ALLIED

Annual Report December 31, 2022

Urban environments for creativity and connectivity

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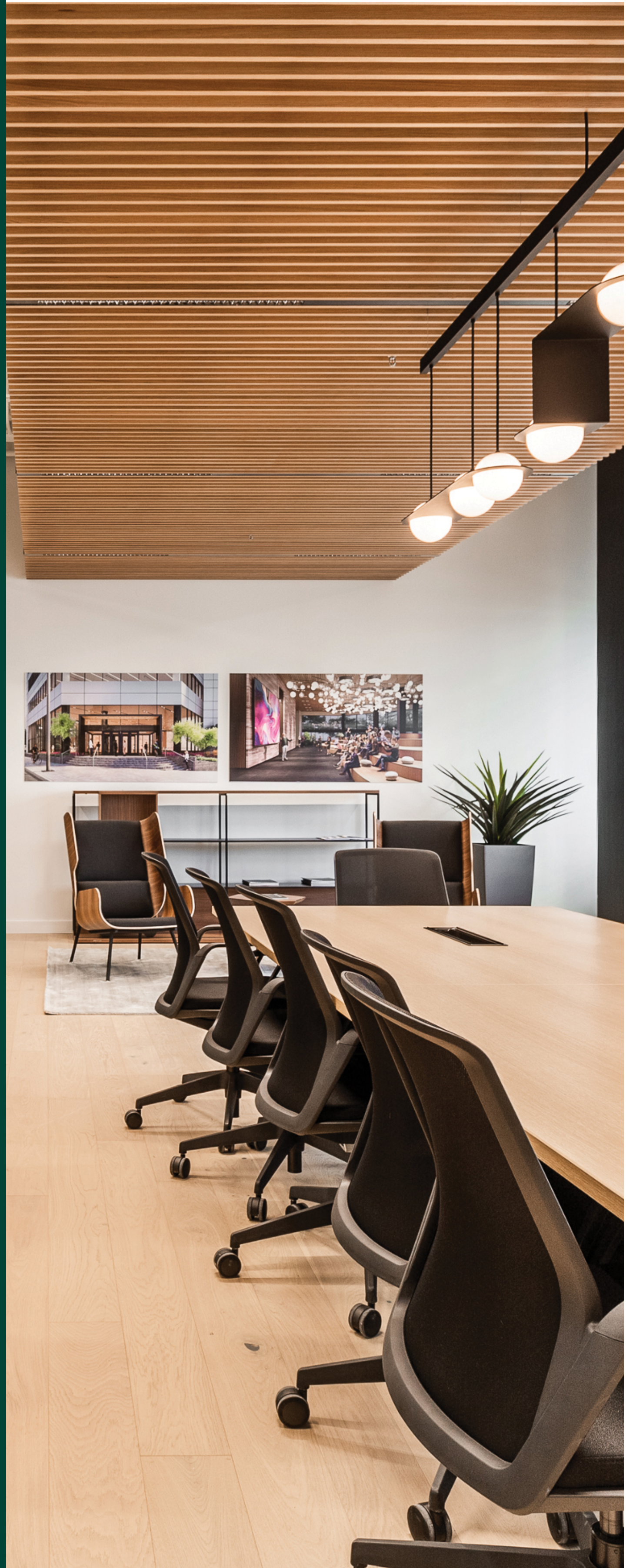

ALLIED

Annual Report

December 31, 2022

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Letter to Unitholders

Dear Fellow Unitholder:

Allied's operating performance in 2022 was strong. Our AFFO per unit was up 4% from the prior year, underpinning our 11th consecutive annual distribution increase and providing a take-off point for our 2023 outlook of low-to-mid-single-digit growth in same asset NOI, FFO per unit and AFFO per unit.

Our total return to unitholders, on the other hand, was negative, though equivalent to, or better than, other leading office issuers in North America. We weathered an extended storm in 2022, one that began as pronounced concern about the future of office space and morphed into deep fear of recession. The storm is not over, but it will pass, as all storms do.

RESILIENCE

Allied has proven from inception to be resilient, and we have every reason to be confident that this will continue. In the past three years,

- we deepened, strengthened and integrated the numerous and diverse members of the Allied Team across the country,
- we continued the renewal and diversification of our Board of Trustees,
- we implemented a long-standing succession plan for senior leaders,
- we made significant and measurable strides in improving our ESG practices and
- we took decisive steps toward reaffirming our mission and maintaining our commitment to the balance sheet.

These elements of resilience signal our strategic and tactical direction going forward and establish a solid foundation for our future.

SALE OF UDC PORTFOLIO

Our UDC portfolio is comprised of freehold interests in 151 Front Street West and 905 King Street West and a leasehold interest in 250 Front Street West. The portfolio is unencumbered and does not include 20 York Street, the site for Union Centre.

We acquired 151 Front in 2009 and have driven significant earnings and value growth since then, both organically and through the addition of 905 King and 250 Front. Since 2013, we have achieved a 9.6% compound annual growth rate in NOI from the portfolio and a 10% compound annual growth rate in the IFRS value of the portfolio.

Having propelled the portfolio materially closer to the point of earnings and value optimization, we have recently concluded that selling it now is in Allied's best interest, operationally and financially. Our principal motivation is two-fold. First, we want to reaffirm our mission and pursue it over the next few years with low-cost capital. Second, we want to supercharge our balance sheet and reduce our dependence on the capital markets going forward.

Our UDC portfolio was connected to our mission from the beginning, but it is not core to our mission in the way urban workspace is. As a stabilized asset in a currently favoured sector, the portfolio represents a promising and timely monetization opportunity, one that could enable us to grow our business going forward in the most flexible and prudent manner.

We plan to use a significant portion of the sale proceeds to retire debt and the balance to fund current development activity. We may elect to use a portion of the sale proceeds to buy back units under our NCIB. We do not expect to use any of the proceeds to fund acquisitions, nor do we expect to engage in material acquisition activity in 2023.

The comprehensive sale process started earlier this month. We will not be able to comment further on the process until it is complete, but we will advise you once the outcome is known.

* * *

Allied has been evolving rapidly and successfully for nearly 20 years. In 2023 and beyond, this will continue while reaffirming our vision and mission as an operator of distinctive urban workspace in Canada's major cities.

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, 2022

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 May 3, 2022. 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, 2022. 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 January 31, 2023, and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2022. 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.

This section includes certain terms that do not have a standardized meaning prescribed under International Financial Reporting Standards ("IFRS") and includes certain forward-looking statements within the meaning of applicable securities law. Refer to Non-IFRS Measures and Forward-Looking Statements on pages 21 and 25, respectively.

Q4 2022 Operating and Financial Highlights

Above all, Allied is an operator. For Allied, neither acquisition activity nor development activity is an end in itself. Rather, both are a means of providing knowledge-based organizations with distinctive urban workspace and UDC space effectively and profitably.

Q4 Operating Results

LEASED AREA [1]

90.8%

OCCUPIED AREA [1]

89.6%

AVERAGE IN-PLACE NET RENT PER OCCUPIED SQUARE FOOT [1]

$23.10

2021: $21.98

2020: $21.35

↑ 5.1% from Q4 2021

RENT GROWTH ON RENEWING SPACE [1]

Total rental portfolio

6.1%

Excluding Calgary

8.6%

WEIGHTED AVERAGE REMAINING LEASE TERM IN YEARS [1]

Rental portfolio

5.5

Q4 Financial Results

SAME ASSET NOI - RENTAL PORTFOLIO AND ASSETS HELD FOR SALE [2]

↑ 0.2%

from Q4 2021

FFO PER UNIT [2][3]

$0.618

↑ 3.0%

from Q4 2021

AFFO PER UNIT [2][3]

$0.548

↑ 5.8%

from Q4 2021

Year-to-Date Capital Allocation

$971.5M

Allocated to acquisitions

$263.5M

Allocated to development

Liquidity [4] End of Q4

$166.7M

Q4 Balance Sheet

NET DEBT AS A MULTIPLE OF ANNUALIZED ADJUSTED EBITDA [2]

9.8x

TOTAL INDEBTEDNESS RATIO [2]

35.6%

INTEREST COVERAGE RATIO [2][5]

2.8x

UNENCUMBERED INVESTMENT PROPERTIES [2]

$8.3B

85.2% of investment properties on a proportionate basis [2]

ESG Results [6]

2022 GRESB SCORE FOR STANDING INVESTMENTS

86/100

Up from 80/100 in 2021

2021 ENERGY USE INTENSITY (EUI)

↓ 15.4%

from our 2019 baseline

2021 GREENHOUSE GAS INTENSITY (GHGI)

↓ 12.4%

from our 2019 baseline

2021 WATER USE INTENSITY (WUI)

↓ 43.3%

from our 2019 baseline

2021 WASTE DIVERSION

↑ 1%

in average waste diversion from our 2019 baseline

(1) The operating results exclude the assets held for sale.
(2) This is a non-IFRS measure, refer to page 21. These non-IFRS measures (except for unencumbered investment properties) include the results of the continuing operations and the discontinued operations. Unencumbered investment properties exclude the assets held for sale.
(3) Excluding condominium related items, financing prepayment costs, and the mark-to-market adjustment on unit-based compensation on a diluted basis.
(4) Liquidity is the sum of cash and cash equivalents on a proportionate basis and the undrawn portion of Allied's unsecured revolving operating facility as at December 31, 2022.
(5) Including interest capitalized and excluding financing prepayment costs.
(6) For more information, refer to Allied's 2021 Environmental, Social and Governance Report published on June 27, 2022, available on www.alliedreit.com.

SUMMARY OF KEY OPERATING AND FINANCIAL PERFORMANCE MEASURES

The following table summarizes the key operating and financial 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, 2022	DECEMBER 31, 2021	**DECEMBER 31, 2022**	DECEMBER 31, 2021	DECEMBER 31, 2020
Leased area [1]	**90.8%**	90.4%	**90.8%**	90.4%	92.5%
Occupied area [1]	**89.6%**	89.9%	**89.6%**	89.9%	92.1%
Average in-place net rent per occupied square foot [1]	**23.10**	24.64	**23.10**	24.64	23.88
Average in-place net rent per occupied square foot - excluding UDC in all periods	**23.10**	21.98	**23.10**	21.98	21.35
Leased rate for leases maturing in the period [1]	**45.6%**	30.9%	**57.9%**	57.0%	78.3%
Increase in net rent on renewing leases - total rental portfolio [1]	**6.1%**	5.0%	**5.6%**	7.9%	14.5%
Increase in net rent on renewing leases - excluding Calgary [1]	**8.6%**	6.0%	**7.8%**	9.8%	16.6%
Investment properties [1][2][5]	**9,669,005**	9,527,105	**9,669,005**	9,527,105	8,687,375
Unencumbered investment properties [1][3]	**8,345,530**	9,064,010	**8,345,530**	9,064,010	6,463,680
Total assets [2][5]	**11,906,350**	10,384,691	**11,906,350**	10,384,691	9,400,768
Cost of PUD as % of GBV [3]	**12.6%**	11.2%	**12.6%**	11.2%	9.0%
NAV per unit [7]	**50.96**	50.30	**50.96**	50.30	48.54
Debt [2]	**4,211,185**	3,453,284	**4,211,185**	3,453,284	2,725,462
Total indebtedness ratio [3]	**35.6%**	33.5%	**35.6%**	33.5%	29.2%
Annualized Adjusted EBITDA [3]	**426,520**	363,372	**403,119**	365,050	349,023
Net debt as a multiple of Annualized Adjusted EBITDA [3]	**9.8x**	9.4x	**10.4x**	9.4x	7.7x
Interest-coverage ratio - including interest capitalized and excluding financing prepayment costs [3][4]	**2.8x**	3.4x	**3.0x**	3.4x	3.4x
Rental revenue [2][5][8]	**135,924**	122,534	**519,468**	472,799	470,236
Net income and comprehensive income [2]	**41,392**	159,921	**375,363**	443,151	500,729
Net income attributable to Unitholders [2]	**39,223**	159,921	**368,855**	443,151	500,729
Net income attributable to Unitholders per unit (basic and diluted) [2]	**0.28**	1.25	**2.69**	3.48	4.02
Net income from continuing operations [2][8]	**20,178**	113,518	**174,669**	331,381	404,570
Net income from continuing operations attributable to Unitholders [2][8]	**18,009**	113,518	**168,161**	331,381	404,570

($000's except per-square foot, per-unit and financial ratios)	THREE MONTHS ENDED DECEMBER 31, 2022	THREE MONTHS ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2022	YEAR ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2020
Net income from continuing operations attributable to Unitholders per unit (basic and diluted) [(2)(8)]	**0.13**	0.89	**1.23**	2.60	3.25
Net income from continuing operations excluding fair value adjustments, financing prepayment costs and impairment [(3)(4)(6)(8)]	**60,814**	50,672	**225,118**	206,419	169,384
Adjusted EBITDA [(3)]	**106,630**	90,843	**403,119**	365,050	349,023
Same Asset NOI - rental portfolio [(3)(8)]	**67,326**	68,499	**268,443**	270,441	N/A
Same Asset NOI - rental portfolio and assets held for sale [(3)]	**84,146**	83,979	**333,774**	332,450	N/A
Same Asset NOI - total portfolio [(3)]	**88,186**	86,669	**342,496**	341,964	313,554
FFO [(3)]	**86,755**	75,691	**334,477**	253,376	284,732
FFO per unit (diluted) [(3)]	**0.621**	0.593	**2.443**	1.988	2.286
FFO pay-out ratio [(3)]	**70.5%**	71.6%	**71.6%**	85.5%	72.1%
All amounts below are excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation [(3)(4)]**:**					
FFO	**86,325**	76,520	**333,392**	306,559	285,784
FFO per unit (diluted)	**0.618**	0.600	**2.435**	2.405	2.295
FFO payout-ratio	**70.8%**	70.9%	**71.8%**	70.6%	71.9%
AFFO	**76,553**	66,076	**297,579**	266,517	248,003
AFFO per unit (diluted)	**0.548**	0.518	**2.174**	2.091	1.991
AFFO payout-ratio	**79.9%**	82.1%	**80.4%**	81.2%	82.8%

(1) This metric excludes the assets held for sale based on the assets held for sale classification at the end of each period.
(2) This measure is presented on an IFRS basis.
(3) This is a non-IFRS measure, refer to page 21. These non-IFRS measures include the results of the continuing operations and the discontinued operations (except for unencumbered investment properties, net income from continuing operations excluding fair value adjustments, financing prepayments costs and impairment, and same asset NOI - rental portfolio, which only include continuing operations).
(4) For the three months and year ended December 31, 2022, Allied incurred $(564) and $(564), respectively, (December 31, 2021 - $721 and $52,610, respectively, and for the year ended December 31, 2020 - $nil and $nil, respectively) of financing prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages.
(5) Prior to Q4 2021, the comparative figures for investment properties, total assets and rental revenue were reported in this section on a proportionate share basis. The comparative figures for all prior periods have been revised to an IFRS basis.
(6) Prior to Q4 2021, the comparative figures for net income from continuing operations excluding fair value adjustments, financing prepayment costs and impairment were calculated on a proportionate share basis. The comparative figures for all prior periods have been revised to be calculated on an IFRS basis.
(7) Net asset value per unit ("NAV per unit") is calculated as follows: total equity as at the corresponding period ended, (per the consolidated balance sheets) divided by the actual number of Units and class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Exchangeable LP Units") outstanding at period end.
(8) For the three months and years ended December 31, 2022 and December 31, 2021, this metric includes only the results of the continuing operations.

SUMMARY OF RENTAL PROPERTIES

199 Rental Properties valued at $8.2B [3]

(Not including Assets Held for Sale valued at $1.4B and Properties Under Development valued at $1.5B) [3]

TOTAL RENTAL PORTFOLIO GLA

14.3M SF

VANCOUVER

1.0M SF

ALLIED OCCUPANCY	93.2%
MARKET OCCUPANCY [1]	90.2%
PROPERTIES	14
EMPLOYEES	19

CALGARY

1.3M SF

ALLIED OCCUPANCY	87.2%
MARKET OCCUPANCY [1]	67.4%
PROPERTIES	30
EMPLOYEES	32

KITCHENER

562K SF

ALLIED OCCUPANCY	94.4%
MARKET OCCUPANCY [1][2]	77.2%
PROPERTIES	5
EMPLOYEES	4

TORONTO

5.0M SF

ALLIED OCCUPANCY	89.1%
MARKET OCCUPANCY [1]	86.4%
PROPERTIES	107
ANCILLARY PARKING FACILITIES	10
EMPLOYEES	232

MONTRÉAL

6.3M SF

ALLIED OCCUPANCY	89.2%
MARKET OCCUPANCY [1]	84.0%
PROPERTIES	31
EMPLOYEES	95

OTTAWA

231K SF

ALLIED OCCUPANCY	99.0%
MARKET OCCUPANCY [1]	87.8%
PROPERTIES	2
EMPLOYEES	4

(1) *Source: cbre.ca, CBRE Canada Office Figures Q4 2022 Report.*
(2) *Kitchener market occupancy is based on the city of Waterloo market occupancy.*
(3) *The rental properties and properties under development values are on a proportionate basis.*

BUSINESS OVERVIEW AND STRATEGY

Allied is a leading operator of distinctive urban workspace in Canada's major cities and network-dense urban data centres in Toronto. 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 operator 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 third 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.

On January 16, 2023, Allied announced the completion of the initial phase of its exploration of the sale of its UDC portfolio, which consists of freehold interests in 151 Front W and 905 King W and a leasehold interest in 250 Front Street W (the "Portfolio"). The Portfolio is unencumbered and does not include 20 York Street, the site for Union Centre. The sale of the Portfolio will enable Allied to reaffirm its mission to serve knowledge-based organizations and to propel continued growth with low-cost capital over the next few years. The Portfolio was connected to Allied's mission from the beginning, but it is not core to Allied's mission in the way urban workspace is. If successful in selling the Portfolio, Allied expects to use a significant portion of the sale proceeds to retire debt and the balance to fund its current development activity.

As a result of the recent implementation of a comprehensive sales process, the UDC segment is classified as a discontinued operation and asset held for sale for the three months and year ended December 31, 2022. It is classified as assets held for sale on the consolidated balance sheets as at December 31, 2022, and the comparative period is not revised. It is classified as a discontinued operation on the consolidated statements of income and comprehensive income for the three months and years ended December 31, 2022, and December 31, 2021.

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. Clustering also allows Allied to accommodate needs for expansion and contraction within the 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 is 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.

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 people*. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Environmental, social and governance sensitivities are an integral part of Allied. They flow from its evolution as an organization focused on the provision of distinctive urban workspace and network-dense 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.

ESG OVERSIGHT & REPORTING

Allied's Board and Management are committed to making its inherent approach to ESG more manifest, deliberate and measurable. They have always believed that submitting to informed scrutiny will make Allied a better business, and formally submitting to ESG scrutiny is no exception in this regard. The Trustees are responsible for the oversight of the ESG Strategy and ESG initiatives developed by Management. The Board's Governance, Compensation and Nomination Committee oversees and monitors Allied's ESG performance and reviews Allied's ESG Report, ESG Policy and other governance policies and practices annually. Allied established an Executive ESG Committee to assist Management and the Board in defining, designing, implementing, expanding and evaluating Allied's ESG Strategy and ESG initiatives. The Committee reports and makes recommendations to Management and the Board at least once annually.

On the recommendation of the Governance, Compensation and Nomination Committee, in 2021, the Board established four ESG Accountability Corporate Targets, the achievement of which the Governance, Compensation and Nomination Committee and the Board analyzed as part of its assessment of incentive bonus awards for the executive officers.

In June 2022, Allied published its third Annual ESG Report in accordance with the Global Reporting Initiative (GRI) 2021 Universal Standards, the Sustainability Accounting Standards Board (SASB) Real Estate Standard and for the first time, the United Nations Sustainable Development Goals (UN SDGs) and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

ESG HIGHLIGHTS

Outperformed 2024 Targets

In 2021, Allied exceeded its 2024 reduction targets for Energy Use Intensity (EUI), Greenhouse Gas Intensity (GHGI) and Water Use Intensity (WUI).

Reduced Energy Use by 15.4% & GHG Emissions by 12.4%

In 2021, Allied reduced its energy use and greenhouse gas emissions by 15.4% and 12.4%, respectively, compared to the 2019 baseline, surpassing its 2024 reduction targets.

Reduced Water Use by 43.3%

In 2021, Allied reduced its water use from 67 L/ft^2 in 2019 to 38 L/ft^2. This represents a 43.3% reduction compared to the 2019 baseline and exceeds its 2024 target.

Improved our GRESB Score by Six Points

In its 2022 GRESB assessment, Allied scored 86/100 for its standing investments, a six-point improvement from 2021 and scored 82/100 for its development portfolio, a seven-point improvement from 2021.

Issued $1.1 Billion of Green Bonds

In 2021, Allied announced its Green Financing Framework. In February 2021, Allied issued its first green bond for $600 million and in August 2021, it issued its second green bond for $500 million. In December 2021 and June 2022, Allied published Green Bond Reports on the full allocation of the respective net proceeds for its February 2021 and August 2021 green bond issuances.

Initiated Allied's Net Zero Carbon Plan

In early 2022, Allied committed to developing a Net Zero Carbon (NZC) Plan which will identify a clear pathway for Allied to reach net zero in alignment with the Science Based Targets Initiative's (SBTi) Corporate Net-Zero Standard v1.0.

Recognized as a Canadian "Best Employer"

Since 2020, Allied engaged Kincentric to conduct an annual third-party employee engagement survey. In 2020 and 2021, Allied was recognized by Kincentric as a "Best Employer".

Outperformed Peers in User Experience Assessment Ratings

In November 2022, Allied completed its third annual third-party User Experience Assessment Survey. Results demonstrated year over year improvements. 2022 scores exceeded the benchmark of the Kingsley Index in key areas.

Piloted HOME Initiative

In 2021, in partnership with WoodGreen Community Services, a local social service agency, Allied provided two families with housing and social supports.

BUSINESS ENVIRONMENT AND OUTLOOK

Allied's internal forecast for 2023 calls for low-to-mid-single-digit percentage growth in each of same asset NOI, FFO per unit and AFFO per unit. Allied does not forecast NAV per unit growth in any given time period.

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

The foregoing sections contain non-IFRS measures and forward-looking statements. Where it is not explicitly stated, the measures include the results of both continuing and discontinued operations. Management believes these combined results provide a more meaningful measure of financial performance for the periods presented. Refer to Non-IFRS Measures and Forward Looking Statements below.

NON-IFRS MEASURES

Readers are cautioned that certain terms used in the MD&A listed below, including any related per unit amounts, used by Management of Allied to measure, compare and explain the operating results and financial performance of Allied do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income, cash flow from operating activities, or any other measure prescribed under IFRS. These terms are defined in the following table and reconciliations to the most comparable IFRS measure are referenced, as applicable. The following 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.

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Allied's proportionate share or proportionate basis	All references to "proportionate share" or "proportionate basis" refer to a non-IFRS financial measure representing Allied's proportionate share of equity accounted investments. Allied applies the equity method of accounting to its joint venture, TELUS Sky, as prescribed under IFRS. Management presents the proportionate share of its interests in joint arrangements that are accounted for using the equity method as it is viewed as relevant in demonstrating Allied's performance and is the basis of many of Allied's key performance measures.	Section II - Operations, Section V - Asset Profile, Section VI - Liquidity and Capital Resources
Funds from Operations ("FFO") **and** **FFO excluding condominium costs, financing prepayment costs and the mark-to-market adjustment on unit-based compensation**	FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its January 2022 White Paper ("White Paper"). FFO is defined as net income and comprehensive income from continuing operations less certain adjustments, on a proportionate basis, including fair value changes in investment properties, investment properties held for sale and derivative instruments, impairment, incremental leasing costs, net income and comprehensive income from discontinued operations, amortization of improvement allowances and amortization of property, plant and equipment which relates to owner-occupied property. FFO is reconciled to net income and comprehensive income from continuing operations, which is the most directly comparable IFRS measure. Management believes FFO is a key measure of operating performance. FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation starts with FFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs, financing prepayment costs and the mark-to-market adjustment on unit-based compensation. FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation is reconciled to net income and comprehensive income from continuing operations, which is the most directly comparable IFRS measure. Management believes this is a useful measure as these condominium and financing prepayment items are not indicative of recurring operating performance, and the mark-to-market adjustments of unit-based compensation can fluctuate widely with the market.	Section II - Operations - Other Financial Performance Measures

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Adjusted Funds from Operations ("AFFO") **and** **AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation**	AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in the White Paper. AFFO is defined as FFO less amortization of straight-line rents, regular leasing expenditures, regular and recoverable maintenance capital expenditures, and incremental leasing costs (related to regular leasing expenditures). AFFO is reconciled to net income and comprehensive income from continuing operations, which is the most directly comparable IFRS measure. Management considers AFFO to be a useful measure of recurring economic earnings and relevant in understanding Allied's ability to service its debt, fund capital expenditures and provide distributions to Unitholders. AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation starts with AFFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs, financing prepayment costs and the mark-to-market adjustment on unit-based compensation. AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation is reconciled to net income and comprehensive income from continuing operations, which is the most directly comparable IFRS measure. Management believes this is a useful measure as these condominium and financing prepayment items are not indicative of recurring economic earnings, and the mark-to-market adjustments of unit-based compensation can fluctuate widely with the market.	Section II - Operations - Other Financial Performance Measures
Net income from continuing operations excluding fair value adjustments, financing prepayment costs and impairment	Net income from continuing operations excluding fair value adjustments, financing prepayment costs and impairment is a non-IFRS financial measure that starts with net income from continuing operations and removes the effects of fair value gains or losses on investment properties and investment properties held for sale, or derivative instruments, the mark-to-market adjustment on unit-based compensation, financing prepayment costs and impairment on an IFRS basis. Management considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the market, and financing prepayment costs and impairment are non-recurring in nature.	Section II - Operations
Net Rental Income ("NRI")	NRI is a non-IFRS financial measure defined as rental revenue from continuing operations less property operating costs from continuing operations on a proportionate basis. It excludes condominium revenue and condominium cost of sales. The most directly comparable IFRS measure is operating income. Management considers NRI to be a useful measure of the operating performance of its rental properties portfolio.	Section II - Operations - Net Operating Income
Net Operating Income ("NOI") from continuing operations	NOI from continuing operations is a non-IFRS financial measure defined as NRI excluding the impact of non-cash items such as amortization of improvement allowances and the amortization of straight-line rents from continuing operations on a proportionate basis. The most directly comparable IFRS measure to NOI from continuing operations is Operating Income. Management believes this is a useful measure as it demonstrates the cash generating operating performance of its income producing properties.	Section II - Operations - Net Operating Income
NOI from discontinued operations	NOI from discontinued operations is a non-IFRS financial measure defined as rental revenue from discontinued operations less property operating costs from discontinued operations on a proportionate basis, excluding the impact of non-cash items such as amortization of improvement allowances and the amortization of straight-line rents from discontinued operations on a proportionate basis. The most directly comparable IFRS measure to NOI from discontinued operations is Operating Income. Management believes this is a useful measure as it demonstrates the performance of its discontinued segment.	Section II - Operations - Net Operating Income

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Total NOI	Total NOI is a non-IFRS financial measure defined as the sum of NOI from continuing operations and NOI from discontinued operations. The most directly comparable IFRS measure to Total NOI is Operating Income. Management believes this is a useful measure as it demonstrates the cash generating operating performance of all its properties.	Section II - Operations - Net Operating Income
Same Asset NOI	Same asset NOI is a non-IFRS measure defined as NOI for the properties that Allied owned and operated for the entire duration of both the current and comparative period on a proportionate basis. The most directly comparable IFRS measure to same asset NOI is Operating Income. Management believes this is a useful measure as NOI growth can be assessed on its portfolio excluding the impact of acquisition and disposition activities. Allied uses same asset NOI to evaluate the performance of its properties.	Section II - Operations - Same Asset NOI
Normalized Last Quarter Annualized ("LQA") NOI	Normalized LQA NOI is a non-IFRS measure defined as the normalized NOI from continuing operations for an individual property or portfolio for the most recently completed quarter multiplied by four on a proportionate basis. In the calculation of this metric, non-recurring items are excluded from LQA NOI. The most directly comparable IFRS measure to normalized LQA NOI is Operating Income. Management considers normalized LQA NOI relevant in analyzing the operations of its rental properties on a property-by-property or portfolio basis.	N/A
Gross Book Value ("GBV")	GBV is a non-IFRS measure defined as the total assets of Allied on a proportionate basis. The most directly comparable IFRS measure to GBV is total assets. Management believes GBV is a useful measure to assess the growth in Allied's total portfolio of rental and development properties.	Section V - Asset Profile
Unencumbered investment properties	Unencumbered investment properties is a non-IFRS measure defined as the value of investment properties, excluding investment properties held for sale, which are free and clear of any encumbrances. This is calculated on a proportionate share basis. Management believes unencumbered investment properties is a useful measure to assess the borrowing capacity of Allied.	N/A
Cost of Properties Under Development ("PUD") as a percentage of GBV	Cost of PUD as a percentage of GBV is a non-IFRS measure defined as the book value of Allied's properties under development, on a proportionate basis, divided by the GBV at period-end. Management believes this is a useful metric in assessing development risk. Allied has a limit of 15% as outlined in its Declaration of Trust.	Section V - Asset Profile
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") **and** **Annualized Adjusted EBITDA**	Adjusted EBITDA is a non-IFRS measure calculated on a proportionate basis comprised of earnings before interest expense, income taxes, depreciation and amortization expense (including amortization of improvement allowances), impairment, gains and losses on disposal of investment properties and the fair value gains or losses associated with investment properties and investment properties held for sale, financial instruments, and unit-based compensation. Annualized Adjusted EBITDA is a non-IFRS measure calculated as the Adjusted EBITDA for the current period annualized. The most directly comparable IFRS measure to Adjusted EBITDA and Annualized Adjusted EBITDA is net income and comprehensive income. Management believes Adjusted EBITDA and Annualized Adjusted EBITDA are useful metrics to determine Allied's ability to service its debt, finance capital expenditures and provide distributions to its Unitholders.	Section II - Operations - Other Financial Performance Measures

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Net debt	Net debt is a non-IFRS measure, calculated on a proportionate basis, as debt less cash and cash equivalents. The most directly comparable IFRS measure to net debt is debt. Management considers net debt a useful measure for evaluating debt levels and interest coverage.	Section VI - Liquidity and Capital Resources - Debt
Net debt as a multiple of Annualized Adjusted EBITDA	Net debt as a multiple of Annualized Adjusted EBITDA is a non-IFRS measure of Allied's financial leverage and is defined as net debt divided by Annualized Adjusted EBITDA. This measure indicates the number of years required for Allied's Annualized Adjusted EBITDA to repay all outstanding debts, taking into consideration the cash on hand to decrease debt. Management considers this metric a useful measure for evaluating Allied's ability to service its debt.	N/A
FFO and AFFO Payout-Ratios **and** **FFO and AFFO Payout-Ratios excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation**	FFO and AFFO payout-ratios and FFO and AFFO payout-ratios excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation are non-IFRS measures. These payout ratios are calculated by dividing the actual distributions declared by FFO, AFFO and FFO and AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation in a given period. Management considers these metrics a useful way to evaluate Allied's distribution paying capacity.	N/A
Interest Coverage Ratio **and** **Interest Coverage Ratio - including interest capitalized and excluding financing prepayment costs**	Interest coverage ratio and interest coverage ratio including interest capitalized and excluding financing prepayment costs are non-IFRS measures calculated on a trailing three-month basis and twelve-month basis for the three months ended and the year ended, respectively. These ratios are defined as Adjusted EBITDA divided by interest expense with interest capitalized included and financing prepayment costs excluded. Management considers these metrics useful as they indicate Allied's ability to meet its interest cost obligations on a trailing twelve-month basis.	N/A
Total Indebtedness Ratio	Total indebtedness ratio is a non-IFRS measure of Allied's financial leverage, which is calculated on a proportionate basis by taking debt plus outstanding letters of credit divided by total assets. Management considers this metric useful as it indicates Allied's ability to meet its debt obligations.	Section V - Asset Profile

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", "forecast", "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 III - Leasing under the headings "Status" and "Lease Maturity", Section V - Asset Profile, under the headings "Rental Properties", and "Development Properties", Section VI - 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 NOI due to development activities; expected annualized adjusted EBITDA on the properties acquired from Choice Properties; the proposed sale of the Portfolio and the expected use of proceeds if such sale is completed; expected capital expenditure and allocation over 2022; completion of construction and lease-up in connection with Properties Under Development ("PUDs"); growth of our same asset NOI, FFO per unit excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation and AFFO per unit excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation; continued demand for space in our target markets; the expected effect of the global pandemic and consequent economic disruption; Allied's internal forecast; the creation of future value; estimated gross leasable area ("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; targets for LEED certification; the development of a Net Zero Carbon (NZC) Plan and the identification of a clear pathway for Allied to reach net zero; 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, Unit price changes, 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, Section V - Asset Profile and Section VI - Liquidity and Capital Resources are qualified in their entirety by this forward-looking disclaimer. These statements are made as of January 31, 2023, 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.

