including considering the status of corporate guarantees and/or registered mortgage charges and assignment of leases, outcome of credit checks on borrowers, results of monitoring the financial and operating performance of borrowers, results of the status of development projects and status of scheduled principal and interest payments. The expected credit losses estimated by Management considering the factors described above is $nil as at December 31, 2020 and 2019, respectively.

(b) As at December 31, 2020, the balance of notes and other receivables related to mortgage receivables from the purchaser of Allied's Québec City portfolio (as the mortgage transfer was not executed by the lender) were settled along with the corresponding mortgages payable (note 11) (December 31, 2019 - $3,713). The remaining balance of notes and other receivables is made up of individually insignificant notes receivable.

9. OTHER ASSETS

Other assets consist of the following:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Equipment and other assets [1]	**$4,395**	$5,081
Property, plant and equipment [2]	**17,782**	17,782
Prepaid deposits [3]	**—**	13,202
Interest rate swap derivative assets	**1,466**	3,723
	$23,643	$39,788

(1) During the year ended December 31, 2020, Allied recorded amortization of equipment and other assets of $1,467 (December 31, 2019 - $1,456).
(2) Property, plant and equipment relates to owner-occupied property.
(3) For the year ended December 31, 2019, these prepaid deposits were held in trust and are from the sale of residential condominium units for KING Toronto. As of December 31, 2020, the prepaid deposits have been reclassified to prepaid expenses and deposits (Note 10(d)).

10. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

	DECEMBER 31, 2020	DECEMBER 31, 2019
User trade receivables - net of allowance (a)	**$16,854**	$7,686
Other user receivables (b)	**2,991**	46,569
Miscellaneous receivables (c)	**15,709**	15,258
Prepaid expenses and deposits (d)	**28,898**	60,431
	$64,452	$129,944

(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 change in the allowance for expected credit loss is reconciled as follows:

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Allowance for expected credit loss, beginning of year	**$3,899**	$2,333
Additional provision recorded during the year	**9,112**	2,837
Reversal of previous provisions	**(1,172)**	(1,008)
Receivables written off during the year	**(5,190)**	(263)
Allowance for expected credit loss, end of year	**$6,649**	$3,899

During the year, Allied provided rent abatements for 75% of gross rent to qualifying tenants participating in the Canada Emergency Commercial Rent Assistance ("CECRA") program. As a result, the qualifying tenants' outstanding receivable was reduced and recorded as a charge to expected credit loss. Concurrently, Allied recognized the benefit of the government's forgivable loan covering 50% of gross rent as a reduction of expected credit loss. As of December 31, 2020, Allied recorded rent abatements of $5,040 (net of a $760 subsidy received from the Québec government) for tenants qualifying under the CECRA program net of government assistance of $11,600. Based on the existing information, the net charge to expected credit loss totaled $6,790 related to the CECRA program. As of December 31, 2020, all amounts related to the CECRA forgivable loan were received from the government.

(B) *Other user receivables*

Other user receivables pertain to unbilled operating costs such as common area maintenance and property tax recoveries and chargebacks. As at December 31, 2019, this balance includes $40,153 of residential condominium sales receivables from King Portland Centre (net of deposits) which have subsequently been collected.

(C) *Miscellaneous receivables*

Miscellaneous receivables consist primarily of property taxes recoverable from municipalities and insurance claims. As at December 31, 2020, 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 $3,550 (December 31, 2019 - $29,080) and deposits held in trust received from the sale of residential condominium units of $1,613 (December 31, 2019 - $18,340).

11. DEBT

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

	DECEMBER 31, 2020	DECEMBER 31, 2019
Mortgages payable (a)	**$716,813**	$737,448
Construction loans payable (b)	**57,104**	23,210
Unsecured revolving operating facilities (c)	**60,000**	—
Senior unsecured debentures (d)	**1,642,119**	945,369
Unsecured term loans (e)	**249,426**	449,154
	$2,725,462	$2,155,181
Current	**$26,668**	$29,243
Non-current	**2,698,794**	2,125,938
	$2,725,462	$2,155,181

