ALLIED

Quarterly Report March 31, 2017

Building cities — one building at a time

05.03.17

Breithaupt Block, Kitchener

ALLIED

Quarterly Report

May 3, 2017

Contents

Letter to Unitholders

Dear Fellow Unitholder:

We achieved our three most important goals for the first quarter.

(i) We progressed steadily toward full lease-up at 5445-5455 Avenue de Gaspé in Montréal. With the recent lease of 30,000 square feet of GLA at 5455 de Gaspé, the properties are 93% leased to strong tenants at expected levels of net rent.

(ii) We regained leasing momentum at our cloud-hosting facility, 250 Front Street West in Toronto. With the establishment of a cloud interconnect node at the facility, we initiated the build-up of recurring ancillary rental revenue and improved the prospects for the lease-up of the remaining GLA. With the lease of another 10,000 square feet, we increased the leased area to 60% of total GLA.

(iii) We delivered expected short-term results while continuing to grow NAV per unit. In the 12 months ended March 31, 2017, our NAV per unit grew by 9.3%. As in the previous 12-month period, a significant component of this NAV per unit growth derived from development completions.

While much remains to be done to achieve our goals for the year as a whole, this was an encouraging start.

Looking forward, I expect our operating and development environment to be generally favourable for the remainder of the year and into 2018. Our internal forecast for 2017 contemplates mid-single-digit percentage growth in same-asset NOI, with rent growth in Toronto and occupancy gains in Montréal, Edmonton and Vancouver more than offsetting erosion in Calgary. It also contemplates low- to mid-single-digit percentage growth in FFO per unit. While we don't forecast NAV per unit results for a given year, primarily because capitalization rates are entirely beyond our control, I expect continued growth in 2017 with a significant contribution from development completions.

Although our acquisition environment can change rapidly, I expect it to be generally unfavourable for the remainder of the year. We're not seeing strategic opportunities in our major markets, and the stabilized opportunities we're seeing are materially overpriced. On the other hand, I expect the disposition environment for our non-core properties will be favourable this year. We're working toward exiting the Winnipeg market. If successful, we'll work toward exiting the Québec City market later this year or early next. There's no urgency with respect to the disposition of our non-core assets, but I believe the current timing is opportune in Winnipeg and Québec City, though not just yet in Edmonton.

It follows from the above that my confidence in Allied's near-term and longer-term outlook continues. My confidence is predicated on the continued intensification of the urban core of Canada's major cities and the continued desire on the part of office users to locate in distinctive urban office environments. It's also underpinned by the depth and strength of the Allied team and the team's ability to execute our strategy at all levels.

* * *

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 March 31, 2017

Section I
—*Overview*

This Management's Discussion and Analysis ("MD&A") of results of operations and financial condition relates to the quarter ended March 31, 2017. Unless the context indicates otherwise, all references to "Allied", "the Trust", "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 May 3, 2017, and should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the quarter ended March 31, 2017 and Allied's 2016 Annual Report. This MD&A is based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). Historical results and percentage relationships contained in this MD&A, including trends that might appear, should not be taken as indicative of future results, operations or performance. Unless otherwise indicated, all amounts in this MD&A are in thousands of Canadian dollars.

NON-IFRS MEASURES

Readers are cautioned that certain terms used in the MD&A such as Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI"), "Same Asset NOI", Net Asset Value ("NAV"), Gross Book Value ("GBV"), Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Payout Ratio", "Interest Coverage", "Net Debt to Adjusted EBITDA" and any related per Unit amounts used by Management of Allied to measure, compare and explain the operating results and financial performance of Allied do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. These terms are defined in the MD&A and reconciled to the unaudited condensed consolidated financial statements of Allied for the quarter ended March 31, 2017. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Other Financial Performance Measures", "Net Operating Income", "Debt" and "Financial Covenants".

FORWARD LOOKING STATEMENTS

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

The forward-looking statements in this MD&A are not guarantees of future results, operations or performance and are based on estimates and assumptions that are subject to risks and uncertainties, including those described in Section IX - Risks and Uncertainties, which could cause actual results, operations or performance to differ materially from the forward-looking statements in this MD&A. Those risks and uncertainties include risks associated with property ownership, property development, geographic focus, asset-class focus, competition for real property investments, financing and interest rates, government regulations, environmental matters, construction liability and taxation. Material assumptions that were made in formulating the forward-looking statements in this MD&A include the following: that our current target markets remain stable, with no material increase in supply of directly-competitive office space; that acquisition capitalization rates remain reasonably constant; that the trend toward intensification within our target markets continues; and that the equity and debt markets continue to provide us with access to capital at a reasonable cost to fund our future growth and potentially refinance our mortgage debt as it matures. Although the forward-looking statements contained in this MD&A are based on what Management believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these statements.

All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Without limiting the generality of the foregoing, the discussion in the Letter to Unitholders, Section I— Overview and Section III—Asset Profile are qualified in their entirety by this forward-looking disclaimer. These statements are made as of May 3, 2017, and, except as required by applicable law, Allied undertakes no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

SUMMARY OF KEY FINANCIAL AND OPERATING PERFORMANCE MEASURES

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

($000's except per-square foot, per-unit and other data)	THREE MONTHS ENDED MARCH 31, 2017	MARCH 31, 2016	YEAR ENDED DECEMBER 31, 2016 [1]
Portfolio			
Number of properties	**156**	150	155
Total rental GLA (000's of square feet)	**11,747**	10,512	11,843
Leased rental GLA (000's of square feet)	**10,879**	9,691	10,906
Leased area	**92.6%**	92.2%	92.1%
Occupied area	**89.9%**	91.1%	88.7
Average in-place net rent per occupied square foot (period-end)	**21.38**	20.24	21.31
Renewal and replacement rate for leases maturing in the year	**34.8%**	47.3%	85.3%
Increase in net rent on maturing leases	**29.2%**	2.9%	8.1%
Investment properties	**5,237,400**	4,475,162	5,129,541
Total assets	**5,318,306**	4,562,714	5,213,854
Cost of PUD as % of GBV	**5.4%**	5.6%	3.4%
Unencumbered investment properties	**2,388,220**	1,699,470	2,306,215
Total debt	**1,944,204**	1,675,026	1,909,265
Net asset value	**3,071,074**	2,602,041	3,021,506
Annualized Adjusted EBITDA	**239,652**	222,192	232,399
Net debt	**1,936,554**	1,670,544	1,897,072
Net debt as a multiple of annualized Adjusted EBITDA	**8.1x**	7.5x	8.2x
Adjusted EBITDA	**59,913**	55,548	232,399
Interest expense	**15,840**	13,895	61,425
Interest expense as a multiple of Adjusted EBITDA	**3.8x**	4.0x	3.8x
Rental revenue from investment properties	**102,111**	93,813	389,722
NOI	**59,868**	54,421	227,677
Same Asset NOI - rental portfolio	**53,576**	51,816	195,322
Same Asset NOI - total portfolio	**55,464**	53,527	214,798
Net income excluding loss on disposal and fair value adjustments	**36,090**	34,830	140,215
Net income	**79,867**	37,468	324,305
FFO	**44,730**	42,062	173,884
AFFO	**34,112**	31,583	128,597
Distributions	**32,428**	29,433	121,880

($000's except per-square foot, per-unit and other data)		THREE MONTHS ENDED MARCH 31, 2017	THREE MONTHS ENDED MARCH 31, 2016	YEAR ENDED DECEMBER 31, 2016 (1)
Per unit:				
Net income excluding loss on disposal and fair value adjustments		**0.43**	0.44	1.73
Net income		**0.94**	0.48	4.01
FFO		**0.53**	0.54	2.15
FFO payout ratio		**72.5%**	70.0%	70.1%
AFFO		**0.40**	0.40	1.59
AFFO payout ratio		**95.1%**	93.2%	94.8%
Distributions		**0.38**	0.38	1.50
Net asset value		**36.19**	33.12	35.66
Actual Units outstanding		**84,866,315**	78,556,437	84,734,469
Weighted average diluted Units outstanding		**84,868,429**	78,566,949	80,939,463
Financial Ratios	**ALLIED'S TARGETS**			
Total indebtedness ratio	<40%	**36.6%**	36.7%	36.7%
Secured indebtedness ratio	<45%	**21.3%**	25.7%	21.9%
Debt service coverage ratio	>1.50x	**1.9x**	2.0x	2.0x
Unencumbered property asset ratio	>1.40x	**2.9x**	3.4x	3.0x
Interest-coverage ratio - including interest capitalized	>3.0x	**2.8x**	3.1x	2.8x

(1) Allied normalized FFO and AFFO in the third quarter of 2016 by excluding a one-time extraordinary item.

In the table above, AFFO has been presented in accordance with the "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" published by REALpac in February of 2017.

BUSINESS OVERVIEW AND STRATEGY

Allied is an unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust ("Declaration") dated October 25, 2002, as amended and restated from time to time, most recently May 12, 2016. Allied is governed by the laws of Ontario. Allied's 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.*

Allied is a leading owner, manager and developer of distinctive urban workspace in Canada's major cities. Allied's objectives are to provide stable and growing cash distributions to unitholders and to maximize unitholder value through effective management and accretive portfolio growth.

Allied specializes in an office format created through the adaptive re-use of light industrial structures in urban areas that has come to be known as Class I, the "I" stemming from the original industrial nature of the structures. This format typically features high ceilings, abundant natural light, exposed structural frames, interior brick and hardwood floors. When restored and retrofitted to the standards of Allied's portfolio, Class I buildings can satisfy the needs of the most demanding office and retail tenants. When operated in the coordinated manner of Allied's portfolio, these buildings become a vital part of the urban fabric and contribute meaningfully to a sense of community.

The Class I value proposition includes (i) proximity to central business districts in areas well served by public transportation, (ii) distinctive internal and external environments that assist tenants in attracting, retaining and motivating employees and (iii) significantly lower overall occupancy costs than those that prevail in the central business districts. This value proposition has proven appeal to a diverse base of business tenants, including the full range of service and professional firms, telecommunications and information technology providers, media and film groups and storefront retailers.

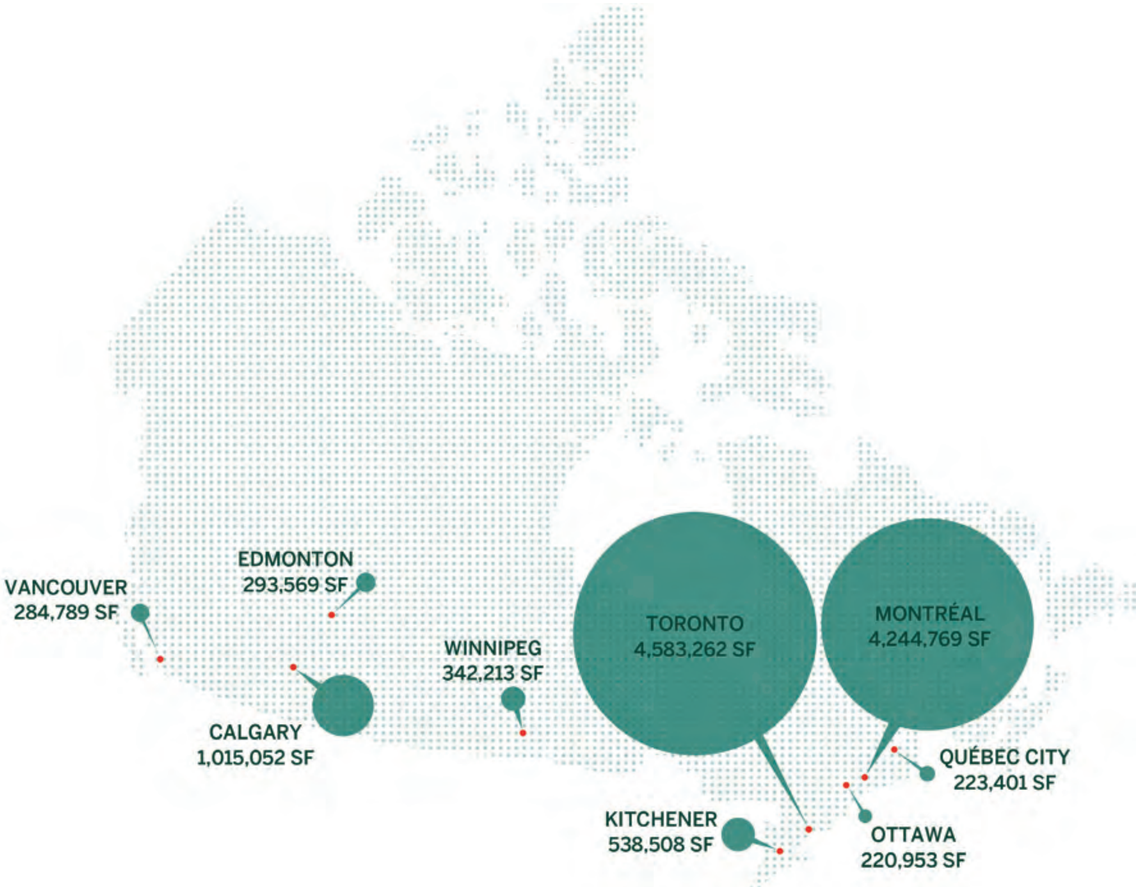
In addition to accommodating their employees in urban office space, many of Allied's tenants utilize sophisticated and extensive telecommunication and computer equipment. This is often a mission-critical need for our tenants. In an effort to serve this related need, Allied established extensive capability in downtown Toronto through the acquisition of 151 Front Street West, the leading telecommunication interconnection point in Canada. Allied has since expanded its capability by retrofitting a portion of 905 King Street West and a portion of 250 Front Street West with a view to serving its tenants' space requirements more fully.