Section II
–Operations

The following sets out summary information and financial results for three months and year ended December 31, 2022, and the comparable period in 2021.

NET INCOME AND COMPREHENSIVE INCOME

The following table reconciles the consolidated statements of income and comprehensive income on an IFRS basis to a proportionate basis, which is a non-IFRS measure, for the three months and years ended December 31, 2022, and December 31, 2021. Refer to Non-IFRS Measures on page 21.

There is an additional table to reconcile net income and comprehensive income from continuing operations to net income from continuing operations excluding fair value adjustments, financing prepayment costs and impairment, a non-IFRS measure, for the three months and years ended December 31, 2022, and December 31, 2021. Refer to Non-IFRS Measures on page 21.

	THREE MONTHS ENDED					
	DECEMBER 31, 2022			DECEMBER 31, 2021		
	IFRS BASIS	**INVESTMENT IN JOINT VENTURE**	**PROPORTIONATE BASIS**	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Continuing operations						
Rental revenue	**$135,924**	**$1,855**	**$137,779**	$122,534	$1,411	$123,945
Property operating costs	**(58,639)**	**(745)**	**(59,384)**	(55,056)	(1,096)	(56,152)
Net rental income	**77,285**	**1,110**	**78,395**	67,478	315	67,793
Operating income	**$77,285**	**$1,110**	**$78,395**	$67,478	$315	$67,793
Interest expense	**(20,722)**	**—**	**(20,722)**	(15,883)	(16)	(15,899)
General and administrative expenses	**(5,794)**	**—**	**(5,794)**	(7,464)	—	(7,464)
Condominium marketing expenses	**(189)**	**—**	**(189)**	(108)	—	(108)
Amortization of other assets	**(385)**	**—**	**(385)**	(273)	—	(273)
Interest income	**9,429**	**6**	**9,435**	7,036	—	7,036
Fair value (loss) gain on investment properties and investment properties held for sale	**(42,988)**	**693**	**(42,295)**	63,573	(1,134)	62,439
Fair value gain (loss) on derivative instruments	**1,733**	**—**	**1,733**	(6)	—	(6)
Net income (loss) from joint venture	**1,809**	**(1,809)**	**—**	(835)	835	—
Net income and comprehensive income from continuing operations [1]	**$20,178**	**$—**	**$20,178**	$113,518	$—	$113,518

	THREE MONTHS ENDED					
	DECEMBER 31, 2022			DECEMBER 31, 2021		
	IFRS BASIS	**INVESTMENT IN JOINT VENTURE**	**PROPORTIONATE BASIS**	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Discontinued operations (UDC segment)						
Rental revenue	**$23,810**	**$—**	**$23,810**	$24,188	$—	$24,188
Property operating costs	**(7,251)**	**—**	**(7,251)**	(8,861)	—	(8,861)
Net rental income	**$16,559**	**$—**	**$16,559**	$15,327	$—	$15,327
Interest expense	**(1,778)**	**—**	**(1,778)**	(1,555)	—	(1,555)
Fair value gain on investment properties held for sale	**6,433**	**—**	**6,433**	32,631	—	32,631
Net income and comprehensive income from discontinued operations	**21,214**	**—**	**21,214**	46,403	—	46,403
Net income and comprehensive income	**$41,392**	**$—**	**$41,392**	$159,921	$—	$159,921

(1) Includes two investment properties held for sale as at December 31, 2022, and three investment properties held for sale as at December 31, 2021.

	THREE MONTHS ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Net income and comprehensive income from continuing operations	**$20,178**	$113,518
Fair value loss (gain) on investment properties and investment properties held for sale	**42,988**	(63,573)
Fair value (gain) loss on derivative instruments	**(1,733)**	6
Mark-to-market adjustment on unit-based compensation	**(55)**	—
Financing prepayment costs	**(564)**	721
Net income from continuing operations excluding fair value adjustments, financing prepayment costs and impairment [(1)]	**$60,814**	$50,672

(1) This excludes the Urban Data Centre segment which was classified as a discontinued operation in Q4 2022. The prior period comparative figures have been revised accordingly.

On an IFRS basis, net income and comprehensive income from continuing operations for the three months ended December 31, 2022, decreased by $93,340 from the comparable period in 2021, primarily due to fair value adjustments, partially offset by an increase in operating income. On an IFRS basis, net income and comprehensive income from discontinued operations for the three months ended December 31, 2022, decreased by $25,189 from the comparable period in 2021, primarily due to fair value adjustments. For the three months ended December 31, 2022, the fair value loss on investment properties and investment properties held for sale of continuing and discontinued operations on an IFRS basis is $36,555 (December 31, 2021 - fair value gain on investment properties and investment properties held for sale of $96,204).

	YEAR ENDED					
	DECEMBER 31, 2022			DECEMBER 31, 2021		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Continuing operations						
Rental revenue	**$519,468**	**$6,771**	**$526,239**	$472,799	$4,907	$477,706
Property operating costs	**(224,260)**	**(3,843)**	**(228,103)**	(204,792)	(3,274)	(208,066)
Net rental income	**295,208**	**2,928**	**298,136**	268,007	1,633	269,640
Operating income	**$295,208**	**$2,928**	**$298,136**	$268,007	$1,633	$269,640
Interest expense	**(72,802)**	**—**	**(72,802)**	(114,196)	(206)	(114,402)
General and administrative expenses	**(22,593)**	**—**	**(22,593)**	(25,834)	—	(25,834)
Condominium marketing expenses	**(602)**	**—**	**(602)**	(573)	(14)	(587)
Amortization of other assets	**(1,325)**	**—**	**(1,325)**	(1,167)	—	(1,167)
Interest income	**32,080**	**12**	**32,092**	28,023	—	28,023
Fair value (loss) gain on investment properties and investment properties held for sale	**(73,750)**	**(6,101)**	**(79,851)**	161,222	(1,864)	159,358
Fair value gain on derivative instruments	**37,343**	**—**	**37,343**	16,350	—	16,350
Impairment of residential inventory	**(15,729)**	**—**	**(15,729)**	—	—	—
Net loss from joint venture	**(3,161)**	**3,161**	**—**	(451)	451	—
Net income and comprehensive income from continuing operations [(1)]	**$174,669**	**$—**	**$174,669**	$331,381	$—	$331,381
Discontinued operations (UDC segment)						
Rental revenue	**$ 96,669**	**$—**	**$ 96,669**	$ 96,087	$—	$ 96,087
Property operating costs	**(32,375)**	**—**	**(32,375)**	(34,703)	—	(34,703)
Net rental income	**$64,294**	**$—**	**$64,294**	$61,384	$ —	$61,384
Interest expense	**(6,532)**	**—**	**(6,532)**	(5,949)	—	(5,949)
Fair value gain on investment properties held for sale	**142,932**	**—**	**142,932**	56,335	—	56,335
Net income and comprehensive income from discontinued operations	**$200,694**	**$—**	**$200,694**	$111,770	$—	$111,770
Net income and comprehensive income	**$375,363**	**$—**	**$375,363**	$443,151	$—	$443,151

(1) Includes two investment properties held for sale as at December 31, 2022, and three investment properties held for sale as at December 31, 2021.

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Net income and comprehensive income from continuing operations	**$174,669**	$331,381
Fair value loss (gain) on investment properties and investment properties held for sale	**73,750**	(161,222)
Fair value gain on derivative instruments	**(37,343)**	(16,350)
Mark-to-market adjustment on unit based compensation	**(1,123)**	—
Financing prepayment costs	**(564)**	52,610
Impairment of residential inventory	**15,729**	—
Net income from continuing operations excluding fair value adjustments, financing prepayment costs and impairment [1]	**$225,118**	$206,419

(1) This excludes the Urban Data Centre segment which was classified as a discontinued operation in Q4 2022. The prior period comparative figures have been revised accordingly.

On an IFRS basis, net income and comprehensive income from continuing operations for the year ended December 31, 2022, decreased by $156,712 from the comparable period in 2021 primarily due to fair value adjustments, partially offset by an increase in operating income and a decrease in interest expense. On an IFRS basis, net income and comprehensive income from discontinued operations for the year ended December 31, 2022, increased by $88,924 from the comparable period in 2021, primarily due to fair value adjustments. For the year ended December 31, 2022, the fair value gain on investment properties and investment properties held for sale of continuing and discontinued operations on an IFRS basis is $69,182 (December 31, 2021 - $217,557).

NET OPERATING INCOME ("NOI")

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, 2022, as compared to the same period in the prior year.

As the Urban Data Centre segment has been classified as held for sale as at December 31, 2022, its results of operations have been presented separately as discontinued operations.

The following table reconciles operating income to net operating income, a non-IFRS measure. Refer to Non-IFRS measures on page 21.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021	**DECEMBER 31, 2022**	DECEMBER 31, 2021
Operating income, IFRS basis	**$77,285**	$67,478	**$295,208**	$268,007
Add: investment in joint venture	**1,110**	315	**2,928**	1,633
Operating income, proportionate basis	**$78,395**	$67,793	**$298,136**	$269,640
Amortization of improvement allowances (1)(2)	**8,147**	8,124	**32,379**	31,894
Amortization of straight-line rents (1)(2)	**(2,533)**	(1,016)	**(6,739)**	(3,442)
NOI from continuing operations	**$84,009**	$74,901	**$323,776**	$298,092
NOI from discontinued operations	**$16,392**	$15,337	**$64,134**	$60,627
Total NOI	**$100,401**	$90,238	**$387,910**	$358,719

(1) *Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months and year ended December 31, 2022: amortization improvement allowances of $164 and $613, respectively (December 31, 2021 - $130 and $119, respectively), and amortization of straight-line rents of $(25) and $(609), respectively (December 31, 2021 - $(239) and $(1,047), respectively).*

(2) *Excludes the Urban Data Centre segment which was classified as a discontinued operation in Q4 2022. The prior period comparative figures have been revised accordingly. For the three months and year ended December 31, 2022, the Urban Data Centre segment's amortization of improvement allowances was $132 and $536, respectively (December 31, 2021 - $135 and $530, respectively). For the three months and year ended December 31, 2022, the Urban Data Centre segment's amortization of straight-line rents was $(299) and $(695), respectively (December 31, 2021 - $(125) and $(1,287), 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, 2022, and the comparable period in 2021.

	THREE MONTHS ENDED				CHANGE	
SEGMENT	**DECEMBER 31, 2022**		DECEMBER 31, 2021		$	%
Urban Workspace						
Montréal & Ottawa	**$29,220**	**29.1%**	$30,401	33.7%	$(1,181)	(3.9)%
Toronto & Kitchener	**40,676**	**40.5**	34,853	38.6	5,823	16.7
Calgary & Edmonton	**5,579**	**5.6**	4,784	5.3	795	16.6
Vancouver	**8,534**	**8.5**	4,863	5.4	3,671	75.5
NOI from continuing operations	**$84,009**	**83.7%**	$74,901	83.0%	$9,108	12.2%
NOI from discontinued operations	**$16,392**	**16.3%**	$15,337	17.0%	$1,055	6.9%
Total NOI	**$100,401**	**100.0%**	$90,238	100.0%	$10,163	11.3%

TYPE OF SPACE	THREE MONTHS ENDED				CHANGE	
	DECEMBER 31, 2022		DECEMBER 31, 2021		$	%
Urban Workspace - Office	**$69,914**	**69.7%**	$63,534	70.4%	$6,380	10.0%
Urban Workspace - Retail	**9,074**	**9.0**	7,592	8.4	1,482	19.5
Urban Workspace - Parking	**5,021**	**5.0**	3,775	4.2	1,246	33.0
NOI from continuing operations	**$84,009**	**83.7%**	$74,901	83.0%	$9,108	12.2%
NOI from discontinued operations	**$16,392**	**16.3%**	$15,337	17.0%	$1,055	6.9%
Total NOI	**$100,401**	**100.0%**	$90,238	100.0%	$10,163	11.3%

The increase in NOI from continuing operations for the three months ended December 31, 2022, was due to acquisitions, increased variable parking revenue, and rent commencement at The Well, partially offset by known non-renewals at Cité Multimédia and de-leasing to facilitate upgrade activities at 1001 Boulevard Robert-Bourassa in Montréal. The increase in NOI from discontinued operations for the three months ended December 31, 2022, was due to rent, occupancy and ancillary revenue growth in the UDC portfolio.

SEGMENT	YEAR ENDED				CHANGE	
	DECEMBER 31, 2022		DECEMBER 31, 2021		$	%
Urban Workspace						
Montréal & Ottawa	**$116,059**	**29.9%**	$115,970	32.3%	$89	0.1%
Toronto & Kitchener	**154,644**	**39.9**	142,360	39.7	12,284	8.6
Calgary & Edmonton	**21,823**	**5.6**	19,829	5.5	1,994	10.1
Vancouver	**31,250**	**8.1**	19,933	5.6	11,317	56.8
NOI from continuing operations	**$323,776**	**83.5%**	$298,092	83.1%	$25,684	8.6%
NOI from discontinued operations	**$64,134**	**16.5%**	$60,627	16.9%	$3,507	5.8%
Total NOI	**$387,910**	**100.0%**	$358,719	100.0%	$29,191	8.1%

TYPE OF SPACE	YEAR ENDED				CHANGE	
	DECEMBER 31, 2022		DECEMBER 31, 2021		$	%
Urban Workspace - Office	**$269,974**	**69.6%**	$254,516	70.9%	$15,458	6.1%
Urban Workspace - Retail	**36,374**	**9.4**	30,758	8.6	5,616	18.3
Urban Workspace - Parking	**17,428**	**4.5**	12,818	3.6	4,610	36.0
NOI from continuing operations	**$323,776**	**83.5%**	$298,092	83.1%	$25,684	8.6%
NOI from discontinued operations	**$64,134**	**16.5%**	$60,627	16.9%	$3,507	5.8%
Total NOI	**$387,910**	**100.0%**	$358,719	100.0%	$29,191	8.1%

The increase in NOI from continuing operations for the year ended December 31, 2022, was due to acquisitions, increased variable parking revenue and rent commencement at The Well, partially offset by known non-renewals at Cité Multimédia in Montréal and 185 Spadina in Toronto and de-leasing to facilitate upgrade activities at 1001 Boulevard Robert-Bourassa in Montréal. The increase in NOI from discontinued operations for the year ended December 31, 2022, was due to rent and occupancy growth in the UDC portfolio.

SAME ASSET NOI

Same asset NOI, a non-IFRS measure in the table below, refers to those investment properties that were owned by Allied from October 1, 2021, to December 31, 2022. Same asset NOI of the development portfolio for the three months ended December 31, 2022, consists of Breithaupt Phase III, Adelaide & Duncan, 185 Spadina, College & Manning, KING Toronto, QRC West Phase II, King & Brant, 400 Atlantic, Boardwalk-Revillon Building, 342 Water Street, 3575 Saint-Laurent and portions of The Well, 1001 Boulevard Robert-Bourassa and RCA Building - 1001 Lenoir Street. Same asset NOI of the assets held for sale for the three months ended December 31, 2022, consists of five investment properties.

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Urban Workspace				
Montréal & Ottawa	**$26,552**	$28,363	$(1,811)	(6.4)%
Toronto & Kitchener	**30,745**	31,407	(662)	(2.1)
Calgary	**4,929**	4,199	730	17.4
Vancouver	**5,100**	4,530	570	12.6
Rental Portfolio - Same Asset NOI	**$67,326**	$68,499	$(1,173)	(1.7)%
Assets Held for Sale - Same Asset NOI	**16,820**	15,480	1,340	8.7
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$84,146**	$83,979	$167	0.2%
Urban Workspace	**4,040**	2,690	1,350	50.2
Development Portfolio - Same Asset NOI	**$4,040**	$2,690	$1,350	50.2%
Total Portfolio - Same Asset NOI	**$88,186**	$86,669	$1,517	1.8%
Acquisitions	**9,415**	247	9,168	
Dispositions	**(5)**	393	(398)	
Lease terminations	**741**	268	473	
Development fees and corporate items	**2,064**	2,661	$(597)	
Total NOI	**$100,401**	$90,238	$10,163	11.3%

Same asset NOI of the total portfolio increased by $1,517 or 1.8% for the three months ended December 31, 2022. Same asset NOI of the rental portfolio and assets held for sale increased by $167 or 0.2% as a result of increased variable parking revenue, rent growth and economic occupancy in Vancouver, Calgary, and rent, occupancy and ancillary revenue growth in the UDC portfolio. This was offset by known non-renewals at Cité Multimédia in Montréal.

Same asset NOI of the development portfolio increased by $1,350 or 50.2%, primarily due to rent commencement at The Well. This was partially offset by de-leasing to facilitate upgrade activities at 1001 Boulevard Robert-Bourassa in Montréal.

Same asset NOI, a non-IFRS measure in the table below, refers to those investment properties that were owned by Allied from January 1, 2021, to December 31, 2022. Same asset NOI of the development portfolio for the year ended December 31, 2022, consists of Breithaupt Phase III, Adelaide & Duncan, 185 Spadina, College & Manning, KING Toronto, QRC West Phase II, King & Brant, 400 Atlantic, Boardwalk-Revillon Building, 342 Water Street, 3575 Saint-Laurent and portions of The Well, 1001 Boulevard Robert-Bourassa and RCA Building - 1001 Lenoir Street. Same asset NOI of the assets held for sale for the year ended December 31, 2022, consists of five investment properties.

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Urban Workspace				
Montréal & Ottawa	**$104,940**	$108,765	$(3,825)	(3.5)%
Toronto & Kitchener	**124,339**	125,549	(1,210)	(1.0)
Calgary	**18,571**	16,753	1,818	10.9
Vancouver	**20,593**	19,374	1,219	6.3
Rental Portfolio - Same Asset NOI	**$268,443**	$270,441	$(1,998)	(0.7)%
Assets Held for Sale - Same Asset NOI	**65,331**	62,009	3,322	5.4
Rental Portfolio and Assets Held for Sale - Same Asset NOI	**$333,774**	$332,450	$1,324	0.4%
Urban Workspace	**8,722**	9,514	(792)	(8.3)
Development Portfolio - Same Asset NOI	**$8,722**	$9,514	$(792)	(8.3)%
Total Portfolio - Same Asset NOI	**$342,496**	$341,964	$532	0.2%
Acquisitions	**33,420**	2,366	31,054	
Dispositions	**1,319**	1,548	(229)	
Lease terminations	**1,094**	1,281	(187)	
Development fees and corporate items	**9,581**	11,560	(1,979)	
Total NOI	**$387,910**	$358,719	$29,191	8.1%

Same asset NOI of the total portfolio increased by $532 or 0.2% for the year ended December 31, 2022. Same asset NOI of the rental portfolio and assets held for sale increased by $1,324 or 0.4% as a result of increased variable parking revenue, rent growth and economic occupancy in Vancouver and Calgary, and rent and occupancy growth in the UDC portfolio. This was offset by known non-renewals at Cité Multimédia in Montréal.

Same asset NOI of the development portfolio decreased by $792 or 8.3% primarily due to de-leasing to facilitate upgrade activities at 1001 Boulevard Robert-Bourassa in Montréal and 185 Spadina in Toronto. This was partially offset by rent commencement at The Well.

INTEREST EXPENSE

Interest expense for the three months and years ended December 31, 2022, and 2021, are as follows:

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Interest on debt:				
Mortgages payable	**$1,133**	$1,002	$131	13.1%
Construction loans payable	**2,236**	1,390	846	60.9
Promissory note payable	**504**	—	504	100.0
Unsecured Facility	**5,060**	1,409	3,651	259.1
Unsecured Debentures	**18,675**	18,666	9	—
Unsecured Term Loans	**7,031**	2,202	4,829	219.3
Interest on lease liabilities [1]	**803**	806	(3)	(0.4)
Amortization, net discount (premium) on debt	**879**	(117)	996	851.3
Amortization, net financing costs	**641**	590	51	8.6
	$36,962	$25,948	$11,014	42.4%
Interest capitalized to qualifying investment properties and residential inventory	**(15,676)**	(10,786)	(4,890)	45.3
Interest expense excluding financing prepayment costs	**$21,286**	$15,162	$6,124	40.4%
Financing prepayment costs	**(564)**	721	(1,285)	(178.2)
Interest expense, IFRS basis	**$20,722**	$15,883	$4,839	30.5%

(1) Excludes interest on a lease liability held for sale of $1,778 (December 31, 2021 - $1,555).

For the three months ended December 31, 2022, interest expense on an IFRS basis increased by $4,839 or 30.5% over the comparable period primarily due to a higher balance of Unsecured Term Loans, higher draws on the Unsecured Facility, partially offset by higher capitalized interest and lower financing prepayment costs.

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Interest on debt:				
Mortgages payable	**$4,635**	$16,722	$(12,087)	(72.3)%
Construction loans payable	**6,487**	2,983	3,504	117.5
Promissory note payable	**1,512**	—	1,512	100.0
Unsecured Facility	**11,125**	2,836	8,289	292.3
Unsecured Debentures	**74,705**	64,940	9,765	15.0
Unsecured Term Loans	**20,592**	8,739	11,853	135.6
Interest on lease liabilities [1]	**3,224**	3,235	(11)	(0.3)
Amortization, net discount (premium) on debt	**2,401**	(531)	2,932	552.2
Amortization, net financing costs	**2,495**	2,394	101	4.2
	$127,176	$101,318	$25,858	25.5%
Interest capitalized to qualifying investment properties and residential inventory	**(53,810)**	(39,732)	(14,078)	35.4
Interest expense excluding financing prepayment costs	**$73,366**	$61,586	$11,780	19.1%
Financing prepayment costs	**(564)**	52,610	(53,174)	(101.1)
Interest expense, IFRS basis	**$72,802**	$114,196	$(41,394)	(36.2)%

(1) Excludes interest on a lease liability held for sale of $6,532 (December 31, 2021 - $5,949).

For the year ended December 31, 2022, interest expense on an IFRS basis decreased by $41,394 or 36.2% primarily due to a financing prepayment cost in the comparative period, a lower balance of mortgages payable and higher capitalized interest, partially offset by a higher balance of Unsecured Term Loans, higher Unsecured Debentures' interest expense, and higher draws on the Unsecured Facility.

For the three months and year ended December 31, 2022, 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, 2022, 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, and engineering and architectural drawings. On completion of upgrade and development activity, the ability to capitalize interest expense ends, partially offsetting the positive impact of lease commencement.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months and years ended December 31, 2022 and 2021, are as follows:

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Salaries and benefits	**$6,403**	$6,317	$86	1.4%
Professional and trustees fees	**1,343**	1,184	159	13.4
Office and general expenses	**1,448**	1,938	(490)	(25.3)
	$9,194	$9,439	$(245)	(2.6)%
Capitalized to qualifying investment properties	**(3,400)**	(1,975)	(1,425)	(72.2)
Total general and administrative expenses, IFRS basis	**$5,794**	$7,464	$(1,670)	(22.4)%

For the three months ended December 31, 2022, general and administrative expenses decreased by $1,670 or 22.4% from the comparable period primarily due to increased capitalization of general and administrative expenses as there was a higher volume of development and upgrade projects underway.

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Salaries and benefits	**$21,119**	$21,683	$(564)	(2.6)%
Professional and trustees fees	**6,051**	4,481	1,570	35.0
Office and general expenses	**5,549**	5,816	(267)	(4.6)
	$32,719	$31,980	$739	2.3%
Capitalized to qualifying investment properties	**(10,126)**	(6,146)	(3,980)	64.8
Total general and administrative expenses, IFRS basis	**$22,593**	$25,834	$(3,241)	(12.5)%

For the year ended December 31, 2022, general and administrative expenses decreased by $3,241 or 12.5% from the comparable period primarily due to the mark-to-market adjustment on the unit-based compensation incurred in the current period, severance expense incurred in the comparable period and increased capitalization of general and administrative expenses as there was a higher volume of development and upgrade projects underway, partially offset by higher consulting and trustee fees.

INTEREST INCOME

Interest income for the three months and years ended December 31, 2022 and 2021, are as follows:

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Interest on loans receivable	**$8,482**	$6,358	$2,124	33.4%
Guarantee fees	**794**	593	201	33.9
Interest on cash and cash equivalents and other	**153**	85	68	80.0
Interest income, IFRS basis	**$9,429**	$7,036	$2,393	34.0%

For the three months ended December 31, 2022, interest income increased by $2,393 or 34.0% over the comparative period primarily due to a higher balance of loans receivable.

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021	$	%
Interest on loans receivable	**$28,765**	$24,065	$4,700	19.5%
Guarantee fees	**2,820**	3,294	(474)	(14.4)
Interest on cash and cash equivalents and other	**495**	664	(169)	(25.5)
Interest income, IFRS basis	**$32,080**	$28,023	$4,057	14.5%

For the year ended December 31, 2022, interest income increased by $4,057 or 14.5% from the comparable period primarily due to a higher balance of loans receivable, partially offset by a retroactive guarantee fee in the comparative period.

OTHER FINANCIAL PERFORMANCE MEASURES

FUNDS FROM OPERATIONS ("FFO") AND FFO EXCLUDING CONDOMINIUM RELATED ITEMS, FINANCING PREPAYMENT COSTS AND THE MARK-TO-MARKET ADJUSTMENT ON UNIT-BASED COMPENSATION

Allied's calculation of FFO, a non-IFRS measure, is in compliance with REALPAC's standardized definition in the White Paper. FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation, a non-IFRS measure, starts with the standardized definition of FFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs, financing prepayment costs and the mark-to-market adjustment on unit-based compensation. Refer to Non-IFRS Measures on page 21.

Allied initiated condominium pre-sales at KING Toronto, a 50/50 joint venture with Westbank, in the fourth quarter of 2018. For the three months and year ended December 31, 2022, Allied incurred (at its share) $189 and $602, respectively, 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.

For the three months ended December 31, 2022, FFO per unit excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation totaled $0.618. This is an increase of $0.018 or 3.0% over the comparable period in the prior year. The increase was primarily due to an increase in total NOI, partially offset by higher interest expense.

For the year ended December 31, 2022, FFO per unit excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation totaled $2.435. This is an increase of $0.030 or 1.2% over the comparable period in the prior year. The increase was primarily due to an increase in total NOI, partially offset by an increase in interest expense.

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, financing prepayment costs and the mark-to-market adjustment on unit-based compensation. Refer to Non-IFRS Measures on page 21. For the three months and year ended December 31, 2022, the FFO pay-out ratio excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation was 70.8% and 71.8%, respectively.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO") EXCLUDING CONDOMINIUM RELATED ITEMS, FINANCING PREPAYMENT COSTS AND THE MARK-TO-MARKET ADJUSTMENT ON UNIT-BASED COMPENSATION

Allied's calculation of AFFO, a non-IFRS measure, is in compliance with REALPAC's standardized definition in the White Paper. AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation, a non-IFRS measure, starts with the standardized definition of AFFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs, financing prepayment costs and the mark-to-market adjustment on unit-based compensation. Refer to Non-IFRS Measures on page 21.

For the three months ended December 31, 2022, AFFO per unit excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation totaled $0.548. This represents an increase of $0.030 or 5.8% over the comparable period in the prior year. The increase was primarily due to the changes in FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation discussed above and lower regular and recoverable maintenance capital expenditures, partially offset by higher amortization of straight-line rents.

For the year ended December 31, 2022, AFFO per unit excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation totaled $2.174. This represents an increase of $0.083 or 4.0% over the comparable period in the prior year. The increase was primarily due to the changes in FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation discussed above and lower regular leasing expenditures and lower regular and recoverable maintenance capital expenditures, partially offset by higher amortization of straight-line rents.

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, financing prepayment costs and the mark-to-market adjustment on unit-based compensation, which is the ratio of actual distributions to AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation in a given period. For the three months and year ended December 31, 2022, the AFFO pay-out ratio excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation was 79.9% and 80.4%, respectively.

RECONCILIATION OF FFO AND AFFO

The following table reconciles Allied's net income and comprehensive income from continuing operations to FFO, FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation and AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation, which are on a non-IFRS basis, for the three months and years ended December 31, 2022 and December 31, 2021. Refer to Non-IFRS Measures on page 21.

	THREE MONTHS ENDED		
	DECEMBER 31, 2022	DECEMBER 31, 2021	CHANGE
Net income and comprehensive income from continuing operations	**$20,178**	$113,518	$(93,340)
Net income and comprehensive income from discontinued operations	**21,214**	46,403	(25,189)
Adjustment to fair value of investment properties and investment properties held for sale	**36,555**	(96,204)	132,759
Adjustment to fair value of derivative instruments	**(1,733)**	6	(1,739)
Incremental leasing costs	**2,479**	2,249	230
Amortization of improvement allowances	**8,115**	8,129	(14)
Amortization of property, plant and equipment [1]	**99**	—	99
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**(693)**	1,134	(1,827)
Amortization of improvement allowances	**164**	130	34
Interest expense [2]	**377**	326	51
FFO	**$86,755**	$75,691	$11,064
Condominium marketing costs	**189**	108	81
Financing prepayment costs	**(564)**	721	(1,285)
Mark-to-market adjustment on unit-based compensation	**(55)**	—	(55)
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$86,325**	$76,520	$9,805
Amortization of straight-line rents	**(2,807)**	(902)	(1,905)
Regular leasing expenditures [3]	**(2,855)**	(3,253)	398
Regular maintenance capital expenditures	**(354)**	(1,566)	1,212
Incremental leasing costs (related to regular leasing expenditures)	**(1,736)**	(1,574)	(162)
Recoverable maintenance capital expenditures	**(1,995)**	(2,910)	915
Adjustment relating to joint venture:			
Amortization of straight-line rents	**(25)**	(239)	214
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$76,553**	$66,076	$10,477
Weighted average number of units [4]			
Basic	**139,765,128**	127,441,142	12,323,986
Diluted	**139,765,128**	127,611,273	12,153,855
Per unit - basic			
FFO	**$0.621**	$0.594	$0.027
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.618**	$0.600	$0.018
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.548**	$0.518	$0.030

	THREE MONTHS ENDED		
	DECEMBER 31, 2022	DECEMBER 31, 2021	CHANGE
Per unit - diluted			
FFO	**$0.621**	$0.593	$0.028
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.618**	$0.600	$0.018
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$0.548**	$0.518	$0.030
Pay-out Ratio			
FFO	**70.5%**	71.6%	(1.1%)
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**70.8%**	70.9%	(0.1%)
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**79.9%**	82.1%	(2.2%)

(1) Property, plant and equipment relates to owner-occupied property.

(2) 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.

(3) Refer to Capital Expenditures on page 46 for a description of regular leasing expenditures.

(4) The weighted average number of units includes Units and Exchangeable LP Units. The Exchangeable LP Units are classified as equity in the audited consolidated financial statements as non-controlling interests.