(A) *Mortgages payable*

Mortgages payable have a weighted average stated interest rate of 4.31% as at December 31, 2020 (December 31, 2019 - 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, 2020**	DECEMBER 31, 2019
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	**6,596**	**8,788**	**15,384**	
2026	**1,391**	**20,443**	**21,834**	
2027	**487**	**—**	**487**	
2028	**293**	**14,457**	**14,750**	
2030	**5,000**	**—**	**5,000**	
Mortgages, principal	**$87,670**	**$627,373**	**$715,043**	$734,286
Net premium on assumed mortgages			**3,555**	5,400
Net financing costs			**(1,785)**	(2,238)
			$716,813	$737,448

(B) *Construction loans payable*

As of December 31, 2020 and December 31, 2019, Allied's obligation under the construction loans is as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2020	DECEMBER 31, 2019
Adelaide & Duncan	50%	August 11, 2023	**$44,051**	$23,210
Breithaupt Phase III	50%	December 2, 2022	**7,406**	—
KING Toronto	50%	December 17, 2024	**5,647**	—
			$57,104	$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, limited to $135,000, to support the construction facility and is earning a related guarantee fee. On August 23, 2019, the Adelaide & Duncan joint arrangement entered into a swap agreement to fix 75% of the construction costs up to $209,572 at 2.86%.

On February 21, 2020, Allied and Perimeter obtained a $138,000 construction loan for the Breithaupt Phase III joint arrangement from a syndicate of Canadian banks, in which Allied's 50% share is $69,000. The loan matures on December 2, 2022, and bears interest at bank prime or bankers' acceptance rate plus 120 basis points. Allied is providing a joint and several guarantee, limited to $69,000, to support the facility and is earning a related guarantee fee.

On December 17, 2020, Allied and Westbank obtained a $465,000 GREEN construction loan for the KING Toronto joint arrangement from a syndicate of Canadian banks, in which Allied's 50% share is $232,500. The loan matures on December 17, 2024, and bears interest at bank prime plus 45 basis points or bankers' acceptance rate plus 145 basis points. Allied is providing a joint and several guarantee, limited to $232,500, to support the facility and is earning a related guarantee fee.

(C) *Unsecured revolving operating facilities*

As of December 31, 2020 and December 31, 2019, Allied's obligations under the unsecured revolving operating facilities (the "Unsecured Facilities") are as follows:

	MATURITY DATE	INTEREST RATES ON DRAWINGS	DECEMBER 31, 2020 STANDBY FEE	FACILITY LIMIT	DRAW-INGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured facility limit $400,000 [1]	January 30, 2023	Prime + 0.20% or Bankers' acceptance + 1.20% [2]	0.24%	$400,000	$(60,000)	$(22,420)	$317,580
Unsecured facility limit $100,000	April 20, 2021	Prime + 0.45% or Bankers' acceptance + 1.45%	0.29%	100,000	—	—	100,000
				$500,000	$(60,000)	$(22,420)	$417,580

(1) *This unsecured facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $500,000.*
(2) *The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this 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.*

	MATURITY DATE	INTEREST RATES ON DRAWINGS	DECEMBER 31, 2019 STANDBY FEE	FACILITY LIMIT	DRAW-INGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured facility limit $400,000 [1]	January 29, 2022	Prime + 0.45% or Bankers' acceptance + 1.45% [2]	0.29%	$400,000	$—	$(14,896)	$385,104

(1) *This unsecured facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $500,000.*
(2) *The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this 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.*

On April 21, 2020, Allied entered into a $100,000 bilateral unsecured line of credit which matures on April 20, 2021, bearing interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

On January 29, 2021, Allied amended the unsecured facilities to merge the two existing facilities into one facility with a limit of $500,000 plus a $100,000 accordion feature and to extend the maturity to January 11, 2024. 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, 2020 and December 31, 2019, Allied's obligation under the senior unsecured debentures is as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	DECEMBER 31, 2020	DECEMBER 31, 2019
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**	300,000
Series E	3.113%	April 8, 2027	April 8 and October 8	**300,000**	300,000
Series F	3.117%	February 21, 2030	February 21 and August 21	**400,000**	—
Series G	3.131%	May 15, 2028	May 15 and November 15	**300,000**	—
Unsecured Debentures, principal				**$1,650,000**	$950,000
Net financing costs				**(7,881)**	(4,631)
				$1,642,119	$945,369

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

On February 21, 2020, Allied issued $400,000 of 3.117% Series F Senior Unsecured Debentures (the "Series F Debentures") due February 21, 2030, with semi-annual interest payments due on February 21 and August 21 each year commencing on August 21, 2020. Debt financing costs of $2,350 were incurred and recorded against the principal owing.