PROPERTY MANAGEMENT

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

PROPERTY PORTFOLIO

Allied completed its initial public offering on February 20, 2003, at which time it had assets of $120 million, a market capitalization of $62 million and a local, urban-office portfolio of 820,000 square feet of GLA. As of March 31, 2017, Allied had assets of $5.3 billion, a market capitalization of $3.1 billion and rental properties with 11.7 million square feet of GLA in nine cities across Canada. The illustration below depicts the geographic diversity of Allied's rental portfolio.



ACQUISITIONS

During the three months ended March 31, 2017, Allied acquired the following properties:

PROPERTY	ACQUISITION DATE	ACQUISITION COST (1)	OFFICE GLA	RETAIL GLA	TOTAL GLA
456 Wellington W, Toronto (2)	January 5, 2017	$5,393	1,939	—	1,939
387-391 Adelaide W, Toronto	January 17, 2017	8,646	5,000	6,500	11,500
Total		$14,039	6,939	6,500	13,439

(1) Purchase price plus transaction costs.
(2) This property will form part of The Well, which is a 40/40/20 co-ownership between Allied, RioCan and Diamondcorp.

CORPORATE SOCIAL RESPONSIBILITY

Allied is committed to sustainability as it relates to the physical environment within which it operates. Most of Allied's buildings were created through the adaptive re-use of structures built over a century ago. They are recycled buildings and the recycling has considerably less impact on the environment than new construction of equivalent GLA. To the extent Allied undertakes new construction through development or intensification, it is committed to obtaining LEED certification. LEED certification is a program administered by the Canada Green Building Council for certifying the design, construction and operation of high-performance green buildings.

The ongoing operation of our buildings also affects the physical environment. Allied is committed to obtaining BOMA BESt certification for as many of its existing buildings as possible. Certification is based on an independent assessment of key areas of environmental performance and management. Level 1 certification involves independent verification that all BOMA BESt practices have been adopted. Level 2 through to Level 4 involve progressively better assessments of environmental performance and management. Allied has two properties with Level 2 certification and 13 properties with Level 3 certification, with plans to put additional buildings forward for certification on an annual basis.

Allied is also attentive to the impact of its business on the human environment. Allied's investment and development activities can have a displacing impact on members of the artistic community. As building inventory in an area is improved, the cost of occupancy can become prohibitive. Allied believes that its buildings and tenants are best served if artists remain viable members of the surrounding communities. Accordingly, Allied has made a practice of allocating an appropriate portion of its rentable area to artistic uses on an affordable basis as part of its Make Room for the Arts program, the most recent example of this being the lease of over 200,000 square feet of GLA to Pied Carré at 5445-5455 de Gaspé in Montréal for a 30-year term. What Allied foregoes in short-term rent, it more than makes up in overall occupancy and net rent levels at other properties in the surrounding communities. Allied sees this as an important part of its corporate social responsibility.

BUSINESS ENVIRONMENT AND OUTLOOK

As of March 31, 2017, Allied operated in nine urban markets in Canada – Toronto, Kitchener, Ottawa, Montréal, Québec City, Winnipeg, Calgary, Edmonton and Vancouver.

The office inventory statistics are summarized in the table below:

	ESTIMATED OFFICE INVENTORY	ESTIMATED TARGET MARKET INVENTORY	ALLIED CURRENT GLA	PERIOD END ALLIED LEASED RATE	ALLIED'S ESTIMATED SHARE OF TARGET MARKET
Toronto	87,800,000	16,100,000	4,583,262	95.9%	28.5%
Kitchener	2,400,000	1,000,000	538,508	97.8%	54.0%
Ottawa	18,700,000	1,700,000	220,953	100.0%	13.0%
Montréal	47,100,000	17,500,000	4,244,769	92.0%	24.3%
Québec City	19,000,000	1,500,000	223,401	60.4%	14.9%
Winnipeg	10,300,000	1,800,000	342,213	81.4%	19.0%
Calgary	49,300,000	2,900,000	1,015,052	84.3%	35.0%
Edmonton	15,800,000	1,000,000	293,569	94.4%	29.4%
Vancouver	33,300,000	4,000,000	284,789	98.8%	7.1%
Total	**283,700,000**	**47,500,000**	**11,746,516**	**92.6%**	**24.7%**

Allied expects its operating and development environment to be generally favourable for the remainder of the year and into 2018. Allied's internal forecast for the year contemplates (i) mid-single-digit percentage growth in same-asset NOI, with rent growth in Toronto and occupancy gains in Montréal, Edmonton and Vancouver more than offsetting erosion in Calgary and (ii) low- to mid-single-digit percentage growth in FFO per unit. Allied's internal forecast is predicated on the continued intensification of the urban core of Canada's major cities and the continued desire on the part of office users to locate in distinctive urban office environments. It is also underpinned by the depth and strength of the Allied team and the team's ability to execute Allied's strategy at all levels.

Section II
—Leasing

Allied strives to maintain high levels of occupancy and leased area. At March 31, 2017, Allied's rental portfolio was 92.6% leased.

STATUS

Leasing status for the rental portfolio as at March 31, 2017, is summarized in the following table:

	GLA	AS A % OF TOTAL GLA (1)
Leased area (occupied & committed)		
December 31, 2016	**10,905,612**	**92.1%**
Vacancy committed for future leases	(401,678)	
Occupancy - December 31, 2016	**10,503,934**	**88.7%**
Previous committed vacant space now occupied	170,876	
New leases on vacant space	77,012	
Expansions into vacant space	1,376	
Vacancies	(110,144)	
Surrender / early termination agreements	(20,033)	
Suite additions and removals	8,917	
Remeasurements	1,542	
Occupancy (pre acquisitions, dispositions, and transfers)	**10,633,480**	**89.8%**
Occupancy related to acquired properties	11,500	
Occupancy related to disposed properties	—	
Occupancy related to transfers from PUD	—	
Occupancy related to transfers to PUD	(89,998)	
Occupancy - March 31, 2017	**10,554,982**	**89.9%**
Vacancy committed for future leases	323,874	
Leased area (occupied & committed), March 31, 2017	**10,878,856**	**92.6%**

(1) Excludes properties under development

Of 11,746,516 square feet total GLA in Allied's rental portfolio, 10,554,982 square feet were occupied by tenants on March 31, 2017. Another 323,874 square feet were subject to contractual lease commitments with tenants whose leases commence subsequent to March 31, 2017, bringing the leased area to 10,878,856 square feet, which represents 92.6% of Allied's total GLA.

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

FIXTURING COMMENCEMENT (OCCUPANCY)	Q2 2017	Q3 2017	TOTAL
Lease commitments - GLA	254,822	69,052	323,874
% of lease commitments	79%	21%	100%

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

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

RENT COMMENCEMENT (ECONOMIC OCCUPANCY)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	TOTAL
Lease commitments - GLA	41,811	139,059	54,615	88,389	323,874
% of lease commitments	13%	43%	17%	27%	100%

Allied monitors the level of sub-lease space in its rental portfolio. Below is a summary of sub-lease space being marketed by city as at March 31, 2017, and December 31, 2016:

	MARCH 31, 2017	DECEMBER 31, 2016
Toronto	**60,040**	24,771
Kitchener	**25,116**	8,445
Ottawa	**—**	—
Montréal	**39,943**	48,855
Québec City	**—**	—
Winnipeg	**—**	—
Calgary	**48,814**	24,493
Edmonton	**1,645**	1,645
Vancouver	**—**	—
Total square feet	**175,558**	108,209
% of Total GLA	**1.5%**	0.9%

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

ACTIVITY

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

Leasing activity in connection with the rental portfolio as at March 31, 2017, is summarized in the following table:

	LEASABLE SF	LEASED SF BY MARCH 31	% LEASED BY MARCH 31	UNLEASED SF AT MARCH 31
Vacancy on January 1, 2017, including re-measurement	947,162	151,624	16.0%	795,538
Vacancy transferred from PUD on March 31, 2017	—	—	—	—
Acquired vacancy as at March 31, 2017	—	—	—	—
Arranged and other vacancy as at March 31, 2017	42,920	—	—	42,920
Maturities during the period ended March 31, 2017	153,718	124,516	81.0%	29,202
Maturities in remainder of 2017	936,060	254,870	27.2%	—
Total	2,079,860	531,010	25.5%	867,660

On January 1, 2017, 947,162 square feet of GLA was vacant. By the three months ended March 31, 2017, Allied leased 151,624 square feet of this GLA, leaving 795,538 square feet unleased.

Leases for 153,718 square feet of GLA matured in the period ended March 31, 2017, at the end of which Allied renewed or replaced leases 124,516 square feet of GLA, leaving 29,202 square feet unleased.

Leases for 936,060 square feet of GLA are maturing in the remainder of 2017. Allied either renewed or replaced 254,870 square feet, leaving 681,190 square feet yet to be replaced or renewed.

For the three months ended March 31, 2017, the table below summarizes the rental rates achieved for the leases expiring in 2017 that were either renewed or replaced. Overall, this has resulted in an increase of 29.2% in the net rent per square foot from maturing leases. This unusually high increase stems for the most part from the material rent growth in Allied's primary target markets in Toronto.

LEASE RENEWALS/ REPLACEMENTS

	FOR THE THREE MONTHS ENDED, MARCH 31, 2017		
	ABOVE IN-PLACE RENTS	AT IN-PLACE RENTS	BELOW IN-PLACE RENTS
% of Total Leased SF	85.1%	5.5%	9.3%
Maturing leases in 2017 - Weighted average rent	$18.24	$22.02	$21.89
Renewals & Replacements - Weighted average rent	$25.10	$22.02	$18.09

TENANT PROFILE

The following sets out Allied's tenant-mix on the basis of percentage of rental revenue for the three months ended March 31, 2017:

CATEGORY	% OF RENTAL REVENUE MARCH 31, 2017
Business service and professional	29.3%
Telecommunications and information technology	28.3%
Media and entertainment	13.1%
Retail (head office and storefront)	11.9%
Parking & other	8.2%
Financial services	4.6%
Government	2.6%
Educational and institutional	2.0%
	100.0%

The following sets out the percentage of rental revenue from top 10 tenants by rental revenue for the three months ended March 31, 2017:

TENANT	% OF RENTAL REVENUE MARCH 31, 2017	WEIGHTED AVERAGE REMAINING LEASE TERM (YEARS)	CREDIT RATING DBRS/S&P/MOODY'S
Equinix	2.8%	8.1	-/BB+/Ba3
Ubisoft	2.4%	7.5	Not Rated
Desjardins	2.2%	1.8	AA/A+/Aa2
Cloud Service Provider	1.9%	3.8	*-/AAA/Aaa
Cologix	1.9%	20.8	-/B/B3
National Capital Commission ("NCC"), a Canadian Crown Corporation	1.6%	18.4	Not Rated
Morgan Stanley	1.4%	3.5	AH/BBB+/A3
Entertainment One	1.3%	11.3	-/B+/Ba3
Allstream	1.3%	1.9	*-/B+/B2
Bell Canada	1.2%	3.3	BBBH/BBB+/Baa1
	18.0%		

**Credit rating for parent company*

LEASE MATURITY

As at March 31, 2017, 92.6% of the GLA in Allied's rental portfolio was leased. The weighted average term to maturity of Allied's leases at that time was 5.9 years. The weighted average market net rental rate is based on Management's current estimates and is supported in part by independent appraisals of certain relevant properties. There can be no assurance that Management's current estimates are accurate or that they will not change with the passage of time.

The following table contains information on the office and retail leases that mature up to 2021, assuming tenants do not exercise renewal options, and the corresponding estimated weighted average market rental rate as at March 31, 2017:

TOTAL RENTAL PORTFOLIO	SQUARE FEET	% OF TOTAL GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2017 (1)	996,111	8.5%	19.85	22.50
December 31, 2018	936,192	8.0%	21.74	22.82
December 31, 2019	1,069,968	9.1%	21.92	22.60
December 31, 2020	1,218,410	10.4%	25.49	27.52
December 31, 2021	1,240,228	10.6%	19.86	21.12

(1) Includes 197,983 sq. ft of GLA relating to Desjardins at 425 Viger, which is maturing December 31, 2017. The property will be transferred to the Development Portfolio in Q4 2017.

The following tables contain information on the office and retail lease maturities by region:

EASTERN CANADA	SQUARE FEET	% OF REGIONAL GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2017 (1)	436,870	9.3%	14.40	14.52
December 31, 2018	188,315	4.0%	15.49	14.22
December 31, 2019	354,961	7.6%	17.85	14.11
December 31, 2020	349,712	7.5%	16.08	14.31
December 31, 2021	623,309	13.3%	16.12	15.03

(1) Includes 197,983 sq. ft of GLA relating to Desjardins at 425 Viger, which is maturing December 31, 2017. The property will be transferred to the Development Portfolio in Q4 2017.

CENTRAL CANADA	SQUARE FEET	% OF REGIONAL GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2017	406,722	7.9%	22.01	29.94
December 31, 2018	477,888	9.3%	27.12	32.34
December 31, 2019	501,301	9.8%	25.90	31.62
December 31, 2020	603,487	11.8%	35.18	41.68
December 31, 2021	419,864	8.2%	24.36	30.16

WESTERN CANADA	SQUARE FEET	% OF REGIONAL GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2017	152,519	7.9%	22.64	15.16
December 31, 2018	269,989	13.9%	16.58	11.97
December 31, 2019	213,706	11.0%	19.34	15.52
December 31, 2020	265,211	13.7%	15.86	12.74
December 31, 2021	197,055	10.2%	22.07	21.16

Section III
—Asset Profile

As at March 31, 2017, Allied's portfolio consisted of 156 investment properties (136 rental properties, ten development properties and ten ancillary parking facilities), with a fair value of $5,237,400.