	YEAR ENDED		
	DECEMBER 31, 2022	DECEMBER 31, 2021	CHANGE
Net income and comprehensive income from continuing operations	**$174,669**	$331,381	$(156,712)
Net income and comprehensive income from discontinued operations	**200,694**	111,770	88,924
Adjustment to fair value of investment properties and investment properties held for sale	**(69,182)**	(217,557)	148,375
Adjustment to fair value of derivative instruments	**(37,343)**	(16,350)	(20,993)
Impairment of residential inventory	**15,729**	—	15,729
Incremental leasing costs	**9,281**	8,038	1,243
Amortization of improvement allowances	**32,302**	32,305	(3)
Amortization of property, plant and equipment [1]	**224**	—	224
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	**6,101**	1,864	4,237
Amortization of improvement allowances	**613**	119	494
Interest expense [2]	**1,389**	1,806	(417)
FFO	**$334,477**	$253,376	$81,101
Condominium marketing costs	**602**	573	29
Financing prepayment costs	**(564)**	52,610	(53,174)
Mark-to-market adjustment on unit-based compensation	**(1,123)**	—	(1,123)
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$333,392**	$306,559	$26,833
Amortization of straight-line rents	**(6,825)**	(3,682)	(3,143)
Regular leasing expenditures [3]	**(13,956)**	(17,177)	3,221
Regular maintenance capital expenditures	**(1,979)**	(4,327)	2,348
Incremental leasing costs (related to regular leasing expenditures)	**(6,497)**	(5,626)	(871)
Recoverable maintenance capital expenditures	**(5,947)**	(8,183)	2,236
Adjustment relating to joint venture:			
Amortization of straight-line rents	**(609)**	(1,047)	438
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$297,579**	$266,517	$31,062
Weighted average number of units [4]			
Basic	**136,880,675**	127,305,384	9,575,291
Diluted	**136,904,082**	127,455,829	9,448,253

	YEAR ENDED		
	DECEMBER 31, 2022	DECEMBER 31, 2021	CHANGE
Per unit - basic			
FFO	**$2.444**	$1.990	$0.454
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$2.436**	$2.408	$0.028
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$2.174**	$2.094	$0.080
Per unit - diluted			
FFO	**$2.443**	$1.988	$0.455
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$2.435**	$2.405	$0.030
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**$2.174**	$2.091	$0.083
Pay-out Ratio			
FFO	**71.6%**	85.5%	(13.9%)
FFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**71.8%**	70.6%	1.2%
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation	**80.4%**	81.2%	(0.8%)

(1) Property, plant and equipment relates to owner-occupied property.

(2) 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.

(3) Refer to Capital Expenditures on page 46 for a description of regular leasing expenditures.

(4) The weighted average number of units includes Units and Exchangeable LP Units. The Exchangeable LP Units are classified as equity in the audited consolidated financial statements as non-controlling interests.

CAPITAL EXPENDITURES

Our portfolio requires ongoing maintenance capital expenditures and leasing expenditures.

Regular maintenance capital expenditures are costs incurred to maintain and sustain the existing property infrastructure, including structural repairs. Recoverable maintenance capital expenditures are typically not structural in nature, but allow the building to operate more efficiently, such as investing in building automation systems and HVAC systems. These improvements provide a direct benefit to users and can be recovered over the useful life of the asset according to the lease. Both regular maintenance capital expenditures and recoverable maintenance capital expenditures are deducted in the calculation of AFFO.

Regular leasing expenditures are leasing costs incurred to maintain the existing revenues of a property and are deducted in the calculation of AFFO. These costs are considered operational, and typically include improvement allowances, landlord's work and leasing commissions required to replace or renew users at existing rates or market rates.

For the three months ended December 31, 2022, Allied incurred (i) $2,855 in regular leasing expenditures or $10.44 per square foot, (ii) $354 in regular maintenance capital expenditures and (iii) $1,995 of recoverable maintenance capital expenditures.

For the year ended December 31, 2022, Allied incurred (i) $13,956 in regular leasing expenditures or $11.98 per square foot, (ii) $1,979 in regular maintenance capital expenditures and (iii) $5,947 of recoverable maintenance capital expenditures.

Revenue-enhancing capital is invested to improve the revenue generating ability of the properties. This includes investments to change the use of space, increase gross leasable area, or materially improve the aesthetics or efficiency of a property. Development costs are investments to generate new revenue streams and/or to increase the productivity of a property. These consist of pre-development costs, carrying costs, direct construction costs, leasing costs, improvement allowances, borrowing costs, and direct costs of internal staff directly attributable to the projects under development.

For the three months and year ended December 31, 2022, Allied invested $93,398 and $391,210, respectively, of revenue enhancing capital into its portfolio to enhance its income-producing capability and in ongoing development activity.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021	**DECEMBER 31, 2022**	DECEMBER 31, 2021
Regular maintenance capital expenditures	**$354**	$1,566	**$1,979**	$4,327
Recoverable maintenance capital expenditures	**$1,995**	$2,910	**$5,947**	$8,183
Regular leasing expenditures	**$2,855**	$3,253	**$13,956**	$17,177
Revenue-enhancing capital and development costs	**$93,398**	$128,973	**$391,210**	$417,967

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

The following table reconciles Allied's net income and comprehensive income to Adjusted EBITDA, a non-IFRS measure, for the three months and years ended December 31, 2022 and December 31, 2021. Refer to Non-IFRS Measures on page 21.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021	**DECEMBER 31, 2022**	DECEMBER 31, 2021
Net income and comprehensive income for the period	**$41,392**	$159,921	**$375,363**	$443,151
Interest expense [1]	**22,500**	17,454	**79,334**	120,351
Amortization of other assets	**385**	273	**1,325**	1,167
Amortization of improvement allowances	**8,279**	8,259	**32,915**	32,424
Impairment of residential inventory	**—**	—	**15,729**	—
Fair value loss (gain) on investment properties and investment properties held for sale [2]	**35,862**	(95,070)	**(63,081)**	(215,693)
Fair value (gain) loss on derivative instruments	**(1,733)**	6	**(37,343)**	(16,350)
Mark-to-market adjustment on unit-based compensation	**(55)**	—	**(1,123)**	—
Adjusted EBITDA [3]	**$106,630**	$90,843	**$403,119**	$365,050

(1) *Includes Allied's proportionate share of the equity accounted investment's interest expense of $nil and $nil for the three months and year ended December 31, 2022, respectively (December 31, 2021 - $16 and $206, respectively).*

(2) *Includes Allied's proportionate share of the equity accounted investment's fair value gain on investment properties of $693 and fair value loss of $6,101 for the three months and year ended December 31, 2022, respectively (December 31, 2021 - fair value loss on investment properties of $1,134 and $1,864, respectively).*

(3) *Includes the Urban Data Centre segment which was classified as a discontinued operation in Q4 2022.*

Section III
–Leasing

Allied strives to maintain high levels of occupancy and leased area. At December 31, 2022, Allied's rental portfolio (which excludes assets held for sale including UDC) was 90.8% leased.

STATUS

Leasing status for the rental portfolio as at December 31, 2022, is summarized below:

	YEAR ENDED	
	GLA	AS A % OF TOTAL GLA [1]
Leased area (occupied & committed) on January 1, 2022	**12,861,227**	**90.4%**
Vacancy committed for future leases	(70,606)	
Occupancy - beginning of period	**12,790,621**	**89.9%**
Previously committed vacant space now occupied	21,321	
New leases and expansions on vacant space	402,631	
New vacancies during the period	(480,202)	
Surrender/early termination agreements	(204,061)	
Suite additions, remeasurements and removals	1,954	
Occupancy (pre-2022 acquisitions, dispositions and transfers)	**12,532,264**	**88.0%**
Occupancy related to acquired properties	1,129,422	
Occupancy related to transfers to/from PUD and investment properties held for sale	(829,619)	
Occupancy - end of period	**12,832,067**	**89.6%**
Vacancy committed for future leases	166,163	
Leased area (occupied & committed) on December 31, 2022	**12,998,230**	**90.8%**

(1) Excludes properties under development, investment properties held for sale and residential GLA.

Of the 14,317,179 square feet total GLA in Allied's rental portfolio, 12,832,067 square feet were occupied on December 31, 2022. Another 166,163 square feet were subject to contractual lease commitments with users whose leases commence subsequent to December 31, 2022, bringing the leased area to 12,998,230 square feet, which represents 90.8% of Allied's total rental portfolio GLA.

The table below outlines the rental portfolio's leased area as at December 31, 2022, for the stabilized properties and the transitional properties. Transitional properties consist of three properties (810 Saint Antoine, El Pro Lofts - 644 Courcelle and 375 Water) where we have suppressed occupancy to facilitate longer term upgrade plans.

	DECEMBER 31, 2022	
	LEASED AREA (SF)	LEASED AREA (%)
Stabilized rental portfolio	12,727,429	91.3%
Transitional rental portfolio	270,801	72.2%
Total rental portfolio	**12,998,230**	**90.8%**

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

FIXTURING COMMENCEMENT (OCCUPANCY)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	THEREAFTER	TOTAL
Lease commitments - GLA	126,233	34,159	—	—	5,771	166,163
% of lease commitments	75.9%	20.6%	—%	—%	3.5%	100.0%

In most instances, occupancy commences with a 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.

In some instances, particularly in ground-up developments, there may be fixturing periods outside of the term of the lease while base building work is being completed. In this case, capitalization is taking place so revenue is not recognized.

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

RENT COMMENCEMENT (ECONOMIC OCCUPANCY)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	THEREAFTER	TOTAL
Lease commitments - GLA	18,063	39,421	43,662	23,255	41,762	166,163
% of lease commitments	10.9%	23.8%	26.3%	14.0%	25.0%	100.0%

Allied monitors the level of sub-lease space being marketed in its rental portfolio, below is a summary:

	DECEMBER 31, 2022	SEPTEMBER 30, 2022	JUNE 30, 2022	MARCH 31, 2022
Toronto	**271,100**	242,962	249,239	225,815
Montréal	**158,157**	81,072	81,072	126,618
Calgary	**32,361**	27,203	15,006	18,823
Vancouver	**7,411**	5,499	16,035	10,536
Total square feet	**469,029**	356,736	361,352	381,792
% of Total GLA	**3.3%**	2.4%	2.4%	2.5%

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

ACTIVITY

Allied places a high value on user retention and when retention is neither possible nor desirable, Allied strives to introduce high-quality new users to its portfolio.

Leasing activity in connection with the rental portfolio for the year ended December 31, 2022, 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, 2022, including re-measurement [(1)]	1,341,007	625,964	46.7%	715,043
Maturities during the year ended December 31, 2022 [(2)(3)]	1,484,983	818,332	55.1%	666,651
Total [(4)]	**2,825,990**	**1,444,296**		**1,381,694**
Unleased area related to properties acquired in 2022	99,538	23,327	23.4%	76,211
Maturities during the year ended December 31, 2022, related to properties acquired in 2022 [(3)]	173,919	142,322	81.8%	31,597
Maturities in future years		343,285		
Total [(4)]	**3,099,447**	**1,953,230**		

(1) The unleased area on January 1, 2022, including re-measurement, consists of Allied's rental properties owned as at December 31, 2022.
(2) Some maturities occurred at December 31, 2022, and are included in Allied's leased area.
(3) Of the total portfolio, which includes properties acquired in 2022, 57.9% of the maturing space was leased for the year ended December 31, 2022.
(4) The information above is net of transfers to/from PUD and investment properties held for sale.

The tables below summarize the rental rates achieved for leases that were renewed in the rental portfolio for the three months and year ended December 31, 2022.

	THREE MONTHS ENDED DECEMBER 31, 2022				YEAR ENDED DECEMBER 31, 2022			
LEASING SPREAD ON RENEWALS	EXPIRING RATE	RENEWAL RATE	SPREAD	SQUARE FEET	EXPIRING RATE	RENEWAL RATE	SPREAD	SQUARE FEET
Ending to Starting Base Rent								
Total Portfolio	$21.57	$22.89	6.1%	278,058	$21.44	$22.64	5.6%	934,188
Excluding Calgary	$22.07	$23.97	8.6%	242,637	$22.96	$24.75	7.8%	804,338
Average to Average Base Rent								
Total Portfolio	$20.19	$23.34	15.6%	278,058	$20.57	$23.29	13.2%	934,188
Excluding Calgary	$20.90	$24.34	16.5%	242,637	$22.13	$25.43	14.9%	804,338

LEASE RENEWAL RATE	YEAR ENDED DECEMBER 31, 2022		
	ABOVE IN-PLACE RENTS	AT IN-PLACE RENTS	BELOW IN-PLACE RENTS
% of total leased SF	49.2%	42.6%	8.2%
Maturing leases - weighted average rent	$24.80	$18.38	$17.17
Renewing leases - weighted average rent	$28.14	$18.38	$11.78

Leasing activity resulted in an increase of 6.1% and 5.6% in the net rent per square foot from maturing leases upon renewal for the three months and year ended December 31, 2022, respectively. Excluding transactions in Calgary, the rental rates achieved on maturing leases resulted in an increase of 8.6% and 7.8% in net rent per square foot for the three months and year ended December 31, 2022, respectively.

The following table outlines leasing activity in the rental portfolio for the three months and year ended December 31, 2022.

	THREE MONTHS ENDED DECEMBER 31, 2022			YEAR ENDED DECEMBER 31, 2022		
	NEW LEASES	RENEWALS	TOTAL	NEW LEASES	RENEWALS	TOTAL
Tours			226			994
Net leased square feet	241,966	278,058	520,024	1,019,042	934,188	1,953,230
Number of transactions	56	58	114	244	216	460
Lease term (in years)	3.4	2.6	3.0	5.5	3.5	4.6
Net effective rent (per square foot per year) [(1)]						
Net annualized rent	$19.84	$23.34	$21.71	$19.95	$23.27	$21.53
Tenant improvements	(3.15)	(1.64)	(2.34)	(2.87)	(1.91)	(2.41)
Leasing commissions	(0.80)	(0.48)	(0.63)	(1.14)	(0.59)	(0.88)
Landlord's work	(1.71)	(0.15)	(0.87)	(1.61)	(0.14)	(0.91)
Total leasing costs	$(5.66)	$(2.27)	$(3.84)	$(5.62)	$(2.64)	$(4.20)
Net effective rent	**$14.18**	**$21.07**	**$17.87**	**$14.33**	**$20.63**	**$17.33**

(1) *Calculated based on a weighted average of leased square feet.*

USER PROFILE

The following sets out Allied's user-mix on the basis of percentage of rental revenue for the year ended December 31, 2022:

CATEGORY	% OF RENTAL REVENUE [1] DECEMBER 31, 2022
Business services and professional	40.4%
Telecommunications and information technology	15.9%
Media and entertainment	13.8%
Retail	9.8%
Financial services	6.8%
Government	6.2%
Life sciences	2.8%
Parking and other	2.7%
Educational and institutional	1.6%
	100.0%

(1) The rental revenue is on a proportionate basis, which is a non-IFRS measure. Refer to Non-IFRS Measures on page 21.

The following sets out information on the top-10 users by rental revenue for the year ended December 31, 2022:

USER	% OF RENTAL REVENUE [1] DECEMBER 31, 2022	WEIGHTED AVERAGE REMAINING LEASE TERM (YEARS)	% OF TOTAL RENTAL GLA	CREDIT RATING DBRS/S&P/ MOODY'S
Ubisoft Divertissements Inc.	3.1%	9.5	3.8%	Not Rated
Google Canada Corporation	2.3%	6.8	2.3%	*-/AA+/Aa2
Société Québecoise des Infrastructures	2.0%	5.0	2.0%	Not Rated
Morgan Stanley Services Canada Corp	1.8%	6.9	1.6%	AH/A-/A1
National Capital Commission	1.7%	11.7	1.4%	Not Rated
National Bank of Canada	1.4%	4.2	1.4%	AA/A/Aa3
Technicolor Canada Inc.	1.3%	2.4	1.2%	*-/CCC+/Caa1
Entertainment One	1.2%	5.5	0.7%	*-/BBB/Baa2
Shopify Inc	1.1%	9.7	1.1%	Not Rated
Hydro-Québec	0.9%	7.2	0.9%	AAL/AA-/Aa2
	16.8%	**7.2**	**16.4%**	

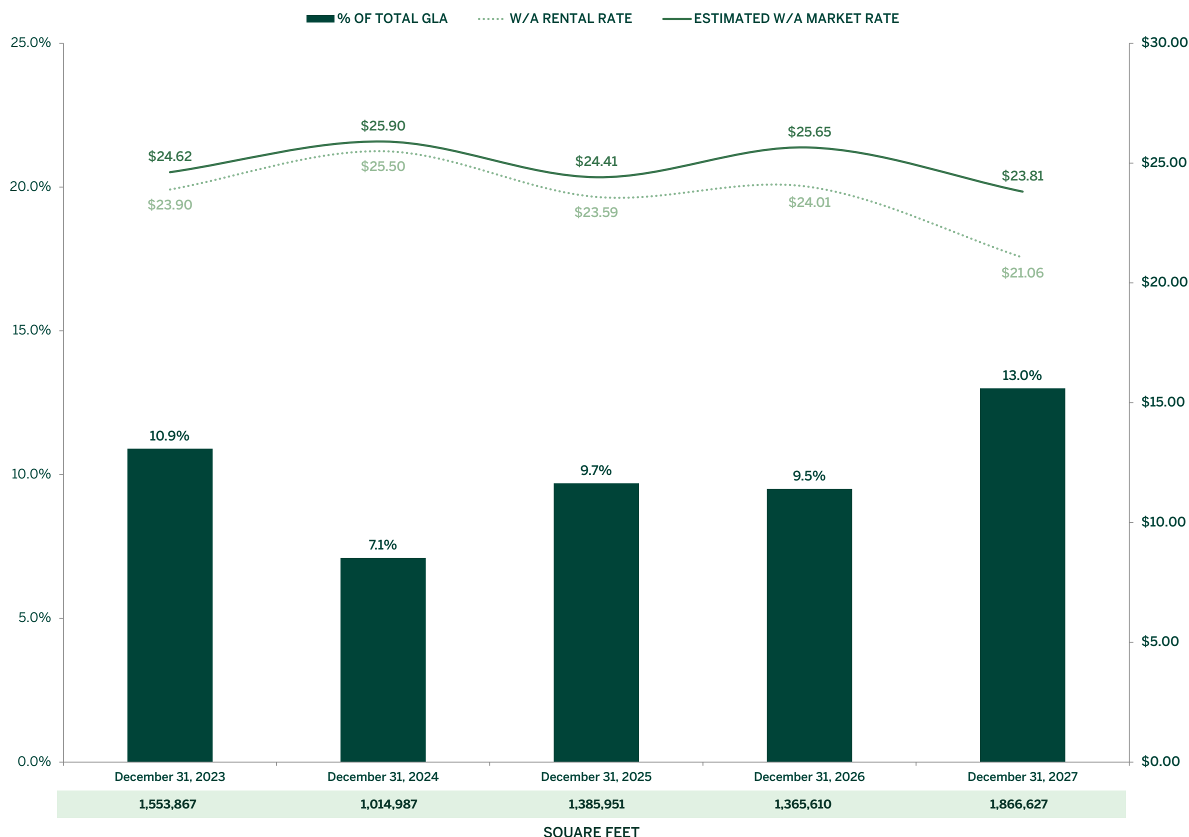
** Credit rating for parent company*
(1) The rental revenue is on a proportionate basis, which is a non-IFRS measure. Refer to Non-IFRS Measures on page 21.

LEASE MATURITY

As at December 31, 2022, 90.8% of the GLA in Allied's rental portfolio (which excludes assets held for sale including UDC) was leased and its weighted average term to maturity was 5.5 years. The estimated weighted average market net rental rate is based on Management's estimates of today's market rental rates and is supported by independent appraisals of certain 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 contains information on the urban workspace leases that mature through 2027 and the corresponding estimated weighted average market rental rate as at December 31, 2022. 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, 2023	1,553,867	10.9%	23.90	24.62
December 31, 2024	1,014,987	7.1%	25.50	25.90
December 31, 2025	1,385,951	9.7%	23.59	24.41
December 31, 2026	1,365,610	9.5%	24.01	25.65
December 31, 2027	1,866,627	13.0%	21.06	23.81



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, 2023	450,862	6.9%	17.86	18.01
December 31, 2024	372,043	5.7%	16.99	17.24
December 31, 2025	325,067	5.0%	17.76	18.29
December 31, 2026	528,042	8.1%	17.75	18.54
December 31, 2027	892,703	13.7%	15.51	19.18

TORONTO & KITCHENER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2023	640,682	11.6%	25.06	28.79
December 31, 2024	389,041	7.0%	32.81	33.92
December 31, 2025	771,574	14.0%	26.40	29.31
December 31, 2026	516,659	9.3%	27.08	30.22
December 31, 2027	776,268	14.0%	26.65	28.98

CALGARY	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2023	199,066	15.5%	19.99	11.03
December 31, 2024	112,898	8.8%	18.49	13.62
December 31, 2025	228,571	17.8%	18.35	12.62
December 31, 2026	116,279	9.1%	16.03	13.94
December 31, 2027	91,641	7.1%	13.26	11.94

VANCOUVER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2023	263,257	26.1%	34.39	36.08
December 31, 2024	141,005	14.0%	33.40	36.49
December 31, 2025	60,739	6.0%	38.88	39.30
December 31, 2026	204,630	20.3%	36.96	39.11
December 31, 2027	106,016	10.5%	33.56	35.13

Section IV
–Historical Performance

The following sets out summary information and financial results for the eight most recently completed fiscal quarters.

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Rental revenue [1][2]	**$135,924**	$131,823	$130,780	$120,942	$122,534	$118,090	$114,872	$117,304
Property operating costs [1][2]	**$(58,639)**	$(56,401)	$(55,686)	$(53,535)	$(55,056)	$(50,000)	$(48,427)	$(51,309)
Operating income [1][2]	**$77,285**	$75,422	$75,094	$67,407	$67,478	$68,090	$66,445	$65,995
Net income and comprehensive income [1]	**$41,392**	$46,743	$100,038	$187,190	$159,921	$107,185	$98,523	$77,522
per unit (basic and diluted) [1]	**$0.30**	$0.33	$0.72	$1.46	$1.25	$0.84	$0.77	$0.61
Net income attributable to Unitholders [1]	**$39,223**	$44,573	$97,869	$187,190	$159,921	$107,185	$98,523	$77,522
per unit (basic and diluted) [1]	**$0.28**	$0.32	$0.70	$1.46	$1.25	$0.84	$0.77	$0.61
Net income from continuing operations [1][2]	**$20,178**	$101	$85,516	$68,874	$113,518	$98,318	$63,848	$55,697
per unit (basic and diluted) [1][2]	**$0.14**	$—	$0.61	$0.54	$0.89	$0.77	$0.50	$0.44
Net income from continuing operations attributable to Unitholders [1][2]	**$18,009**	$(2,068)	$83,347	$68,874	$113,518	$98,318	$63,848	$55,697
per unit (basic and diluted) [1][2]	**$0.13**	$(0.01)	$0.60	$0.54	$0.89	$0.77	$0.50	$0.44
Weighted average units (diluted) [3]	**139,765,128**	139,765,373	139,860,134	128,279,982	127,611,273	127,447,002	127,443,551	127,329,378
Distributions [1][4]	**$61,134**	$61,131	$61,132	$55,966	$54,225	$54,101	$54,094	$54,101
FFO [5]	**$86,755**	$85,332	$85,050	$77,340	$75,691	$41,690	$76,580	$59,415
FFO per unit (diluted) [5]	**$0.621**	$0.611	$0.608	$0.603	$0.593	$0.327	$0.601	$0.467
FFO pay-out ratio [5]	**70.5%**	71.6%	71.9%	72.4%	71.6%	129.8%	70.6%	91.1%
All amounts below are excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation [6]								
FFO [5]	**$86,325**	$84,747	$84,747	$77,573	$76,520	$79,537	$76,705	$73,797
FFO per unit (diluted) [5]	**$0.618**	$0.606	$0.606	$0.605	$0.600	$0.624	$0.602	$0.580
FFO payout-ratio [5]	**70.8%**	72.1%	72.1%	72.1%	70.9%	68.0%	70.5%	73.3%
AFFO [5]	**$76,553**	$73,508	$75,947	$71,571	$66,076	$66,132	$67,980	$66,329
AFFO per unit (diluted) [5]	**$0.548**	$0.526	$0.543	$0.558	$0.518	$0.519	$0.533	$0.521
AFFO payout-ratio [5]	**79.9%**	83.2%	80.5%	78.2%	82.1%	81.8%	79.6%	81.6%

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
NAV per unit (7)	**$50.96**	$51.10	$51.20	$50.92	$50.30	$49.50	$49.07	$48.72
Net debt as a multiple of annualized adjusted EBITDA (5)(8)	**9.8x**	9.6x	9.6x	10.2x	9.4x	8.6x	8.0x	7.9x
Total indebtedness ratio (5)	**35.6%**	34.3%	33.9%	33.3%	33.5%	32.9%	31.0%	31.1%
Total rental GLA	**14,317**	14,968	14,812	15,417	14,234	14,106	13,936	13,886
Leased rental GLA	**12,998**	13,582	13,468	13,775	12,861	12,781	12,772	12,755
Leased area %	**90.8%**	90.7%	90.9%	89.3%	90.4%	90.6%	91.6%	91.9%

(1) This measure is presented on an IFRS basis.
(2) Excludes the results of the Urban Data Centres segment which was classified as a discontinued operation in Q4 2022. The prior period comparative figures have been revised accordingly.
(3) Starting Q1 2022, this includes the weighted average number of Units and Exchangeable LP Units.
(4) Starting Q2 2022, this includes distributions on Units and Exchangeable LP Units.
(5) This is a non-IFRS measure, refer to page 21. These non-IFRS measures include the results of the continuing operations and the discontinued operations.
(6) In the fourth quarter of 2022, Allied incurred $(564) of financing prepayment costs in connection with the favourable refinancing of a mortgage. In addition, in the first, third and fourth quarters of 2021, Allied incurred $14,161, $37,728 and $721, respectively, of financing prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages.
(7) Net asset value per unit ("NAV per unit") is calculated as follows: total equity as at the corresponding period ended, (per the consolidated balance sheets) divided by the actual number of Units and Exchangeable LP Units outstanding at period end.
(8) Net debt as a multiple of annualized adjusted EBITDA for Q1 2022 including the expected annualized EBITDA from the six properties acquired from Choice Properties on March 31, 2022, is 9.4x.

Allied's quarterly results are impacted by occupancy, the economic productivity of the portfolio, acquisitions, the magnitude and timing of development expenditures and project completions, and changes in the fair values of investment properties and investment properties held for sale.

Section V
–Asset Profile

The following table reconciles the consolidated balance sheets on an IFRS basis to a proportionate basis, a non-IFRS measure, as at December 31, 2022, and December 31, 2021. Refer to Non-IFRS Measures on page 21.

	DECEMBER 31, 2022			DECEMBER 31, 2021		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Assets						
Non-current assets						
Investment properties	**$9,669,005**	**$120,630**	**$9,789,635**	$9,527,105	$124,960	$9,652,065
Residential inventory	**187,272**	**—**	**187,272**	170,980	—	170,980
Investment in joint venture and loan receivable	**7,089**	**(7,089)**	**—**	124,790	(124,790)	—
Loans and notes receivable	**174,019**	**—**	**174,019**	223,456	—	223,456
Other assets	**56,221**	**1,372**	**57,593**	28,185	1,370	29,555
	10,093,606	**114,913**	**10,208,519**	10,074,516	1,540	10,076,056
Current assets						
Cash and cash equivalents	**20,990**	**1,273**	**22,263**	22,548	2,170	24,718
Loan receivable from joint venture	**113,287**	**(113,287)**	**—**	—	—	—
Loans and notes receivable	**258,093**	**—**	**258,093**	144,306	—	144,306
Accounts receivable, prepaid expenses and deposits	**65,544**	**613**	**66,157**	57,061	709	57,770
Investment properties held for sale	**1,354,830**	**—**	**1,354,830**	86,260	—	86,260
	1,812,744	**(111,401)**	**1,701,343**	310,175	2,879	313,054
Total assets	**$11,906,350**	**$3,512**	**$11,909,862**	$10,384,691	$4,419	$10,389,110
Liabilities						
Non-current liabilities						
Debt	**$3,864,256**	**$—**	**$3,864,256**	$3,417,138	$—	$3,417,138
Lease liabilities	**50,851**	**—**	**50,851**	157,550	—	157,550
Other liabilities	**43,438**	**—**	**43,438**	44,635	—	44,635
	3,958,545	**—**	**3,958,545**	3,619,323	—	3,619,323
Current liabilities						
Debt	**346,929**	**—**	**346,929**	36,146	—	36,146
Accounts payable and other liabilities	**370,823**	**3,512**	**374,335**	303,450	4,419	307,869
Lease liability held for sale	**107,215**	**—**	**107,215**	—	—	—
	824,967	**3,512**	**828,479**	339,596	4,419	344,015
Total liabilities	**$4,783,512**	**$3,512**	**$4,787,024**	$3,958,919	$4,419	$3,963,338

	DECEMBER 31, 2022			DECEMBER 31, 2021		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Equity						
Unitholders' equity	**$6,581,166**	**$—**	**$6,581,166**	$6,425,772	$—	$6,425,772
Non-controlling interests	**541,672**	**—**	**541,672**	—	—	—
Total equity	**$7,122,838**	**$—**	**$7,122,838**	$6,425,772	$—	$6,425,772
Total liabilities and equity	**$11,906,350**	**$3,512**	**$11,909,862**	$10,384,691	$4,419	$10,389,110

As at December 31, 2022, Allied's portfolio of 217 investment properties consists of 199 rental properties (three of which are partially under development), 13 development properties, and five investment properties held for sale. Allied's portfolio of investment properties has a fair value of $11,144,465, including one equity accounted investment in a joint venture.

Changes to the carrying amounts of investment properties and investment properties held for sale on a proportionate basis, a non-IFRS measure, are summarized in the following table. Refer to Non-IFRS Measures on page 21.

	THREE MONTHS ENDED DECEMBER 31, 2022			YEAR ENDED DECEMBER 31, 2022		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL
Balance, beginning of period	$9,474,149	$1,455,480	$10,929,629	$8,499,495	$1,238,830	$9,738,325
Additions:						
Acquisitions	—	126,198	126,198	805,757	165,747	971,504
Improvement allowances (1)	24,399	872	25,271	61,006	1,728	62,734
Leasing commissions (1)	2,380	1,634	4,014	15,019	5,889	20,908
Capital expenditures (1)	36,092	59,655	95,747	135,592	263,544	399,136
Dispositions	—	—	—	(74,945)	(15,254)	(90,199)
Transfers from PUD	179,560	(179,560)	—	376,730	(376,730)	—
Transfers to PUD	(74,300)	74,300	—	(293,542)	293,542	—
Transfers from other assets	4,915	—	4,915	3,900	—	3,900
Finance leases	—	—	—	561	—	561
Amortization of straight-line rent and improvement allowances (1)	(5,973)	526	(5,447)	(26,874)	1,389	(25,485)
Fair value (loss) gain on investment properties and investment properties held for sale (1)	(26,197)	(9,665)	(35,862)	112,326	(49,245)	63,081
Balance, end of period	**$9,615,025**	**$1,529,440**	**$11,144,465**	**$9,615,025**	**$1,529,440**	**$11,144,465**
Investment properties	**$8,260,195**	**$1,529,440**	**$9,789,635**	**$8,260,195**	**$1,529,440**	**$9,789,635**
Investment properties held for sale	**1,354,830**	**—**	**1,354,830**	**1,354,830**	**—**	**1,354,830**
	$9,615,025	**$1,529,440**	**$11,144,465**	**$9,615,025**	**$1,529,440**	**$11,144,465**

(1) *Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months and year ended December 31, 2022: improvement allowances of $400 and $512, respectively; leasing commissions of $– and $305, respectively; capital expenditures of $426 and $962, respectively; amortization of straight-line rent and improvement allowances of $(139) and $(8), respectively; and a fair value gain (loss) on investment properties of $693 and $(6,101), respectively.*

As at December 31, 2022, Allied had five properties classified as investment properties held for sale totaling $1,354,830, four located in Toronto and one located in Montréal. There were three investment properties held for sale as at December 31, 2021, totaling $86,260, two located in Toronto and one located in Montréal. The increase of $1,268,570 in the year ended December 31, 2022, is due to the addition of five investment properties and the disposition of three investment properties held for sale.

For the three months ended December 31, 2022, Allied recognized a fair value loss on investment properties and investment properties held for sale of $35,862 on a proportionate basis. This was primarily due to macroeconomic conditions.

For the year ended December 31, 2022, Allied recognized a fair value gain on investment properties and investment properties held for sale of $63,081 on a proportionate basis. This was primarily due to an increase in value from compressing capitalization rates in the UDC portfolio and from additional density value recognized, moderated by macroeconomic conditions.

For the three months ended December 31, 2022, Allied capitalized $15,676 of borrowing costs to its capital expenditures on a proportionate basis, $12,235 of which related to development activity and $1,592 to upgrade activity in the rental portfolio. Allied capitalized $1,849 of borrowing costs to qualifying residential inventory.