Proceeds from the Series F Debentures were used to prepay $200,000 aggregate principal amount of the Unsecured Term Facility maturing March 16, 2021, repay amounts drawn on the Unsecured Facility in the amount of $110,000, to fund Allied's development and value-add initiatives and for general working capital purposes.

On May 15, 2020, Allied issued $300,000 of 3.131% Series G Senior Unsecured Debentures (the "Series G Debentures") due May 15, 2028, with semi-annual interest payments due on May 15 and November 15 each year commencing on November 15, 2020. Debt financing costs of $1,950 were incurred and recorded against the principal owing.

Proceeds from the Series G Debentures were used to repay amounts drawn on the Unsecured Facility in the amount of $240,000 and for general working capital purposes.

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, 2020 and December 31, 2019, Allied's obligation under the unsecured term loans is as follows:

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2020	DECEMBER 31, 2019
Unsecured Term Loan	3.496%	January 14, 2031	Monthly	**$250,000**	$250,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	**—**	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	**—**	100,000
Unsecured Term Loans, principal				**$250,000**	$450,000
Net financing costs				**(574)**	(846)
				$249,426	$449,154

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

On February 10, 2020, Allied repaid $100,000 of the principal amount of Tranche 1 of the Unsecured Term Facility due March 16, 2021. On March 4, 2020, Allied repaid $100,000 of the principal amount of Tranche 2, representing the remaining balance of the Unsecured Term Facility due March 16, 2021.

On August 11, 2020, Allied entered into an amended Unsecured Term Loan at a new fixed interest rate of 3.496% (December 31, 2019 - 3.992%) and a new maturity date of January 14, 2031 (December 31, 2019 - January 14, 2026).

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, 2020	DECEMBER 31, 2019
Interest on debt:		
Mortgages payable	**$31,141**	$33,989
Construction loans payable	**1,351**	604
Unsecured Facilities	**2,152**	2,667
Unsecured Debentures	**49,455**	24,629
Unsecured Term Loans	**10,353**	15,679
Interest on lease liabilities	**8,926**	8,350
Amortization, discount on debt	**(1,846)**	(1,000)
Amortization, net financing costs	**2,081**	1,660
	$103,613	$86,578
Less: Interest capitalized to qualifying investment properties and residential inventory	**(31,010)**	(26,193)
Interest expense excluding prepayment costs	**$72,603**	$60,385
Prepayment costs	**—**	6,018
Interest expense	**$72,603**	$66,403

Borrowing costs have been capitalized to qualifying investment properties and residential inventory, where applicable, at a weighted average rate of 3.57% per annum (December 31, 2019 – 3.77%).

(G) *Schedule of principal repayments*

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

	2021	2022	2023	2024	2025	THERE-AFTER	TOTAL
Mortgages payable, principal repayments	$26,668	$25,728	$16,781	$4,726	$6,596	$7,171	$87,670
Mortgages payable, balance due at maturity	—	205,628	225,585	152,472	8,788	34,900	627,373
Construction loans payable	—	7,406	44,051	5,647	—	—	57,104
Unsecured Facility	—	—	60,000	—	—	—	60,000
Unsecured Debentures	—	150,000	—	—	200,000	1,300,000	1,650,000
Unsecured Term Loans	—	—	—	—	—	250,000	250,000
Total	$26,668	$388,762	$346,417	$162,845	$215,384	$1,592,071	$2,732,147

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:

	2021 (1)	2022 - 2025 (1)	THEREAFTER	DECEMBER 31, 2020	DECEMBER 31, 2019
Future minimum lease payments	$9,749	$41,018	$442,734	$493,501	$503,200
Interest accrued on lease obligations	482	78	—	560	1,401
Less: amounts representing interest payments	(10,231)	(41,096)	(285,666)	(336,993)	(349,380)
Present value of lease payments	$—	$—	$157,068	$157,068	$155,221

(1) The future minimum lease payments prior to 2025 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, 2020, minimum lease payments of $8,712 were paid by Allied (December 31, 2019 - $11,629).