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

	THREE MONTHS ENDED MARCH 31, 2017		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL
Balance, beginning of period	$4,948,043	$181,498	$5,129,541
Additions:			
Acquisitions	14,039	—	14,039
Tenant improvements	8,681	—	8,681
Leasing commissions	2,678	—	2,678
Capital expenditures	12,175	29,854	42,029
Transfers to properties under development ("PUD")	(154,808)	154,808	—
Finance lease	990	—	990
Amortization of straight-line rent, tenant improvements and leasing commissions	(4,246)	—	(4,246)
Fair value gain on investment properties	43,539	149	43,688
Balance, end of period	$4,871,091	$366,309	$5,237,400

For the three months ended March 31, 2017, Allied capitalized a total of $5,339 of borrowing costs, $2,535 of which related to development activity, $870 to rental properties going through intensification approval and $1,934 to upgrade activity in the rental portfolio. The rental properties undergoing upgrade activity consist of 250 Front West, 5445-5455 de Gaspé, Le Nordelec, 905 King West and 6300 du Parc.

The appraised fair value of investment properties is 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 minimum term of ten years, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income ("NOI"), a non-GAAP measure, in the terminal year. This method is primarily used to value the rental portfolio.

Comparable sales method - This approach compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions. 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. This method is primarily used to value the development portfolio.

Allied's entire portfolio is valued by an independent 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 changes to the valuation techniques during the period.

In valuing the investment properties as at March 31, 2017, the independent appraiser compares the value derived using the DCF method to the value that would have been calculated by applying a capitalization rate to NOI. This is done to assess the reasonability of the value obtained under the DCF method. The corresponding portfolio weighted average overall capitalization rate used was 5.63%, detailed in the table below:

	MARCH 31, 2017		DECEMBER 31, 2016	
OVERALL CAPITALIZATION RATE	**RANGE %**	**WEIGHTED AVERAGE %**	RANGE %	WEIGHTED AVERAGE %
Central Region	**4.00% - 6.75%**	**5.50%**	4.00% - 6.75%	5.53%
Eastern Region	**5.25% - 7.75%**	**6.19%**	5.25% - 8.00%	6.27%
Western Region	**4.00% - 7.50%**	**5.29%**	4.00% - 7.50%	5.33%
Rental Properties	**4.00% - 7.75%**	**5.64%**	4.00% - 8.00%	5.68%
Properties Under Development	**4.50% - 5.50%**	**4.90%**	—	—
Total Investment Properties	**4.00% - 7.75%**	**5.63%**	4.00% - 8.00%	5.68%

RENTAL PROPERTIES

Allied's rental portfolio was built by consolidating the ownership in major Canadian cities of urban office properties with three distinct attributes—proximity to the core, distinctive internal and external environments and lower occupancy costs than conventional office towers. Scale within each city proved to be very important as Allied grew. It enabled Allied to provide its tenants with greater expansion flexibility, more parking and better telecommunication and information technology capacity than its direct competitors. Scale across the country also proved to be important. It enabled Allied to serve national and global tenants better, to expand its growth opportunities and to achieve meaningful geographic diversification.

TOP-10 RENTAL PROPERTIES

Listed below are Allied's top 10 rental properties measured by Normalized Last Quarter Annualized ("LQA") NOI. Normalized LQA NOI is a non-IFRS measure, which represents the normalized results for the most recently completed quarter multiplied by four. These properties represent 43.3% of total NOI for the period ended March 31, 2017.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL TENANTS BY NOI
151 Front West, Toronto	$29,681	$402,870	6.75%	Allstream, Bell, Cologix, Equinix, Telus
Cité Multimédia, Montréal	20,731	330,650	5.75%	Desjardins, Morgan Stanley, SAP Canada
QRC West, Toronto	10,758	228,590	4.50%	eOne, Sapient Canada
Le Nordelec, Montréal	7,825	156,920	6.70%	Babel Games, Groupe Gsoft, Lumenpulse
555 Richmond West, Toronto	7,022	117,110	4.75%	Good Life, Sentinelle Medical, Synaptive Medical
250 Front West, Toronto	6,075	267,240	6.75%	Cloud Service Provider, Equinix
Vintage I & II, Calgary	5,790	105,650	5.00%	Royal & Sun Alliance
The Chambers, Ottawa	5,345	147,460	5.25%	National Capital Commission
Boardwalk Revillon, Edmonton	5,298	74,150	6.25%	Edmonton Public School Board, Legal Aid Society of Alberta
The Tannery, Kitchener	5,183	80,720	6.25%	Communitech Corp., Desire 2 Learn
Total	$103,708	$1,911,360	5.93%	

MISSION CRITICAL FACILITIES

Allied has three mission-critical facilities in Downtown Toronto-151 Front West (the "Internet Hub"), 905 King West (the "Colocation Facility") and 250 Front West (the "Cloud Facility"). Two of the three facilities are top-10 rental properties for Allied.

Allied owns the Internet Hub. It is an important internet hub in Canada and is fully leased. The Cloud Facility and the Colocation Facility are connected to the Internet Hub via a multi-layered, diverse infrastructure of high-density fibre, providing to users a varied configuration of exchange and carrier networks.

Allied also owns the Colocation Facility. As a result of very substantial capital improvements completed by Allied, 56,814 square feet of GLA at the property has become a leading third-party colocation facility in Downtown Toronto. It is 93% leased.

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

Allied has two basic sources of rental revenue from the Cloud Facility. The largest source, direct rental revenue, derives from the subleasing the GLA in the Cloud Facility to ultimate users. Allied has subleased 60% of the total GLA, primarily to global providers of cloud infrastructure. A smaller but material source, connects ancillary rental revenue, derives from fiber cross-connects at the Cloud Facility. Cross-connects enable different types of users to interconnect with low-latency and redundancy, reducing network costs and improving network security and performance. Cloud infrastructure providers achieve this by deploying cross-connects to their cloud infrastructure within the Cloud Facility. These cloud interconnect nodes function as major on-ramps to the cloud.

Allied expects that cross-connects at the Cloud Facility will give rise to recurring ancillary rental revenue that will be phased in over a 24-month period. Cross-connects utilize the existing infrastructure at the Cloud Facility without occupying any of the unleased GLA or requiring additional capital expenditure by Allied. While cross-connects are not expected to boost Allied's short-term outlook for 2017, they are expected to accelerate the lease-up of the remaining GLA at the Cloud Facility and to become a significant portion of the recurring ancillary rental revenue that Allied expects to be generated by the Cloud Facility.

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 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 buildings 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. With the significant additions this year, the 75 buildings in Toronto now comprise 4.7 million square feet of GLA and are situated on 1.9 million square feet (44 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 11 million square feet of GLA, 6.3 million square feet more than currently in place. Less than half of the potential value of this buildable area is reflected in the appraised fair values.

Allied entered the Montréal market in April of 2005. With the significant additions this year, the 17 buildings in Montréal now comprise 4.3 million square feet of GLA. As they're much larger buildings on average than those comprising the Toronto portfolio, the 1.4 million square feet (32 acres) of land on which they sit (immediately south, east and north east of the Downtown Core) is more fully utilized than the land in the Toronto portfolio. Nevertheless, the underlying land in the Montréal portfolio could permit up to 5.4 million square feet of GLA, 1.1 million square feet more than currently in place. For the most part, the potential value of this buildable area is not reflected in the appraised fair value.

Allied's Toronto portfolio will be the focal point of ongoing intensification activity in the near-term and longer-term. The Montréal portfolio also has significant intensification potential. While Allied will begin to realize that potential at 425 Viger West in the next few years, Montréal will remain more the focal point of upgrade activity in the near-and longer-term while Toronto will remain the focal point of intensification activity

Allied has initiated the intensification approval process for five rental properties in Toronto, four of which are owned in their entirety and the remaining one co-owned with partners. These properties are identified in the following table:

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	REZONING APPROVAL STATUS	USE	CURRENT GLA	ESTIMATED GLA ON COMPLETION	ESTIMATED COMPLETION
College & Manning (1)	$660	$13,650	Completed	Office, limited retail, residential	31,564	56,500	2020
QRC West, Phase II	1,180	30,980	Completed	Office, retail	32,439	90,000	Unscheduled
King & Peter	1,330	82,040	Completed	Office, limited retail	92,292	790,000	Unscheduled
King & Spadina (2)	3,160	148,400	In progress	Office, retail, residential	107,189	650,000	Unscheduled
Union Centre	940	82,000	Completed	Office, limited retail	40,571	1,129,000	Unscheduled
Total	$7,270	$357,070			304,055	2,715,500	

(1) Equal two-way co-ownership with RioCan Real Estate Investment Trust ("RioCan"), total estimated GLA is 113,000 square feet.
(2) Allied plans to redevelop this project with its current joint-arrangement partner Westbank. Allied will own an undivided 50% interest of the proposed joint arrangement. The figures listed in the table above are currently at 100% ownership.

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

DEVELOPMENT PROPERTIES

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

It is expected that development activity will become a more important component of Allied's growth as projects are completed. The expectation is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be successful lease-up of space in the development portfolio. The material assumption is that the office leasing market in the relevant markets remains stable. Pursuant to Allied's Declaration, the cost of Properties Under Development cannot exceed 15% of GBV. At the end of March 31, 2017, the cost of Allied's Properties Under Development was 5.4% of GBV (March 31, 2016 - 5.6%). This self-imposed limitation is intended to align the magnitude of Allied's development activity with the overall size of the business.

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

As at March 31, 2017, Allied has the following ten Properties Under Development:

	USE	ESTIMATED GLA ON COMPLETION (SF)	% OF DEVELOPMENT LEASED
180 John, Toronto	Office	46,000	100%
189 Joseph, Kitchener	Office	26,000	100%
47 Front E, Toronto	Office	10,500	52%
642 King W, Toronto (1) (2)	Office, retail	13,750	—
TELUS Sky, Calgary (1) (3)	Office, retail, residential	223,000	32%
College & Palmerston, Toronto (1)	Office, retail	12,500	30%
King Portland Centre, Toronto (1) (4)	Office, retail, residential	211,300	75%
Adelaide & Duncan, Toronto (1) (5)	Office, retail, residential	225,500	—
The Well (1) (6)	Office, retail, residential	1,240,000	—
Le Nordelec - Development, Montréal	Office, retail, residential	TBD	—
Total		2,008,550	

(1) These properties are co-owned, reflected in the table above at Allied's ownership.
(2) The GLA components (in square feet) at our 50% share are as follows: 6,330 of office and 7,420 of retail.
(3) The GLA components (in square feet) at our 33.33% share are as follows: 148,000 of office, 70,000 of residential and 5,000 of retail. 32% of the office space is leased, representing 21% of the total GLA.
(4) The GLA components (in square feet) at our 50% share are as follows: 156,250 of office, 48,550 of residential and 6,500 of retail.
(5) The GLA components (in square feet) at our 50% share are as follows: 155,800 of residential, 58,300 of office and 11,400 of retail.
(6) 40/40/20 co-ownership with RioCan and Diamond Corp., total estimated GLA is 3,100,000 square feet. Approximately one half of this estimated GLA has been sold by the co-ownership as previously announced, with closing expected to occur in 2021.

The following table sets out the fair value of Allied's Properties Under Development, as at March 31, 2017, as well as Management's estimates with respect to the financial outcome on completion:

	TRANSFER TO RENTAL PORTFOLIO	APPRAISED VALUE	ESTIMATED ANNUAL NOI	ESTIMATED TOTAL COST	ESTIMATED YIELD ON COST	ESTIMATED COST TO COMPLETE
180 John, Toronto	Q2 2017	$21,180	$1,500 - $1,550	$26,000	5.8% - 6.0%	$3,800
189 Joseph, Kitchener	Q2 2017	8,040	670 - 780	11,800	5.7% - 6.6%	4,000
47 Front E, Toronto	Q2 2017	7,580	330 - 430	7,900	4.2% - 5.4%	300
642 King W, Toronto (1)	Q1 2018	13,320	660 - 760	15,300	4.3% - 5.0%	1,500
TELUS Sky, Calgary (1)	Q4 2018	50,547	7,650 - 8,310	133,000	5.7% - 6.3%	82,400
College & Palmerston, Toronto (1)	Q4 2018	6,515	410 - 500	10,700	3.8% - 4.7%	3,780
King Portland Centre, Toronto (1)	Q1 2019	34,445	6,590 - 7,500	104,500	6.3% - 7.2%	67,380
Adelaide & Duncan, Toronto (1)	Q3 2020	30,235	8,250 - 9,500	146,600	5.6% - 6.5%	116,000
The Well (1)	Q4 2022	159,947	TBD	TBD	TBD	TBD
Le Nordelec - Development, Montréal	Unscheduled	34,500	TBD	TBD	TBD	TBD
Total		$366,309				

(1) These properties are co-owned, reflected in the table above at Allied's ownership percentage of assets and liabilities.

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

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

DEVELOPMENT COMPLETIONS

QRC WEST, TORONTO

This was a pioneering, large-scale intensification project that involved the integration of two restored heritage buildings with a new, mid-rise office structure. The project commenced in 2010 and was completed in 2015. It is comprised of 347,244 square feet of GLA and is fully leased.

DEVELOPMENT ECONOMICS	INVESTMENT	STABILIZED NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
Land Costs	$11,000					
Hard & Soft Costs	104,000					
Capitalized Interest & Operating Costs	15,000					
Total Development Costs	**$130,000**	**$11,000**	**8.5%**	**$229,000**	**$99,000**	**76.2%**

The fair value of QRC West, as set forth in Allied's unaudited condensed consolidated financial statements for the quarter ended March 31, 2017, is based on a capitalization rate of 4.5%.

THE BREITHAUPT BLOCK, KITCHENER

Allied acquired an undivided 50% interest in the property in 2010 and immediately put it into development, completing the first phase in 2014 and the second phase in mid-2016. The property is an equal two-way joint arrangement between Allied and Perimeter Development Corporation. It is comprised of 133,118 square feet of GLA (Allied's share 66,559 square feet) and is fully leased.