For the year ended December 31, 2022, Allied capitalized $53,810 of borrowing costs to its capital expenditures on a proportionate basis, $43,066 of which related to development activity and $4,540 to upgrade activity in the rental portfolio. Allied capitalized $6,204 of borrowing costs to qualifying residential inventory.

The appraised fair value of investment properties and investment properties held for sale 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-IFRS measure, in the terminal year. This method is primarily used to value the rental portfolio, and, in some cases, investment properties held for sale.

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 and, in some cases, investment properties held for sale.

Direct capitalization method - Under this approach, capitalization rates are applied to the estimated stabilized NOI of the properties. Estimated stabilized NOI is based on projected rental revenue and property operating costs, and external evidence such as current market rents for similar properties, and is further adjusted for estimated vacancy loss and capital reserves. Currently, this method is used only to value residential use.

Allied's portfolio is valued by an 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.

In valuing the investment properties as at December 31, 2022, 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 4.62%, detailed in the table below:

OVERALL CAPITALIZATION RATE	DECEMBER 31, 2022			DECEMBER 31, 2021		
	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE $ (1)	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE $ (1)
Montréal & Ottawa	4.50% - 7.00%	4.98%	$2,490,473	4.50% - 6.75%	5.03%	$2,546,217
Toronto & Kitchener	4.00% - 5.75%	4.39%	4,396,581	3.75% - 5.75%	4.39%	3,569,080
Calgary	5.75% - 7.50%	6.58%	286,467	5.00% - 7.00%	5.93%	358,989
Vancouver	4.00% - 4.25%	4.03%	967,050	3.50% - 4.00%	3.76%	711,180
Urban Workspace	4.00% - 7.50%	4.62%	$8,140,571	3.50% - 7.00%	4.64%	$7,185,466
Urban Data Centres (2)	—%	—%	—	5.00% - 5.75%	5.30%	1,133,022
Rental Properties	4.00% - 7.50%	4.62%	$8,140,571	3.50% - 7.00%	4.74%	$8,318,488
Residential Properties	3.75% - 5.00%	4.61%	119,624	5.00% - 5.00%	5.00%	94,747
Properties Under Development	4.00% - 7.25%	4.66%	1,529,440	4.00% - 7.00%	4.24%	1,238,830
Investment Properties	3.75% - 7.50%	4.62%	$9,789,635	3.50% - 7.00%	4.69%	$9,652,065
Investment Properties Held for Sale	4.50% - 5.25%	4.80%	$1,354,830	—%	—%	$86,260
			$11,144,465			$9,738,325

(1) *Presented on a proportionate basis, which is a non-IFRS measure. Refer to Non-IFRS Measures on page 21.*
(2) *For the year ended December 31, 2022, the Urban Data Centres were classified as investment properties held for sale.*

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 operator of urban workspace in Canada's major cities. It owns 199 rental properties in six Canadian cities (three of these rental properties are partially under development) and five investment properties held for sale as at December 31, 2022. Listed below are Allied's top-10 urban workspace rental properties measured by Normalized Last Quarter Annualized ("LQA") NOI, a non-IFRS measure. Refer to Non-IFRS Measures on page 21. These properties represent 31.3% of the total LQA NOI as at December 31, 2022.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
Le Nordelec, Montréal	$15,657	$313,380	5.00%	Gsoft, Unity Technologies, Yellow Pages Media
Cité Multimédia, Montréal	14,202	416,010	4.75%	Acceo Solutions, Morgan Stanley, Technicolor
1001 Boulevard Robert-Bourassa, Montréal [1]	14,125	355,810	5.50%	Autorité Régionale de Transport Métropolitain, Hydro-Québec, National Bank of Canada, Société Québecoise des Infrastructures
QRC West, Toronto	13,547	341,430	4.00%	eOne, Sapient Canada
747 Rue du Square Victoria, Montréal	10,861	284,400	4.75%	Dassault Systèmes Canada, Otera Capital Inc., Secretariat of the Convention on Biological Diversity, Société Québecoise des Infrastructures
5455 de Gaspé Avenue, Montréal	9,174	162,490	5.00%	Attraction Media, Framestore, Ubisoft
King Portland Centre, Toronto	6,993	184,030	4.00%	Indigo, Shopify
375 Water Street, Vancouver	6,861	215,610	4.00%	Global Technology Provider, Quarterdeck Brewing Co, Zoic Studios BC Inc.
555 Richmond Street West, Toronto	6,845	188,710	4.50%	Centre Francophone de Toronto, Synaptive Medical
175 Bloor Street E, Toronto	6,598	185,090	4.25%	Klick Health, Leo Burnett Company, Norr
Total	**$104,863**	**$2,646,960**	**4.64%**	

(1) A portion of the property is under development. The appraised fair value includes the portion in the rental portfolio and the portion under development.

URBAN DATA CENTRES

As at December 31, 2022, the Urban Data Centre segment has been classified as discontinued operations and is comprised of three investment properties held for sale totaling $1,305,990 and a related lease liability held for sale totaling $107,215. The three investment properties are 151 Front Street W, 905 King Street W and 250 Front Street W and the lease liability is at 250 Front Street W.

The following table summarizes the results from discontinued operations:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Rental Revenue	**$96,669**	$96,087
Property operating costs	**(32,375)**	(34,703)
Operating income	**64,294**	61,384
Interest expense	**(6,532)**	(5,949)
Fair value gain on investment properties held for sale	**142,932**	56,335
Net income from discontinued operations	**$200,694**	$111,770

ACQUISITIONS

During the year ended December 31, 2022, Allied acquired the following properties from third parties:

PROPERTY	ACQUISITION DATE	ACQUISITION COST [1]	OFFICE GLA	RETAIL GLA	TOTAL GLA	PARKING STALLS
108 East 5th Avenue, Vancouver [2][3]	February 23, 2022	**$39,549**	N/A	N/A	N/A	N/A
1010 Sherbrooke W, Montréal	March 31, 2022	**116,248**	326,754	1,600	328,354	276
110 Yonge, Toronto [3]	March 31, 2022	**55,757**	78,100	2,376	80,476	72
525 University, Toronto	March 31, 2022	**137,967**	192,771	9,392	202,163	178
175 Bloor E, Toronto [3]	March 31, 2022	**166,547**	295,739	9,177	304,916	264
1508 West Broadway, Vancouver [4]	March 31, 2022	**166,408**	82,961	64,183	147,144	265
1185 West Georgia, Vancouver	March 31, 2022	**131,671**	160,364	4,869	165,233	157
540 King W, Toronto	April 8, 2022	**26,615**	—	5,935	5,935	10
121 John, Toronto	July 6, 2022	**4,544**	2,444	798	3,242	2
700 Saint-Hubert, Montréal [2]	October 31, 2022	**126,198**	143,314	800	144,114	146
Total		**$971,504**	1,282,447	99,130	1,381,577	1,370

(1) Includes transaction costs and the assumption of liabilities.
(2) This property is a property under development.
(3) Allied owns a 50% interest in these properties. The GLA is at Allied's ownership. The parking spaces are at 100% ownership.
(4) Allied acquired a leasehold interest in 1508 West Broadway.

DISPOSITIONS

On January 24, 2022, Allied and its partners closed on the fifth and final phase of The Well air rights, the associated underground parking and transfer floor slab developments for net cash consideration of $14,841 (at Allied's share), which represented the fair value at the time of disposition so accordingly there was no gain or loss recorded. In addition, during the year ended December 31, 2022, Allied received cash of $413 (at Allied's share) for the release of a holdback related to the disposition of the first phase of The Well air rights.

On June 30, 2022, Allied closed on the disposition of two investment properties held for sale, which were 662 King Street West and 668 King Street West, both in Toronto, for net proceeds of $38,954 and $9,991, respectively. The total net cash consideration of $48,945 represented the fair value at the time of disposition, so there was no gain or loss recorded on closing. The disposition costs incurred were fully recoverable from the purchaser.

On August 16, 2022, Allied closed on the disposition of one investment property held for sale, 100 Lombard Street in Toronto, at a selling price of $26,000, which represented the fair value at the time of disposition, so there was no gain or loss recorded on closing. In addition, Allied incurred net working capital adjustments of $487 and selling costs of $21, resulting in total net cash consideration of $25,492.

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 115 properties in Toronto (including properties in the development portfolio) now comprise 5.0 million square feet of GLA and are situated on 40.1 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 12.0 million square feet of GLA, 7.0 million square feet more than currently is in place.

Allied entered the Montréal market in April of 2005. The 34 properties in Montréal now comprise 6.3 million square feet of GLA. As they are much larger buildings on average than those comprising the Toronto portfolio, the 46.1 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 9.4 million square feet of GLA, 3.1 million square feet more than currently is in place.

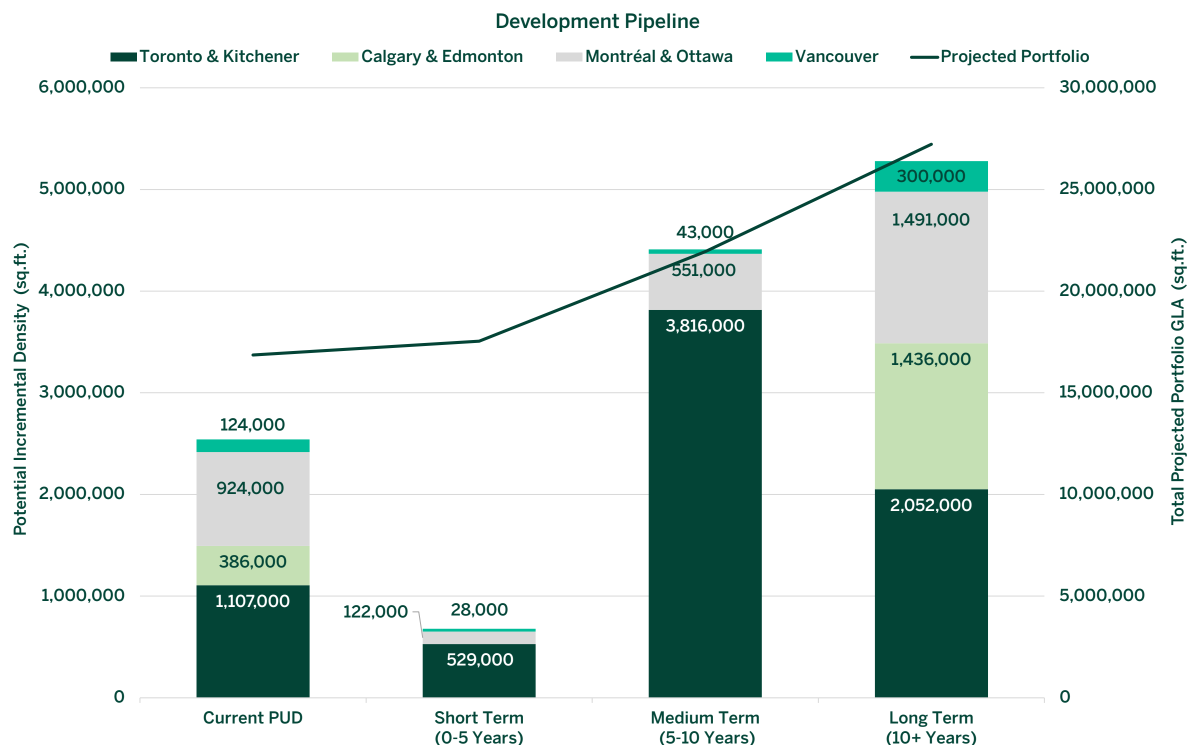
There is similar potential inherent in the rest of Allied's portfolio, which is quantified in the chart below. Across Canada on a portfolio-wide basis, there is 12.9 million square feet of potential incremental density, of which 2.5 million square feet is currently in PUD, and the remaining 10.4 million square feet is potential incremental density. Of the 10.4 million square feet of potential incremental density, 5.2 million square feet is reflected in the appraised fair values, mainly at properties where zoning approvals are in place. The remaining 5.2 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 [1]	4,965,084	959,966	6,065,093	11,990,143
Kitchener	562,303	147,000	332,218	1,041,521
Montréal	6,266,588	923,686	2,163,456	9,353,730
Ottawa	231,434	—	—	231,434
Calgary	1,283,002	88,000	1,436,198	2,807,200
Edmonton	—	297,851	—	297,851
Vancouver	1,008,768	123,640	371,046	1,503,454
Total	**14,317,179**	**2,540,143**	**10,368,011**	**27,225,333**

(1) *The GLA estimated on completion for properties under development in Toronto excludes 291,381 square feet of GLA at The Well, which has been transferred to the rental portfolio.*

The timing of development for the 10.4 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 seven properties in Toronto, three properties in Montréal and one property in Vancouver, all of which are owned in their entirety by Allied. These properties are identified in the following table:

PROPERTY NAME	APPRAISED FAIR VALUE	REZONING APPROVAL STATUS	USE	CURRENT GLA	ESTIMATED GLA ON COMPLETION	ESTIMATED COMPLETION
The Castle [1]	$102,840	In progress	Office, limited retail	179,907	440,000	Unscheduled
King & Peter [2]	121,360	Completed	Office, limited retail	86,230	790,000	Unscheduled
King & Spadina [3]	88,860	In progress	Office, limited retail	77,550	430,000	Unscheduled
King & Brant [4]	45,850	Completed	Office, residential, retail	16,340	240,000	Unscheduled
Union Centre	199,500	Completed	Office, limited retail	41,787	1,330,000	Unscheduled
Bathurst Street Assembly [5]	49,380	In progress	Office, residential, retail	36,919	318,000	Unscheduled
Adelaide & Spadina [6]	34,500	Completed	Office, retail	11,015	230,000	Unscheduled
Le Nordelec - Lot A [7]	23,600	In progress	Office	—	230,000	Unscheduled
Le Nordelec - Lot B [8]	52,080	In progress	Office	32,893	744,000	Unscheduled
Le Nordelec - Lot E [9]	10,800	Completed	Office	7,550	135,000	Unscheduled
365 Railway	17,440	In progress	Office	31,528	60,000	Unscheduled
Total	**$746,210**			**521,719**	**4,947,000**	

(1) The Castle is comprised of 41-53 Fraser, 8 Pardee Avenue and 135 Liberty Street.
(2) King & Peter is comprised of 82 Peter and 388 King W.
(3) King & Spadina is comprised of 460 King W, 468 King W, the surface parking lot at 464 King W, and the surface parking lot at 78 Spadina.
(4) King & Brant is comprised of 540 King W, 544 King W and the surface parking lot at 7-9 Morrison.
(5) Bathurst Street Assembly is comprised of 141 Bathurst, 579 Richmond, the surface parking lot at 555 Richmond and the associated ancillary residential properties at Bathurst and Richmond.
(6) Adelaide & Spadina is comprised of 383 Adelaide W and 387 Adelaide W.
(7) Le Nordelec - Lot A is comprised of 1900 Saint Patrick, a component of the 1751 Richardson & 1700 Saint-Patrick property.
(8) Le Nordelec - Lot B is compromised of 1655 Richardson and the adjacent surface parking lot.
(9) Le Nordelec - Lot E is comprised of 1301-1303 Montmorency.

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. Allied intends to align all new developments and redevelopments with its Net Zero Carbon Plan.

DEVELOPMENT PROPERTIES

Development is another way to create value and a particularly effective one for Allied, given the strategic positioning of its portfolio in the urban areas of Canada's major cities. Urban intensification is the single most important trend in relation to Allied's business. Not only does it anchor Allied's investment and operating focus, it provides the context within which Allied creates value for its Unitholders.

The completion of projects currently under development is an important component of Allied's growth. 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, 2022, the cost of Allied's Properties Under Development was 12.6% of GBV (December 31, 2021 - 11.2%). 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 or redeveloped 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 13 Properties Under Development and three rental properties partially under development. Seven of the projects are ground-up developments and nine are redevelopments.

GROUND-UP DEVELOPMENTS

Ground-up development involves construction of significant amounts of new leasable area.

PROPERTY NAME	USE	ESTIMATED GLA ON COMPLETION (SF)	% OF OFFICE DEVELOPMENT PRE-LEASED
The Well, Toronto [1][2][6]	Office, retail	763,000	98%
Breithaupt Phase III, Kitchener [1]	Office	147,000	100
Adelaide & Duncan, Toronto [1][3]	Office, retail, residential	230,000	100
QRC West Phase II, Toronto [4]	Office, retail	93,134	100
KING Toronto, Toronto [1][5]	Office, retail	100,000	—
108 East 5th Avenue, Vancouver [1]	Office	102,000	54
700 Saint Hubert, Montréal	Office, retail	144,114	24
Total		**1,579,248**	**82%**

(1) These properties are co-owned, reflected in the table above at Allied's ownership interest.

(2) Each of Allied and RioCan own an undivided 50% interest in The Well. The GLA components (in square feet) at Allied's 50% share will be as follows: approximately 584,000 of office, 160,000 of retail, 19,000 of storage and the residential air rights. The residential air rights and associated underground parking and transfer floor slab developments ("The Well Air Rights") were sold by the co-ownership as previously announced, with the first phase closed in Q4 2020, the second and third phases closed in Q2 2021, the fourth phase closed in Q4 2021 and the last phase closed in January 2022.

(3) 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.

(4) The GLA components (in square feet) are as follows: 77,434 of office and 15,700 of retail.

(5) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The GLA components (in square feet) at our 50% share will be as follows: 60,000 of retail and 40,000 of office.

(6) A portion of The Well has been transferred to the rental portfolio. The percentage of office development pre-leased and the estimated GLA on completion includes the portion in the rental portfolio.

REDEVELOPMENTS

Redevelopment involves transformation of existing leasable area to enhance revenue-producing capability.

PROPERTY NAME	USE	GLA (SF)
The Lougheed (604-1st SW), Calgary	Office, retail	88,000
400 Atlantic, Montréal	Office, retail	87,473
Boardwalk-Revillon Building, Edmonton (1)	Office, retail	297,851
185 Spadina, Toronto	Office	55,213
342 Water, Vancouver (2)	Office, retail	21,640
1001 Boulevard Robert-Bourassa, Montréal (3)(4)	Office, retail	335,652
RCA Building, Montréal (4)	Office	171,668
422-424 Wellington W, Toronto	Retail	10,000
3575 Saint Laurent, Montréal (5)	Office, retail	184,779
Total		**1,252,276**

(1) The GLA components (in square feet) are as follows: 233,559 of office and 64,292 of retail.
(2) The GLA components (in square feet) are as follows: 15,385 of office and 6,255 of retail.
(3) The GLA components (in square feet) are as follows: 303,281 of office and 32,371 of retail.
(4) A portion of the property is under development. The GLA represents the portion under development.
(5) The GLA components (in square feet) are as follows: 165,502 of office and 19,277 of retail.

The following table sets out the fair value of Allied's Properties Under Development as at December 31, 2022, as well as Management's estimates with respect to the financial outcome on completion. Estimated NOI from development completion is based on stabilized occupancy and, in the first year, its impact is moderated by the discontinuation of capitalized costs.

PROPERTY NAME	TRANSFER TO RENTAL PORTFOLIO	APPRAISED VALUE	ESTIMATED ANNUAL NOI	ESTIMATED TOTAL COST	ESTIMATED YIELD ON COST	ESTIMATED COST TO COMPLETE
The Well, Toronto (1)(2)	Q3 2022 - Q4 2023	$909,480	$37,500 - 43,250	$793,000	4.7% - 5.5%	$78,000
Adelaide & Duncan, Toronto (1)(3)	Q2 2023 - Q4 2024	177,260	9,625 - 11,125	206,200	4.7% - 5.4%	45,700
Breithaupt Phase III, Kitchener (1)(4)	Q3 2023	81,590	5,375 - 5,500	78,652	6.8% - 7.0%	8,700
QRC West, Phase II, Toronto	Q2 2024	70,560	4,550 - 4,650	91,574	5.0% - 5.1%	32,400
KING Toronto, Toronto (1)(5)	Q2 2025	67,800	5,000 - 6,000	93,791	5.3% - 6.8%	22,400
108 East 5th Avenue, Vancouver (1)	Q1 2025	49,290	4,350 - 4,600	106,384	4.1% - 4.3%	58,000
700 Saint Hubert	Q2 2023	126,990	4,000 - 5,000	130,457	3.1% - 3.8%	10,500
Redevelopments (6)	Q1 2023 - Q4 2024	231,220+	13,865 - 16,540+	346,992+	3.9% - 4.7%	54,600+
Total		**$1,714,190+ (7)**	**$84,265 - 96,665+**			

(1) These properties are co-owned, reflected in the table above at Allied's ownership percentage of assets and liabilities.
(2) The estimated costs are net of the actual gross proceeds from the sale of the The Well Air Rights of $111,758 (at Allied's share). The transfer of The Well to the rental portfolio is occurring in phases.
(3) The project is anticipated to be completed in two phases. The commercial phase is scheduled for completion in Q2 2023 and the residential phase is scheduled for completion in Q4 2024.
(4) Breithaupt Phase III is comprised of 43 Wellington, 53 & 55 Wellington, 305 Joseph, 20 Breithaupt and 2-4 Stewart.
(5) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 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 $290,000 - $295,000.
(6) Redevelopments consist of nine projects, seven which include properties in their entirety and two which include a portion of the property.
(7) The Properties Under Development as at December 31, 2022 of $1,529,440 excludes the portion of The Well that has been transferred to the rental portfolio.

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 permits. In some instances, particularly in ground-up developments like The Well and Breithaupt Phase III, base building work is underway during the fixturing period. In this case, transfer to the rental portfolio occurs when the base building work is complete. Estimated annual NOI is based on 100% economic occupancy. The most important factor affecting estimated annual NOI is the 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, 2022	DECEMBER 31, 2021
KING Toronto	**$187,272**	$170,980

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

	DECEMBER 31, 2022	DECEMBER 31, 2021
Balance, beginning of year	**$170,980**	$140,038
Development expenditures	**32,021**	30,942
Impairment	**(15,729)**	—
Balance, end of year	**$187,272**	$170,980

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. As at December 31, 2022, 384 units or 87% have been pre-sold, subject to customary closing conditions. Management expects the condominium sales to close in 2024.

During the year ended December 31, 2022, Allied recorded an impairment of $15,729 on KING Toronto. Residential inventory carrying value is calculated as the estimated gross proceeds less estimated costs to complete. The impairment in the period reflects higher estimated costs to complete.

DEVELOPMENT COMPLETIONS

PROPERTY	COMPLETION	INVESTMENT	LQA NOI [1]	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
QRC West, Toronto	2015	$130,000	$13,547	10.4%	$341,430	$211,430	162.6%
The Breithaupt Block, Kitchener	2016	$25,020	$2,523	10.1%	$46,980	$21,960	87.8%
180 John, Toronto	2017	$27,500	$1,540	5.6%	$34,220	$6,720	24.4%
189 Joseph, Kitchener	2017	$11,360	$770	6.8%	$13,290	$1,930	17.0%
King Portland Centre, Toronto [2]	2019	$76,678	$6,278	8.2%	$154,310	$77,632	101.2%
425 Viger, Montréal	2020	$104,268	$8,221	7.9%	$172,680	$68,412	65.6%

(1) *This is a non-IFRS measure. Refer to Non-IFRS Measures on page 21.*
(2) *Includes 642 King W completed in early 2018 and 620 King W completed in early 2019. 602-606 King W are excluded as they were not under development.*

LOANS RECEIVABLE

As at December 31, 2022, total loans receivable outstanding is $432,032 (December 31, 2021 - $367,579).

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, 2022, the loan receivable outstanding is $21,173 (December 31, 2021 - $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, and on August 18, 2022, the facility was further increased to $175,000. On May 18, 2022, Westbank exercised its option to extend the maturity date from August 31, 2022, to August 31, 2023. On January 12, 2023, the maturity date of

the facility was further extended from August 31, 2023 to February 29, 2024. Interest accrues to the credit facility monthly at a rate of 6.75% per annum up to August 31, 2022. Thereafter, interest accrues to the credit facility monthly at the greater of 6.75% per annum and the prime rate plus 3.00% per annum. 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, 2022, the loan receivable outstanding is $161,032 (December 31, 2021 - $144,271).

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 is secured by a charge on the property (subordinated to the construction lender). Interest accrues to the credit facility at a rate of 7.00% per annum. The loan is repayable at the earlier of November 30, 2023, or the closing of the condominium units. As at December 31, 2022, the loan receivable outstanding is $97,037 (December 31, 2021 - $90,586).

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 in installments upon completion of development and rent commencement, which is anticipated to begin in the second quarter of 2023. As at December 31, 2022, the loan receivable outstanding is $9,913 (December 31, 2021 - $10,256) due to repayments made earlier than anticipated.

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 150 West Georgia (previously known as 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 to the credit facility monthly at a rate of 7.00% per annum. The credit facility matures on December 9, 2025. On placement of permanent financing, Allied intends to acquire a 50% undivided interest in 150 West Georgia based on an agreed upon formula. As at December 31, 2022, the loan receivable outstanding is $142,877 (December 31, 2021 - $101,293).

The table below summarizes the loans receivable as at December 31, 2022, and December 31, 2021.

	DECEMBER 31, 2022	DECEMBER 31, 2021
Adelaide & Duncan	**$21,173**	$21,173
400 West Georgia	**161,032**	144,271
KING Toronto	**97,037**	90,586
Breithaupt Phase III	**9,913**	10,256
150 West Georgia [1]	**142,877**	101,293
Total loans receivable	**$432,032**	$367,579

(1) Previously known as 720 Beatty Street.

Section VI
–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, a promissory note payable, an unsecured operating facility, 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 investment properties, which totals $8,345,530, representing 85.2% of investment properties, on a proportionate basis, as at December 31, 2022. Refer to Non-IFRS Measures on page 21.

In November 2021, Allied established an at-the-market equity program (the "ATM Program") which allows it to issue and sell up to $300,000 of Units to the public, from time to time, at its discretion. The ATM Program is designed to provide Allied with additional financing flexibility which may be used in conjunction with other existing funding sources. Allied intends to use the net proceeds from the ATM Program for development, repayment of indebtedness and general trust purposes.

DEBT

The following illustrates the calculation of debt (net of transaction costs) on an IFRS basis and net debt, a non-IFRS measure, as at December 31, 2022, and December 31, 2021. Refer to Non-IFRS Measures on page 21.

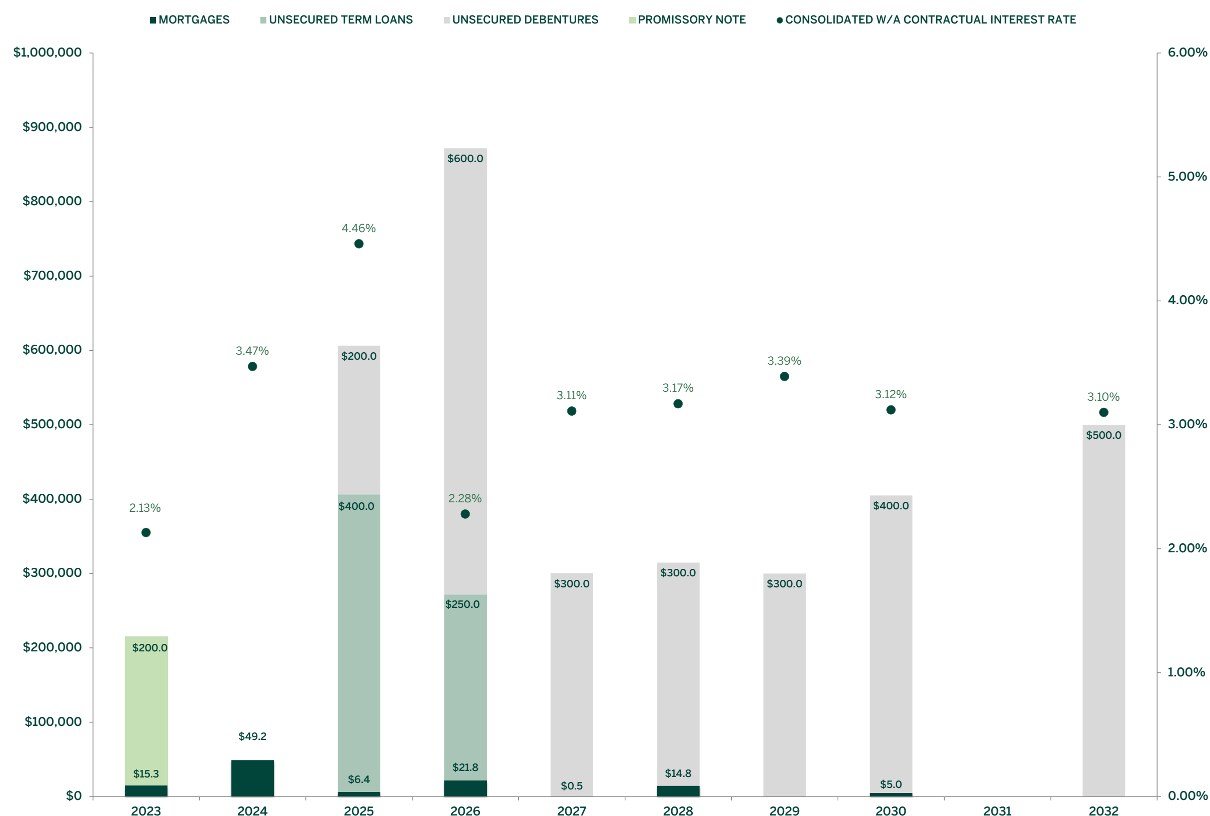
	DECEMBER 31, 2022	DECEMBER 31, 2021
Mortgages payable	**$112,822**	$118,057
Construction loans payable	**223,725**	132,696
Promissory note payable	**195,673**	—
Unsecured revolving operating facility	**440,000**	365,000
Senior unsecured debentures	**2,589,939**	2,587,989
Unsecured term loans	**649,026**	249,542
Debt, IFRS basis	**$4,211,185**	$3,453,284
Less: cash and cash equivalents [1]	**22,263**	24,718
Net debt	**$4,188,922**	$3,428,566

(1) *This is on a proportionate basis and includes cash and cash equivalents attributable to TELUS Sky totaling $1,273 as at December 31, 2022 (December 31, 2021 - $2,170).*

The table below summarizes the scheduled principal maturity and weighted average contractual interest rates for Allied's mortgages payable, promissory note payable, unsecured debentures and unsecured term loans. As at December 31, 2022, 86.3% of Allied's debt had a fixed rate.

	MORTGAGES PAYABLE	INTEREST RATE OF MATURING MORTGAGES	PROMISSORY NOTE PAYABLE	INTEREST RATE	SENIOR UNSECURED DEBENTURES	INTEREST RATE	UNSECURED TERM LOANS	INTEREST RATE	TOTAL	CONSOLIDATED INTEREST RATE OF MATURING DEBT
2023	$15,299	4.30%	$200,000	2.00%	$—	—%	$—	—%	$215,299	2.13%
2024	49,197	3.47	—	—	—	—	—	—	49,197	3.47
2025	6,423	—	—	—	200,000	3.64	400,000	4.87	606,423	4.46
2026	21,834	3.59	—	—	600,000	1.73	250,000	3.50	871,834	2.28
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	—	—	—	—	—	—	—	—	—	—
2032	—	—	—	—	500,000	3.10	—	—	500,000	3.10
	$112,990	3.37%	$200,000	2.00%	$2,600,000	2.86%	$650,000	4.34%	$3,562,990	3.10%

The weighted average term of Allied's debt (excluding construction loans and the Unsecured Facility) is 4.8 years. The chart below summarizes the maturities of principal in regards to debt obligations as at December 31, 2022:



The table below summarizes the weighted average effective interest rate as at December 31, 2022:

	MORTGAGES PAYABLE	PROMISSORY NOTE PAYABLE	SENIOR UNSECURED DEBENTURES	UNSECURED TERM LOANS	TOTAL
Weighted Average Effective Interest Rate as at December 31, 2022	2.92%	3.81%	2.86%	4.34%	3.47%

MORTGAGES PAYABLE

As at December 31, 2022, mortgages payable, net of financing costs, total $112,822 and have a weighted average contractual interest rate of 3.37% (December 31, 2021 - 3.39%). The weighted average term of the mortgage debt is 3.0 years (December 31, 2021 - 4.0 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, 2022	DECEMBER 31, 2021
2023	$3,069	$12,230	$15,299	
2024	2,528	46,669	49,197	
2025	6,423	—	6,423	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
2030	5,000	—	5,000	
Mortgages, principal	$19,191	$93,799	$112,990	$118,094
Net premium on assumed mortgages			584	1,066
Net financing costs			(752)	(1,103)
			$112,822	$118,057

CONSTRUCTION LOANS PAYABLE

As at December 31, 2022, and December 31, 2021, Allied's obligations under the construction loans are as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2022	DECEMBER 31, 2021
Adelaide & Duncan	50%	August 11, 2023	$85,485	$62,048
Breithaupt Phase III	50%	June 2, 2023	50,472	31,041
KING Toronto	50%	December 17, 2024	71,762	39,607
108 East 5th Avenue	50%	December 6, 2025	16,006	—
			$223,725	$132,696

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 with a standby fee of 25 basis points and a letter of credit fee of 100 basis points. Allied is providing a joint and several guarantee of the entire facility and is earning a related guarantee fee on $135,000 of the guarantee. 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. On December 1, 2022, Allied and Perimeter exercised their option to extend the loan maturity to June 2, 2023, which bears interest at bank prime or bankers' acceptance rate plus 120 basis points with a standby fee of 20 basis points and a letter of credit fee of 100 basis points. Allied is providing a joint and several guarantee of the entire facility and is earning a related guarantee fee on $69,000 of the guarantee.