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consists of the following:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Trade payables and other liabilities	$169,434	$157,014
Prepaid user rents	75,090	63,844
Accrued interest payable	16,139	10,473
Distributions payable to Unitholders	17,498	16,338
Residential deposits (1)	36,506	23,203
Interest rate swap derivative liability	26,539	10,720
	$341,206	$281,592
Current	$278,161	$247,669
Non-current (2)	63,045	33,923
	$341,206	$281,592

(1) These deposits relate to the sale of residential condominium units at KING Toronto.
(2) Non-current liabilities as at December 31, 2020, are composed of residential deposits totaling $36,506 and an interest rate swap derivative liability totaling $26,539 (December 31, 2019 - $23,203 and $10,720, respectively).

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:

	CLASSIFICATION/ MEASUREMENT	DECEMBER 31, 2020		DECEMBER 31, 2019	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial Assets:					
Loans and notes receivable (note 8)	Amortized cost	**322,636**	**355,819**	251,276	251,276
Loan receivable from joint venture (note 7)	Amortized cost	**113,287**	**117,725**	104,035	104,035
Cash and cash equivalents (note 20)	Amortized cost	**45,512**	**45,512**	208,914	208,914
Accounts receivable (note 10)	Amortized cost	**35,554**	**35,554**	69,513	69,513
Interest rate swap derivative assets (note 9)	FVTPL	**1,466**	**1,466**	3,723	3,723
Financial Liabilities:					
Debt (note 11)					
Mortgages	Amortized cost	**716,813**	**755,780**	737,448	759,823
Construction loans payable	Amortized cost	**57,104**	**57,104**	23,210	23,210
Unsecured Facilities	Amortized cost	**60,000**	**60,000**	—	—
Unsecured Debentures	Amortized cost	**1,642,119**	**1,754,526**	945,369	966,973
Unsecured Term Loans	Amortized cost	**249,426**	**277,963**	449,154	457,310
Interest rate swap liability (note 13)	FVTPL	**26,539**	**26,539**	10,720	10,720
Accounts payable and other liabilities (note 13)	Amortized cost	**314,667**	**314,667**	270,872	270,872

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 the significance of inputs in determining the fair value of assets and liabilities for measurement or disclosure based on Allied's accounting policy for such instrument:

	DECEMBER 31, 2020			DECEMBER 31, 2019		
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	LEVEL 1	LEVEL 2	LEVEL 3
Financial Assets:						
Loans and notes receivable (note 8)	**—**	**355,819**	**—**	—	251,276	—
Loan receivable from joint venture (note 7)	**—**	**117,725**	**—**	—	104,035	—
Cash and cash equivalents (note 20)	**45,512**	**—**	**—**	208,914	—	—
Accounts receivable (note 10)	**—**	**35,554**	**—**	—	69,513	—
Interest rate swap derivative assets (note 9)	**—**	**1,466**	**—**	—	3,723	—
Financial Liabilities:						
Debt (note 11)						
Mortgages	**—**	**755,780**	**—**	—	759,823	—
Construction loans payable	**—**	**57,104**	**—**	—	23,210	—
Unsecured Facilities	**—**	**60,000**	**—**	—	—	—
Unsecured Debentures	**—**	**1,754,526**	**—**	—	966,973	—
Unsecured Term Loans	**—**	**277,963**	**—**	—	457,310	—
Interest rate swap liability (note 13)	**—**	**26,539**	**—**	—	10,720	—
Accounts payable and other liabilities (note 13)	**—**	**314,667**	**—**	—	270,872	—

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2020 and 2019.

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, 2020, is $25,073 (December 31, 2019 - $6,997). The fair value of the derivative contracts is determined using forward interest rates observable in the market (Level 2).

	DECEMBER 31, 2020	DECEMBER 31, 2019
Interest rate swap derivative asset (note 9)	**$1,466**	$3,723
Interest rate swap derivative liability (note 13)	**(26,539)**	(10,720)
Total	**$(25,073)**	$(6,997)

Debt

The fair value of debt is determined by discounting the cash flows of these financial instruments using year 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 years ended December 31, 2020 and December 31, 2019.