DEVELOPMENT ECONOMICS

	INVESTMENT	STABILIZED NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
Land Costs	$4,000					
Hard & Soft Costs	21,000					
Capitalized Interest & Operating Costs	1,000					
Total Development Costs	**$26,000**	**$2,000**	**6.5%**	**$44,000**	**$18,000**	**69.2%**

The fair value of Allied's share of The Breithaupt Block, as set forth in Allied's unaudited condensed consolidated financial statements for the quarter ended March 31, 2017, is based on a capitalization rate of 5.25%.

Section IV
—*Liquidity and Capital Resources*

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

Allied has financed its operations through the use of equity, mortgage debt secured by rental properties, construction loans, an unsecured operating line, senior unsecured debentures and unsecured term loans. Conservative financial management has been consistently applied through the use of long term, fixed rate, debt financing. Allied's objective is to maximize financial flexibility while continuing to strengthen the balance sheet. Management intends to achieve this by continuing to access the equity market, unsecured debenture market, unsecured loans and growing the pool of unencumbered assets, which totals $2.4 billion as at March 31, 2017.

DEBT

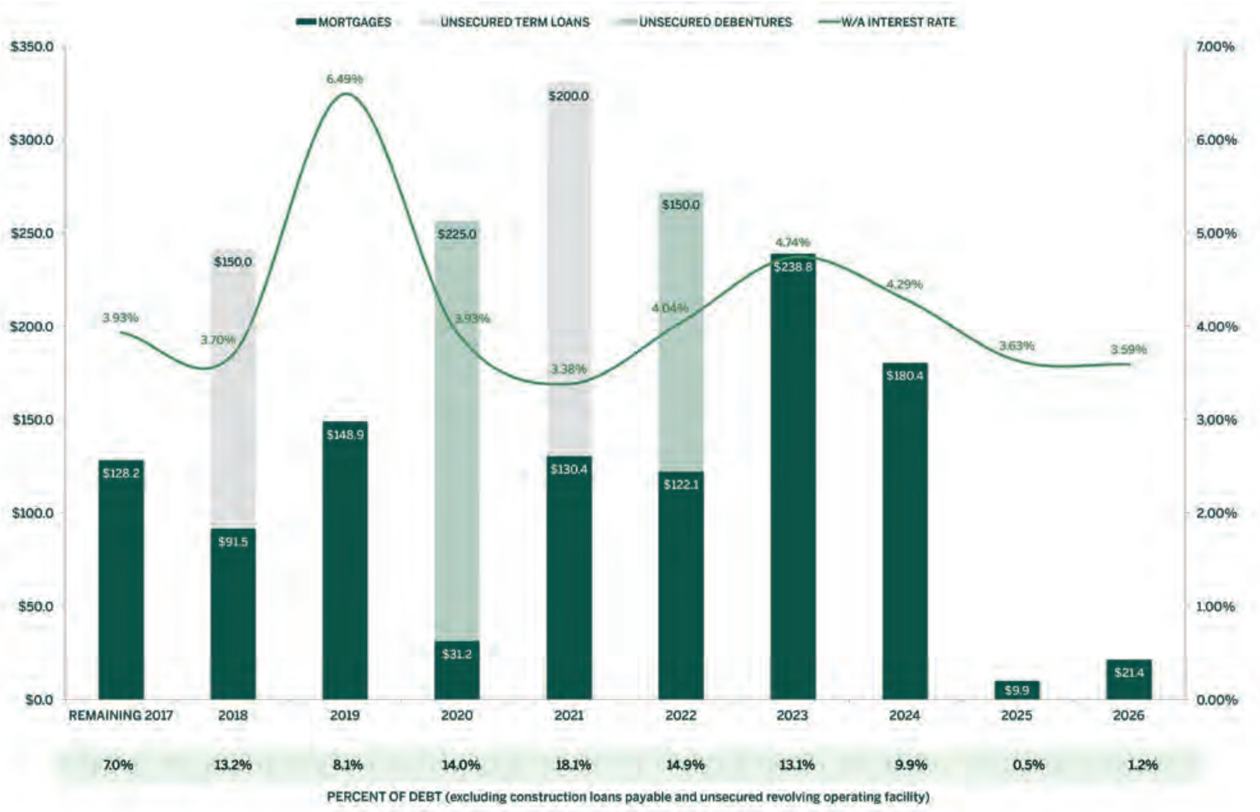
Total debt and net debt are non-IFRS financial measures and do not have any standard meaning prescribed by IFRS. As computed by Allied, total debt and net debt may differ from similar computations reported by other Canadian real estate investment trusts and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers total debt and net debt to be useful measures for evaluating debt levels and interest coverage. The following illustrates the calculation of total debt and net debt as at March 31, 2017, and December 31, 2016:

	MARCH 31, 2017	DECEMBER 31, 2016
Mortgages payable	**$1,101,132**	$1,118,551
Construction loans payable	**26,250**	21,056
Unsecured revolving operating facility	**94,000**	47,000
Senior unsecured debentures	**373,677**	373,596
Unsecured term loans	**349,145**	349,062
Total debt	**$1,944,204**	$1,909,265
Less cash and cash equivalents	**7,650**	12,193
Net debt	**$1,936,554**	$1,897,072

The table below summarizes the scheduled principal maturity for Allied's Mortgages payable, Unsecured Debentures (as defined below) and Unsecured Term Loans (as defined below):

	MORTGAGES	W/A INTEREST RATE	SENIOR UNSECURED DEBENTURES	W/A INTEREST RATE	UNSECURED TERM LOANS	W/A INTEREST RATE	TOTAL	CONSOLIDATED W/A INTEREST RATE
Remaining 2017	$128,154	3.93%	$—	—	$—	—	$128,154	3.93%
2018	91,511	5.41%	—	—	150,000	2.65%	241,511	3.70%
2019	148,861	6.49%	—	—	—	—	148,861	6.49%
2020	31,226	5.20%	225,000	3.75%	—	—	256,226	3.93%
2021	130,361	4.19%	—	—	200,000	2.86%	330,361	3.38%
2022	122,057	4.18%	150,000	3.93%	—	—	272,057	4.04%
2023	238,765	4.74%	—	—	—	—	238,765	4.74%
2024	180,449	4.29%	—	—	—	—	180,449	4.29%
2025	9,934	3.63%	—	—	—	—	9,934	3.63%
2026	21,367	3.59%	—	—	—	—	21,367	3.59%
	$1,102,685	4.67%	$375,000	3.82%	$350,000	2.77%	$1,827,685	4.13%

The chart below summarizes the maturities of principal in regards to Allied's various obligations as at March 31, 2017:



MORTGAGES PAYABLE

Mortgages payable, net of financing costs, as at March 31, 2017, totaled $1,101,132 and have a weighted average stated interest rate of 4.67% (December 31, 2016 - 4.66%). The weighted average term of the mortgage debt is 5 years (December 31, 2016 - 5.2 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	MARCH 31, 2017	DECEMBER 31, 2016
Remaining 2017	**$26,564**	**$101,590**	**$128,154**	
2018	**34,611**	**56,900**	**91,511**	
2019	**32,188**	**116,673**	**148,861**	
2020	**26,770**	**4,456**	**31,226**	
2021	**26,017**	**104,344**	**130,361**	
2022	**21,955**	**100,102**	**122,057**	
2023	**17,808**	**220,957**	**238,765**	
2024	**4,709**	**175,740**	**180,449**	
2025	**1,146**	**8,788**	**9,934**	
2026	**924**	**20,443**	**21,367**	
Mortgages, principal	**$192,692**	**$909,993**	**$1,102,685**	$1,120,426
Net premium on assumed mortgages			**2,915**	2,924
Net financing costs			**(4,468)**	(4,799)
			$1,101,132	$1,118,551

For the three months ended March 31, 2017, in addition to regularly scheduled principal payments, Allied repaid one mortgage totaling $8,736 with an interest rate of 4.20%.

CONSTRUCTION LOANS PAYABLE

Allied provided a guarantee (limited to $114,000) to a Canadian chartered bank to support a $342,000 construction lending facility to assist with the financing of construction costs associated with the development of TELUS Sky, in which Allied has a 33.33% joint arrangement interest. The loan matures on August 31, 2019, and bears interest at bank prime plus 70 basis points or banker's acceptance rate plus 195 basis points. Allied's obligation of the balance outstanding under the facility as at March 31, 2017, was $26,250 (December 31, 2016 - $21,056).

JOINT ARRANGEMENT	OWNERSHIP	ALLIED'S GUARANTEE LIMIT	DATE OF MATURITY	MARCH 31, 2017	DECEMBER 31, 2015
TELUS Sky	33.33%	$114,000	August 31, 2019	**$26,250**	$21,056

UNSECURED REVOLVING OPERATING FACILITY

Allied has access to an unsecured revolving operating facility (the "Unsecured Facility") of $250,000 with a maturity date of January 29, 2019. The Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $350,000. The Unsecured Facility bears interest at bank prime plus 70 basis points or bankers' acceptance plus 170 basis points. The Unsecured Facility had a balance of $94,000 outstanding at March 31, 2017 (December 31, 2016 - $47,000).

	MARCH 31, 2017	DECEMBER 31, 2016
Unsecured Facility limit	**$250,000**	$250,000
Amounts drawn under the Unsecured Facility	**(94,000)**	(47,000)
Letters of credit outstanding under the Unsecured Facility	**(2,148)**	(2,348)
Remaining unused balance under the Unsecured Facility	**$153,852**	$200,652

SENIOR UNSECURED DEBENTURES

On May 12, 2016, Allied issued $150,000 of 3.934% Series B unsecured debentures (the "Series B Debentures") due November 14, 2022, with semi-annual interest payments due on May 14 and November 14 of each year commencing November 14, 2016. Debt financing costs of $801 were incurred and recorded against the principal owing. Funds from the issuance were used to fund acquisitions, repay amounts drawn on the Unsecured Facility and for general working capital purposes.

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

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	MARCH 31, 2017	DECEMBER 31, 2016
Series A	3.748%	May 13, 2020	May 13 and November 13	**$225,000**	$225,000
Series B	3.934%	November 14, 2022	May 14 and November 14	**150,000**	150,000
Unsecured Debentures, principal				**375,000**	375,000
Net premium on Unsecured Debentures				**483**	522
Net financing costs				**(1,806)**	(1,926)
				$373,677	$373,596

Hereafter, the Series A and Series B Debentures are collectively referred to as the "Unsecured Debentures".

On April 21, 2017, Allied issued $200,000 principal amount of Series C senior unsecured debentures under the base shelf prospectus dated December 15, 2016, with an interest rate of 3.636% per annum that mature on April 21, 2025.

UNSECURED TERM LOANS

On March 16, 2016, Allied entered into a $150,000 unsecured credit facility with a Canadian chartered bank for a term of five years and bearing interest at a floating rate of CDOR plus 1.70% per year (the “Unsecured Term Facility”). On May 25, 2016, the credit limit for the Unsecured Term Facility was increased to $200,000. Allied drew on the Unsecured Term Facility in two tranches, on March 16, 2016, for $100,000 at an effective interest rate of 2.830%, and on May 25, 2016, for $100,000 at an effective interest rate of 2.890%. The Unsecured Term Facility provides for the interest rate to be adjusted up or down based on changes in the credit rating of the Unsecured Debentures. In addition, Allied entered into interest rate swap agreements which have the effect of fixing the floating CDOR interest rate for the term of the Unsecured Term Facility. After giving effect to the interest rate swaps, the current effective rate for the Unsecured Term Facility is 2.860%. The interest rate swap agreements have a notional amount of $200,000. Financing costs of $700 were incurred and recorded against the principal owing.

Funds from the Unsecured Term Facility were used to fund acquisitions, repay amounts drawn on the Unsecured Facility and for general working capital purposes.

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

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	MARCH 31, 2017	DECEMBER 31, 2016
Unsecured Term Loan	2.645%	December 14, 2018	Monthly	**$150,000**	$150,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	**100,000**	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	**100,000**	100,000
Unsecured Term Loans, principal				**350,000**	350,000
Net financing costs				**(855)**	(938)
				$349,145	$349,062

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

CREDIT RATING

Allied's credit rating for the Unsecured Debentures is summarized below:

DEBT	RATING AGENCY	LONG-TERM CREDIT RATING	TREND
Unsecured Debentures	DBRS	BBB (low)	Stable

Long-term ratings assigned by DBRS Limited ("DBRS") provide an opinion of DBRS on the risk of default; that is, the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued.

DBRS' long-term credit ratings scale ranges from "AAA" (typically assigned to obligations of the highest credit quality) to "D" (typically assigned to obligations when the issuer has filed under any applicable bankruptcy, insolvency or winding up statute or there is a failure to pay or satisfy an obligation after the exhaustion of grace periods where DBRS believes the default will subsequently be general in nature and include all obligations). A long-term obligation rated "BBB" by DBRS is the fourth highest-rated obligation after those rated "AAA", "AA" and "A" and is, in DBRS' view, of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. DBRS indicates that "BBB" rated obligations may be vulnerable to future events. All DBRS rating categories other than "AAA" and "D" also contain subcategories "(high)" and "(low)". The addition of either a "(high)" or "(low)" designation indicates the relative standing within a rating category.

DBRS uses "rating trends" for its ratings in, among other areas, the real estate investment trust sector. DBRS' rating trends provide guidance in respect of DBRS' opinion regarding the outlook for the rating in question, with rating trends falling into one of three categories: "Positive", "Stable" or "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present circumstances continue, or in some cases, unless challenges are addressed. In general, DBRS assigns rating trends based primarily on an evaluation of the issuing entity or guarantor itself, but may also include consideration of the outlook for the industry or industries in which the issuing entity operates. A "Positive" or "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned.

The above-mentioned rating assigned to the Unsecured Debentures is not a recommendation to buy, sell or hold any securities of Allied and may be subject to revision or withdrawal at any time by DBRS.

Allied has paid customary rating fees to DBRS in connection with the above-mentioned rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by the rating agency if in its judgment circumstances so warrant.