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 with a standby fee of 25 basis points and a letter of credit fee of 100 basis points. Allied is providing a joint and several guarantee of the entire facility and is earning a related guarantee fee on $232,500 of the guarantee.

On December 5, 2022, the 108 East 5th Avenue joint arrangement obtained a $150,000 construction lending facility from a syndicate of Canadian banks, in which Allied's 50% share is $75,000. The loan matures on December 6, 2025, and bears interest at prime plus 35 basis points or bankers' acceptance rate plus 135 basis points with a standby fee of 27 basis points and a letter of credit fee rate of 100 basis points. These interest rates and the standby fee (other than the letter of credit fee) are subject to variability based on the achievement of two distinct sustainability performance targets. For each sustainability performance target achieved, the interest rate and standby fee would decrease by 0.025% per annum and 0.005% per annum, respectively. In addition, if certain sustainability minimums are not achieved, the interest rate and standby fee would increase by 0.025% per annum and 0.005% per annum, respectively. Depending on the applicable sustainability performance target or sustainability minimum, the settlement of these interest rate variations and the standby fee occurs either annually or at the earlier of December 6, 2025, and the date the construction lending facility is fully repaid. Allied has provided a joint and several guarantee of the entire facility and is earning a related guarantee fee on $75,000 of the guarantee. On January 13, 2023, the 108 East 5th Avenue joint arrangement entered into a swap agreement to fix 75% of the construction costs up to $110,175 at 4.90%.

PROMISSORY NOTE PAYABLE

On March 31, 2022, Allied acquired a portfolio of six properties from Choice Properties, which was partially settled with the issuance of a $200,000 promissory note. The promissory note is secured by a first registered charge on five of the six properties acquired. Allied's obligations under the promissory note are as follows:

	CONTRACTUAL INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER31, 2022	DECEMBER 31, 2021
Promissory note payable	1.00% for 2022, 2.00% for 2023	December 31, 2023	Quarterly	$200,000	$—
Net discount on promissory note payable				(4,327)	—
				$195,673	$—

UNSECURED REVOLVING OPERATING FACILITY

As at December 31, 2022, and December 31, 2021, Allied's obligation under the unsecured revolving operating facility (the "Unsecured Facility") is as follows:

			DECEMBER 31, 2022				
	MATURITY DATE	CONTRACTUAL INTEREST RATES ON DRAWINGS	STANDBY FEE	FACILITY LIMIT	DRAWINGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured Facility limit $600,000 [(1)]	**January 30, 2025**	**Prime + 0.20% or Bankers' acceptance + 1.20%** [(2)]	**0.24%**	**$600,000**	**$(440,000)**	**$(15,563)**	**$144,437**

(1) This Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $700,000.

(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, 2021				
	MATURITY DATE	CONTRACTUAL INTEREST RATES ON DRAWINGS	STANDBY FEE	FACILITY LIMIT	DRAWINGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured Facility limit $600,000 [(1)]	January 30, 2025	Prime + 0.20% or Bankers' acceptance + 1.20% [(2)]	0.24%	$600,000	$(365,000)	$(19,025)	$215,975

(1) This Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $700,000.

(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.

SENIOR UNSECURED DEBENTURES

As at December 31, 2022, and December 31, 2021, Allied's obligations under the senior unsecured debentures are as follows:

SERIES	CONTRACTUAL INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	DECEMBER 31, 2022	DECEMBER 31, 2021
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**	400,000
Series G	3.131%	May 15, 2028	May 15 and November 15	**300,000**	300,000
Series H	1.726%	February 12, 2026	February 12 and August 12	**600,000**	600,000
Series I	3.095%	February 6, 2032	February 6 and August 6	**500,000**	500,000
Unsecured Debentures, principal				**$2,600,000**	$2,600,000
Net financing costs				**(10,061)**	(12,011)
				$2,589,939	$2,587,989

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

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

UNSECURED TERM LOANS

As at December 31, 2022, and December 31, 2021, Allied's obligations under the unsecured term loans are as follows:

	CONTRACTUAL INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2022	DECEMBER 31, 2021
Unsecured term loan	3.496%	January 14, 2026 (1)	Monthly	**$250,000**	$250,000
Unsecured term loan	4.865%	October 22, 2025	Monthly	**400,000**	—
Unsecured Term Loans, principal				**$650,000**	$250,000
Net financing costs				**(974)**	(458)
				$649,026	$249,542

(1) *The unsecured term loan is due on January 14, 2024, with two one-year extensions to January 14, 2026. The swap agreement to fix the rate at 3.496% covers the term including both extensions.*

The two unsecured term loans are collectively referred to as "Unsecured Term Loans". The respective financing costs are amortized using the effective interest method and recorded to interest expense.

On April 22, 2022, Allied entered into an unsecured term loan with a financial institution for $400,000 at a rate of prime plus 10 basis points or bankers' acceptance plus 110 basis points, due on October 22, 2025. The proceeds from the loan were used to repay the Unsecured Facility. Debt financing costs of $700 were incurred and recorded against the principal owing. On June 24, 2022, Allied entered into a swap agreement to fix the rate at 4.86%. On December 21, 2022, Allied amended the swap agreement for the settlement period, which increased the rate from 4.86% to 4.865%.

CREDIT RATINGS

Allied's credit ratings as at December 31, 2022, 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 fortifies 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 Facility, Unsecured Term Loans and Unsecured Debentures contain numerous financial covenants. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. The related covenants are as follows:

UNSECURED FACILITY AND UNSECURED TERM LOANS

The following outlines the covenants as defined in the agreements governing the Unsecured Facility and Unsecured Term Loans. The covenants are calculated on a proportionate basis, as required in these agreements. Refer to Non-IFRS Measures on page 21.

COVENANT [1]	THRESHOLD	DECEMBER 31, 2022	DECEMBER 31, 2021
Indebtedness ratio	Below 60%	**35.6%**	33.5%
Secured indebtedness ratio	Below 45%	**4.5%**	2.5%
Debt service coverage ratio [2]	Consolidated adjusted EBITDA to be more than 1.5 times debt service payments	**3.0x**	2.1x
Equity maintenance	At least $1,250,000 plus 75% of future equity issuances ($2,819,658)	**6,581,166**	6,425,772
Unencumbered property assets value ratio	Unencumbered property assets to be more than 1.4 times total unsecured debt	**2.6x**	2.8x
Distribution payout ratio	Maintain distributions below 100% of FFO	**71.2%**	71.2%

(1) Includes results from continuing operations, discontinued operations and assets and liabilities classified as held for sale.
(2) The debt service coverage ratio as at December 31, 2022, includes financing prepayment costs of $(564) for the twelve months ended December 31, 2022 (December 31, 2021 - $52,610). Excluding these financing prepayment costs, the debt service coverage ratio as at December 31, 2022, would be 2.9x (December 31, 2021 - 2.9x).

SENIOR UNSECURED DEBENTURES

The following outlines the requirements of covenants specified in the trust indenture with respect to the Unsecured Debentures. The covenants are calculated on a proportionate basis, which is in line with the trust indenture. Refer to Non-IFRS Measures on page 21.

COVENANT	THRESHOLD	DECEMBER 31, 2022	DECEMBER 31, 2021
Pro forma interest coverage ratio	Maintain a 12-month rolling consolidated *pro forma* EBITDA of at least 1.65 times *pro forma* interest expense	**2.8x**	3.5x
Pro forma asset coverage test	Maintain net consolidated indebtedness below 65% of net aggregate assets on a *pro forma* basis	**35.5%**	33.5%
Equity maintenance [1]	Maintain Unitholders' equity above $300,000	**6,581,166**	6,425,772
Pro forma unencumbered net aggregate adjusted asset ratio	Maintain *pro forma* unencumbered net aggregate adjusted assets above 1.4 times consolidated unsecured indebtedness	**2.8x**	3.0x

(1) Includes results from continuing operations, discontinued operations and assets and liabilities classified as held for sale.

As at December 31, 2022, Allied was in compliance with the terms and covenants of the agreements governing the Unsecured Facility, the Unsecured Term Loans and the Unsecured Debentures.

A number of other financial ratios are also monitored by Allied, such as net debt as a multiple of annualized adjusted EBITDA and interest coverage ratio - including interest capitalized and excluding financing prepayment costs. These ratios are presented in Section I—Overview.

EQUITY

The equity of Allied is comprised of Units issued by Allied and Exchangeable LP Units issued by Allied Properties Exchangeable Limited Partnership ("the Partnership"):

UNITS (AUTHORIZED - UNLIMITED)

Each Unit represents a single vote at any meeting of holders of Units and Special Voting Units (as defined below) and entitles the holders of Units and Special Voting Units to receive a *pro rata* share of all distributions, in accordance with the conditions provided for in the Declaration of Trust.

EXCHANGEABLE LP UNITS (AUTHORIZED - UNLIMITED)

Exchangeable LP Units issued by the Partnership are economically equivalent to Units, receive distributions equal to the distributions paid on the Units and are exchangeable, on a one-for-one basis, at the holder's option, for Units. All Exchangeable LP Units are held, directly or indirectly, by Choice Properties.

The 11,809,145 Exchangeable LP Units issued on March 31, 2022, in connection with the acquisition of six properties from Choice Properties contain lock-up and standstill restrictions. The lock-up will expire based on the following schedule:

LOCK-UP EXPIRATION DATE	NUMBER OF EXCHANGEABLE LP UNITS ELIGIBLE FOR RELEASE
June 30, 2023	2,952,286
September 30, 2023	2,952,286
December 31, 2023	2,952,286
March 31, 2024	2,952,287
	11,809,145

Each Exchangeable LP Unit is accompanied by one special voting unit of Allied ("Special Voting Unit") which provides the holder thereof with the right to one vote at all meetings of holders of Units and Special Voting Units. The Declaration of Trust was amended on March 4, 2022, to provide for the creation and issuance of the Special Voting Units.

The following represents the number of Units and Exchangeable LP Units issued and outstanding, and the related carrying value of equity, for the years ended December 31, 2022 and December 31, 2021.

	NUMBER ISSUED AND OUTSTANDING			AMOUNT		
	UNITS	EXCHANGEABLE LP UNITS	TOTAL EQUITY	UNITS	EXCHANGEABLE LP UNITS	TOTAL EQUITY
Balance - January 1, 2021	127,259,218	—	127,259,218	$3,884,661	$—	$3,884,661
Restricted Unit Plan (net of forfeitures)	—	—	—	(2,141)	—	(2,141)
Unit Option Plan - options exercised	1,533	—	1,533	56	—	56
Unit issuance (net of costs)	477,100	—	477,100	20,079	—	20,079
Balance - December 31, 2021	127,737,851	—	127,737,851	$3,902,655	$—	$3,902,655
Restricted Unit Plan (net of forfeitures)	**—**	**—**	**—**	**(2,661)**	**—**	**(2,661)**
Unit Option Plan - options exercised	**6,332**	**—**	**6,332**	**200**	**—**	**200**
Unit issuance (net of costs)	**211,800**	**11,809,145**	**12,020,945**	**9,184**	**550,660**	**559,844**
Balance - December 31, 2022	**127,955,983**	**11,809,145**	**139,765,128**	**$3,909,378**	**$550,660**	**$4,460,038**

During the year ended December 31, 2022, the acquisition of six office assets from Choice Properties was satisfied in part by the issuance of 11,809,145 Exchangeable LP Units. The Exchangeable LP Units were recognized as non-controlling interests in the consolidated statements of equity. In January 2022, Allied issued 211,800 Units under the ATM Program in settlement of trades executed at the end of December 2021 at a weighted average price of $44.02 per Unit for gross proceeds of $9,324, and incurred commissions of $140, for net proceeds of $9,184.

During the year ended December 31, 2021, Allied issued 477,100 Units under the ATM Program at a weighted average price of $44.07 per Unit for gross proceeds of $21,028, and incurred commissions of $315, for net proceeds of $20,713. Issuance costs on the ATM Program were $634 for the year ended December 31, 2021. The commissions and issuance costs were applied against the gross proceeds 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.

As at January 31, 2023, 127,955,983 Units and 1,717,043 options to purchase Units were issued and outstanding.

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

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021	**DECEMBER 31, 2022**	DECEMBER 31, 2021
Units	**127,955,983**	127,441,142	**127,951,020**	127,305,384
Exchangeable LP Units [1]	**11,809,145**	—	**8,929,655**	—
Total units - basic	**139,765,128**	127,441,142	**136,880,675**	127,305,384
Unit Option Plan	**—**	170,131	**23,407**	150,445
Total units - fully diluted	**139,765,128**	127,611,273	**136,904,082**	127,455,829

(1) Issued on March 31, 2022.

NORMAL COURSE ISSUER BID

On February 22, 2022, 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 12,602,594 of its outstanding Units, representing approximately 10% of its public float as at February 10, 2022. The NCIB commenced February 24, 2022, and will expire on February 23, 2023, 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, 2022, Allied purchased 61,725 Units for $2,664 at a weighted average price of $43.16 per Unit under its NCIB program, of which 61,148 Units were purchased for delivery to participants under Allied's Restricted Unit Plan and 577 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

COMPENSATION 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. Effective December 2021, no further options will be granted under the Unit Option Plan.

At December 31, 2022, Allied had granted options to purchase up to 1,717,043 Units outstanding, of which 1,151,274 had vested. At December 31, 2021, Allied had granted options to purchase 1,726,381 Units outstanding, of which 842,672 had vested.

For the year ended December 31, 2022, Allied recorded a unit-based compensation expense of $876 (December 31, 2021 - $1,740) in general and administrative expense in the consolidated statements of income and comprehensive income related to the Unit Option Plan.

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. Generally, 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, 2022, Allied had 322,411 Restricted Units outstanding (December 31, 2021 - 296,810).

For the year ended December 31, 2022, Allied recorded a unit-based compensation expense of $2,807 (December 31, 2021 - $2,376) in general and administrative expense in the consolidated statements of income and comprehensive income related to the Restricted Unit Plan.

In December 2021, Allied adopted a cash settled performance and restricted trust unit plan (the "PTU/RTU Plan") whereby performance trust units and/or restricted trust units (together, "Plan Units") are granted to certain employees at the discretion of the Board. Plan Units are subject to such vesting, settlement, performance criteria and adjustment factors as are established by the Board at the time of the grant and accumulate distribution equivalents in the form of additional Plan Units. The PTU/RTU Plan contains provisions providing for the vesting or forfeiture of unvested Plan Units within specified time periods in the event the employee's employment is terminated, and authorizes the Chief Executive Officer, in their discretion, to amend the vesting and settlement of Plan Units in certain circumstances where an employee's employment is terminated. The following is a summary of the activity of Allied's PTU/RTU Plan:

	YEAR ENDED DECEMBER 31, 2022	YEAR ENDED DECEMBER 31, 2021
Plan Units, beginning of period	—	—
Granted	172,500	—
Cancelled/Forfeited	(1,035)	—
Distributions equivalents	7,728	—
Plan Units, end of period	**179,193**	—

For the year ended December 31, 2022, Allied recorded a unit-based compensation expense of $738 (December 31, 2021 - $nil), including the mark-to-market adjustment, in general and administrative expense in the consolidated statements of income and comprehensive income.

DISTRIBUTIONS

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	DECEMBER, 2014
Annualized increase per Unit	$0.04	$0.04	$0.04	$0.04	$0.06	$0.04	$0.05	$0.05
% increase	3.6%	3.5%	3.4%	3.3%	4.8%	3.0%	3.7%	3.5%
Annualized distribution per Unit	$1.14	$1.18	$1.22	$1.26	$1.32	$1.36	$1.41	$1.46

	DECEMBER, 2015	DECEMBER, 2016	DECEMBER, 2017	DECEMBER, 2018	JANUARY, 2020	JANUARY, 2021	JANUARY, 2022	JANUARY, 2023
Annualized increase per Unit	$0.04	$0.03	$0.03	$0.04	$0.05	$0.05	$0.05	$0.05
% increase	2.7%	2.0%	2.0%	2.6%	3.1%	3.0%	2.9%	2.9%
Annualized distribution per Unit	$1.50	$1.53	$1.56	$1.60	$1.65	$1.70	$1.75	$1.80

On each date that a distribution is declared by Allied on the Units, a distribution in an equal amount per unit is declared by the Partnership on the Exchangeable LP Units. A holder of Exchangeable LP Units may elect to defer receipt of all or a portion of distributions declared by the Partnership until the first business day following the end of the fiscal year. If the holder elects to defer, the Partnership will loan the holder an amount equal to the deferred distribution without interest, and the loan will be due and payable on the first business day following the end of the fiscal year during which the loan was advanced. The distributions declared by the Partnership on the Exchangeable LP Units from April 1, 2022, to December 31, 2022, was $15,496, for which Choice Properties elected to receive a loan in lieu of all of the distributions. Of the $15,496 loan in lieu of distributions, a note receivable of $13,774 was issued to Choice Properties for the cash advances made during the nine months ended December 31, 2022, with the remaining $1,722 advanced to Choice Properties as a note receivable on January 16, 2023. Since there is a legally enforceable right and an intention by Allied and Choice Properties to settle the note receivable from Choice Properties and the distributions payable to Choice Properties on a net basis, these financial instruments are offset on the balance sheet. On January 3, 2023, $13,774 of the note receivable due from Choice Properties was settled on a net basis against the distribution payable to Choice Properties.

SOURCES OF DISTRIBUTIONS

For the three months and year ended December 31, 2022, Allied declared $61,134 and $239,363 in distributions, respectively (December 31, 2021 - $54,225 and $216,521, respectively), including distributions to holders of the Exchangeable LP Units of $5,165 and $15,496, respectively (December 31, 2021 - $nil and $nil, respectively).

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021	**DECEMBER 31, 2022**	DECEMBER 31, 2021
Distributions declared	**$61,134**	$54,225	**$239,363**	$216,521
Net income and comprehensive income	**$41,392**	$159,921	**$375,363**	$443,151
Cash flows provided by operating activities	**$94,509**	$87,509	**$321,193**	$241,114
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation [1]	**$76,553**	$66,076	**$297,579**	$266,517
AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation payout ratio [1]	**79.9%**	82.1%	**80.4%**	81.2%
(Deficit) excess of net income over distributions declared	**$(19,742)**	$105,696	**$136,000**	$226,630
Excess of cash flows provided by operating activities over distributions declared	**$33,375**	$33,284	**$81,830**	$24,593
Excess of cash provided by AFFO excluding condominium related items, financing prepayment costs and the mark-to-market adjustment on unit-based compensation over distributions declared	**$15,419**	$11,851	**$58,216**	$49,996

(1) *This is a non-IFRS measure, refer to page 21.*

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

The rate of distribution as at December 31, 2022, amounts to $1.75 per unit per annum (December 31, 2021 - $1.70 per Unit per annum).

COMMITMENTS

At December 31, 2022, Allied had future commitments as set out below, excluding the amount held within equity accounted investments:

	DECEMBER 31, 2022	DECEMBER 31, 2021
Capital expenditures and committed acquisitions	**$247,819**	$473,779

As at December 31, 2022, commitments of $510 (December 31, 2021 - $354) were held within equity accounted investments.

As at December 31, 2022, there are no committed acquisitions (December 31, 2021 - $126,198 for the acquisition of 700 Saint-Hubert, which closed on October 31, 2022).

The above does not include Allied's lease liability commitments, which are disclosed in note 13 of the consolidated financial statements for the year ended December 31, 2022.

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, 2022, 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, 2022, and the 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, 2022, 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, 2022, using the COSO Internal Control - Integrated 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, 2022, 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.

The following discussion of risks is not exhaustive but is designed to highlight the key risks that may affect Allied's business, operations and financial condition or future performance.

OPERATING RISKS AND RISK MANAGEMENT

REAL ESTATE RISK

Allied is subject to the conventional risks associated with the ownership of real estate.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made by Allied throughout the period of its ownership of the properties regardless of whether the property is producing sufficient income to cover such expenses. In order to provide desirable rentable space over the long term, Allied must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining and improving a rental property can entail significant costs that Allied may not be able to pass on to users.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Allied's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Allied were to dispose of real property investments, the proceeds to Allied might be significantly less than the aggregate carrying value of its properties.

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.

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. For Allied's current lease maturity schedule, refer to page 54.

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, financing prepayment costs and the mark-to-market adjustment on unit-based compensation would decline by approximately $6,229 (approximately $0.045 per unit). The decline in AFFO excluding condominium related items and financing 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.

USER TERMINATIONS AND FINANCIAL STABILITY

Allied's distributable income would be adversely affected if a significant number of users were to become unable to meet their obligations under their leases or if a significant amount of available space in its properties were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the user replaced. The terms of any subsequent lease may be less favourable to Allied than the existing lease. In the event of default by a user,

delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Allied's investment may be incurred. Furthermore, at any time, a user of any of Allied's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such user's lease and thereby cause a reduction in the cash flow available to Allied. The ability to rent unleased space in the properties in which Allied will have an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property required by a new user. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on Allied's financial condition.

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 of Trust, which states that the cost of development cannot exceed 15% of GBV.

JOINT ARRANGEMENTS AND PARTNERSHIPS

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.

Allied may own less than a controlling interest, may not be in a position to exercise sole decision-making authority regarding the properties owned through joint arrangements and may not fully manage those properties. Investments in joint arrangements may, under certain circumstances, involve risks not present when a third party is not involved, including: (i) counter-party risk; (ii) the possibility that joint arrangement partners may have business interests or goals that are inconsistent with Allied's business interests or goals; and (iii) the need to obtain the joint arrangement partner's consent with respect to certain major decisions relating to these assets, such as decisions relating to the sale of the assets, timing and amount of distributions of cash from such properties to Allied and its joint arrangement partners, and capital expenditures. In addition, the sale or transfer of interests in certain of the joint arrangements and partnerships may be subject to rights of first refusal and certain of the joint arrangement agreements may provide for buy-sell, put or similar arrangements.

COMPETITION

The real estate business is competitive. Numerous other developers, managers and owners of office properties compete with Allied in seeking users. Some of the properties of Allied's competitors are better located or less levered than Allied's properties and any property in which Allied subsequently acquires an interest. Some of Allied's competitors are better capitalized and stronger financially and hence better able

to withstand an economic downturn. The existence of competing developers and owners and competition for Allied's users could have an adverse effect on Allied's ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Allied's revenues and its ability to meet its debt obligations. An increase in the availability of investment funds and an increase in interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing the yield on them. Competition for acquisitions of real properties is intense, and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that Allied is prepared to accept.

UNEXPECTED COSTS OR LIABILITIES RELATED TO ACQUISITIONS

A risk associated with acquisitions is that there may be an undisclosed or unknown liability relating to the acquired property, and Allied may not be indemnified for some or all of these liabilities. Following an acquisition, Allied may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by Management are designed to address this risk. Allied performs what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to ensure that risks lie with the appropriate party.

RELIANCE ON KEY PERSONNEL

The management of Allied depends on the services of certain key personnel. The loss of the services of any key personnel could have an adverse effect on Allied.

CONDOMINIUM MARKET

Some of Allied's current development projects could be impacted by changes in condominium markets. These include changes in general and local economic and industry conditions, such as employment levels, availability of financing for homebuyers, interest rates, consumer confidence, levels of new and existing homes for sale, demographic trends and housing demand.

FINANCIAL RISKS AND RISK MANAGEMENT

FINANCING AND INTEREST RATE RISK

Allied is subject to risk associated with debt financing. Allied's financing may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in Allied's cost of borrowing. 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. For Allied's current debt-maturity schedule, refer to page 77.

Interest rates on debt for mortgages payable, promissory note payable, unsecured debentures and unsecured term loans are between 1.00% and 4.87% with a weighted average contractual interest rate of 3.10%. The weighted average term of our debt (excluding construction loans and the Unsecured Facility) is 4.8 years. Refer to note 12(b) and (d) 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.

ACCESS TO CAPITAL

The real estate industry is highly capital intensive. Allied will require access to capital to maintain its properties, to complete development and intensification projects, as well as to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Allied's access to capital and cost of capital will be subject to a number of factors, including general market conditions; the market's perception of Allied's growth potential; Allied's current and expected future earnings; Allied's cash flow and cash distributions; and the market price of Allied's Units. If Allied is unable to obtain sources of capital, it may not be able to acquire or develop assets, or pursue the development or intensification of properties when strategic opportunities arise.

AVAILABILITY OF CASH FLOW AND DISTRIBUTIONS

There can be no assurance that Allied will maintain or increase its distribution levels in the future. Distributions are made at the discretion of the Trustees based on many factors, including provisions of the Declaration of Trust, macroeconomic and industry specific environments, the overall financial condition of Allied, future capital requirements, debt covenants, and taxable income. Distributable income may exceed actual cash available to Allied from time to time because of items such as principal repayments of debt, user inducements, leasing commissions and capital expenditures, if any. Allied may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. The market value of the Units may be negatively impacted if Allied is unable to maintain its distribution levels in the future.

MORTGAGE PAYMENTS

Approximately 76.1% of the principal amount of the Mortgages have terms of five years or less. Variations in interest rates and principal repayments required under the Mortgages and Allied's operating and acquisition credit facilities, on renewal or otherwise, could result in significant changes in the amount required to be applied to debt service and, as a result, reduce the amount of cash available for distribution to Unitholders. Certain covenants in the Mortgages and credit facilities may also limit payments by Allied to its Unitholders. If Allied becomes unable to pay its debt service charges or otherwise commits an event of default, the rights of its lenders will rank senior to any rights of Unitholders.

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 16.8% of rental revenue and the credit quality of our top-10 users continues to improve.

As Allied has invested in mortgages to third parties 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, 2022, Allied had $432,032 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.

UNIT PRICE RISK

Unit price risk arises from the unit-based compensation liabilities which are recorded at fair value at each quarter-end date. Allied's unit-based compensation liabilities negatively impact operating income when the Unit price rises and positively impact operating income when the Unit price declines.

POTENTIAL VOLATILITY OF UNIT PRICES

Allied is an unincorporated trust and its Units are listed on the TSX. A publicly-traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. The prices at which the Units will trade cannot be predicted and could be subject to significant fluctuations in response to variations in quarterly operating results, distributions, and other factors beyond the control of Allied such as changes or uncertainty regarding global economic conditions, including but not limited to those caused by the occurrence of a natural disaster, a public health emergency or other force majeure event. The annual yield on the Units as compared to the annual yield on other financial instruments may also influence the price of the Units in the public trading markets. In addition, securities markets may experience significant price and volume fluctuations from time to time that are unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

DILUTION

Allied may, in its sole discretion, issue additional Units, or securities convertible or exchangeable into Units, from time to time, and the voting power and/or economic interest of Unitholders may be diluted thereby. Allied cannot predict the size or nature of future sales or issuances of securities, or the effect, if any, that such future sales and issuances will have on the market price of the Units.

OTHER RISKS

COVID-19 RISK

As a result of the continuously evolving circumstances surrounding the COVID-19 pandemic, uncertainty remains with respect to Allied's revised internal forecast, the most significant being the fact that it cannot predict how consumers, users and governments will respond during the transition to a fully reopened economy. In addition, Allied cannot predict the extent and severity of the economic disruption and related financial impact flowing from the global pandemic.

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 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.

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.

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 as well as lingering effects on Allied's employees, suppliers, third-party service providers and/or users.

GENERAL ECONOMIC CONDITIONS

Allied may be affected by changes in general economic conditions (such as inflation and the availability and cost of credit), local real estate markets (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, competition from other available premises, including new developments, and various other factors. Property valuations may be impacted by inflation and interest rate risk. The global economy may face increasing uncertainty due to acts of nature, including the COVID-19 global pandemic, trade protectionism, disputes and political events around the world, which could potentially impact Canadian trade and the Canadian economy at large. This could have an impact on the markets in which Allied operates and in turn could have an adverse effect on Allied.

GENERAL UNINSURED LOSSES

Allied carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Allied will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Allied could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but Allied would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

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. Allied will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations.

Such laws provide that Allied could be liable for the costs of removal of certain hazardous substances, remediation of certain hazardous locations or other environmental impacts. The failure to remove or remediate such substances, locations or environmental impacts, 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.

Climate change could pose significant environmental, social and business risks. If environmental laws and regulations change, Allied could be 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. Allied is committed to evaluating potential impacts to its business on an ongoing basis and to making investments to mitigate potential identified impacts.

Physical risks from climate change that may result in damage to Allied's properties may include natural disasters and severe weather, such as floods, blizzards and rising temperatures. 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, the physical impacts from climate change, including changing weather patterns, could have effects on Allied's business by increasing the cost of property insurance, and/or energy at its 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. Allied is evaluating all of its assets to understand how the physical risks from climate change could impact the portfolio and is taking a proactive and precautionary approach to mitigate potential impacts.

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.

TAXATION RISK

Allied is a mutual fund trust as defined in the Tax Act. The Tax Act contains restrictions relating to the activities and the investments permitted by a mutual fund trust and, if Allied failed to adhere to these restrictions, adverse tax consequences would arise.

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.

In the event that the SIFT rules apply to Allied, the impact to Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by Allied in computing its income in a particular year and what portions of Allied's distributions constitute "non-portfolio earnings", other income and return of capital.

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 undertakes regular internal and external assessments of its information security posture, including annual third-party penetration testing and ongoing third-party assessment of Allied's information technology footprint. Allied has adopted ISO 27001:2013 as a guiding framework for its portfolio and has obtained ISO 27001 certification and a SOC 2 Type 2 audit report for its UDC portfolio. 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. Allied's employees complete information security training every four months and an external Information Technology General Controls audit is completed annually. Additionally, Allied monitors and assesses risks surrounding collection, usage, storage, protection, and retention/destruction practices of personal data. Allied also maintains information security risk insurance coverage. Since inception, Allied has not experienced an unauthorized intrusion or infiltration of its systems that has resulted in a data breach. These measures, as well as Allied's 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.

CHANGES IN LEGISLATION AND INVESTMENT ELIGIBILITY

There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and/or assessing practices of the Canada Revenue Agency) and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. Allied will endeavour to ensure that the Units continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts. Units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds, registered education savings plans, registered disability savings plans and tax-free savings accounts if the Units were no longer listed on a stock exchange that, for the purposes of the Tax Act, is a designated stock exchange (which includes the TSX) and Allied no longer qualified as a mutual fund trust or as a registered investment. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

ABSENCE OF SHAREHOLDER RIGHTS

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company. On May 12, 2016, Allied amended the Declaration of Trust to include certain rights, remedies and procedures in favour of Unitholders consistent, to the extent possible, with those available to shareholders of a corporation pursuant to the *Canada Business Corporations Act*, as further described in Allied's Management Information Circular dated April 11, 2016. The rights granted in the Declaration of Trust are granted as contractual rights afforded to Unitholders (rather than as statutory rights). Similar to other existing rights contained in Allied's Declaration of Trust (i.e., the take-over bid provisions and conflict of interest provisions), making these rights and remedies and certain procedures available by contract is structurally different from the manner in which the equivalent rights and remedies or procedures (including the procedure for enforcing such remedies) are made available to shareholders of a corporation, who benefit from those rights and remedies or procedures by the corporate statute that governs the corporation, such as the *Canada Business Corporations Act*. As such, there is no certainty how these rights, remedies or procedures may be treated by the courts in the non-corporate context or that a Unitholder will be able to enforce the rights and remedies in the manner contemplated by the amendments. Furthermore, how the courts will treat these rights, remedies and procedures will be in the discretion of the court, and the courts may choose to not accept jurisdiction to consider any claim contemplated in the provisions.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, Allied is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

UNITHOLDER LIABILITY

On December 16, 2004, the Province of Ontario proclaimed the *Trust Beneficiaries Liability Act* (Ontario) in force. This legislation provides that beneficiaries of Ontario based income trusts are not liable, as beneficiaries, for any act, default, obligation or liability of the income trust. Unitholders of Allied will have the benefit of this legislation with respect to liabilities arising on or after December 16, 2004. This legislation has not been subject to interpretation by courts in the Province of Ontario or elsewhere.