	DECEMBER 31, 2020		DECEMBER 31, 2019	
	UNITS	**AMOUNT**	UNITS	AMOUNT
Units, beginning of year	**122,838,799**	**$3,725,472**	103,861,945	$2,835,395
Restricted Unit Plan (net of forfeitures) (note 16(b))	**—**	**(2,695)**	—	(2,462)
Unit Option Plan - options exercised (note 16(a))	**277,311**	**9,805**	277,854	10,437
Unit issuance	**4,143,108**	**152,079**	18,699,000	882,102
Units, end of year	**127,259,218**	**$3,884,661**	122,838,799	$3,725,472

On September 4, 2020, Allied raised gross proceeds of $153,295 through a private placement issuance of 4,143,108 Units at a price of $37.00 per Unit. Costs relating to the issuance totaled $1,216 and were applied against the gross proceeds of the issuance and charged against Unitholders' equity.

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.

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, 2021, Allied declared a distribution for the month of January 2021 of $0.1417 per Unit, representing $1.70 per Unit on an annualized basis to Unitholders of record on January 29, 2021.

Normal Course Issuer Bid

On February 20, 2020, 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 12,100,300 of its outstanding Units, representing approximately 10% of its public float as at February 10, 2020. The NCIB commenced February 24, 2020, and will expire on February 23, 2021, 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, 2020, Allied purchased 48,688 Units for $2,767 at a weighted average price of $56.83 per Unit under its NCIB program, of which 48,148 Units were purchased for delivery to participants under Allied's Restricted Unit Plan and 540 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 TSX. 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	Unit options granted	Exercise price	Exercised - life to date	Forfeited - life to date	Net outstanding	Vested
March 1, 2016	March 1, 2026	540,480	$31.56	(344,499)	(19,132)	176,849	176,849
February 22, 2017	February 22, 2027	279,654	$35.34	(23,576)	—	256,078	186,165
February 14, 2018	February 14, 2028	198,807	$40.30	(14,685)	—	184,122	85,876
February 13, 2019	February 13, 2029	323,497	$47.53	(2,717)	(1,830)	318,950	88,886
February 5, 2020	February 5, 2030	352,230	$54.59	—	—	352,230	10,620
		1,694,668		(385,477)	(20,962)	1,288,229	548,396

	YEAR ENDED DECEMBER 31, 2020		YEAR ENDED DECEMBER 31, 2019	
	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	**$31.56-54.59**	**7.45**	$31.56-47.53	7.02

	YEAR ENDED DECEMBER 31, 2020		YEAR ENDED DECEMBER 31, 2019	
	Number of Units	**Weighted average exercise price**	Number of Units	Weighted average exercise price
Balance at the beginning of the year	**1,213,310**	**$38.75**	1,169,497	$36.05
Granted during the year	**352,230**	**54.59**	323,497	47.53
Forfeited during the year	**—**	**—**	(1,830)	47.53
Exercised during the year	**(277,311)**	**35.35**	(277,854)	37.56
Balance at the end of the year	**1,288,229**	**$43.81**	1,213,310	$38.75
Units exercisable at the end of the year	**548,396**	**$37.25**	604,445	$34.49

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, 2020	DECEMBER 31, 2019
Unit options granted	**352,230**	323,497
Unit option holding period (years)	**10**	10
Volatility rate	**17.04%**	18.85%
Distribution yield	**3.00%**	3.37%
Risk-free interest rate	**1.36%**	1.87%
Value of options granted	**$2,187**	$1,980

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

For the year ended December 31, 2020, Allied recorded a share-based payment expense of $1,988 in general and administrative expense in the consolidated statements of income and comprehensive income (for the year ended December 31, 2019 - $1,583).

(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 for employees. Restricted Units granted to non-management trustees are fully vested on the grant date. 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, 2020	DECEMBER 31, 2019
Restricted Units, beginning of the year	**287,023**	267,420
Granted during the year	**48,148**	51,858
Expiration of restriction period	**(45,640)**	(31,586)
Forfeited during the year	**(1,396)**	(669)
Restricted Units, end of the year	**288,135**	287,023

For the year ended December 31, 2020, Allied recorded a share-based payment expense of $2,804 in general and administrative expense in the consolidated statements of income and comprehensive income (for the year ended December 31, 2019 - $2,437).