FINANCIAL COVENANTS

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

UNSECURED FACILITY AND UNSECURED TERM LOANS

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

1. Indebtedness ratio

Allied is required to maintain its indebtedness ratio below 60%.

	MARCH 31, 2017	DECEMBER 31, 2016
Total debt	$1,944,204	$1,909,265
Letters of credit	2,840	3,040
Consolidated indebtedness	$1,947,044	$1,912,305
Consolidated gross book value	$5,318,306	$5,213,854
Indebtedness ratio	**36.6%**	**36.7%**

2. Secured indebtedness ratio

Allied is required to maintain its secured indebtedness ratio below 45%.

	MARCH 31, 2017	DECEMBER 31, 2016
Consolidated indebtedness	$1,947,044	$1,912,305
Less:		
Unsecured Facility	(94,000)	(47,000)
Unsecured Debentures	(373,677)	(373,596)
Unsecured Term Loans	(349,145)	(349,062)
Consolidated secured indebtedness	$1,130,222	$1,142,647
Consolidated gross book value	$5,318,306	$5,213,854
Secured indebtedness ratio	**21.3%**	**21.9%**

3. Debt service coverage ratio

On a twelve month rolling basis, Allied is required to maintain its consolidated adjusted EBITDA at more than 1.5 times of its debt service payments.

	ROLLING 12 MONTHS MARCH 31, 2017	ROLLING 12 MONTHS DECEMBER 31, 2016
Net income and comprehensive income	$366,704	$324,305
Interest expense (net of capitalized interest)	63,370	61,425
Amortization of leasing costs and other assets	10,504	10,043
Amortization of tenant improvements	21,415	20,716
Fair value (gain) on investment properties	(215,347)	(179,303)
Fair value (gain) on derivative instruments	(10,845)	(5,874)
Loss on disposal of investment properties	963	1,087
Consolidated adjusted EBITDA	$236,764	$232,399
Total principal and interest payments (excluding principal payments on maturity)	$121,913	$118,985
Debt service coverage ratio	**1.9x**	**2.0x**

4. Equity maintenance

Allied is required to maintain equity of at least $1,250,000 plus 75% of future equity issuances.

	MARCH 31, 2017	DECEMBER 31, 2016
Unitholders' equity	$3,071,074	$3,021,506
Initial requirement	$1,250,000	$1,250,000
75% of future equity issuances	227,036	227,036
Total required equity amount	$1,477,036	$1,477,036
Excess over required amount	**$1,594,038**	**$1,544,470**

5. Unencumbered property assets ratio

Allied is required to maintain its balance of unencumbered property assets at more than 1.4 times its total unsecured debt.

	MARCH 31, 2017	DECEMBER 31, 2016
Total unencumbered properties	$2,388,220	$2,306,215
Unsecured Facility	$94,000	$47,000
Unsecured Debentures	373,677	373,596
Unsecured Term Loans	349,145	349,062
Total unsecured debt	$816,822	$769,658
Unencumbered property assets ratio	**2.9x**	**3.0x**

6. Distribution payout ratio

On a twenty four month rolling basis, Allied is required to maintain distributions below 100% of its FFO.

	ROLLING 24 MONTHS MARCH 31, 2017	ROLLING 24 MONTHS DECEMBER 31, 2016
Distributions	$240,001	$235,554
FFO	$346,671	$341,360
Distribution payout ratio	**69.2%**	**69.0%**

SENIOR UNSECURED DEBENTURES

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

1. Pro forma interest coverage ratio

Allied is required to maintain a 12-month rolling consolidated pro forma EBITDA of at least 1.65 times its pro forma interest expense.

	PRO FORMA 12 MONTHS MARCH 31, 2017	PRO FORMA 12 MONTHS DECEMBER 31, 2016
Net income and comprehensive income	$366,734	$327,842
Interest expense (net of capitalized interest)	69,338	64,047
Amortization of leasing costs and other assets	10,504	10,043
Amortization of tenant improvements	21,415	20,716
Fair value (gain) on investment properties	(215,347)	(179,303)
Fair value (gain) on derivative instruments	(10,845)	(5,874)
Loss on disposal of investment properties	963	1,087
Consolidated pro forma EBITDA	$242,762	$238,558
Pro forma interest expense (including capitalized interest)	$90,679	$85,132
Pro forma interest coverage ratio	**2.7x**	**2.8x**

2. Pro forma asset coverage test

Allied is required to maintain its net consolidated debt below 65% of the net aggregate assets on a pro forma basis.

	PRO FORMA MARCH 31, 2017	PRO FORMA DECEMBER 31, 2016
Total debt	$1,944,204	$1,909,265
Total assets	$5,318,306	$5,213,854
Less:		
Cumulative capitalized interest	(90,837)	(85,498)
Add:		
Cumulative amortization of tenant improvements	53,856	50,496
Cumulative amortization of leasing costs and other assets	26,607	25,131
Net aggregate assets	$5,307,932	$5,203,983
Asset coverage test	**36.6%**	**36.7%**

3. Equity maintenance covenant

Allied is required to maintain Unitholders' equity above $300,000.

	MARCH 31, 2017	DECEMBER 31, 2016
Unitholders' equity	$3,071,074	$3,021,506
Requirement	300,000	300,000
Excess over required amount	**$2,771,074**	**$2,721,506**

4. Pro forma unencumbered net aggregate adjusted asset ratio

Allied is required to maintain pro forma unencumbered net aggregate adjusted assets above 1.4 times consolidated unsecured indebtedness.

	MARCH 31, 2017	DECEMBER 31, 2016
Total assets	$5,318,306	$5,213,854
Less:		
Investment properties with certain encumbrances	(2,849,180)	(2,616,986)
Cumulative capitalized interest	(90,837)	(85,498)
Add:		
Cumulative amortization of tenant improvements	53,856	50,496
Cumulative amortization of leasing costs and other assets	26,607	25,131
Total pro forma unencumbered net aggregate adjusted assets	$2,458,752	$2,586,997
Unsecured Facility	$94,000	$47,000
Unsecured Debentures	373,677	373,596
Unsecured Term Loans	349,145	349,062
Consolidated unsecured indebtedness	$816,822	$769,658
Pro forma unencumbered net aggregate adjusted asset ratio	**3.0x**	**3.4x**

As of March 31, 2017, Allied was in compliance with the terms and covenants of the agreements governing the Unsecured Facility, the Unsecured Term Loans and the Unsecured Debentures.

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

UNITHOLDERS' EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the three months ended March 31, 2017, and for the year ended December 31, 2016.

	MARCH 31, 2017		DECEMBER 31, 2016	
	UNITS	**AMOUNT**	**UNITS**	**AMOUNT**
Trust Units, beginning of period	**84,734,469**	**$2,098,267**	78,430,153	$1,873,541
Units issued under the DRIP	**—**	**—**	168,014	5,839
Net cash used to purchase and allocate Units to the Restricted Unit Plan (net of forfeitures)	**—**	**(2,283)**	—	(1,022)
Repayments of Long-term incentive plan installment loan receivable	**—**	**72**	—	74
Units issued under the unit based compensation arrangement	**131,846**	**3,499**	162,302	3,570
Units issued, net of issuance costs	**—**	**—**	6,089,250	220,367
Purchase of Units under normal course issuer bid for cancellation	**—**	**—**	(115,250)	(4,102)
Trust Units, end of period	**84,866,315**	**$2,099,555**	84,734,469	$2,098,267

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

The table below represents weighted average Units outstanding for:

	THREE MONTHS ENDED	
	MARCH 31 2017	MARCH 31, 2016
Basic	**84,767,773**	78,484,807
Unit option plan	**96,206**	65,142
LTIP	**4,450**	17,000
Fully diluted	**84,868,429**	78,566,949

NORMAL COURSE ISSUER BID

During the three months ended March 31, 2017, Allied purchased 65,580 Units for $2,283 at a weighted average price of $34.81 per Unit under its NCIB program, of which all were purchased for delivery to participants under the Trust's Restricted Unit Plan.

On December 19, 2016, 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 8,306,955 of its outstanding Units, representing approximately 10% of its public float as at December 7, 2016. The NCIB renewal commenced December 22, 2016, and will expire on December 21, 2017, 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.

UNIT OPTION AND RESTRICTED UNIT PLANS

In May of 2004, Allied adopted a long-term incentive plan ("LTIP") whereby its trustees and officers ("Participants") may from time to time, at the discretion of the trustees and subject to regulatory approval, subscribe for Units at a market price established in accordance with the provisions of the LTIP. The price for the Units is payable as to 5% upon issuance and as to the balance ("LTIP Loan") over 10 years with interest on the LTIP Loan at an annual rate established in accordance with the provisions of the LTIP. The Units issued pursuant to the LTIP are registered in the name of a Custodian on behalf of the Participants who are the beneficial owners. The Units are pledged to Allied as security for payment of the LTIP Loan, and all distributions paid on the Units are forwarded by the Custodian to Allied and applied first on account of interest on the LTIP Loan and then to reduce the outstanding balance of the LTIP Loan. In May 2014, Allied adopted the Unit Option Plan and amended the LTIP to limit the number of Units authorized for issuance under the Unit Option Plan, the LTIP or any other equity compensation plan to 2,800,545 Units, representing 3.3% of the issued and outstanding Units as at March 31, 2017 and the date hereof. No further Units will be issued, or indebtedness incurred, under the LTIP. At March 31, 2017, Allied had no Units issued and outstanding under the LTIP (December 31, 2016 - 4,500 Units).

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

At March 31, 2017, Allied had issued options to purchase 1,443,999 Units outstanding, of which 717,864 had vested. At December 31, 2016, Allied had options to purchase 1,296,191 Units outstanding, of which 499,801 had vested. In May 2015, the Unit Option Plan was amended so that non-employee trustees of Allied are no longer eligible to be granted options under the Unit Option Plan.

For the Unit Option Plan, $441 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in net income for the three months ended March 31, 2017, and credited to Unitholders' equity (for the three months ended March 31, 2016 - $291).

In March 2010, Allied adopted a restricted unit plan (the "Restricted Unit Plan"), whereby restricted Units ("Restricted Units") are granted to certain key employees and trustees, at the discretion of the Board of Trustees. The Restricted Units are purchased in the open market. Employees who are granted Restricted Units have the right to vote and to receive distributions from the date of the grant. The Restricted Units vest as to one-third on each of the three anniversaries following the date of the grant. Whether vested or not, without the specific authority of the Governance and Compensation Committee, the Restricted Units may not be sold, mortgaged or otherwise disposed of for a period of six years following the date of the grant. The Restricted Unit Plan contains provisions providing for the forfeiture within specified time periods of unvested Restricted Units in the event the employee's employment is terminated. At March 31, 2017, Allied had 244,528 Restricted Units outstanding (December 31, 2016 – 223,717).

For the Restricted Unit Plan, a total of $400 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in net income for the three months ended March 31, 2017, and credited to Unitholders' equity (for the three months ended March 31, 2016 - $374).

DISTRIBUTIONS TO UNITHOLDERS

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

	MARCH, 2004	MARCH, 2005	MARCH, 2006	MARCH, 2007	MARCH, 2008	DECEMBER, 2012	DECEMBER, 2013	DECEMBER, 2014	DECEMBER, 2015	DECEMBER, 2016
Annualized increase per unit	$0.04	$0.04	$0.04	$0.04	$0.06	$0.04	$0.05	$0.05	$0.04	$0.03
% increase	3.6%	3.5%	3.4%	3.3%	4.8%	3.0%	3.7%	3.5%	2.7%	2.0%
Annualized distribution per unit	$1.14	$1.18	$1.22	$1.26	$1.32	$1.36	$1.41	$1.46	$1.50	$1.53

SOURCES OF DISTRIBUTIONS

For the three months ended March 31, 2017, Allied declared $32,428 in distributions (three months ended March 31, 2016 - $29,433), and non-cash distributions of nil were provided under the DRIP (three months ended March 31, 2016 - $1,935).

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Distributions declared	**$32,428**	$29,433
Net income	**$79,867**	$37,468
Cash flows provided by operating activities	**$59,645**	$41,117
AFFO	**$34,112**	$31,583
Excess of net income over distributions declared	**$47,439**	$8,035
Excess of cash flows provided by operating activities over distributions declared	**$27,217**	$11,684
Excess of cash provided by AFFO	**$1,684**	$2,150

In the table above, AFFO has been presented in accordance with the "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" published by REALpac in February of 2017.

In determining the amount of distributions to be made to Unitholders, Allied's Board of Trustees consider many factors, including provisions in its Declaration of Trust, macro-economic and industry specific environments, the overall financial condition of the Trust, 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 shall be funded, if necessary, by the Unsecured Facility. As such, the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Based on current facts and assumptions, management does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

The current rate of distribution amounts to $1.53 per unit per annum (December 31, 2016 - $1.53 per unit per annum).

COMMITMENTS

At March 31, 2017, Allied had future commitments as set out below:

	MARCH 31, 2017
Capital expenditures	$102,770

Section V
—*Discussion of Operations*

The following sets out summary information and financial results for the three months ended March 31, 2017, and the comparable period in 2016.

NET INCOME AND COMPREHENSIVE INCOME

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Rental revenue from investment properties	**$102,111**	$93,813
Property operating costs	**(44,359)**	(40,634)
Net rental income	**57,752**	53,179
Interest expense	**(15,840)**	(13,895)
General and administrative expenses	**(3,500)**	(2,596)
Amortization of leasing costs and other assets	**(2,651)**	(2,190)
Interest income	**329**	332
Fair value gain on investment properties	**43,688**	7,644
Fair value gain (loss) on derivative instruments	**89**	(4,882)
Loss on disposal of investment properties	**—**	(124)
Net income and comprehensive income	**$79,867**	$37,468

NET OPERATING INCOME ("NOI")

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

Allied operates in nine urban markets in Canada—Québec City, Montréal, Ottawa, Toronto, Kitchener, Winnipeg, Calgary, Edmonton and Vancouver. For the purpose of analysing NOI, Allied groups Québec City with Montréal and Ottawa as Eastern Canada, Toronto with Kitchener as Central Canada and Winnipeg with Calgary, Edmonton, and Vancouver as Western Canada.