Section X
–Property Table

DECEMBER 31, 2022 PROPERTIES	Urban Workspace						
	Office GLA	Retail 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%
College & Manning - 547-549 College	—	2,708	2,708		—	2,708	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	55,357	—	55,357		29,409	25,948	46.9%
The Castle - 41 Fraser	14,857	—	14,857		—	14,857	100.0%
The Castle - 47 Fraser	7,468	3,480	10,948		—	10,948	100.0%
The Castle - 49 Fraser	17,472	—	17,472		10,363	7,109	40.7%
The Castle - 53 Fraser	78,797	—	78,797		—	78,797	100.0%
The Castle - 8 Pardee	—	2,681	2,681		—	2,681	100.0%
The Well - 8 Spadina [1][6]	246,702	285	246,987		—	246,987	100.0%
The Well - 452 Front W [1][6]	42,871	—	42,871		—	42,871	100.0%
The Well - 468 Front W [1][6]	1,523	—	1,523		—	1,523	100.0%
King West	**644,740**	**15,505**	**660,245**	**4.6%**	**39,772**	**620,473**	**94.0%**
12 Brant	—	11,936	11,936		—	11,936	100.0%
141 Bathurst	10,101	—	10,101		—	10,101	100.0%
183 Bathurst	24,136	5,643	29,779		10,268	19,511	65.5%
241 Spadina	24,833	6,046	30,879		—	30,879	100.0%
379 Adelaide W	38,560	3,045	41,605		26,432	15,173	36.5%
383 Adelaide W	4,515	—	4,515		2,133	2,382	52.8%
387 Adelaide W	6,500	—	6,500		—	6,500	100.0%
420 Wellington W	31,339	3,163	34,502		—	34,502	100.0%
425 Adelaide W	70,846	3,809	74,655		1,247	73,408	98.3%
425-439 King W	66,486	23,497	89,983		10,545	79,438	88.3%
432 Wellington W	—	8,997	8,997		—	8,997	100.0%
441-443 King W	6,377	2,904	9,281		—	9,281	100.0%
445-455 King W	31,523	16,304	47,827		—	47,827	100.0%
460 King W	10,144	4,285	14,429		—	14,429	100.0%
461 King W	38,717	35,833	74,550		17,071	57,479	77.1%
468 King W	63,121	—	63,121		63,121	—	—%
469 King W	61,618	12,273	73,891		—	73,891	100.0%
478 King W	—	8,701	8,701		—	8,701	100.0%
485 King W	12,339	—	12,339		—	12,339	100.0%

DECEMBER 31, 2022 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
500 King W	44,130	21,598	65,728		—	65,728	100.0%
522 King W	28,850	21,863	50,713		14,449	36,264	71.5%
540 King W	—	5,935	5,935		—	5,935	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	296,009	1,850	297,859		29,468	268,391	90.1%
579 Richmond W	26,818	—	26,818		8,961	17,857	66.6%
64 Spadina	—	5,297	5,297		—	5,297	100.0%
80-82 Spadina	60,048	16,009	76,057		—	76,057	100.0%
96 Spadina	77,223	8,240	85,463		11,562	73,901	86.5%
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]	7,370	5,365	12,735		363	12,372	97.1%
King West Central	**1,211,593**	**265,522**	**1,477,115**	**10.3%**	**195,620**	**1,281,495**	**86.8%**
116 Simcoe	15,461	—	15,461		3,973	11,488	74.3%
117 & 119 John	—	7,562	7,562		—	7,562	100.0%
121 John	2,444	798	3,242		1,528	1,714	52.9%
125 John	2,171	798	2,969		—	2,969	100.0%
179 John	70,898	—	70,898		—	70,898	100.0%
180 John	45,631	—	45,631		—	45,631	100.0%
200 Adelaide W	26,614	—	26,614		—	26,614	100.0%
208-210 Adelaide W	11,477	—	11,477		3,681	7,796	67.9%
217 Richmond W	31,707	21,670	53,377		3,405	49,972	93.6%
257 Adelaide W	42,763	—	42,763		—	42,763	100.0%
312 Adelaide W	62,420	5,584	68,004		23,093	44,911	66.0%
331-333 Adelaide W	19,048	3,725	22,773		—	22,773	100.0%
358-360 Adelaide W	50,786	—	50,786		12,228	38,558	75.9%
388 King W	20,275	19,040	39,315		18,227	21,088	53.6%
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		9,080	297,915	97.0%
QRC West - 364 Richmond W, Phase I	38,279	—	38,279		6,864	31,415	82.1%
Union Centre	41,787	—	41,787		4,952	36,835	88.1%
Entertainment District	**871,670**	**74,236**	**945,906**	**6.6%**	**87,031**	**858,875**	**90.8%**

DECEMBER 31, 2022 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
110 Yonge [2]	78,100	2,376	80,476		13,247	67,229	83.5%
175 Bloor E [3]	295,739	9,177	304,916		60,666	244,250	80.1%
193 Yonge	34,349	16,898	51,247		—	51,247	100.0%
525 University	192,771	9,392	202,163		1,772	200,391	99.1%
Downtown	**600,959**	**37,843**	**638,802**	**4.5%**	**75,685**	**563,117**	**88.2%**
106 Front E	24,118	10,554	34,672		6,756	27,916	80.5%
184 Front E	84,116	4,829	88,945		16,290	72,655	81.7%
35-39 Front E	34,818	13,822	48,640		—	48,640	100.0%
36-40 Wellington E	15,494	9,993	25,487		4,055	21,432	84.1%
41-45 Front E	20,958	14,239	35,197		13,967	21,230	60.3%
45-55 Colborne	30,622	13,288	43,910		3,591	40,319	91.8%
47 Front E	9,068	4,337	13,405		2,900	10,505	78.4%
49 Front E	9,482	10,435	19,917		5,849	14,068	70.6%
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		17,530	63,877	78.5%
60 Adelaide E	106,193	4,608	110,801		8,383	102,418	92.4%
65 Front E	14,339	5,922	20,261		—	20,261	100.0%
70 Esplanade	19,590	6,109	25,699		—	25,699	100.0%
St. Lawrence Market	**450,180**	**141,765**	**591,945**	**4.1%**	**79,321**	**512,624**	**86.6%**
135-137 George	2,399	—	2,399		—	2,399	100.0%
133 George	1,617	—	1,617		—	1,617	100.0%
139-141 George	2,190	—	2,190		2,190	—	—%
204-214 King E	115,087	13,837	128,924		—	128,924	100.0%
230 Richmond E	73,542	—	73,542		—	73,542	100.0%
252-264 Adelaide E	44,537	2,582	47,119		13,550	33,569	71.2%
489 Queen E	31,737	—	31,737		—	31,737	100.0%
70 Richmond E	34,469	—	34,469		—	34,469	100.0%
Dominion Square - 468 Queen N	30,383	3,523	33,906		—	33,906	100.0%
Dominion Square - 468 Queen S	34,313	9,091	43,404		1,358	42,046	96.9%
Dominion Square - 478-496 Queen	6,552	33,526	40,078		—	40,078	100.0%
QRC East - 111 Queen E	190,953	20,733	211,686		6,165	205,521	97.1%
Queen Richmond	**567,779**	**83,292**	**651,071**	**4.5%**	**23,263**	**627,808**	**96.4%**
Toronto	**4,346,921**	**618,163**	**4,965,084**	**34.7%**	**500,692**	**4,464,392**	**89.9%**

DECEMBER 31, 2022 PROPERTIES	Urban Workspace						
	Office GLA	Retail GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
195 Joseph	26,462	—	26,462		—	26,462	100.0%
25 Breithaupt [4]	46,845	—	46,845		—	46,845	100.0%
51 Breithaupt [4]	66,355	—	66,355		—	66,355	100.0%
72 Victoria	90,010	—	90,010		4,386	85,624	95.1%
The Tannery - 151 Charles W	306,821	25,810	332,631		27,281	305,350	91.8%
Kitchener	**536,493**	**25,810**	**562,303**	**3.9%**	**31,667**	**530,636**	**94.4%**
Toronto & Kitchener	**4,883,414**	**643,973**	**5,527,387**	**38.6%**	**532,359**	**4,995,028**	**90.4%**
The Chambers - 40 Elgin	195,994	5,466	201,460		—	201,460	100.0%
The Chambers - 46 Elgin	28,218	1,756	29,974		2,430	27,544	91.9%
Ottawa	**224,212**	**7,222**	**231,434**	**1.6%**	**2,430**	**229,004**	**99.0%**
1001 Boulevard Robert-Bourassa [6]	653,962	—	653,962		7,005	646,957	98.9%
1010 Sherbrooke W	326,754	1,600	328,354		23,900	304,454	92.7%
3510 Saint-Laurent	85,646	15,022	100,668		—	100,668	100.0%
3530-3540 Saint-Laurent	52,321	4,008	56,329		4,780	51,549	91.5%
425 Viger	307,201	9,146	316,347		13,555	302,792	95.7%
4396-4410 Saint-Laurent	41,374	14,147	55,521		838	54,683	98.5%
4446 Saint-Laurent	72,819	7,251	80,070		14,198	65,872	82.3%
451-481 Saint-Catherine W	21,044	9,983	31,027		2,350	28,677	92.4%
480 Saint-Laurent	53,407	6,293	59,700		447	59,253	99.3%
5445 de Gaspé	483,685	896	484,581		53,713	430,868	88.9%
5455 de Gaspé	466,698	22,562	489,260		7,917	481,343	98.4%
5505 Saint-Laurent	243,788	2,221	246,009		2,221	243,788	99.1%
6300 Parc	184,510	3,933	188,443		17,339	171,104	90.8%
645 Wellington	129,017	8,117	137,134		5,506	131,628	96.0%
700 Saint Antoine	107,320	16,893	124,213		5,281	118,932	95.7%
740 Saint-Maurice	67,674	—	67,674		—	67,674	100.0%
747 Square-Victoria	531,612	37,752	569,364		51,828	517,536	90.9%
810 Saint Antoine	43,500	—	43,500		29,000	14,500	33.3%
85 Saint-Paul W	79,707	—	79,707		11,472	68,235	85.6%
Cité Multimédia - 111 Boulevard Robert-Bourassa	359,039	12,571	371,610		173,350	198,260	53.4%
Cité Multimédia - 50 Queen	27,072	—	27,072		1,255	25,817	95.4%
Cité Multimédia - 700 Wellington	135,232	—	135,232		20,912	114,320	84.5%

DECEMBER 31, 2022 PROPERTIES	Urban Workspace Office GLA	Urban Workspace Retail GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
Cité Multimédia - 75 Queen	253,311	2,513	255,824		23,613	232,211	90.8%
Cité Multimédia - 80 Queen	69,247	—	69,247		—	69,247	100.0%
Cité Multimédia - 87 Prince	99,089	1,040	100,129		3,254	96,875	96.8%
El Pro Lofts - 644 Courcelle	145,166	8,935	154,101		50,977	103,124	66.9%
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	785,995	41,479	827,474		45,861	781,613	94.5%
RCA Building - 1001 Lenoir (6)	147,350	26,243	173,593		—	173,593	100.0%
Montréal	**6,013,983**	**252,605**	**6,266,588**	**43.8%**	**570,572**	**5,696,016**	**90.9%**
Montréal & Ottawa	**6,238,195**	**259,827**	**6,498,022**	**45.4%**	**573,002**	**5,925,020**	**91.2%**
613 11th SW	—	4,288	4,288		—	4,288	100.0%
617 11th SW	3,230	6,306	9,536		—	9,536	100.0%
Alberta Block - 805 1st SW	9,094	22,038	31,132		1,856	29,276	94.0%
Alberta Hotel - 808 1st SW	28,036	20,424	48,460		10,563	37,897	78.2%
Atrium on Eleventh - 625 11th SE	34,594	1,373	35,967		4,204	31,763	88.3%
Biscuit Block - 438 11th SE	51,298	—	51,298		—	51,298	100.0%
Burns Building - 237 8th SE	67,160	7,423	74,583		3,332	71,251	95.5%
Cooper Block - 809 10th SW	35,256	—	35,256		—	35,256	100.0%
Customs House - 134 11th SE	77,097	—	77,097		—	77,097	100.0%
Demcor Condo - 221 10th SE	14,253	—	14,253		7,021	7,232	50.7%
Demcor Tower - 239 10th SE	25,228	—	25,228		2,938	22,290	88.4%
Five Roses Building - 731-739 10th SW	—	20,808	20,808		2,495	18,313	88.0%
Glenbow - 802 11th SW	—	7,319	7,319		—	7,319	100.0%
Glenbow - 822 11th SW	14,037	3,501	17,538		4,743	12,795	73.0%
Glenbow Annex - 816 11th SW	—	9,021	9,021		—	9,021	100.0%
Glenbow Cornerblock - 838 11th SW	10,998	11,212	22,210		1,146	21,064	94.8%
Glenbow Ellison - 812 11th SW	13,344	—	13,344		—	13,344	100.0%
Kipling Square - 601 10th SW	48,502	—	48,502		7,171	41,331	85.2%
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	40,018	—	40,018		—	40,018	100.0%

DECEMBER 31, 2022 PROPERTIES	Urban Workspace Office GLA	Retail GLA	Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
Roberts Block - 603-605 11th SW	23,641	27,499	51,140		15,915	35,225	68.9%
Sherwin Block - 738 11th SW	18,319	8,176	26,495		10,372	16,123	60.9%
Telephone Building - 119 6th SW	63,063	—	63,063		25,183	37,880	60.1%
TELUS Sky - 685 Centre SW (5)	144,290	3,711	148,001		32,904	115,097	77.8%
Theatre Grand - 608 1st Street SW	—	34,100	34,100		—	34,100	100.0%
Vintage Towers - 322-326 11th SW	190,243	20,418	210,661		18,742	191,919	91.1%
Woodstone Building - 1207-1215 13th SE	32,428	—	32,428		—	32,428	100.0%
Young Block - 129 8th SW	4,841	2,164	7,005		2,414	4,591	65.5%
Calgary	**1,067,801**	**215,201**	**1,283,002**	**9.0%**	**150,999**	**1,132,003**	**88.2%**
1040 Hamilton	36,276	9,162	45,438		11,856	33,582	73.9%
1050 Homer	38,302	4,797	43,099		—	43,099	100.0%
1185 West Georgia	160,364	4,869	165,233		44	165,189	100.0%
1220 Homer	21,708	—	21,708		—	21,708	100.0%
1286 Homer	25,613	—	25,613		—	25,613	100.0%
1508 West Broadway	82,961	64,183	147,144		4,283	142,861	97.1%
151-155 West Hastings	38,512	—	38,512		—	38,512	100.0%
2233 Columbia	21,591	6,852	28,443		—	28,443	100.0%
365 Railway	31,528	—	31,528		—	31,528	100.0%
375 Water	150,276	27,149	177,425		24,247	153,178	86.3%
840 Cambie	89,377	—	89,377		—	89,377	100.0%
948-950 Homer	23,245	21,758	45,003		—	45,003	100.0%
Dominion Building - 207 West Hastings	59,659	12,646	72,305		6,203	66,102	91.4%
Sun Tower - 128 West Pender	76,247	1,693	77,940		15,956	61,984	79.5%
Vancouver	**855,659**	**153,109**	**1,008,768**	**7.0%**	**62,589**	**946,179**	**93.8%**
Total Rental Portfolio	**13,045,069**	**1,272,110**	**14,317,179**	**100.0%**	**1,318,949**	**12,998,230**	**90.8%**

Note that the table above does not include ancillary residential properties, which total 13, and are included in the property count. The table above also excludes properties under development and investment properties held for sale.

(1) RioCan/Allied Joint Arrangement
(2) Sutter Hill/Allied Joint Arrangement
(3) OPTrust/Allied Joint Arrangement
(4) Perimeter/Allied Joint Arrangement
(5) Westbank/Allied/TELUS Joint Arrangement
(6) A portion of the property is under development. Only the portion of GLA that is in the rental portfolio is included in the property table.

RENTAL RESIDENTIAL UNITS

PROPERTY	OCCUPANCY AT DECEMBER 31, 2022	WEIGHTED AVERAGE OCCUPANCY FOR THE YEAR ENDED DECEMBER 31, 2022
TELUS Sky	81.4%	65.0%
College & Manning	96.8%	64.5%

PROPERTIES UNDER DEVELOPMENT

	ESTIMATED GLA ON COMPLETION (SF)
The Well, Toronto [(1)(2)(5)]	763,000
The Lougheed (604-1st SW), Calgary	88,000
400 Atlantic, Montréal	87,473
Boardwalk-Revillon Building, Edmonton [(3)]	297,851
185 Spadina, Toronto	55,213
Breithaupt Phase III, Kitchener [(1)]	147,000
342 Water, Vancouver	21,640
Adelaide & Duncan, Toronto [(1)(4)]	230,000
1001 Boulevard Robert-Bourassa, Montréal [(5)]	335,652
RCA Building, Montréal [(5)]	171,668
422-424 Wellington W, Toronto	10,000
QRC West Phase II, Toronto [(6)]	93,134
KING Toronto, Toronto [(1)(7)]	100,000
108 East 5th Avenue, Vancouver [(1)]	102,000
700 Saint Hubert, Montréal	144,114
3575 Saint-Laurent, Montréal	184,779
Total Development Portfolio	**2,831,524**

(1) *These properties are co-owned, reflected in the table above at Allied's ownership interest.*

(2) *Each of Allied and RioCan own an undivided 50% interest in The Well. The GLA components (in square feet) at Allied's 50% share will be as follows: approximately 584,000 of office, 160,000 of retail, 19,000 of storage and the residential air rights. The residential air rights and associated underground parking and transfer floor slab developments ("The Well Air Rights") were sold by the co-ownership as previously announced, with the first phase closed in Q4 2020, the second and third phases closed in Q2 2021, the fourth phase closed in Q4 2021 and the last phase closed in January 2022.*

(3) *The GLA components (in square feet) are as follows: 233,559 of office and 64,292 of retail.*

(4) *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.*

(5) *A portion of the property is under development. The GLA represents the portion under development, except for The Well, which is a ground-up development and the GLA includes the portion in the rental portfolio.*

(6) *The GLA components (in square feet) are as follows: 77,434 of office and 15,700 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: 60,000 of retail and 40,000 of office.*

ANCILLARY PARKING FACILITIES	NUMBER OF SPACES
15 Brant, Toronto	208
78 Spadina, Toronto	39
7-9 Morrison, Toronto	25
105 George, Toronto	15
301 Markham, Toronto	47
388 Richmond, Toronto	121
464 King, Toronto	12
478 King, Toronto	131
560 King, Toronto	171
650 King, Toronto	71
Total Parking	**840**

Consolidated Financial Statements For the Years Ended December 31, 2022 and 2021

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, 2022 and 2021, and the consolidated statements of income and comprehensive income, 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, 2022 and 2021, 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, 2022. 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 AND INVESTMENT PROPERTIES HELD FOR SALE— REFER TO NOTES 2(D), 2(S), 3, 5 AND 6 OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTER DESCRIPTION

Investment properties and investment properties held for sale (collectively, "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
JANUARY 31, 2023

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2022 AND DECEMBER 31, 2021

(in thousands of Canadian dollars)	NOTES	DECEMBER 31, 2022	DECEMBER 31, 2021
Assets			
Non-current assets			
Investment properties	5	$9,669,005	$9,527,105
Residential inventory	7	187,272	170,980
Investment in joint venture and loan receivable	8	7,089	124,790
Loans and notes receivable	9	174,019	223,456
Other assets	10	56,221	28,185
		$10,093,606	$10,074,516
Current assets			
Cash and cash equivalents	22	20,990	22,548
Loan receivable from joint venture	8	113,287	—
Loans and notes receivable	9	258,093	144,306
Accounts receivable, prepaid expenses and deposits	11	65,544	57,061
Investment properties held for sale	5, 6	1,354,830	86,260
		$1,812,744	$310,175
Total assets		$11,906,350	$10,384,691
Liabilities			
Non-current liabilities			
Debt	12	$3,864,256	$3,417,138
Lease liabilities	13	50,851	157,550
Other liabilities	14	43,438	44,635
		$3,958,545	$3,619,323
Current liabilities			
Debt	12	346,929	36,146
Accounts payable and other liabilities	14	370,823	303,450
Lease liability held for sale	6, 13	107,215	—
		$824,967	$339,596
Total liabilities		$4,783,512	$3,958,919
Equity			
Unitholders' equity	16	$6,581,166	$6,425,772
Non-controlling interests	16	541,672	—
Total equity		$7,122,838	$6,425,772
Total liabilities and equity		$11,906,350	$10,384,691

Commitments and Contingencies (note 28)
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, 2022 AND 2021

(in thousands of Canadian dollars, except unit and per unit amounts)	NOTES	YEAR ENDED DECEMBER 31, 2022	YEAR ENDED DECEMBER 31, 2021
Rental revenue	20, 24	$519,468	$472,799
Property operating costs	24	(224,260)	(204,792)
Operating income		$295,208	$268,007
Interest expense	6, 12 (g)	(72,802)	(114,196)
General and administrative expenses	21	(22,593)	(25,834)
Condominium marketing expenses		(602)	(573)
Amortization of other assets	10	(1,325)	(1,167)
Interest income		32,080	28,023
Fair value (loss) gain on investment properties and investment properties held for sale	5, 6	(73,750)	161,222
Fair value gain on derivative instruments	27 (d)	37,343	16,350
Impairment of residential inventory	7	(15,729)	—
Net loss from joint venture	8	(3,161)	(451)
Net income and comprehensive income from continuing operations		$174,669	$331,381
Net income and comprehensive income from discontinued operations	6	$200,694	$111,770
Net income and comprehensive income		$375,363	$443,151
Net income and comprehensive income attributable to:			
Unitholders' equity		$368,855	$443,151
Non-controlling interests		6,508	—
		$375,363	$443,151
Net income and comprehensive income per unit	19		
Basic and Diluted		$2.74	$3.48
Weighted average number of units	18		
Basic		136,880,675	127,305,384
Diluted		136,904,082	127,455,829

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

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		ATTRIBUTABLE TO UNITHOLDERS				ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			
(in thousands of Canadian dollars)	NOTES	UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	UNITHOLDERS' EQUITY	EXCHANGEABLE LP UNITS	RETAINED EARNINGS	EXCHANGEABLE LP UNITS' EQUITY	TOTAL EQUITY
Balance at January 1, 2021	16	$3,884,661	$2,265,326	$27,045	$6,177,032	$—	$—	$—	$6,177,032
Net income and comprehensive income		—	443,151	—	443,151	—	—	—	443,151
Unit issuance (net of costs)	16	20,079	—	—	20,079	—	—	—	20,079
Distributions		—	(216,521)	—	(216,521)	—	—	—	(216,521)
Unit Option Plan – options exercised	16, 17 (a)	56	—	—	56	—	—	—	56
Contributed surplus – Unit Option Plan	17 (a)	—	—	1,740	1,740	—	—	—	1,740
Restricted Unit Plan (net of forfeitures)	16, 17 (b)	(2,141)	—	2,376	235	—	—	—	235
Balance at December 31, 2021		$3,902,655	$2,491,956	$31,161	$6,425,772	$—	$—	$—	$6,425,772

		ATTRIBUTABLE TO UNITHOLDERS				**ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**			
	NOTES	**UNITS**	**RETAINED EARNINGS**	**CONTRIBUTED SURPLUS**	**UNITHOLDERS' EQUITY**	**EXCHANGEABLE LP UNITS**	**RETAINED EARNINGS (DEFICIT)**	**EXCHANGEABLE LP UNITS' EQUITY**	**TOTAL EQUITY**
Balance at January 1, 2022	**16**	**$3,902,655**	**$2,491,956**	**$31,161**	**$6,425,772**	**$—**	**$—**	**$—**	**$6,425,772**
Net income and comprehensive income		**—**	**368,855**	**—**	**368,855**	**—**	**6,508**	**6,508**	**375,363**
Unit issuance (net of costs)	**16**	**9,184**	**—**	**—**	**9,184**	**550,660**	**—**	**550,660**	**559,844**
Distributions		**—**	**(223,867)**	**—**	**(223,867)**	**—**	**(15,496)**	**(15,496)**	**(239,363)**
Unit Option Plan – options exercised	**16, 17 (a)**	**200**	**—**	**—**	**200**	**—**	**—**	**—**	**200**
Contributed surplus – Unit Option Plan	**17 (a)**	**—**	**—**	**876**	**876**	**—**	**—**	**—**	**876**
Restricted Unit Plan (net of forfeitures)	**16, 17 (b)**	**(2,661)**	**—**	**2,807**	**146**	**—**	**—**	**—**	**146**
Balance at December 31, 2022		**$3,909,378**	**$2,636,944**	**$34,844**	**$6,581,166**	**$550,660**	**$(8,988)**	**$541,672**	**$7,122,838**

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, 2022 AND 2021

		YEAR ENDED	
(in thousands of Canadian dollars)	NOTES	DECEMBER 31, 2022	DECEMBER 31, 2021
Operating activities			
Net income for the year		**$375,363**	$443,151
Fair value gain on investment properties and investment properties held for sale	5	**(69,182)**	(217,557)
Fair value gain on derivative instruments	27 (d)	**(37,343)**	(16,350)
Payments on settlement of derivative instruments	27 (d)	**—**	(3,781)
Impairment of residential inventory	7	**15,729**	—
Interest expense (excluding the impact of capitalization)	12 (g)	**79,334**	120,145
Interest paid (excluding the impact of capitalization)	5, 7, 13, 22	**(77,727)**	(113,108)
Interest income		**(32,080)**	(28,023)
Interest received		**21,341**	18,688
Net loss from joint venture	8	**3,161**	451
Amortization of other assets	10	**1,325**	1,167
Amortization of improvement allowances	5	**32,302**	32,305
Amortization of straight-line rents	5	**(6,825)**	(3,682)
Amortization of discount (premium) on debt	12 (g)	**1,837**	(3,488)
Amortization of lease liabilities	5, 13	**155**	(428)
Amortization of net financing costs	12 (g)	**2,495**	3,604
Unit-based compensation expense	17	**4,421**	4,116
Additions to residential inventory	7	**(32,021)**	(30,942)
Change in other non-cash operating items	9, 11, 14, 22	**38,908**	34,846
Cash provided by operating activities		**$321,193**	$241,114
Financing activities			
Repayment of mortgages payable	12 (a)	**(16,932)**	(648,699)
Proceeds from senior unsecured debentures (net of financing costs)	12 (e)	**—**	1,093,900
Redemption of senior unsecured debentures	12 (e)	**—**	(150,000)
Principal payments of lease liabilities	13	**(200)**	(189)
Distributions paid on Units		**(223,312)**	(215,918)
Proceeds of Unit issuance (net of issuance costs)	16	**9,184**	20,079
Proceeds from exercise of Unit options	16, 17 (a)	**200**	56
Restricted Unit Plan (net of forfeitures)	16, 17 (b)	**(2,661)**	(2,141)
Proceeds from Unsecured Revolving Operating Facility	12 (d)	**545,000**	460,000
Repayments of Unsecured Revolving Operating Facility	12 (d)	**(470,000)**	(155,000)

(in thousands of Canadian dollars)	NOTES	YEAR ENDED DECEMBER 31, 2022	YEAR ENDED DECEMBER 31, 2021
Proceeds from construction loan	12 (b)	91,029	75,592
Proceeds from unsecured term loan (net of financing costs)	12 (f)	399,300	—
Financing costs		(10)	(836)
Cash provided by financing activities		$331,598	$476,844
Investing activities			
Acquisition of investment properties	4	(190,753)	(288,887)
Deposits on acquisitions		(928)	(268)
Additions to investment properties (including capitalized interest)	5, 12 (g)	(398,174)	(428,248)
Net proceeds on disposition of investment properties held for sale	4	74,437	—
Net proceeds on disposition of properties under development	4	15,254	71,592
Net distributions from (contributions to) equity accounted investments	8	1,253	(8,129)
Loans receivable issued to third-parties	8, 9 (a), 22	(58,345)	(47,435)
Proceeds from loans receivable	9 (a)	343	382
Proceeds from notes receivable	9 (b)	22	1,927
Advances on note receivable from holder of Exchangeable LP Units	16	(13,774)	—
Additions to equipment and other assets	10	(859)	(337)
Leasing commissions	5	(20,603)	(16,841)
Improvement allowances	5	(62,222)	(24,678)
Cash used in investing activities		$(654,349)	$(740,922)
Decrease in cash and cash equivalents		(1,558)	(22,964)
Cash and cash equivalents, beginning of year		22,548	45,512
Cash and cash equivalents, end of year		$20,990	$22,548

Note 22 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 May 3, 2022. Allied is governed by the laws of the Province of Ontario and began operations on February 19, 2003. The units of Allied ("Units") are traded on the Toronto Stock Exchange ("TSX") and are traded under the symbol "AP.UN".

The subsidiaries of Allied include Allied Properties Management Trust, Allied Properties Management Limited Partnership, Allied Properties Management GP Limited, Allied Properties Exchangeable Limited Partnership (the "Partnership"), and Allied Properties Exchangeable GP Inc. (the "General Partner"). On March 31, 2022, Allied acquired a portfolio of six properties from Choice Properties Real Estate Investment Trust ("Choice Properties"), which was partially settled with the issuance of 11,809,145 class B exchangeable limited partnership units of the Partnership ("Exchangeable LP Units"). Allied owns 100% of the shares of the General Partner and 100% of the class A LP Units of the Partnership (the "Class A Units").

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

The consolidated financial statements are presented in Canadian dollars.

(A) *Statement of compliance*

The consolidated financial statements of Allied for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, were approved and authorized for issue by the Board of Trustees (the "Board") on January 31, 2023.

(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;
– investment properties held for sale and lease liability held for sale as described in note 2 (s);
– interest rate swaps as described in note 2 (i); and
– unit-based compensation liabilities as described in note 17 (c).

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. 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 and investment properties held for sale, interest rate derivative contracts, unit-based compensation liabilities, 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 includes 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. Typically, in ground-up developments, when there are fixturing periods outside of the term of the lease, revenue is not recognized during these fixturing periods. 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. This is generally three to seven years for computer and office equipment, and will vary for owner occupied property depending on the property. 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	Amortized cost
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Debt	Amortized cost
Accounts payable and other liabilities	Amortized cost
Interest rate swaps	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.

Impairment of Financial Assets

Allied assesses, on a continual basis, whether a financial asset that is measured at amortized cost is impaired under an expected credit loss ("ECL") model. For user trade receivables within the scope of IFRS 16, Allied applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized under the initial recognition of its receivables. To measure the expected credit losses for its accounts receivable, Allied established a provision matrix, that applies loss factors to contractual payments by aging categories, and incorporates forward-looking factors that are specific to the tenant, historical credit loss experience, and the economic environment, where applicable.

For loans and notes receivable, Allied applies an ECL approach as required under IFRS 9, which reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on the credit deterioration from inception. The ECL reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts. Allied assesses whether there has been a significant increase in credit risk since initial recognition of a financial instrument and its ECL measurement at each reporting date. Increases or decreases in the ECL are recognized as impairment gains or losses within interest (expense) income in net income and comprehensive income (loss). Allied's financial assets measured at amortized cost are presented net of the ECL in the consolidated balance sheets.

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, unsecured term loans and construction 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 on Units' when the distributions have been approved and declared prior to the reporting date, but have yet to be paid.