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, 2020	DECEMBER 31, 2019
Basic	**124,427,715**	112,443,006
Unit Option Plan	**108,919**	288,044
Fully diluted	**124,536,634**	112,731,050

18. TOTAL REVENUE

Total revenue includes the following:

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Rental revenue (1)	**$263,184**	$227,528
Tax and insurance recoveries	**98,649**	83,368
Miscellaneous revenue (2)	**23,801**	22,506
Operating cost recoveries	**174,693**	162,707
Total rental revenue from investment properties	**$560,327**	$496,109
Condominium revenue	**178**	45,341
Total revenue	**$560,505**	$541,450

(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:

	2021	2022-2025	THEREAFTER	TOTAL
Future minimum rental income	**$297,893**	**$932,620**	**$995,190**	**$2,225,703**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Salaries and benefits	**$18,652**	$19,036
Professional and trustee fees	**3,747**	3,388
Office and general expenses	**4,628**	3,932
	$27,027	$26,356
Capitalized to qualifying investment properties	**(4,812)**	(4,403)
Total general and administrative expenses	**$22,215**	$21,953

20. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents include the following components:

	DECEMBER 31, 2020	DECEMBER 31, 2019
Cash	**$45,012**	$208,414
Short-term deposits	**500**	500
Total cash and cash equivalents	**$45,512**	$208,914

The following summarizes supplemental cash flow information in operating activities:

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Supplemental		
Interest paid on debt (including capitalized interest (note 11))	**$97,521**	$86,272

The following summarizes supplemental cash flow information in investing activities:

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Supplemental		
Mortgages assumed (note 4)	**$10,000**	$161,951

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

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Net change in accounts receivable, prepaid expenses and deposits	**$65,492**	$(97,308)
Add back: Prepaid expenses and deposits	**13,202**	—
Add back: Deposits on acquisitions	**3,550**	28,250
Change in inventory due to sale of residential units	**—**	43,342
Net change in loans and notes receivable	**(389)**	6,340
Net change in accounts payable and other liabilities	**59,614**	72,546
Less: Non-cash interest	**(6,092)**	(6,324)
Less: Distributions payable to Unitholders	**(1,160)**	(2,524)
Less: Mortgage interest swap liability	**(15,819)**	(2,939)
Less: Accrued amounts from acquired properties (net of assumed mortgage premiums)	**(9,189)**	(12,054)
Change in non-cash operating items	**$109,209**	$29,329

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.

PROPERTIES	LOCATION	CURRENT STATUS	OWNERSHIP	
			DECEMBER 31, 2020	DECEMBER 31, 2019
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%**	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 the first phase closing in December 2020 and the remaining phases expected to close in 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, 2020	DECEMBER 31, 2019
Total assets	**$1,258,241**	$1,034,433
Total liabilities	**$340,930**	$273,556

	YEAR ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Revenue	**$18,267**	$63,068
Expenses	**(10,088)**	(55,960)
Income before fair value adjustment on investment properties	**8,179**	7,108
Fair value gain (loss) on investment properties	**18,066**	(10,213)
Net income (loss)	**$26,245**	$(3,105)

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.

The CODM measures and evaluates the performance of Allied's operating segments based on net rental income and condominium profits. Condominium profits during the year ended December 31, 2020, were $178 (December 31, 2019 - $1,999).

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 years ended December 31, 2020 and 2019.

SEGMENTED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Year ended December 31, 2020	MONTRÉAL & OTTAWA	TORONTO & KITCHENER	CALGARY, EDMONTON & VANCOUVER [1]	URBAN DATA CENTRES	CONDOMINIUMS	JOINT VENTURE (TELUS SKY)	TOTAL
Rental revenue from investment properties	$198,049	$210,798	$63,853	$90,091	$—	$(2,464)	$560,327
Property operating costs	(98,556)	(82,369)	(27,689)	(34,095)	—	1,219	(241,490)
Net rental income	$99,493	$128,429	$36,164	$55,996	$—	$(1,245)	
Condominium revenue	—	—	—	—	178	—	178
Condominium cost of sales	—	—	—	—	—	—	—
Condominium profits	—	—	—	—	178	—	178
Operating income	$99,493	$128,429	$36,164	$55,996	$178	$(1,245)	$319,015
Interest expense							(72,603)
General and administrative expenses							(22,215)
Condominium marketing expenses							(1,230)
Amortization of other assets							(1,467)
Interest income							19,819
Fair value gain on investment properties							280,590
Fair value loss on derivative instruments							(17,996)
Net loss from joint venture							(3,184)
Net income and comprehensive income							$500,729

(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, 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	—	1,999
Operating income	$71,809	$128,575	$32,712	$53,136	$1,999	$(870)	$287,361
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.