Over the past year, Allied's real estate portfolio has grown through acquisitions and development activities which have positively contributed to the operating results for the three months ended March 31, 2017, as compared to the same period in the prior year.

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Revenue from investment properties	**$102,111**	$93,813
Property operating costs	**(44,359)**	(40,634)
Net rental income	**57,752**	53,179
Amortization of tenant improvements	**5,332**	4,633
Amortization of straight-line rents	**(3,216)**	(3,391)
NOI	**$59,868**	$54,421

The following sets out the NOI by region and space type from the rental and development properties for the three months ended March 31, 2017, and comparable period.

	THREE MONTHS ENDED				CHANGE	
REGION	**MARCH 31, 2017**		MARCH 31, 2016		$	%
Eastern Canada	**$15,951**	**26.6%**	$12,463	22.9%	$3,488	28.0%
Central Canada	**35,583**	**59.4%**	32,997	60.6%	2,586	7.8%
Western Canada	**8,334**	**14.0%**	8,961	16.5%	(627)	(7.0)%
NOI	**59,868**	**100.0%**	54,421	100.0%	5,447	10.0%

TYPE OF SPACE	THREE MONTHS ENDED MARCH 31, 2017		MARCH 31, 2016		CHANGE $	%
Office	**$42,673**	**71.3%**	$39,248	72.1%	$3,425	8.7%
Equipment	**9,261**	**15.5%**	7,936	14.6%	1,325	16.7%
Retail	**4,718**	**7.9%**	4,625	8.5%	93	2.0%
Parking	**3,216**	**5.3%**	2,612	4.8%	604	23.1%
NOI	**$59,868**	**100.0%**	$54,421	100.0%	$5,447	10.0%

The increase in NOI for the three months ended March 31, 2017, was primarily the result of acquisitions, rent increases and occupancy gain in Montréal and acquisitions and rent increases in Toronto. This was partially offset by the blend-and-extend transaction completed with the NCC in Ottawa, the disposition of the Victoria portfolio and occupancy erosion in Calgary and Québec City.

SAME ASSET NOI

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

The same asset NOI in the table below refers to those investment properties that were owned by Allied from January 1, 2016, to March 31, 2017. The same asset NOI development portfolio for the three months ended March 31, 2017, consists of 176-180 John Street, 189 Joseph, 250 Front West, 485 King West, Breithaupt Block (Phase II), The Well, Telus SKY, Adelaide & Duncan, College & Palmerston, and King Portland Centre.

	THREE MONTHS ENDED MARCH 31, 2017	MARCH 31, 2016	CHANGE $	%
Eastern Canada	**$13,002**	$12,463	$539	4.3%
Central Canada	**32,128**	30,911	1,217	3.9%
Western Canada	**8,446**	8,442	4	0.0%
Rental Portfolio - Same Asset NOI	**53,576**	51,816	1,760	3.4%
Development Portfolio - Same Asset NOI	**1,888**	1,711	177	10.3%
Total Portfolio - Same Asset NOI	**$55,464**	$53,527	$1,937	3.6%
Acquisitions	**4,302**	61	4,241	
Dispositions	**(324)**	393	(717)	
Non-recurring items	**426**	440	(14)	
NOI	**$59,868**	$54,421	$5,447	10.0%
Amortization of tenant improvements	**(5,332)**	(4,633)	(699)	
Amortization of straight-line rents	**3,216**	3,391	(175)	
Net rental income	**$57,752**	$53,179	$4,573	8.6%

Same asset NOI of the total portfolio increased by 3.6% for the three months ended March 31, 2017. Same asset NOI in the rental portfolio increase by 3.4% as a result of rent increases in Toronto, occupancy gains and rent increases in Montreal and occupancy gains in Vancouver and Edmonton. These gains were partially offset by the blend-and-extend transaction with the NCC in Ottawa and occupancy erosion in Calgary and Quebec City.

INTEREST EXPENSE

For the three months ended March 31, 2017, excluding capitalized interest, interest expense increased over the comparable period in 2016 primarily due to higher levels of debt used to fund acquisitions and development activities, although these were at more favourable interest rates.

For the three months ended March 31, 2017, capitalized interest increased over the comparable period in 2016 due to the increase in development and upgrade activities across the portfolio.

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Interest on debt:		
Mortgages payable	**$12,560**	$13,499
Construction loans payable	**61**	37
Unsecured Facility	**554**	513
Unsecured Debentures	**3,598**	2,108
Unsecured Term Loans	**2,383**	1,093
Interest on finance lease obligations	**1,537**	1,104
Amortization, premium (discount) on debt	**(47)**	168
Amortization, net financing costs	**533**	456
	$21,179	$18,978
Less: interest capitalized to qualifying investment properties	**(5,339)**	(5,083)
Interest expense	**$15,840**	$13,895

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, 2016, for further details). This would include upgrade work as well as work completed in relation to a future development, such as obtaining zoning approval, completing site approval plans, engineering and architectural drawings. On completion of upgrade and development activity, the ability to capitalize interest expense ends, partially offsetting the positive impact of occupancy commencement.

GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31, 2017, general and administrative expenses increased by $904 over the comparable period. The increase for the three months ended March 31, 2017, is mainly due to higher salaries and benefits offset by lower office and general expenses and higher amounts capitalized to qualifying investment properties.

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Salaries and benefits	**$3,317**	$2,261
Professional and directors fees	**649**	613
Office and general expenses	**623**	712
	$4,589	$3,586
Capitalized to qualifying investment properties	**(1,089)**	(990)
Total	**$3,500**	$2,596

NET INCOME AND COMPREHENSIVE INCOME

Net income and comprehensive income for the three months ended March 31, 2017, increased by $42,399 over the comparable period in 2016. Excluding the effect of the fair value changes on investment properties, derivative instruments, and loss on sale of investment properties, net income for the three months ended March 31, 2017, was up $1,260, as compared to the same period in the prior year primarily due to an increase in net rental income, partially offset by higher interest expense, general and administrative expenses, and amortization of leasing costs and other assets.

OTHER FINANCIAL PERFORMANCE MEASURES

FUNDS FROM OPERATIONS ("FFO")

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

For the three months ended March 31, 2017, FFO totaled $0.53 per unit. This is a decrease of $0.01 per unit, or 1.9%, as compared to the same period in the prior year. The decrease was due to higher interest expense, general and administrative expenses and dilution from Allied's equity offering completed in August 2016, partially offset by an increase in NOI.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate FFO pay-out ratio, which is the ratio of actual distributions to FFO in a given period. For the three months ended March 31, 2017 the FFO pay-out ratio was 72.5%.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

For the three months ended March 31, 2017, AFFO totaled $34,112 or $0.40 per unit which is equal to the AFFO in the comparable period in the prior year. Including the changes in FFO, AFFO increased due to lower recoverable maintenance capital expenditures and primarily offset by higher regular leasing expenditures.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate AFFO pay-out ratio, which is the ratio of actual distributions to AFFO in a given period. For the three months ended March 31, 2017, the AFFO pay-out ratio was 95.1%.

RECONCILIATION OF FFO AND AFFO

The following table reconciles Allied's net income to FFO and AFFO for the three months ended March 31, 2017, and March 31, 2016.

	THREE MONTHS ENDED		
	MARCH 31, 2017	MARCH 31, 2016	CHANGE
Net income and comprehensive income	**$79,867**	$37,468	$42,399
Fair value (gain) on investment properties	**(43,688)**	(7,644)	(36,044)
Fair value (gain) loss on derivative instruments	**(89)**	4,882	(4,971)
Loss on disposal of investment properties	**—**	124	(124)
Incremental leasing costs	**1,178**	768	410
Amortization of leasing costs and tenant improvements	**7,462**	6,464	998
FFO	**$44,730**	$42,062	$2,668
Amortization of straight-line rents	**(3,216)**	(3,391)	175
Regular leasing expenditures	**(5,015)**	(3,814)	(1,201)
Regular maintenance capital expenditures	**(609)**	(162)	(447)
Incremental leasing (related to regular leasing expenditures)	**(824)**	(538)	(286)
Recoverable maintenance capital expenditures	**(954)**	(2,574)	1,620
AFFO	**34,112**	31,583	2,529
Weighted average number of Units			
Basic	**84,767,773**	78,484,807	6,282,966
Diluted	**84,868,429**	78,566,949	6,301,480
Per Unit - basic			
FFO	**$0.53**	$0.54	$(0.01)
AFFO	**$0.40**	$0.40	$—
Per Unit - diluted			
FFO	**$0.53**	$0.54	$(0.01)
AFFO	**$0.40**	$0.40	$—
Payout Ratio			
FFO	**72.5%**	70.0%	2.5%
AFFO	**95.1%**	93.2%	1.9%

In the table above, AFFO has been presented in accordance with the "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" published by REALpac in February of 2017.

The following table reconciles FFO and AFFO to cash flows from operating activities for the periods ended as indicated:

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Cash flows from operating activities	**$59,645**	$41,117
Add (deduct) impact of the following:		
Amortization of equipment and other assets	**(521)**	(359)
Amortization of straight-line rents	**3,216**	3,391
Amortization, (premium) discount on assumed debt	**47**	(168)
Amortization of finance lease obligations	**409**	(361)
Unit-compensation expense	**(841)**	(665)
Change in other non-cash financing items	**(533)**	(441)
Change in other non-cash operating items	**(17,870)**	(1,220)
Incremental leasing costs	**1,178**	768
FFO	**44,730**	42,062
Add (deduct) impact of the following:		
Amortization of straight-line rents	**(3,216)**	(3,391)
Regular leasing expenditures	**(5,015)**	(3,814)
Regular maintenance capital expenditures	**(609)**	(162)
Incremental leasing (related to regular leasing expenditures)	**(824)**	(538)
Recoverable maintenance capital expenditures	**(954)**	(2,574)
AFFO	**$34,112**	$31,583

CAPITAL EXPENDITURES

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

For three months ended March 31, 2017, Allied incurred (i) $5,015 in regular leasing expenditures or $15.98 per leased square foot, (ii) $609 in regular maintenance capital expenditures and (iii) $954 of recoverable maintenance capital expenditures.

For the three months ended March 31, 2017, Allied invested $39,763 of revenue enhancing capital into the rental portfolio to enhance its income-producing capability and in ongoing development activity.

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Regular leasing expenditures	**$5,015**	$3,814
Regular maintenance capital expenditures	**$609**	$162
Recoverable maintenance capital expenditures	**$954**	$2,574
Revenue-enhancing capital and development costs	**$39,763**	$58,196

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

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

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

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

The following table reconciles Allied's net income and comprehensive income to Adjusted EBITDA for the three months ended March 31, 2017, and March 31, 2016.

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Net income and comprehensive income for the period	**$79,867**	$37,468
Interest expense	**15,840**	13,895
Amortization of equipment and other assets	**521**	359
Amortization of leasing commissions	**2,130**	1,831
Amortization of tenant improvement allowances	**5,332**	4,633
Fair value (gain) on investment properties	**(43,688)**	(7,644)
Fair value (gain) loss on derivative instruments	**(89)**	4,882
Loss on disposal of investment properties	**—**	124
Adjusted EBITDA	**$59,913**	$55,548

Section VI
—*Historical Performance*

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

	Q1 2017	Q4 2016	Q3 2016 (1)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Rental revenue from investment properties	$102,111	$105,411	$96,278	$94,220	$93,813	$94,024	$90,681	$91,129
Property operating costs	(44,359)	(48,853)	(40,630)	(39,086)	(40,634)	(40,818)	(37,275)	(36,047)
Net rental income	$57,752	$56,558	$55,648	$55,134	$53,179	$53,206	$53,406	$55,082
Net income and comprehensive income	$79,867	$163,731	$53,961	$69,145	$37,468	$45,165	$85,889	$126,942
Weighted average units (diluted)	84,868,429	84,826,679	81,620,796	78,717,035	78,566,949	78,355,768	78,062,347	77,839,513
Distributions	$32,428	$31,984	$30,996	$29,467	$29,433	$28,836	$28,453	$28,404
FFO	$44,730	$45,501	$43,855	$42,466	$42,062	$44,318	$42,915	$41,959
FFO per unit (diluted)	$0.53	$0.54	$0.54	$0.54	$0.54	$0.57	$0.55	$0.54
FFO pay-out ratio	72.5%	70.3%	70.7%	69.4%	70.0%	65.1%	66.3%	67.7%
AFFO	$34,112	$32,770	$31,813	$32,431	$31,583	-	-	-
AFFO per unit (diluted)	$0.40	$0.39	$0.39	$0.41	$0.40	-	-	-
AFFO pay-out ratio	95.1%	97.6%	97.4%	90.9%	93.2%	-	-	-
Investment properties	$5,237,400	$5,129,541	$4,939,585	$4,796,178	$4,475,162	$4,369,013	$4,301,065	$4,162,140
Total debt	$1,944,204	$1,909,265	$1,909,720	$1,949,110	$1,675,026	$1,587,503	$1,555,264	$1,506,858
Total rental GLA	11,747	11,843	11,849	11,639	10,512	10,421	10,487	10,451
Leased rental GLA	10,879	10,906	10,839	10,593	9,691	9,516	9,523	9,461
Leased area %	92.6%	92.1%	91.5%	91.0%	92.2%	91.3%	90.8%	90.5%

(1) Allied normalized FFO and AFFO in the third quarter of 2016 by excluding a one-time extraordinary item.

In the table above, AFFO has been presented in accordance with the "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS" published by REALpac in February of 2017.

Factors that cause variation from quarter to quarter include, but are not limited to, occupancy, cost of capital, same asset NOI, acquisition activity, leasing expenditures and maintenance capital expenditures.