(K) *Exchangeable limited partnership units*

The Exchangeable LP Units may, at the request of the holder, be exchanged on a one-for-one basis for Units of Allied. The Exchangeable LP Units are entitled to distributions from the Partnership in an amount equal to distributions declared by Allied on the Units. The Exchangeable LP Units provide the holder the indirect economic benefits and exposures to the underlying performance of Allied and accordingly to the variability of the distributions of Allied, whereas Allied's unitholders have direct access to the economic benefits and exposures of Allied through direct ownership interest in Allied. Accordingly, the Exchangeable LP Units have been presented within non-controlling interests on the consolidated balance sheets. Net income and other comprehensive income are attributed to unitholders and to non-controlling interests. Net income and other comprehensive income attributable to non-controlling interests is equivalent to the amount allocated to the Partnership for income tax purposes.

The basic net income per unit is calculated by dividing net income by the weighted average number of Units and Exchangeable LP Units outstanding for the period (note 18).

Distributions payable to holders of Exchangeable LP Units are included in 'Distributions Payable on Exchangeable LP Units' when the distributions have been approved and declared prior to the reporting date, but have yet to be paid.

(L) *Short-term employee benefits*

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

(M) *Unit-based compensation plans*

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 17 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.

(N) *Cash-settled unit-based compensation plans*

Under the Performance and Restricted Trust Unit Plan (the "PTU/RTU Plan"), performance trust units and/or restricted trust units (together, "Plan Units") are granted which entitle certain key employees to receive the fair value of the Plan Units in cash as a lump sum payment at the end of the applicable vesting period, which is usually three years in length. The PTU/RTU Plan provides for the accumulation of additional Plan Units in the form of distribution equivalents during the vesting period.

The Plan Units are recognized as an expense, on a straight-line basis over the period that the employees render service, in general and administrative expenses with a corresponding amount recorded to unit-based compensation liabilities. The unit-based compensation liabilities are measured based on the market value of the underlying units. During the periods in which the unit-based compensation liabilities are outstanding, the liabilities are adjusted for changes in the market value of the underlying units, with such positive or negative adjustments recognized in general and administrative expenses in the period in which they occur. For the performance trust units' liabilities, performance market conditions are also considered and the performance trust unit liabilities are adjusted accordingly. Upon forfeiture of Plan Units by an employee, the liability representing the cumulative expense recognized to date is reversed with a corresponding reversal of expense.

(O) *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.

(P) *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 18 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 17 for further details).

(Q) *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.

(R) *Leases*

Allied recognizes a right-of-use ("ROU") asset and a lease obligation at the lease commencement date, in accordance with IFRS 16, Leases. Allied accounts for its ROU assets that do not meet the definition of investment property as fixed assets. The ROU asset is initially measured at cost and, subsequently, at cost less any accumulated depreciation and impairment and adjusted for certain remeasurements of the lease obligation. When a ROU asset meets the definition of investment property, it is initially measured at cost and subsequently measured at fair value (note 2(d)). 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 interest rate implicit in the lease, or, if that rate cannot be readily determined, at Allied's incremental borrowing rate. Generally, Allied uses its incremental borrowing rate as the discount rate. The lease obligation 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 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.

(S) *Assets and liabilities held for sale and discontinued operations*

Non-current assets and groups of assets and liabilities which comprise disposal groups are presented as assets held for sale on the Consolidated Balance Sheets when the asset or disposal group is available for immediate sale in its present condition and the sale is highly probable. A sale is highly probable when management is committed to a plan to sell the asset, the non-current asset or disposal group is being actively marketed at a sale price that is reasonable in relation to its current fair value, the sale is expected to be completed within one year from the date of classification, and it is unlikely there will be significant changes to the plan or that the plan will be withdrawn. Non-current assets and disposal groups held for sale that are not investment properties are recorded at the lower of carrying amount and fair value less costs to sell on the Consolidated Balance Sheets. Otherwise, the non-current assets and disposal groups held for sale are recorded at fair value. Any gain or loss arising from the change in measurement basis as a result of reclassification is recognized in net income at the time of reclassification. Investment properties that are held for sale are recorded at fair value determined in accordance with IFRS 13, Fair Value Measurement.

When a component of an entity has been disposed of and it represents a separate major line of business or geographical area of operations, or is classified as held for sale and is part of a single coordinated plan to dispose of such a line of business or area of operations, the related results of operations and gain or loss on reclassification or disposition are presented separately as discontinued operations on

the Consolidated Statements of Income and Comprehensive Income. The non-current assets and groups of assets and liabilities which comprise disposal groups classified as held for sale are not revised in the Consolidated Balance Sheets for prior periods to reflect the classification for the latest period presented. However, the revenue, expenses, fair value gain or loss, and any other components making up the net income and comprehensive income of the discontinued operations are revised for the comparative period in the Consolidated Statements of Net Income and Comprehensive Income.

(T) *Comparative figures*

Comparative figures in respect of loans and notes receivables previously classified in financing activities in the consolidated statements of cash flows have been revised to be classified in investing activities to conform to the presentation in the current year.

Comparative figures in respect of segment information were revised to present the City of Vancouver separately from previous presentation within the Calgary and Edmonton segment. The revision reflects the presentation based on the effect of internal reorganization and corresponding information reported to and reviewed by the chief operating decision maker to allocate resources and assess the performance of the segments.

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 and investment properties held for sale 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 making this assessment 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

As a result of the continuously evolving circumstances surrounding the COVID-19 pandemic, uncertainty remains with respect to Allied's revised internal forecast, the most significant being the fact that it cannot predict how consumers, users and governments will respond during the transition to a fully reopened economy. In addition, Allied cannot predict the extent and severity of the economic disruption and related financial impact 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 at December 31, 2022. Actual results could differ from those estimates. The estimates and assumptions that Allied considers critical and/or could be impacted by COVID-19 include those underlying the valuation of

investment properties and investment properties held for sale, including discount rates and terminal capitalization rates, operating assumptions, the carrying amount of its investment in a joint venture, the estimate of any expected credit losses on its accounts receivable and loans and notes receivable and determining the values of financial instruments.

4. ACQUISITIONS AND DISPOSITIONS

Acquisitions

During the year ended December 31, 2022, Allied acquired the following properties from third parties:

PROPERTY	ACQUISITION DATE	PROPERTY TYPE	INVESTMENT PROPERTY	INTEREST ACQUIRED
108 East 5th Avenue, Vancouver	February 23, 2022	Development	$39,549	50%
1010 Sherbrooke W, Montréal	March 31, 2022	Office, Retail	116,248	100%
110 Yonge, Toronto	March 31, 2022	Office, Retail	55,757	50%
525 University, Toronto	March 31, 2022	Office, Retail	137,967	100%
175 Bloor E, Toronto	March 31, 2022	Office, Retail	166,547	50%
1508 West Broadway, Vancouver (1)	March 31, 2022	Office, Retail	166,408	100%
1185 West Georgia, Vancouver	March 31, 2022	Office, Retail	131,671	100%
540 King W, Toronto	April 8, 2022	Retail	26,615	100%
121 John, Toronto	July 6, 2022	Office, Retail	4,544	100%
700 Saint-Hubert, Montréal	October 31, 2022	Office	126,198	100%
			$971,504	

(1) Allied acquired a leasehold interest in 1508 West Broadway.

The total purchase price, including acquisition costs, for 108 East 5th Avenue of $39,549 is comprised of net cash consideration of $24,998, a mortgage assumption of $13,625, and a deferred mortgage premium of $926.

Six properties were acquired as a portfolio from Choice Properties for a total cost of $774,598, which includes $31,510 of acquisition costs, which was satisfied by i) a promissory note with a face value of $200,000 net of a deferred discount of $7,572, which matures on December 31, 2023, bearing interest at 1% and 2% per annum in 2022 and 2023, respectively (note 12) and ii) the issuance of 11,809,145 Exchangeable LP Units of $550,660. In addition, Allied assumed other liabilities of $9,571, which were reimbursed by Choice Properties.

The total purchase price, including acquisition costs, for 540 King Street West is comprised of net cash consideration of $26,615.

The total purchase price, including acquisition costs, for 121 John Street is comprised of net cash consideration of $4,541 and assumption of other liabilities of $3.

The total purchase price, including acquisition costs, for 700 Saint-Hubert is comprised of net cash consideration of $112,660 and assumptions of other liabilities of $13,538.

During the year ended December 31, 2021, Allied completed the following property acquisitions and air rights from third parties:

PROPERTY	ACQUISITION DATE	PROPERTY TYPE	INVESTMENT PROPERTY	INTEREST ACQUIRED
432 Wellington, Toronto	January 28, 2021	Retail	$17,806	100%
608 1st, Calgary	February 8, 2021	Retail	6,464	100%
478 King W, Toronto (1)	April 22, 2021	Retail	10,963	50%
65 Front E, Toronto	April 29, 2021	Office, Retail	20,064	100%
64 Spadina, Toronto	May 19, 2021	Retail	14,617	100%
12 Brant, Toronto	June 18, 2021	Retail	16,180	100%
422-424 Wellington W, Toronto	August 4, 2021	Development	28,648	100%
143 Bathurst, Toronto	August 23, 2021	Residential	2,945	100%
700 Saint Antoine E, Montréal	August 30, 2021	Office, Retail	80,449	100%
810 Saint Antoine E, Montréal	August 30, 2021	Office	51,263	100%
731-10th SW, Calgary (2)	October 19, 2021	Retail	7,975	50%
802-838 11th SW, Glenbow Assembly, Calgary (2)	October 19, 2021	Office, Retail	12,787	50%
Sherwin Block, Calgary (2)	October 19, 2021	Office, Retail	7,299	50%
207 West Hastings, Vancouver	November 12, 2021	Office, Retail	67,161	100%
			344,621	
Union Centre Air Rights, Toronto	December 15, 2021		14,814	100%
			$359,435	

(1) *Allied acquired the remaining 50% interest in 478 King W on April 22, 2021.*
(2) *Allied acquired the remaining 50% interest in 731-10th SW, 802-838 11th SW, and Sherwin Block on October 19, 2021.*

The total purchase price, including acquisition costs, for the above noted properties during the year ended December 31, 2021, of $344,621 is comprised of net cash consideration of $288,887, a mortgage assumption of $51,750, a deferred mortgage premium of $1,000 and the assumption of other liabilities of $2,984. In addition, on December 15, 2021, Allied completed the acquisition of the air rights associated with Union Centre for a total purchase price including acquisition costs of $14,814, which was settled in cash and recognized as a capital expenditures addition to investment properties.

Dispositions

On January 24, 2022, Allied and its partners closed on the fifth and final phase of The Well air rights and associated underground parking and transfer floor slab developments for net cash consideration of $14,841 (at Allied's share), which represented the fair value at the time of disposition, so accordingly there was no gain or loss recorded. In addition, during the year ended December 31, 2022, Allied received cash of $413 (at Allied's share) for the release of a holdback related to the disposition of the first phase of The Well air rights.

On June 30, 2022, Allied closed on the disposition of two investment properties held for sale, which were 662 King Street West and 668 King Street West, both in Toronto, for net proceeds of $38,954 and $9,991, respectively (note 5). The total net cash consideration of $48,945 represented the fair value at the time of disposition, so there was no gain or loss recorded on closing. The disposition costs incurred were fully recoverable from the purchaser.

On August 16, 2022, Allied closed on the disposition of one investment property held for sale, 100 Lombard Street in Toronto, at a selling price of $26,000 (note 5), which represented the fair value at the time of disposition, so there was no gain or loss recorded on closing. In addition, Allied incurred net working capital adjustments of $487 and selling costs of $21, resulting in the total net cash consideration of $25,492.

During the year ended December 31, 2021, Allied and its partners closed on the dispositions of the following phases of The Well air rights and associated underground parking and transfer floor slab developments:

PHASE OF THE WELL AIR RIGHTS	CLOSING DATE	CASH CONSIDERATION (AT ALLIED'S SHARE)
Second phase	April 7, 2021	$31,152
Third phase	June 11, 2021	24,287
Fourth phase	December 20, 2021	16,153
		$71,592

The total cash consideration received of $71,592 (at Allied's share) represented the fair value at the time of disposition so there is no gain or loss on disposition.

5. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES HELD FOR SALE

Changes to the carrying amounts of investment properties and investment properties held for sale are summarized as follows:

	YEAR ENDED DECEMBER 31, 2022			YEAR ENDED DECEMBER 31, 2021		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL
Balance, beginning of year	$8,374,535	$1,238,830	$9,613,365	$7,790,855	$896,520	$8,687,375
Additions:						
Acquisitions	805,757	165,747	971,504	315,973	28,648	344,621
Improvement allowances	60,494	1,728	62,222	22,559	2,119	24,678
Leasing commissions	14,714	5,889	20,603	15,012	1,829	16,841
Capital expenditures	134,630	263,544	398,174	123,842	304,406	428,248
Dispositions	(74,945)	(15,254)	(90,199)	—	(71,592)	(71,592)
Transfers from PUD	376,730	(376,730)	—	—	—	—
Transfers to PUD	(293,542)	293,542	—	(47,040)	47,040	—
Transfers from (to) other assets	3,900	—	3,900	(6,838)	—	(6,838)
Lease liabilities	561	—	561	1,098	—	1,098
Amortization of straight-line rent and improvement allowances	(26,866)	1,389	(25,477)	(28,123)	(500)	(28,623)
Fair value gain (loss) on investment properties and investment properties held for sale [1]	118,427	(49,245)	69,182	187,197	30,360	217,557
Balance, end of year	$9,494,395	$1,529,440	$11,023,835	$8,374,535	$1,238,830	$9,613,365
Investment properties	$8,139,565	$1,529,440	$9,669,005	$8,288,275	$1,238,830	$9,527,105
Investment properties held for sale	1,354,830	—	1,354,830	86,260	—	86,260
	$9,494,395	$1,529,440	$11,023,835	$8,374,535	$1,238,830	$9,613,365

(1) *Includes a fair value gain on investment properties held for sale for discontinued operations for the year ended December 31, 2022 of $142,932 (December 31, 2021 - $56,335) which is presented separately in the net income from discontinued operations (note 6).*

As at December 31, 2022, Allied had five properties classified as investment properties held for sale totaling $1,354,830, four located in Toronto and one located in Montréal. There were three investment properties held for sale as at December 31, 2021, totaling $86,260, two located in Toronto and one located in Montréal. The increase of $1,268,570 in the year ended December 31, 2022, is due to the addition of five properties and disposition of three investment properties held for sale (note 4).

For the year ended December 31, 2022, Allied capitalized $47,606 (December 31, 2021 - $34,973) of borrowing costs to qualifying investment properties.

Included in the rental properties amounts noted above are right-of-use assets with a fair value of $564,200 (December 31, 2021 - $528,400) representing the fair value of Allied's interest in four investment properties and one investment property held for sale with corresponding lease liabilities. The leases' maturities range from 21.8 years to 79.5 years. In addition, Allied has a prepaid land leasehold interest on a property with a fair value of $178,020 and a maturity of 73.6 years.

Valuation Methodology

The appraised fair value of investment properties and investment properties held for sale 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-IFRS measure, in the terminal year. This method is primarily used to value the rental portfolio, and, in some cases, investment properties held for sale.

(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 and, in some cases, investment properties held for sale.

(c) Direct capitalization method - Under this approach, capitalization rates are applied to the estimated stabilized NOI of the properties. Estimated stabilized NOI is based on projected rental revenue and property operating costs, and external evidence such as current market rents for similar properties, and is further adjusted for estimated vacancy loss and capital reserves. Currently, this method is used only to value residential use.

In accordance with its policy, Allied measures and records its investment properties and investment properties held for sale using valuations under the supervision of Management with the support of an independent external appraiser. Allied's portfolio is valued by an 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.

Significant Inputs

There are significant unobservable inputs used, such as capitalization rates, in determining the fair value of each investment property and investment property held for sale. Accordingly, all investment properties and investment properties held for sale are measured in accordance with the fair value measurement hierarchy levels and the inputs 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 and an increase in capitalization rates will result in a decrease in the fair value. Below are the rates used in the modeling process for valuations of investment properties and investment properties held for sale.

	WEIGHTED AVERAGE	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Discount rate	**5.93%**	5.98%
Terminal capitalization rate	**4.99%**	5.03%
Overall capitalization rate	**4.64%**	4.68%
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 (including investment properties and investment properties held for sale):

CHANGE IN CAPITALIZATION RATE OF	-0.50%	-0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Investment Properties and Investment Properties Held for Sale	$1,331,381	$627,781	$(563,591)	$(1,072,357)

6. DISCONTINUED OPERATIONS

As at December 31, 2022, the Urban Data Centre segment has been classified as discontinued operations and the disposal group is comprised of three investment properties held for sale totaling $1,305,990 and a related lease liability held for sale totaling $107,215. The three investment properties are 151 Front Street W, 905 King Street W and 250 Front Street W and the lease liability is at 250 Front Street W. Allied expects to sell these properties to a third-party purchaser within one year.

The following table summarizes the results from discontinued operations:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Rental revenue	**$96,669**	$96,087
Property operating costs	**(32,375)**	(34,703)
Operating income	**64,294**	61,384
Interest expense	**(6,532)**	(5,949)
Fair value gain on investment properties held for sale	**142,932**	56,335
Net income from discontinued operations	**$200,694**	$111,770

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Cash provided by (used in):		
Operating activities	**$53,521**	$62,344
Financing activities	**—**	—
Investing activities	**(29,318)**	(50,190)
	$24,203	$12,154

7. RESIDENTIAL INVENTORY

Residential inventory is as follows:

	DECEMBER 31, 2022	DECEMBER 31, 2021
KING Toronto	**$187,272**	$170,980

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

	DECEMBER 31, 2022	DECEMBER 31, 2021
Balance, beginning of year	**$170,980**	$140,038
Development expenditures	**32,021**	30,942
Impairment	**(15,729)**	—
Balance, end of year	**$187,272**	$170,980

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.

During the year ended December 31, 2022, Allied recorded an impairment of $15,729 on KING Toronto. Residential inventory carrying value is calculated as the estimated gross proceeds less estimated costs to complete. The impairment in the period reflects higher estimated costs to complete.

For the year ended December 31, 2022, Allied capitalized $6,204 (December 31, 2021 - $4,759) of borrowing costs to qualifying residential inventory.

8. INVESTMENT IN JOINT VENTURE AND LOAN RECEIVABLE

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

	DECEMBER 31, 2022	DECEMBER 31, 2021
Investment in joint venture	**$7,089**	$11,503
Loan receivable from joint venture	**113,287**	113,287
	$120,376	$124,790
Current	**$113,287**	$—
Non-current	**7,089**	124,790
	$120,376	$124,790

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, development and management.

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 July 15, 2023, and bears interest at bank prime plus 45 basis points or bankers' acceptance rate plus 145 basis points. As at December 31, 2022, the loan receivable outstanding is $113,287 (December 31, 2021 - $113,287). 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, 2022	DECEMBER 31, 2021
Current assets (including cash and cash equivalents)	**$5,658**	$8,637
Non-current assets	**366,006**	378,990
Current liabilities	**(350,397)**	(13,257)
Non-current liabilities	**—**	(339,861)
Net assets of TELUS Sky at 100%	**$21,267**	$34,509
Net assets of TELUS Sky at Allied's share	**$7,089**	$11,503

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Revenue	**$20,313**	$14,721
Expenses	**(11,529)**	(9,822)
Interest expense	**—**	(619)
General and administrative expense	**—**	(42)
Interest income	**36**	—
Fair value loss	**(18,303)**	(5,591)
Net loss and comprehensive loss of TELUS Sky at 100%	**$(9,483)**	$(1,353)
Net loss and comprehensive loss of TELUS Sky at Allied's share	**$(3,161)**	$(451)

	DECEMBER 31, 2022	DECEMBER 31, 2021
Investment in joint venture, beginning of year	**$11,503**	$3,825
Net loss	**(3,161)**	(451)
Contributions	**3,192**	10,490
Distributions	**(4,445)**	(2,361)
Investment in joint venture, end of year	**$7,089**	$11,503

9. LOANS AND NOTES RECEIVABLE

Loans and notes receivable are as follows:

	DECEMBER 31, 2022	DECEMBER 31, 2021
Loans receivable (a)	**$432,032**	$367,579
Notes and other receivables (b)	**80**	183
	$432,112	$367,762
Current	**$258,093**	$144,306
Non-current	**174,019**	223,456
	$432,112	$367,762

(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, 2022, the loan receivable outstanding is $21,173 (December 31, 2021 - $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, and on August 18, 2022, the facility was further increased to $175,000. On May 18, 2022, Westbank exercised its option to extend the maturity date from August 31, 2022, to August 31, 2023. On January 12, 2023, the maturity date of the facility was further extended from August 31, 2023 to February 29, 2024. Interest accrues to the credit facility monthly at a rate of 6.75% per annum up to August 31, 2022. Thereafter, interest accrues to the credit facility monthly at the greater of 6.75% per annum and the prime rate plus 3.00% per annum. As at December 31, 2022, the loan receivable outstanding is $161,032 (December 31, 2021 - $144,271).

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 is secured by a charge on the property (subordinated to the construction lender). Interest accrues to the credit facility at a rate of 7.00% per annum. The loan is repayable at the earlier of November 30, 2023, or the closing of the condominium units. As at December 31, 2022, the loan receivable outstanding is $97,037 (December 31, 2021 - $90,586).

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 in installments upon completion of development and rent commencement, which is anticipated to begin in the second quarter of 2023. As at December 31, 2022, the loan receivable outstanding is $9,913 (December 31, 2021 - $10,256) due to repayments made earlier than anticipated.

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 150 West Georgia (previously known as 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 to the credit facility monthly at a rate of 7.00% per annum. The credit facility matures on December 9, 2025. As at December 31, 2022, the loan receivable outstanding is $142,877 (December 31, 2021 - $101,293).

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, 2022 (December 31, 2021 - $nil).

(b) As at December 31, 2022, and December 31, 2021, the balance of notes and other receivables is made up of individually insignificant notes receivable.

10. OTHER ASSETS

Other assets consist of the following:

	DECEMBER 31, 2022	DECEMBER 31, 2021
Equipment and other assets [1]	**$3,323**	$3,565
Property, plant and equipment [2]	**20,497**	24,620
Interest rate swap derivative assets	**32,401**	—
	$56,221	$28,185

(1) *During the year ended December 31, 2022, Allied recorded amortization of equipment and other assets of $1,101 (December 31, 2021 - $1,167).*
(2) *Property, plant and equipment relates to owner-occupied property. During the year ended December 31, 2022, Allied recorded amortization of owner-occupied property of $224 (December 31, 2021 - $nil).*

11. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

Accounts receivable, prepaid expenses and deposits consist of the following:

	DECEMBER 31, 2022	DECEMBER 31, 2021
User trade receivables - net of allowance (a)	**$19,864**	$16,659
Other user receivables (b)	**5,950**	2,092
Miscellaneous receivables (c)	**22,979**	13,124
Prepaid expenses and deposits (d)	**16,751**	25,186
	$65,544	$57,061

(a) *User trade receivables*

User trade receivables include minimum rent, additional rent recoveries, parking, ancillary revenue and applicable sales taxes.

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, payment history and future expectations of likely default events, 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, 2022	DECEMBER 31, 2021
Allowance for expected credit loss, beginning of year	**$9,177**	$6,649
Additional provision recorded during the year	**3,117**	3,024
Reversal of previous provisions	**(829)**	(407)
Receivables written off during the year	**(129)**	(89)
Allowance for expected credit loss, end of year	**$11,336**	$9,177

(b) *Other user receivables*

Other user receivables pertain to unbilled operating costs such as common area maintenance and property tax recoveries and chargebacks.

(c) *Miscellaneous receivables*

Miscellaneous receivables consist primarily of HST receivables from the government, management fees and interest income due from external parties, and chargebacks on construction projects which are managed by Allied for tenants. As at December 31, 2022, there are no credit risk indicators that the debtors will not meet their payment obligations.

(d) *Prepaid expenses and deposits*

Prepaid expenses and deposits primarily relate to prepaid interest, deposits for naming rights, and residential deposits related to KING Toronto.

12. DEBT

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

	DECEMBER 31, 2022	DECEMBER 31, 2021
Mortgages payable (a)	**$112,822**	$118,057
Construction loans payable (b)	**223,725**	132,696
Promissory note payable (c)	**195,673**	—
Unsecured revolving operating facility (d)	**440,000**	365,000
Senior unsecured debentures (e)	**2,589,939**	2,587,989
Unsecured term loans (f)	**649,026**	249,542
	$4,211,185	$3,453,284
Current	**$346,929**	$36,146
Non-current	**3,864,256**	3,417,138
	$4,211,185	$3,453,284

(a) *Mortgages payable*

Mortgages payable have a weighted average contractual interest rate of 3.37% as at December 31, 2022 (December 31, 2021 - 3.39%). 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, 2022	DECEMBER 31, 2021
2023	**$3,069**	**$12,230**	**$15,299**	
2024	**2,528**	**46,669**	**49,197**	
2025	**6,423**	**—**	**6,423**	
2026	**1,391**	**20,443**	**21,834**	
2027	**487**	**—**	**487**	
2028	**293**	**14,457**	**14,750**	
2030	**5,000**	**—**	**5,000**	
Mortgages, principal	**$19,191**	**$93,799**	**$112,990**	$118,094
Net premium on assumed mortgages			**584**	1,066
Net financing costs			**(752)**	(1,103)
			$112,822	$118,057

(b) *Construction loans payable*

As at December 31, 2022, and December 31, 2021, Allied's obligations under the construction loans are as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2022	DECEMBER 31, 2021
Adelaide & Duncan	50%	August 11, 2023	**$85,485**	$62,048
Breithaupt Phase III	50%	June 2, 2023	**50,472**	31,041
KING Toronto	50%	December 17, 2024	**71,762**	39,607
108 East 5th Avenue	50%	December 6, 2025	**16,006**	—
			$223,725	$132,696

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 with a standby fee of 25 basis points and a letter of credit fee of 100 basis points. Allied is providing a joint and several guarantee of the entire facility and is earning a related guarantee fee on $135,000 of the guarantee. 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. On December 1, 2022, Allied and Perimeter exercised their option to extend the loan maturity to June 2, 2023, which bears interest at bank prime or bankers' acceptance rate plus 120 basis points with a standby fee of 20 basis points and a letter of credit fee of 100 basis points. Allied is providing a joint and several guarantee of the entire facility and is earning a related guarantee fee on $69,000 of the guarantee.

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 with a standby fee of 25 basis points and a letter of credit fee of 100 basis points. Allied is providing a joint and several guarantee of the entire facility and is earning a related guarantee fee on $232,500 of the guarantee.

On December 5, 2022, the 108 East 5th Avenue joint arrangement obtained a $150,000 construction lending facility from a syndicate of Canadian banks, in which Allied's 50% share is $75,000. The loan matures on December 6, 2025, and bears interest at prime plus 35 basis points or bankers' acceptance rate plus 135 basis points with a standby fee of 27 basis points and a letter of credit fee rate of 100 basis points. These interest rates and the standby fee (other than the letter of credit fee) are subject

to variability based on the achievement of two distinct sustainability performance targets. For each sustainability performance target achieved, the interest rate and standby fee would decrease by 0.025% per annum and 0.005% per annum, respectively. In addition, if certain sustainability minimums are not achieved, the interest rate and standby fee would increase by 0.025% per annum and 0.005% per annum, respectively. Depending on the applicable sustainability performance target or sustainability minimum, the settlement of these interest rate variations and the standby fee occurs either annually or at the earlier of December 6, 2025, and the date the construction lending facility is fully repaid. Allied has provided a joint and several guarantee of the entire facility and is earning a related guarantee fee on $75,000 of the guarantee. On January 13, 2023, the 108 East 5th Avenue joint arrangement entered into a swap agreement to fix 75% of the construction costs up to $110,175 at 4.90%.

(c) *Promissory note payable*

On March 31, 2022, Allied acquired a portfolio of six properties from Choice Properties which was partially settled with the issuance of a $200,000 promissory note (note 4). The promissory note is secured by a first registered charge on five of the six acquired properties.

	CONTRACTUAL INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2022	DECEMBER 31, 2021
Promissory note payable	1.00% for 2022, 2.00% for 2023	December 31, 2023	Quarterly	**$200,000**	$—
Net discount on promissory note payable				**(4,327)**	—
				$195,673	$—

(d) *Unsecured revolving operating facility*

As at December 31, 2022, and December 31, 2021, Allied's obligation under the unsecured revolving operating facility (the "Unsecured Facility") is as follows:

	DECEMBER 31, 2022						
	MATURITY DATE	CONTRACTUAL INTEREST RATES ON DRAWINGS	STANDBY FEE	FACILITY LIMIT	DRAWINGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured Facility limit $600,000 [1]	January 30, 2025	Prime + 0.20% or Bankers' acceptance + 1.20% [2]	**0.24%**	**$600,000**	**$(440,000)**	**$(15,563)**	**$144,437**

(1) This Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $700,000.

(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, 2021						
	MATURITY DATE	CONTRACTUAL INTEREST RATES ON DRAWINGS	STANDBY FEE	FACILITY LIMIT	DRAWINGS	LETTERS OF CREDIT	AMOUNT AVAILABLE
Unsecured Facility limit $600,000 [1]	January 30, 2025	Prime + 0.20% or Bankers' acceptance + 1.20% [2]	0.24%	$600,000	$(365,000)	$(19,025)	$215,975

(1) This Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $700,000.

(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.

Allied had a $100,000 bilateral unsecured line of credit with a maturity date of 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 extended the maturity to January 30, 2024.

On December 31, 2021, Allied amended the unsecured facility to increase the facility limit to $600,000 plus a $100,000 accordion feature and extended the maturity to January 30, 2025.

(e) *Senior unsecured debentures*

As at December 31, 2022, and December 31, 2021, Allied's obligations under the senior unsecured debentures are as follows:

SERIES	CONTRACTUAL INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	**DECEMBER 31, 2022**	DECEMBER 31, 2021
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**	400,000
Series G	3.131%	May 15, 2028	May 15 and November 15	**300,000**	300,000
Series H	1.726%	February 12, 2026	February 12 and August 12	**600,000**	600,000
Series I	3.095%	February 6, 2032	February 6 and August 6	**500,000**	500,000
Unsecured Debentures, principal				**$2,600,000**	$2,600,000
Net financing costs				**(10,061)**	(12,011)
				$2,589,939	$2,587,989

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

On February 12, 2021, Allied issued $600,000 of 1.726% Series H Unsecured Debentures (the "Series H Debentures") due February 12, 2026, with semi-annual interest payments due on February 12 and August 12 each year commencing on August 12, 2021. Debt financing costs of $3,100 were incurred and recorded against the principal owing.

Proceeds from the Series H Debentures were used to redeem in full the $150,000 aggregate principal amount of 3.934% Series B Debentures due November 14, 2022, with a financing prepayment cost of $8,003, prepay $139,213 on a first mortgage with a financing prepayment cost of $6,158, repay $75,000 drawn on Allied's Unsecured Facility and for general working capital purposes.

On August 6, 2021, Allied issued $500,000 of 3.095% Series I Unsecured Debentures (the "Series I Debentures") due February 6, 2032, with semi-annual interest payments due on February 6 and August 6 each year commencing on February 6, 2022. Debt financing costs of $3,000 were incurred and recorded against the principal owing.

Proceeds from the Series I Debentures were used to prepay $493,840 aggregate principal amount of first mortgages and for general working capital purposes. The mortgages had a financing prepayment cost of $38,449.

The respective financing costs recognized are amortized using the effective interest method and recorded to interest expense (note 12 (g)).

(f) *Unsecured term loans*

As at December 31, 2022, and December 31, 2021, Allied's obligations under the unsecured term loans are as follows:

	CONTRACTUAL INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2022	DECEMBER 31, 2021
Unsecured term loan	3.496%	January 14, 2026 (1)	Monthly	**$250,000**	$250,000
Unsecured term loan	4.865%	October 22, 2025	Monthly	**400,000**	—
Unsecured term loans, principal				**$650,000**	$250,000
Net financing costs				**(974)**	(458)
				$649,026	$249,542

(1) The unsecured term loan is due on January 14, 2024, with two one-year extensions to January 14, 2026. The swap agreement to fix the rate at 3.496% covers the term including both extensions.

The two unsecured term loans are collectively referred to as "Unsecured Term Loans". The respective financing costs are amortized using the effective interest method and recorded to interest expense (note 12 (g)).