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 TELUS Sky 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 a trustee of Allied has an ownership interest. For the year ended December 31, 2020, real estate service revenue earned from these properties $368 (December 31, 2019 - $373).

As at December 31, 2020, the loan to the TELUS Sky joint venture has a balance outstanding of $113,287 (December 31, 2019 - $104,035) (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, 2020	DECEMBER 31, 2019
Salary, bonus and other short-term employee benefits	**$3,816**	$4,552
Unit-based compensation	**3,849**	3,337
Total	**$7,665**	$7,889

25. RISK MANAGEMENT

(A) *Capital management*

Allied defines capital as the aggregate of Unitholders' equity, mortgages payable, construction loans payable, Unsecured Facilities, 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, 2020, the debt to gross book value ratio was 29.2% (December 31, 2019 - 26.1%) and debts having variable interest rates or maturities of less than one year aggregated to 0.9% of gross book value (December 31, 2019 - 0.4%).

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, 2020.

(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, 2020, 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 Facilities, Allied will be further exposed to changes in interest rates. As at December 31, 2020, the Unsecured Facilities, which are at floating interest rates and are exposed to changes in interest rates, had a balance outstanding of $60,000 (December 31, 2019 - nil). 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.

AS AT DECEMBER 31, 2020	CARRYING AMOUNT	-1.0% INCOME IMPACT	+1.0% INCOME IMPACT
Mortgages and construction loans payable maturing within one year	**$26,668**	**$267**	**$(267)**

(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, 2020, Allied had $320,526 outstanding in loans receivable (December 31, 2019 - $245,303) and $113,287 outstanding in joint venture loan receivable (December 31, 2019 - $104,035). 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 and assignment of leases, performing credit checks on potential borrowers, monitoring the financial and operating performance of borrowers, monitoring the status of development projects and ensuring interest payments are made on time. The expected credit losses are estimated by Management, giving consideration to the factors above, as at December 31, 2020 and 2019 to be $nil, respectively (note 8).

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. The maximum credit risk exposure related to user receivables is equivalent to the carrying amount of the user receivable balance. The expected credit losses are estimated by Management at December 31, 2020 and December 31, 2019, to be $6,649 and $3,899, respectively (Note 10 (a)).

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, 2020	DECEMBER 31, 2019
Less than 30 days	**$3,632**	$2,658
30 to 60 days	**2,591**	835
More than 60 days	**10,631**	4,193
Total	**$16,854**	$7,686

(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 4.80% for December 31, 2020 (December 31, 2019 - 3.59% and 5.08%).

As at December 31, 2020, Allied has entered into interest rate derivative contracts to limit its exposure to fluctuations in interest rates on $81,682 of its variable rate mortgages payable, $250,000 of its variable rate Unsecured Term Loans and $37,881 of its construction loans (December 31, 2019 - $84,594, $450,000 and $14,144, 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, 2020, Allied recognized as part of the change in fair value adjustment on derivative instruments a net loss of $17,996 (for the year ended December 31, 2019 - $6,109).

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:

	2021	2022	2023	2024	2025	THEREAFTER	TOTAL
Mortgages payable	$56,665	$258,352	$259,552	$161,748	$16,929	$44,378	$797,624
Construction loans payable	1,029	8,424	44,690	5,754	—	—	59,897
Unsecured Facilities	1,590	1,590	60,133	—	—	—	63,313
Unsecured Debentures	54,555	204,555	48,654	48,654	245,018	1,434,326	2,035,762
Unsecured Term Loans	8,740	8,740	8,740	8,740	8,740	294,035	337,735
Total	**$122,579**	**$481,661**	**$421,769**	**$224,896**	**$270,687**	**$1,772,739**	**$3,294,331**

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, 2020 and December 31, 2019, were $335,344 and $687,242, respectively.

Commitments as at December 31, 2020 and December 31, 2019, of $551 and $1,238, respectively, 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 $24,578 as at December 31, 2020 (December 31, 2019 - $15,036).

27. SUBSEQUENT EVENTS

On January 28, 2021, Allied completed the purchase of 432 Wellington Street W, Toronto, for total cash consideration of $17,200.

2021 Outlook

LOW-TO-MID-SINGLE-DIGIT % GROWTH IN SANOI

LOW-TO-MID-SINGLE-DIGIT % GROWTH IN FFO/UNIT

LOW-TO-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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