Section VII
— *Accounting Estimates and Assumptions*

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and any respective changes are discussed in Allied's unaudited condensed consolidated financial statements for the three months ended March 31, 2017 and the notes contained therein.

Furthermore, the future accounting policy changes as proposed by the International Accounting Standards Board (the IASB) are discussed in Allied's audited consolidated financial statements for the year ended December 31, 2016 and notes contained therein.

Section VIII

—*Disclosure Controls and Internal Controls*

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Trust, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Trust is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

No changes were made in our design of internal controls over financial reporting during the period ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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

Section IX
—Risks and Uncertainties

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

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

FINANCING AND INTEREST RATE RISK

Allied is subject to risk associated with debt financing. The availability of debt to re-finance existing and maturing loans and the cost of servicing such debt will influence our 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.

Interest rates on total debt are between 2.00% to 6.88% with a weighted average interest rate of 4.12%. The weighted average term of our debt is 4.4 years. The aforementioned excludes the revolving Unsecured Facility, refer to Note 9(c) of the unaudited condensed consolidated financial statements for further details.

TENANT CREDIT RISK

Allied is subject to credit risk arising from the possibility that tenants may not be able to fulfill their lease obligations. Allied strives to mitigate this risk by maintaining a diversified tenant-mix and limiting exposure to any single tenant.

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 tenants 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.

In evaluating our lease roll-over risk, it is informative to determine our sensitivity to a decline in occupancy. For every full-year decline of 100 basis points in occupancy at our average rental rate per square foot, our annual AFFO would decline by approximately $4,086 (approximately $0.05 per unit). The decline in AFFO per unit would be more pronounced if the decline in occupancy involved space leased above our average rental rate per square foot and less pronounced if the decline in occupancy involved space leased below our average rental rate per square foot.

ENVIRONMENTAL RISK

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

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

TAXATION RISK

On June 22, 2007, rules changing the manner in which trusts are taxed were proclaimed into force. Trusts that meet the REIT exemption are not subject to these 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. While there can be no assurance in this regard, due to uncertainty surrounding the interpretation of the relevant provisions of the REIT exemption, Allied expects that it will qualify for the REIT exemption.

JOINT ARRANGEMENT RISK

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

Section X

—*Property Table*

MARCH 31, 2017 PROPERTIES	Office GLA	Retail GLA	Total GLA	% Total GLA	Office Vacant	Retail Vacant	Total Leased	Leased %
32 Atlantic	50,434	—	50,434		—	—	50,434	100.0%
47 Jefferson	6,884	—	6,884		—	—	6,884	100.0%
64 Jefferson	78,820	—	78,820		—	—	78,820	100.0%
905 King W	103,216	7,085	110,301		49,915	2,053	58,333	52.9%
College & Manning (1)	27,367	4,287	31,654		2,400	—	29,254	92.4%
The Castle	129,474	35,628	165,102		—	17,761	147,341	89.2%
King West	**396,195**	**47,000**	**443,195**	**3.8%**	**52,315**	**19,814**	**371,066**	**83.7%**
141 Bathurst	10,063	—	10,063		—	—	10,063	100.0%
159-161 Bathurst	4,000	—	4,000		—	—	4,000	100.0%
183 Bathurst	27,185	5,600	32,785		—	—	32,785	100.0%
241 Spadina	25,112	6,675	31,787		—	—	31,787	100.0%
379 Adelaide W	36,009	4,300	40,309		—	—	40,309	100.0%
383 Adelaide W	7,382	—	7,382		—	—	7,382	100.0%
387 Adelaide W	5,000	6,500	11,500		—	—	11,500	100.0%
420 Wellington W	33,813	3,137	36,950		—	—	36,950	100.0%
425 Adelaide W	72,425	4,301	76,726		4,378	—	72,348	94.3%
425-439 King W	90,357	7,855	98,212		—	—	98,212	100.0%
441-443 King W	8,415	3,065	11,480		—	—	11,480	100.0%
445-455 King W	29,747	22,335	52,082		—	—	52,082	100.0%
460 King W	12,934	4,787	17,721		—	—	17,721	100.0%
461 King W	43,771	37,320	81,091		—	—	81,091	100.0%
468 King W	65,027	—	65,027		—	—	65,027	100.0%

MARCH 31, 2017 PROPERTIES	Office GLA	Retail GLA	Total GLA	% Total GLA	Office Vacant	Retail Vacant	Total Leased	Leased %
469 King W	67,505	11,676	79,181		—	—	79,181	100.0%
478 King W (2)	—	3,277	3,277		—	—	3,277	100.0%
485 King W	8,304	4,035	12,339		—	—	12,339	100.0%
489 King W	21,421	4,850	26,271		—	—	26,271	100.0%
495 King W	10,684	—	10,684		—	—	10,684	100.0%
499 King W	—	8,400	8,400		—	—	8,400	100.0%
500-522 King W	82,133	43,079	125,212		—	—	125,212	100.0%
511-529 King W	37,709	11,477	49,186		—	—	49,186	100.0%
552-560 King W	8,019	16,696	24,715		—	—	24,715	100.0%
539 King W	12,750	—	12,750		—	—	12,750	100.0%
544 King W	17,006	—	17,006		—	—	17,006	100.0%
555 Richmond W	255,150	41,580	296,730		2,506	—	294,224	99.2%
579 Richmond W	28,515	—	28,515		—	—	28,515	100.0%
589-591 Richmond W	2,000	—	2,000		—	—	2,000	100.0%
662 King W	31,042	2,126	33,168		—	—	33,168	100.0%
80-82 Spadina	60,102	16,009	76,111		—	—	76,111	100.0%
96 Spadina	80,309	9,936	90,245		—	—	90,245	100.0%
King & Portland JV (1)	18,811	12,768	31,579		—	250	31,329	99.2%
King West Central	**1,212,700**	**291,784**	**1,504,484**	**12.8%**	**6,884**	**250**	**1,497,350**	**99.5%**
116 Simcoe	15,637	—	15,637		—	—	15,637	100.0%
151 Front	266,155	10,224	276,379		2,611	—	273,768	99.1%
179 John	69,812	—	69,812		—	—	69,812	100.0%
185 Spadina	55,814	—	55,814		—	—	55,814	100.0%
200 Adelaide W	26,625	—	26,625		—	—	26,625	100.0%
208-210 Adelaide W	11,813	—	11,813		—	—	11,813	100.0%
217-225 Richmond W	31,820	21,987	53,807		—	—	53,807	100.0%
250 Front W	173,000	—	173,000		69,000	—	104,000	60.1%
257 Adelaide W	46,018	—	46,018		—	—	46,018	100.0%
312 Adelaide W	62,825	8,015	70,840		—	—	70,840	100.0%
331-333 Adelaide W	20,085	3,724	23,809		—	—	23,809	100.0%
358-360 Adelaide W	53,054	—	53,054		—	—	53,054	100.0%
375-381 Queen W	21,791	10,648	32,439		—	—	32,439	100.0%
388 King W	28,659	15,012	43,671		4,323	—	39,348	90.1%
82 Peter	39,288	8,287	47,575		—	—	47,575	100.0%
99 Spadina	50,923	—	50,923		—	—	50,923	100.0%
Union Center	11,332	29,239	40,571		—	—	40,571	100.0%

MARCH 31, 2017 PROPERTIES	Office GLA	Retail GLA	Total GLA	% Total GLA	Office Vacant	Retail Vacant	Total Leased	Leased %
QRC West Phase I	335,853	11,358	347,211		—	—	347,211	100.0%
Entertainment District	**1,320,504**	**118,494**	**1,438,998**	**12.3%**	**75,934**	**—**	**1,363,064**	**94.7%**
193 Yonge	34,349	16,318	50,667				50,667	100.0%
Downtown	**34,349**	**16,318**	**50,667**	**0.4%**			**50,667**	**100.0%**
106 Front E	24,347	10,465	34,812		—	7,203	27,609	79.3%
35-39 Front E	39,216	13,804	53,020		—	—	53,020	100.0%
36-40 Wellington E	16,642	9,893	26,535		—	—	26,535	100.0%
41-45 Front E	28,503	14,079	42,582		—	—	42,582	100.0%
45-55 Colborne	28,656	13,986	42,642		—	2,048	40,594	95.2%
49 Front E	9,370	10,441	19,811		—	—	19,811	100.0%
50 Wellington E	22,001	11,049	33,050		—	—	33,050	100.0%
60 Adelaide E	106,587	4,608	111,195		8,980	—	102,215	91.9%
184 Front E	81,196	6,489	87,685		4,699	—	82,986	94.6%
St. Lawrence Market	**356,518**	**94,814**	**451,332**	**3.8%**	**13,679**	**9,251**	**428,402**	**94.9%**
204-214 King E	128,129	2,699	130,828		—	—	130,828	100.0%
230 Richmond E	72,787	—	72,787		—	—	72,787	100.0%
252-264 Adelaide E	47,279	—	47,279		—	—	47,279	100.0%
489 Queen E	32,434	—	32,434		—	—	32,434	100.0%
70 Richmond	35,181	—	35,181		—	—	35,181	100.0%
Dominion Square	111,616	—	111,616		3,700	—	107,916	96.7%
QRC East	185,414	35,349	220,763		—	—	220,763	100.0%
QRC South	43,698	—	43,698		3,822	—	39,876	91.3%
Queen Richmond	**656,538**	**38,048**	**694,586**	**5.9%**	**7,522**	**—**	**687,064**	**98.9%**
Toronto	**3,976,804**	**606,458**	**4,583,262**	**39.0%**	**156,334**	**29,315**	**4,397,613**	**95.9%**
72 Victoria	94,117	—	94,117		12,043	—	82,074	87.2%
Breithaupt Phase I (3)	66,559	—	66,559		—	—	66,559	100.0%
Breithaupt Phase II (3)	46,846	—	46,846		—	—	46,846	100.0%
The Tannery	257,207	73,779	330,986		—	—	330,986	100.0%
Kitchener	**464,729**	**73,779**	**538,508**	**4.6%**	**12,043**	**—**	**526,465**	**97.8%**
Central Canada	**4,441,533**	**680,237**	**5,121,770**	**43.6%**	**168,377**	**29,315**	**4,924,078**	**96.1%**

MARCH 31, 2017 PROPERTIES	Office GLA	Retail GLA	Total GLA	% Total GLA	Office Vacant	Retail Vacant	Total Leased	Leased %
The Chambers	208,730	12,223	220,953		—	—	220,953	100.0%
Ottawa	**208,730**	**12,223**	**220,953**	**1.9%**	**—**	**—**	**220,953**	**100.0%**
3510 Saint-Laurent	85,977	16,223	102,200		3,825	2,139	96,236	94.2%
3575 Saint-Laurent	167,606	18,412	186,018		24,635	2,570	158,813	85.4%
400 Atlantic	85,213	292	85,505		7,988	—	77,517	90.7%
425 Viger W	205,201	820	206,021		—	820	205,201	99.6%
4446 Saint-Laurent	73,208	7,281	80,489		7,942	—	72,547	90.1%
451-481 Saint-Catherine	22,341	8,475	30,816		—	—	30,816	100.0%
480 Saint-Laurent	46,662	7,165	53,827		2,310	—	51,517	95.7%
5445 Gaspé	468,552	955	469,507		20,668	—	448,839	95.6%
5455 Gaspé	498,249	750	498,999		82,374	—	416,625	83.5%
5505 Saint-Laurent	252,453	2,524	254,977		—	—	254,977	100.0%
6300 Parc	181,327	673	182,000		55,902	—	126,098	69.3%
645 Wellington	138,592	3,773	142,365		—	—	142,365	100.0%
740 Saint-Maurice	67,937	—	67,937		7,238	—	60,699	89.3%
8 Place du Commerce	40,702	16,534	57,236		—	3,965	53,271	93.1%
85 Saint-Paul	80,203	—	80,203		—	—	80,203	100.0%
Cité Multimedia	940,734	14,225	954,959		21,666	4,557	928,736	97.3%
Le Nordelec	771,796	19,914	791,710		90,544	—	701,166	88.6%
Montréal	**4,126,753**	**118,016**	**4,244,769**	**36.1%**	**325,092**	**14,051**	**3,905,626**	**92.0%**
390 Charest	66,994	6,348	73,342		45,475	—	27,867	38.0%
410 Charest	3,229	21,508	24,737		—	—	24,737	100.0%
420 Charest	46,997	14,371	61,368		27,315	5,875	28,178	45.9%
605 Saint-Joseph	27,145	8,504	35,649		1,441	—	34,208	96.0%
622 Saint-Joseph	2,711	3,300	6,011		648	—	5,363	89.2%
633 Saint-Joseph	15,726	6,568	22,294		7,647	—	14,647	65.7%
Québec City	**162,802**	**60,599**	**223,401**	**1.9%**	**82,526**	**5,875**	**135,000**	**60.4%**
Eastern Canada	**4,498,285**	**190,838**	**4,689,123**	**39.9%**	**407,618**	**19,926**	**4,261,579**	**90.9%**
115 Bannatyne	39,906	—	39,906		1,371	—	38,535	96.6%
123 Bannatyne	16,443	—	16,443		12,067	—	4,376	26.6%
250 McDermot	42,893	12,482	55,375		21,920	6,077	27,378	49.4%
54-70 Arthur	112,088	8,818	120,906		20,821	1,556	98,529	81.5%
1500 Notre Dame	109,583	—	109,583		—	—	109,583	100.0%