On April 22, 2022, Allied entered into an unsecured term loan with a financial institution for $400,000 at a rate of prime plus 10 basis points or bankers' acceptance plus 110 basis points, due on October 22, 2025. The proceeds from the loan were used to repay the Unsecured Facility. Debt financing costs of $700 were incurred and recorded against the principal owing. On June 24, 2022, Allied entered into a swap agreement to fix the rate at 4.86%. On December 21, 2022, Allied amended the swap agreement for the settlement period, which increased the rate from 4.86% to 4.865%.

(g) *Interest expense*

Interest expense consists of the following:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Interest on debt:		
Mortgages payable	**$4,635**	$16,722
Construction loans payable	**6,487**	2,983
Promissory note payable	**1,512**	—
Unsecured Facility	**11,125**	2,836
Unsecured Debentures	**74,705**	64,940
Unsecured Term Loans	**20,592**	8,739
Interest on lease liabilities [1]	**3,224**	3,235
Amortization, net discount (premium) on debt	**2,401**	(531)
Amortization, net financing costs	**2,495**	2,394
	$127,176	$101,318
Interest capitalized to qualifying investment properties and residential inventory	**(53,810)**	(39,732)
Interest expense excluding financing prepayment costs	**$73,366**	$61,586
Financing prepayment costs [2]	**(564)**	52,610
Interest expense	**$72,802**	$114,196

(1) Excludes interest on a lease liability held for sale of $6,532 (December 31, 2021 - $5,949) that is presented separately in the net income from discontinued operations (note 6).

(2) For the year ended December 31, 2022, financing prepayment costs include $nil of prepayment penalties (December 31, 2021 - $54,357), $nil of accelerated amortization of net financing costs (December 31, 2021 - $1,210), partially offset by $564 of accelerated amortization of premium on debt (December 31, 2021 - $2,957).

Borrowing costs have been capitalized to qualifying investment properties and residential inventory at a weighted average effective rate of 3.11% per annum (December 31, 2021 - 3.06%).

(h) *Schedule of principal repayments*

The table below summarizes the scheduled principal maturity for Allied's mortgages payable, construction loans payable, promissory note payable, Unsecured Facility, Unsecured Debentures and Unsecured Term Loans as at December 31, 2022.

	2023	2024	2025	2026	2027	THEREAFTER	TOTAL
Mortgages payable, principal repayments	$3,069	$2,528	$6,423	$1,391	$487	$5,293	$19,191
Mortgages payable, balance due at maturity	12,230	46,669	—	20,443	—	14,457	93,799
Construction loans payable	135,957	71,762	16,006	—	—	—	223,725
Promissory note payable	200,000	—	—	—	—	—	200,000
Unsecured Facility	—	—	440,000	—	—	—	440,000
Unsecured Debentures	—	—	200,000	600,000	300,000	1,500,000	2,600,000
Unsecured Term Loans	—	—	400,000	250,000	—	—	650,000
Total	**$351,256**	**$120,959**	**$1,062,429**	**$871,834**	**$300,487**	**$1,519,750**	**$4,226,715**

A description of Allied's risk management objectives and policies for financial instruments is provided in note 27.

13. LEASE LIABILITIES

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

	2023[(1)(2)]	2024 - 2027[(1)(2)]	THEREAFTER	DECEMBER 31, 2022	DECEMBER 31, 2021
Future minimum lease payments	**$10,403**	**$42,168**	**$425,412**	**$477,983**	$483,752
Interest accrued (paid) on lease obligations	**(54)**	**(938)**	**—**	**(992)**	(191)
Less: amounts representing interest payments	**(10,349)**	**(41,230)**	**(267,346)**	**(318,925)**	(326,011)
Present value of lease payments	**$—**	**$—**	**$158,066**	**$158,066**	$157,550
Current (note 6)				**$107,215**	$—
Non-current				**50,851**	157,550
				$158,066	$157,550

(1) The future minimum lease payments prior to 2027 are less than the effective interest on the lease liabilities.
(2) Includes future minimum lease payments for the lease liability held for sale.

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, 2022, minimum lease payments of $9,689 (December 31, 2021 - $9,699) were paid by Allied.

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consists of the following:

	DECEMBER 31, 2022	DECEMBER 31, 2021
Trade payables and other liabilities	$245,675	$180,551
Prepaid user rents	81,489	81,488
Accrued interest payable on Unsecured Debentures	23,281	23,310
Distributions payable on Units	18,656	18,101
Distributions payable on Exchangeable LP Units (note 16)	1,722	—
Residential deposits [1]	42,700	39,693
Interest rate swap derivative liabilities	—	4,942
Unit-based compensation liabilities (note 17(c))	738	—
	$414,261	$348,085
Current	$370,823	$303,450
Non-current [2]	43,438	44,635
	$414,261	$348,085

(1) Residential deposits related to the residential condominium units at KING Toronto.

(2) Non-current liabilities as at December 31, 2022, are composed of residential deposits totaling $42,700, unit-based compensation liabilities totaling $738, and interest rate swap derivative liabilities totaling $nil (December 31, 2021 - $39,693, $nil and $4,942, respectively).

15. 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, 2022		DECEMBER 31, 2021	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial Assets:					
Loan receivable from joint venture (note 8)	Amortized cost	**$113,287**	**$113,287**	$113,287	$113,287
Loans and notes receivable (note 9)	Amortized cost	**432,112**	**422,999**	367,762	367,762
Interest rate swap derivative assets (note 10)	FVTPL	**32,401**	**32,401**	—	—
Accounts receivable (note 11)	Amortized cost	**48,793**	**48,793**	31,875	31,875
Cash and cash equivalents (note 22)	Amortized cost	**20,990**	**20,990**	22,548	22,548
Financial Liabilities:					
Debt (note 12)					
Mortgages	Amortized cost	**$112,822**	**$107,030**	$118,057	$121,169
Construction loans payable	Amortized cost	**223,725**	**223,725**	132,696	132,696
Promissory note payable	Amortized cost	**195,673**	**194,145**	—	—
Unsecured Facility	Amortized cost	**440,000**	**440,000**	365,000	365,000
Unsecured Debentures	Amortized cost	**2,589,939**	**2,255,528**	2,587,989	2,608,549
Unsecured Term Loans	Amortized cost	**649,026**	**628,450**	249,542	255,366
Accounts payable and other liabilities (note 14)	Amortized cost	**413,523**	**413,523**	343,143	343,143
Interest rate swap liabilities (note 14)	FVTPL	**—**	**—**	4,942	4,942
Unit-based compensation liabilities (notes 14 and 17(c))	FVTPL	**738**	**738**	—	—

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 instruments:

	DECEMBER 31, 2022			DECEMBER 31, 2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial Assets:						
Loan receivable from joint venture (note 8)	**$—**	**$113,287**	**$—**	$—	$113,287	$—
Loans and notes receivable (note 9)	**—**	**422,999**	**—**	—	367,762	—
Interest rate swap derivative assets (note 10)	**—**	**32,401**	**—**	—	—	—
Accounts receivable (note 11)	**—**	**48,793**	**—**	—	31,875	—
Cash and cash equivalents (note 22)	**20,990**	**—**	**—**	22,548	—	—
Financial Liabilities:						
Debt (note 12)						
Mortgages	**$—**	**$107,030**	**$—**	$—	$121,169	$—
Construction loans payable	**—**	**223,725**	**—**	—	132,696	—
Promissory note payable	**—**	**194,145**	**—**	—	—	—
Unsecured Facility	**—**	**440,000**	**—**	—	365,000	—
Unsecured Debentures	**—**	**2,255,528**	**—**	—	2,608,549	—
Unsecured Term Loans	**—**	**628,450**	**—**	—	255,366	—
Accounts payable and other liabilities (note 14)	**—**	**413,523**	**—**	—	343,143	—
Interest rate swap liabilities (note 14)	**—**	**—**	**—**	—	4,942	—
Unit-based compensation liabilities (notes 14 and 17(c))	**—**	**738**	**—**	—	—	—

There were no transfers between levels of the fair value hierarchy in either period.

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 asset as at December 31, 2022, is $32,401 (December 31, 2021 - net liability of $4,942). The fair value of the derivative contracts is determined using forward interest rates observable in the market (Level 2).

	DECEMBER 31, 2022	DECEMBER 31, 2021
Interest rate swap derivative assets (note 10)	$32,401	$—
Interest rate swap derivative liabilities (note 14)	—	(4,942)
Total	$32,401	$(4,942)

Unit-Based Compensation Liabilities

The fair value of Allied's unit-based compensation liabilities is based on the market value of the underlying units. For the performance trust units, the performance market conditions are also taken into consideration.

Debt, Loans and Notes Receivable

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

16. EQUITY

The equity of Allied is comprised of Units issued by Allied and Exchangeable LP Units issued by the Partnership:

Units (authorized - unlimited)

Each Unit represents a single vote at any meeting of holders of Units and Special Voting Units (as defined below) and entitles the holders of Units and Special Voting Units to receive a pro rata share of all distributions, in accordance with the conditions provided for in the Declaration of Trust.

Exchangeable LP Units (authorized - unlimited)

Exchangeable LP Units issued by the Partnership are economically equivalent to Units, receive distributions equal to the distributions paid on the Units and are exchangeable, at the holder's option, for Units. All Exchangeable LP Units are held, directly or indirectly, by Choice Properties.

The 11,809,145 Exchangeable LP Units issued on March 31, 2022, in connection with the acquisition of certain properties (see note 4) contain lock-up and standstill restrictions. The lock-up will expire based on the following schedule:

LOCK-UP EXPIRATION DATE	NUMBER OF EXCHANGEABLE LP UNITS ELIGIBLE FOR RELEASE
June 30, 2023	2,952,286
September 30, 2023	2,952,286
December 31, 2023	2,952,286
March 31, 2024	2,952,287
	11,809,145

Each Exchangeable LP Unit is accompanied by one special voting unit of Allied ("Special Voting Unit") which provides the holder thereof with the right to one vote at all meetings of holders of Units and Special Voting Units.

The following represents the number of Units and Exchangeable LP Units issued and outstanding, and the related carrying value of equity, for the years ended December 31, 2022 and December 31, 2021.

	NUMBER ISSUED AND OUTSTANDING			AMOUNT		
	UNITS	EXCHANGEABLE LP UNITS	TOTAL EQUITY	UNITS	EXCHANGEABLE LP UNITS	TOTAL EQUITY
Balance at January 1, 2021	127,259,218	—	127,259,218	$3,884,661	$—	$3,884,661
Restricted Unit Plan (net of forfeitures) (note 17(b))	—	—	—	(2,141)	—	(2,141)
Unit Option Plan - options exercised (note 17(a))	1,533	—	1,533	56	—	56
Unit issuance (net of costs)	477,100	—	477,100	20,079	—	20,079
Balance at December 31, 2021	127,737,851	—	127,737,851	$3,902,655	$—	$3,902,655
Restricted Unit Plan (net of forfeitures (note 17(b))	**—**	**—**	**—**	**(2,661)**	**—**	**(2,661)**
Unit Option Plan - options exercised (note 17(a))	**6,332**	**—**	**6,332**	**200**	**—**	**200**
Unit issuance (net of costs)	**211,800**	**11,809,145**	**12,020,945**	**9,184**	**550,660**	**559,844**
Balance at December 31, 2022	**127,955,983**	**11,809,145**	**139,765,128**	**$3,909,378**	**$550,660**	**$4,460,038**

During the year ended December 31, 2022, the acquisition of six office assets from Choice Properties was satisfied in part by the issuance of 11,809,145 Exchangeable LP Units. In January 2022, Allied issued 211,800 Units under the at-the-market program ("ATM Program") in settlement of trades executed at the end of December 2021 at a weighted average price of $44.02 per Unit for gross proceeds of $9,324, and incurred commissions of $140, for net proceeds of $9,184. The ATM Program is described in note 27(a).

During the year ended December 31, 2021, Allied issued 477,100 Units under the ATM Program at a weighted average price of $44.07 per Unit for gross proceeds of $21,028, and incurred commissions of $315, for net proceeds of $20,713. Issuance costs on the ATM Program were $634 for the year ended December 31, 2021. The commissions and issuance costs were applied against the gross proceeds 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 16, 2023, Allied declared a distribution for the month of January 2023 of $0.15 per Unit, representing $1.80 per Unit on an annualized basis to Unitholders of record as at January 31, 2023.

On each date that a distribution is declared by Allied on the Units, a distribution in an equal amount per unit is declared by the Partnership on the Exchangeable LP Units. A holder of Exchangeable LP Units may elect to defer receipt of all or a portion of distributions declared by the Partnership until the first business day following the end of the fiscal year. If the holder elects to defer, the Partnership will loan the holder an amount equal to the deferred distribution without interest, and the loan will be due and payable on the first business day following the end of the fiscal year during which the loan was advanced. The distributions declared by the Partnership on the Exchangeable LP Units from April 1, 2022 to December 31, 2022 was $15,496, for which Choice Properties elected to receive a loan in lieu of all of the distributions. Of the $15,496 loan in lieu of distributions, a note receivable of $13,774 was issued to Choice Properties for the cash advances made during the nine months ended December 31, 2022, with the remaining $1,722 advanced to Choice Properties as a note receivable on January 16, 2023. Since there is a legally enforceable right and an intention by Allied and Choice Properties to settle the note receivable from Choice Properties and the distributions payable to Choice Properties on a net basis on the first business day following the end of the fiscal year, these financial instruments are offset on the balance sheet. On January 3, 2023, $13,774 of the note receivable due from Choice Properties was settled on a net basis against the distributions payable to Choice Properties.

On January 16, 2023, the Partnership declared a distribution for the month of January 2023 of $0.15 per Exchangeable LP Unit, representing $1.80 per Exchangeable LP Unit on an annualized basis to holders of the Exchangeable Units as at January 31, 2023, for which Choice Properties elected to receive a loan in lieu of the distribution.

Normal Course Issuer Bid

On February 22, 2022, 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 12,602,594 of its outstanding Units, representing approximately 10% of its public float as at February 10, 2022. The NCIB commenced February 24, 2022, and will expire on February 23, 2023, 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, 2022, Allied purchased 61,725 Units for $2,664 at a weighted average price of $43.16 per Unit under its NCIB program, of which 61,148 Units were purchased for delivery to participants under Allied's Restricted Unit Plan and 577 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

17. COMPENSATION 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. Effective December 2021, no further options will be granted under the Unit Option Plan.

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	(350,831)	(19,132)	170,517	170,517
February 22, 2017	February 22, 2027	279,654	$35.34	(23,576)	—	256,078	256,078
February 14, 2018	February 14, 2028	198,807	$40.30	(14,685)	—	184,122	184,122
February 13, 2019	February 13, 2029	323,497	$47.53	(2,717)	(4,330)	316,450	241,451
February 5, 2020	February 5, 2030	352,230	$54.59	—	(1,594)	350,636	183,376
February 3, 2021	February 3, 2031	442,233	$36.55	(1,533)	(1,460)	439,240	115,730
		2,136,901		**(393,342)**	**(26,516)**	**1,717,043**	**1,151,274**

	YEAR ENDED			
	DECEMBER 31, 2022		DECEMBER 31, 2021	
	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**	**6.13**	$31.56-54.59	7.13

	YEAR ENDED			
	DECEMBER 31, 2022		DECEMBER 31, 2021	
	NUMBER OF UNITS	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER OF UNITS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of year	**1,726,381**	**$41.95**	1,288,229	$43.81
Granted	**—**	**—**	442,233	36.55
Forfeited	**(3,006)**	**43.28**	(2,548)	50.92
Exercised	**(6,332)**	**31.56**	(1,533)	36.55
Balance, end of year	**1,717,043**	**$41.98**	1,726,381	$41.95
Units exercisable at the end of the year	**1,151,274**	**$41.32**	842,672	$40.05

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 the valuation of options granted are as follows:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Unit options granted	**—**	442,233
Unit option holding period (years)	**—**	10
Volatility rate	**—%**	21.38%
Distribution yield	**—%**	4.65%
Risk-free interest rate	**—%**	0.84%
Value of options granted	**$—**	$1,441

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

For the year ended December 31, 2022, Allied recorded a unit-based compensation expense of $876 (December 31, 2021 - $1,740) in general and administrative expense in the consolidated statements of income and comprehensive income.

(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. Generally, 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. Restricted Units are released to participants forthwith following the sixth anniversary of the award date or such other date as determined in accordance with the Restricted Unit Plan.

The following is a summary of the activity of Allied's Restricted Unit Plan:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Restricted Units, beginning of year	**296,810**	288,135
Granted	**61,148**	58,260
Released	**(35,444)**	(49,585)
Forfeited	**(103)**	—
Restricted Units, end of year	**322,411**	296,810

For the year ended December 31, 2022, Allied recorded a unit-based compensation expense of $2,807 (December 31, 2021 - $2,376) in general and administrative expense in the consolidated statements of income and comprehensive income. During the year ended December 31, 2022, 103 Restricted Units were forfeited for $4 at a weighted average price of $34.41 per Unit.

(c) *Performance and Restricted Trust Unit Plan*

In December 2021, Allied adopted a cash settled performance and restricted trust unit plan (the "PTU/RTU Plan") whereby performance trust units and/or restricted trust units (together, "Plan Units") are granted to certain employees at the discretion of the Board. Plan Units are subject to such vesting, settlement, performance criteria and adjustment factors as are established by the Board at the time of the grant and accumulate distribution equivalents in the form of additional Plan Units. The PTU/RTU Plan contains provisions providing for the vesting or forfeiture of unvested Plan Units within specified time periods in the event the employee's employment is terminated, and authorizes the Chief Executive Officer, in their discretion, to amend the vesting and settlement of Plan Units in certain circumstances where an employee's employment is terminated. The following is a summary of the activity of Allied's PTU/RTU Plan:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Plan Units, beginning of year	**—**	—
Granted	**172,500**	—
Forfeited	**(1,035)**	—
Distribution equivalents	**7,728**	—
Plan Units, end of year	**179,193**	—

For the year ended December 31, 2022, Allied recorded a unit-based compensation expense of $738 (December 31, 2021 - $nil), including the mark-to-market adjustment, in general and administrative expense in the consolidated statements of income and comprehensive income.

18. WEIGHTED AVERAGE NUMBER OF UNITS

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

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Units	**127,951,020**	127,305,384
Exchangeable LP Units [(1)]	**8,929,655**	—
Total units - basic	**136,880,675**	127,305,384
Unit Option Plan	**23,407**	150,445
Total units - fully diluted	**136,904,082**	127,455,829

(1) Issued on March 31, 2022.

19. NET INCOME PER UNIT

Net income per basic and diluted unit is calculated based on net income and comprehensive income divided by the weighted average number of units taking into account the dilution effect of Unit options.

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Net income and comprehensive income from continuing operations attributable to Unitholders	**$168,161**	$331,381
Net income and comprehensive income from discontinued operations attributable to Unitholders	**200,694**	111,770
Net income and comprehensive income attributable to Unitholders	**$368,855**	$443,151
Net income and comprehensive income attributable to non-controlling interests	**6,508**	—
Net income and comprehensive income	**$375,363**	$443,151

	YEAR ENDED	
Net income and comprehensive income per unit (basic and diluted):	**DECEMBER 31, 2022**	DECEMBER 31, 2021
Continuing operations	**$1.23**	$2.60
Discontinued operations	**1.46**	0.88
Attributable to Unitholders	**$2.69**	$3.48
Attributable to non-controlling interests	**0.05**	—
Net income and comprehensive income per unit (basic and diluted)	**$2.74**	$3.48

20. TOTAL REVENUE

Total revenue includes the following:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Rental revenue [(1)]	**$252,650**	$226,962
Tax and insurance recoveries	**99,633**	94,030
Miscellaneous revenue [(2)]	**21,937**	15,310
Operating cost recoveries	**145,248**	136,497
Total rental revenue from continuing operations	**$519,468**	$472,799

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

Future minimum rental income from continuing operations is as follows:

	2023	2024	2025	2026	2027	THEREAFTER	TOTAL
Future minimum rental income	$296,945	$284,262	$258,496	$229,532	$193,992	$800,562	$2,063,789

21. GENERAL AND ADMINISTRATIVE EXPENSES

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Salaries and benefits	$21,119	$21,683
Professional and trustee fees	6,051	4,481
Office and general expenses	5,549	5,816
	$32,719	$31,980
Capitalized to qualifying investment properties	(10,126)	(6,146)
Total general and administrative expenses	$22,593	$25,834

22. SUPPLEMENTAL CASH FLOW INFORMATION

The following summarizes supplemental cash flow information in operating activities:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Supplemental		
Interest paid on debt (including capitalized interest and financing prepayment costs (note 12))	$131,537	$152,840

The following summarizes supplemental cash flow information in investing activities:

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Supplemental		
Mortgages assumed (note 4)	$13,625	$51,750

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

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Net change in accounts receivable, prepaid expenses and deposits	**$(8,483)**	$7,391
Net change in loans and notes receivable	**(64,350)**	(45,126)
Net change in accounts payable and other liabilities	**66,176**	6,879
Other working capital changes	**45,565**	65,702
Change in non-cash operating items	**$38,908**	$34,846

23. JOINT OPERATIONS

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

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

			OWNERSHIP	
PROPERTIES	**LOCATION**	**CURRENT STATUS**	**DECEMBER 31, 2022**	DECEMBER 31, 2021
642 King W	Toronto, ON	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	**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%
The Well	Toronto, ON	Rental Property and Property Under Development	**50%**	50%
108 East 5th Avenue	Vancouver, BC	Property Under Development	**50%**	N/A
175 Bloor Street E	Toronto, ON	Rental Property	**50%**	N/A
110 Yonge Street	Toronto, ON	Rental Property	**50%**	N/A

	DECEMBER 31, 2022	DECEMBER 31, 2021
Total assets	**$2,016,405**	$1,502,233
Total liabilities	**$570,821**	$444,135

	YEAR ENDED	
	DECEMBER 31, 2022	DECEMBER 31, 2021
Revenue	**$35,071**	$16,072
Expenses	**(13,669)**	(8,199)
Income before impairment and fair value adjustment on investment properties	**21,402**	7,873
Impairment of KING Toronto	**(15,729)**	—
Fair value gain on investment properties	**10,416**	82,050
Net income	**$16,089**	$89,923

24. 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 cities. The urban office properties are managed by geographic location consisting of four groups of cities.

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

Management reviews assets and liabilities on a total basis and therefore assets and liabilities are not included in the segmented information below. All revenue is generated in Canada and all assets and liabilities are located in Canada.

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 investment properties held for sale, fair value of derivative instruments and impairment of residential inventory are not allocated to operating segments.

As at December 31, 2022, the Urban Data Centre segment has been classified as discontinued operations (note 6) and is therefore excluded from the following tables, which present a reconciliation of operating income to net income from continuing operations for the years ended December 31, 2022 and 2021.

SEGMENTED CONSOLIDATED STATEMENTS OF INCOME FROM CONTINUING OPERATIONS

YEAR ENDED DECEMBER 31, 2022	MONTRÉAL & OTTAWA	TORONTO & KITCHENER	CALGARY & EDMONTON [1]	VANCOUVER	JOINT VENTURE (TELUS SKY) [2]	TOTAL
Rental revenue	$209,163	$230,638	$39,561	$46,877	$(6,771)	$519,468
Property operating costs	(106,385)	(85,416)	(20,417)	(15,885)	3,843	(224,260)
Net rental income and operating income	**$102,778**	**$145,222**	**$19,144**	**$30,992**	**$(2,928)**	**$295,208**
Interest expense						(72,802)
General and administrative expenses						(22,593)
Condominium marketing expenses						(602)
Amortization of other assets						(1,325)
Interest income						32,080
Fair value loss on investment properties and investment properties held for sale						(73,750)
Fair value gain on derivative instruments						37,343
Impairment of residential inventory						(15,729)
Net loss from joint venture						(3,161)
Net income from continuing operations						**$174,669**

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

(2) This is an adjustment to remove the impact of the TELUS Sky joint venture from the Calgary and Edmonton results, to arrive at the equity method of accounting.

YEAR ENDED DECEMBER 31, 2021	MONTRÉAL & OTTAWA	TORONTO & KITCHENER	CALGARY & EDMONTON [1]	VANCOUVER	JOINT VENTURE (TELUS SKY) [2]	TOTAL
Rental revenue	$201,222	$209,095	$37,337	$30,052	$(4,907)	$472,799
Property operating costs	(99,074)	(79,318)	(19,061)	(10,613)	3,274	(204,792)
Net rental income and operating income	**$102,148**	**$129,777**	**$18,276**	**$19,439**	**$(1,633)**	**$268,007**
Interest expense						(114,196)
General and administrative expenses						(25,834)
Condominium marketing expenses						(573)
Amortization of other assets						(1,167)
Interest income						28,023
Fair value gain on investment properties and investment properties held for sale						161,222
Fair value gain on derivative instruments						16,350
Net loss from joint venture						(451)
Net income from continuing operations						**$331,381**

(1) Includes Allied's proportionate share of revenue and expenses of its investment in TELUS Sky.
(2) This is an adjustment to remove the impact of the TELUS Sky joint venture from the Calgary and Edmonton results, to arrive at the equity method of accounting.

25. 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.

26. 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, Allied Properties Exchangeable Limited Partnership, Allied Properties Exchangeable GP Inc., 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, 2022, real estate service revenue earned from these properties was $405 (December 31, 2021 - $413).

As at December 31, 2022, the loan to the TELUS Sky joint venture has a balance outstanding of $113,287 (December 31, 2021 - $113,287) (see note 8).

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, 2022	DECEMBER 31, 2021
Salary, bonus and other short-term employee benefits	**$4,452**	$4,906
Unit-based compensation	**4,328**	3,177
Total	**$8,780**	$8,083

27. RISK MANAGEMENT

(a) *Capital management*

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

Various debt, equity and earnings distributions ratios are used to monitor capital adequacy requirements. For debt management, debt to gross book value and fair value, debt average term to maturity, and variable debt as a percentage of 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, 2022, the debt to gross book value ratio was 35.6% (December 31, 2021 - 33.5%) and debts having variable interest rates or maturities of less than one year aggregated to 7.4% of gross book value (December 31, 2021 - 4.2%).

On June 2, 2021, 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 $3,000,000. This document is valid for a 25-month period. The short form base shelf prospectus filed on June 2, 2021 was amended on November 11, 2021 (the "Shelf Prospectus"), and was filed in each of the provinces and territories of Canada. On November 12, 2021, Allied filed a prospectus supplement to its Shelf Prospectus, allowing Allied to offer and issue Units under the ATM Program up to $300,000. Distributions of Units under the ATM Program, if any, will be made pursuant to the terms of an equity distribution agreement (the "Distribution Agreement") dated November 12, 2021, entered into among Allied, Goldman Sachs Canada Inc., National Bank Financial Inc. and Scotia Capital Inc. The volume and timing of any distributions of Units under the ATM Program will be determined in Allied's sole discretion. The ATM Program will be effective until July 2, 2023, unless earlier terminated in accordance with the terms of the Distribution Agreement. As Units distributed under the ATM Program will be issued and sold at the prevailing market price at the time of the sale, prices may vary among purchasers during the period of the ATM Program.

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, 2022.

(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. All of Allied's mortgages payable as at December 31, 2022 are at fixed interest rates and are not exposed to changes in interest rates during the term of the debt. However, there is interest rate risk associated with Allied's fixed interest rate term debt due to the expected requirement to refinance such debts upon maturity. As fixed rate debt matures and as Allied utilizes additional floating rate debt under the Unsecured Facility, Allied will be further exposed to changes in interest rates. As at December 31, 2022, the Unsecured Facility, which is at a floating interest rate and is exposed to changes in interest rates, had a balance outstanding of $440,000 (December 31, 2021 - $365,000). Also, Allied has construction loans payable, of which $138,240 is subject to floating interest rates and is exposed to changes in interest rates (December 31, 2021 - $70,648). In addition, there is a risk that interest rates will fluctuate from the date Allied commits to a debt to the date the interest rate is set with the lender. As part of its risk management program, Allied endeavours to maintain an appropriate mix of fixed rate and floating rate debt, to stagger the maturities of its debt and to minimize the time between committing to a debt and the date the interest rate is set with the lender.

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

		-1.0%	+1.0%
AS AT DECEMBER 31, 2022	**CARRYING AMOUNT**	**INCOME IMPACT**	**INCOME IMPACT**
Unsecured Facility	$440,000	$4,400	$(4,400)
Construction loans payable [1]	$223,725	$2,237	$(2,237)
Mortgages payable due within one year	$15,299	$153	$(153)
Promissory note	$195,673	$1,957	$(1,957)

(1) *Includes a construction loan of $85,485, which is due within a year and $138,240 construction loans which are subject to floating interest rates, of which $50,472 is due within one year.*

(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, 2022, Allied had $432,032 outstanding in loans receivable (December 31, 2021 - $367,579) and $113,287 outstanding in joint venture loan receivable (December 31, 2021 - $113,287). 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 estimated by Management, giving consideration to the factors above, as at December 31, 2022, are $nil (December 31, 2021 - $nil) (note 9).

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 expected credit losses estimated by Management at December 31, 2022, are $11,336 (December 31, 2021 - $9,177) (note 11 (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, 2022	DECEMBER 31, 2021
Less than 30 days	**$1,677**	$4,204
30 to 60 days	**3,129**	2,190
More than 60 days	**15,058**	10,265
Total	**$19,864**	$16,659

(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 portion of Allied's assets have been pledged as security under the related mortgages and other security agreements. Contractual interest rates on the mortgages payable are between 2.77% and 4.30% for December 31, 2022 (December 31, 2021 - 2.77% and 4.30%).

Allied entered into interest rate derivative contracts to limit its exposure to fluctuations in interest rates on $650,000 of its variable rate unsecured term loan and $85,485 of its construction loans (December 31, 2021 - $250,000 and $62,048, respectively). As at December 31, 2021, Allied repaid all of its variable rate mortgages payable and exited its associated interest rate derivative contracts on these mortgages payable with a cash settlement of $3,781. 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, 2022, Allied recognized as part of the change in fair value adjustment on derivative instruments a fair value gain of $37,343 (December 31, 2021 - $16,350).

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:

	2023	2024	2025	2026	2027	THEREAFTER	TOTAL
Mortgages payable	$18,589	$51,754	$7,842	$23,199	$1,088	$20,091	$122,563
Construction loans payable	146,322	77,106	17,004	—	—	—	240,432
Promissory note payable	204,000	—	—	—	—	—	204,000
Unsecured Facility	29,260	29,260	442,438	—	—	—	500,958
Unsecured Debentures	74,485	74,485	270,849	662,035	352,188	1,625,868	3,059,910
Unsecured Term Loans	28,200	28,200	424,957	250,335	—	—	731,692
Total	**$500,856**	**$260,805**	**$1,163,090**	**$935,569**	**$353,276**	**$1,645,959**	**$4,859,555**

(f) *Unit price risk*

Unit price risk arises from the unit-based compensation liabilities which are recorded at fair value at each quarter-end date. Allied's unit-based compensation liabilities negatively impact operating income when the Unit price rises and positively impact operating income when the Unit price declines.

28. COMMITMENTS AND CONTINGENCIES

Allied has entered into commitments for acquisitions, development activity and building renovations from leasing activity. The commitments as at December 31, 2022 were $247,819 (December 31, 2021 - $473,779).

Commitments as at December 31, 2022 of $510 (December 31, 2021 - $354) were held within equity accounted investments.

As at December 31, 2022, there are no committed acquisitions (December 31, 2021 - $126,198 for the acquisition of 700 Saint-Hubert, which closed on October 31, 2022).

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 $23,952 as at December 31, 2022 (December 31, 2021 - $28,256).

Corporate Profile

About Us

Allied is a leading operator of distinctive urban workspace in Canada's major cities and network-dense UDC space in Toronto. Allied's mission is to provide knowledge-based organizations with workspace and UDC space that is sustainable and conducive to human wellness, creativity, connectivity and diversity. Allied's vision is to make a continuous contribution to cities and culture that elevates and inspires the humanity in all people.

Senior Management

Michael Emory
President and Chief Executive Officer

Tom Burns
Executive Vice President and Chief Operating Officer

Cecilia Williams
Executive Vice President and Chief Financial Officer

Hugh Clark
Executive Vice President, Development

Doug Riches
Executive Vice President, Special Operations

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(2) Governance, Compensation and Nomination Committee