MARCH 31, 2017 PROPERTIES	Office GLA	Retail GLA	Total GLA	% Total GLA	Office Vacant	Retail Vacant	Total Leased	Leased %
Winnipeg	**320,913**	**21,300**	**342,213**	**2.9%**	**56,179**	**7,633**	**278,401**	**81.4%**
100-6th SW	34,242	—	34,242		—	—	34,242	100.0%
119-6th SW	63,064	—	63,064		—	—	63,064	100.0%
1207-1215 13th SE	32,499	—	32,499		1,477	—	31,022	95.5%
1240-20th SE	46,124	—	46,124		2,894	—	43,230	93.7%
129-8th SW	3,068	4,591	7,659		—	—	7,659	100.0%
209-8th SW	26,944	5,022	31,966		17,807	—	14,159	44.3%
237-8th SE	66,229	8,581	74,810		9,717	1,160	63,933	85.5%
322-326 11th SW	198,644	15,660	214,304		13,931	2,778	197,595	92.2%
402-11th SE	39,155	—	39,155		—	—	39,155	100.0%
438-11th SE	52,489	—	52,489		—	—	52,489	100.0%
601-611 10th SW	50,165	2,592	52,757		8,931	—	43,826	83.1%
603-605 11th SW	22,050	29,207	51,257		3,162	11,560	36,535	71.3%
604-1st SW	69,667	22,897	92,564		15,738	9,997	66,829	72.2%
613-11th SW	—	3,163	3,163		—	—	3,163	100.0%
617-11th SW	2,986	6,218	9,204		—	3,000	6,204	67.4%
625-11th SW	33,454	1,410	34,864		19,682	—	15,182	43.5%
805-1st SW	9,092	18,767	27,859		2,812	1,329	23,718	85.1%
808-1st SW	17,224	30,244	47,468		—	2,311	45,157	95.1%
809-10th SW	35,742	—	35,742		5,316	—	30,426	85.1%
816-838 11th SW [4]	9,976	13,976	23,952		—	4,929	19,023	79.4%
Demcor Building	39,910	—	39,910		20,370	—	19,540	49.0%
Calgary	**852,724**	**162,328**	**1,015,052**	**8.6%**	**121,837**	**37,064**	**856,151**	**84.3%**
10190-104 NW	16,989	5,767	22,756		9,783	—	12,973	57.0%
Boardwalk & Revillon Building	225,371	45,442	270,813		6,567	—	264,246	97.6%
Edmonton	**242,360**	**51,209**	**293,569**	**2.5%**	**16,350**	**—**	**277,219**	**94.4%**
128 West Pender	76,674	1,693	78,367		786	—	77,581	99.0%
840 Cambie	91,824	—	91,824		—	—	91,824	100.0%
948-950 Homer	34,473	10,399	44,872		—	—	44,872	100.0%
1040 Hamilton	36,094	8,765	44,859		784	1,791	42,284	94.3%

MARCH 31, 2017 PROPERTIES	Office GLA	Retail GLA	Total GLA	% Total GLA	Office Vacant	Retail Vacant	Total Leased	Leased %
1286 Homer	15,752	9,115	24,867		—	—	24,867	100.0%
Vancouver	**254,817**	**29,972**	**284,789**	**2.4%**	**1,570**	**1,791**	**281,428**	**98.8%**
Western Canada	**1,670,814**	**264,809**	**1,935,623**	**16.5%**	**195,936**	**46,488**	**1,693,199**	**87.5%**
Total Rental Portfolio	**10,610,632**	**1,135,884**	**11,746,516**	**100.0%**	**771,931**	**95,729**	**10,878,856**	**92.6%**

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

PROPERTIES UNDER DEVELOPMENT

PROPERTIES UNDER DEVELOPMENT	CURRENT GLA
180 John, Toronto	36,173
189 Joseph, Kitchener	—
47 Front E, Toronto	10,408
642 King W, Toronto (1)	14,659
TELUS Sky, Calgary (2)	—
College & Palmerston , Toronto (1)	8,085
King Portland Centre, Toronto (1)	—
Adelaide & Duncan, Toronto (3)	30,930
The Well (4)	102,982
Le Nordelec - Development, Montréal	74,396
Total Development Portfolio	277,633

(1) RioCan/Allied Joint Arrangement
(2) Telus/Westbank/Allied Joint Arrangement
(3) Westbank/Allied Joint Arrangement
(4) RioCan/Diamond Corp./Allied Joint Arrangement

ANCILLARY PARKING FACILITIES

ANCILLARY PARKING FACILITIES	NUMBER OF SPACES
301 Markham, Toronto	47
388 Richmond, Toronto	117
78 Spadina, Toronto	24
7-9 Morrison, Toronto	25
650 King, Toronto	71
539 King, Toronto	107
560 King, Toronto	171
478 King, Toronto (5)	65
15 Brant, Toronto	203
105 George, Toronto	15
Total Parking	845

(5) Lifetime/Allied Joint Arrangement

Unaudited Condensed Consolidated Financial Statements for the Three Months Ended March 31, 2017 and 2016

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2017 AND DECEMBER 31, 2016

(in thousands of Canadian dollars)	NOTES	MARCH 31, 2017	DECEMBER 31, 2016
Assets			
Non-current assets			
Investment properties	5	**$5,237,400**	$5,129,541
Loans and notes receivable	6	**23,615**	23,686
Other assets	7	**8,077**	8,487
		5,269,092	5,161,714
Current assets			
Cash and cash equivalents	19	**7,650**	12,193
Loans and notes receivable	6	**807**	1,073
Accounts receivable, prepaid expenses and deposits	8	**40,757**	38,874
		49,214	52,140
Total assets		**$5,318,306**	$5,213,854
Liabilities			
Non-current liabilities			
Debt	9	**$1,800,789**	$1,763,370
Finance lease obligations	10	**152,828**	152,204
		1,953,617	1,915,574
Current liabilities			
Debt	9	**143,414**	145,895
Accounts payable and other liabilities	11	**150,201**	130,879
		293,615	276,774
Total liabilities		**2,247,232**	2,192,348
Unitholders' equity		**3,071,074**	3,021,506
Total liabilities and unitholders' equity		**$5,318,306**	$5,213,854

Subsequent events (note 26)
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Gordon Cunningham
TRUSTEE

Michael R. Emory
TRUSTEE

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(in thousands of Canadian dollars, except unit and per unit amounts)	NOTES	THREE MONTHS ENDED MARCH 31, 2017	THREE MONTHS ENDED MARCH 31, 2016
Rental revenue from investment properties		**$102,111**	$93,813
Property operating costs		**(44,359)**	(40,634)
Net rental income		**57,752**	53,179
Interest expense	9 (f)	**(15,840)**	(13,895)
General and administrative expenses	18	**(3,500)**	(2,596)
Amortization of leasing costs and other assets	7	**(2,651)**	(2,190)
Interest income		**329**	332
Fair value gain on investment properties	5	**43,688**	7,644
Fair value gain (loss) on derivative instruments		**89**	(4,882)
Loss on disposal of investment properties	4	**—**	(124)
Net income and comprehensive income		**$79,867**	$37,468
Income per unit			
Basic		**$0.94**	$0.48
Diluted		**$0.94**	$0.48
Weighted average number of Units	16		
Basic		**84,767,773**	78,484,807
Diluted		**84,868,429**	78,566,949

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

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(in thousands of Canadian dollars)	NOTES	TRUST UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
Balance at January 1, 2016	13	$1,873,541	$709,407	$8,783	$2,591,731
Comprehensive income		—	37,468	—	37,468
Distributions		—	(29,433)	—	(29,433)
Distribution reinvestment plan ("DRIP")	13	1,935	—	—	1,935
Unit option plan – options exercised	14 (a)	2,767	—	—	2,767
Contributed surplus – unit option plan	14 (a)	—	—	291	291
Restricted unit plan (net of forfeitures)	14 (b)	(1,029)	—	374	(655)
Long-term incentive plan	15	5	—	—	5
Purchase of Units under normal course issuer bid for cancellation	13	$(2,068)	—	—	(2,068)
Balance at March 31, 2016		$1,875,151	$717,442	$9,448	$2,602,041

(in thousands of Canadian dollars)	NOTES	TRUST UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
Balance at January 1, 2017	**13**	**$2,098,267**	**$911,832**	**$11,407**	**$3,021,506**
Comprehensive income		**—**	**79,867**	**—**	**79,867**
Distributions		**—**	**(32,428)**	**—**	**(32,428)**
Unit option plan – options exercised	**14 (a)**	**3,499**	**—**	**—**	**3,499**
Contributed surplus – unit option plan	**14 (a)**	**—**	**—**	**441**	**441**
Restricted unit plan (net of forfeitures)	**14 (b)**	**(2,283)**	**—**	**400**	**(1,883)**
Long-term incentive plan	**15**	**72**	**—**	**—**	**72**
Balance at March 31, 2017		**$2,099,555**	**$959,271**	**$12,248**	**$3,071,074**

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

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

(in thousands of Canadian dollars)	NOTES	MARCH 31, 2017	MARCH 31, 2016
Operating activities			
Net income for the period		**$79,867**	$37,468
Fair value (gain) on investment properties	5	**(43,688)**	(7,644)
Fair value (gain) loss on derivative instruments		**(89)**	4,882
Loss on disposal of investment properties	4	**—**	124
Amortization of equipment and other assets	7	**521**	359
Amortization of leasing commissions	5	**2,130**	1,831
Amortization of tenant improvement allowances	5	**5,332**	4,633
Amortization of straight-line rents	5	**(3,216)**	(3,391)
Amortization of premium (discount) on debt	9 (f)	**(47)**	168
Amortization of finance lease obligations		**(409)**	361
Unit-compensation expense	14	**841**	665
Change in other non-cash financing items		**533**	441
Change in other non-cash operating items	19	**17,870**	1,220
Cash provided by operating activities		**59,645**	41,117
Financing activities			
Repayment of mortgages payable		**(17,741)**	(29,526)
Proceeds from unsecured term loan (net of financing costs)	9 (e)	**—**	99,475
Principal payments of finance lease obligations		**(5)**	(5)
Distributions paid to unitholders		**(32,411)**	(27,482)
Proceeds from exercise of unit options	14	**3,499**	2,767
Proceeds from Units issued under the LTIP	15	**72**	5
Purchase of Units under normal course issuer bid for cancellation	13	**—**	(2,068)
Restricted unit plan (net of forfeitures)	14	**(2,283)**	(1,029)
Proceeds from annuity loan receivable		**267**	262
Net proceeds from unsecured revolving operating facility	9 (c)	**47,000**	10,138
Net proceeds from construction loan	9 (b)	**5,194**	6,878
Financing costs		**—**	(52)
Cash provided by financing activities		**3,592**	59,363
Investing activities			
Acquisition of investment properties	4	**(13,997)**	(42,162)
Additions to investment properties	5	**(42,029)**	(51,645)
Net proceeds on disposition of investment properties	4	**—**	9,491

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 *- continued*

(in thousands of Canadian dollars)	NOTES	MARCH 31, 2017	MARCH 31, 2016
Additions to equipment and other assets		**(395)**	(703)
Leasing commissions	5	**(2,678)**	(2,708)
Tenant improvement allowances	5	**(8,681)**	(12,594)
Cash used in investing activities		**(67,780)**	(100,321)
Increase (decrease) in cash and cash equivalents		**(4,543)**	159
Cash and cash equivalents, beginning of period		**12,193**	4,323
Cash and cash equivalents, end of period		**$7,650**	$4,482

Supplemental cash flow information (note 19)
The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

1. NATURE OF OPERATIONS

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

Allied is a leading owner, manager and developer of distinctive urban workspace in Canada's major cities. Allied's objectives are to provide stable and growing cash distributions to Unitholders and to maximize Unitholder value through effective management and accretive portfolio growth.

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 unaudited condensed consolidated financial statements are presented in Canadian dollars.

The unaudited condensed consolidated financial statements for the three months ended March 31, 2017 and 2016, were approved and authorized for issue by the Board of Trustees on May 3, 2017.

The significant accounting policies disclosed in Allied's December 31, 2016, audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited condensed consolidated financial statements, except as described below.

Accounting standards implemented in 2017

Allied implemented the amendments to IAS 7, *Disclosure Initiative (Amendments to IAS 7)*, beginning January 1, 2017, with no significant impact on Allied's unaudited condensed consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

IFRS 15 - Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers and issued further clarifications issued on April 12, 2016. The new standard is effective for annual periods beginning January 1, 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. Allied intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018.

IFRS 9 - Financial Instruments

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning January 1, 2018 and must be applied retrospectively with some exemptions. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. Allied intends to adopt IFRS 9 (2014) and the clarifications in its financial statements for the annual period beginning on January 1, 2018.

IFRS 16 - Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Management has initiated an implementation plan with respect to the adoption of the new IFRS standards which includes preliminary scoping and quantification to be completed during the third quarter of 2017. Based on management's preliminary assessment of the standards, we do not believe they will have a significant impact on our unaudited condensed consolidated financial statements.

(A) *Statement of compliance*

The unaudited condensed consolidated financial statements of Allied for the three months ended March 31, 2017 and 2016 are prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

(B) *Comparative figures*

Certain comparative figures have been reclassified to conform with the unaudited condensed consolidated financial statement presentation adopted in the current year.

Allied combined the historic balances for tenant improvement allowances, leasing commissions and straight-line rents receivable with investment properties (note 5) rather than disclosing them separately in other assets (note 7). These balances are an integral part of the fair value of investment properties.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the unaudited condensed 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 unaudited condensed consolidated financial statements and accompanying notes.

The critical accounting estimates and assumptions disclosed in Allied's December 31, 2016, audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited condensed consolidated financial statements.

4. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

During the three months ended March 31, 2017, Allied completed the following acquisitions from third-parties:

LOCATION	DATE OF ACQUISITION	PROPERTY TYPE	INVESTMENT PROPERTY	OWNERSHIP
Toronto, ON	January 5, 2017	Development	**$5,393**	40%
Toronto, ON	January 17, 2017	Office	**8,646**	100%
			$14,039	

The net cash consideration paid to acquire the above noted properties was $13,997, which included the assumption of other liabilities of $42.

During the year ended December 31, 2016, Allied completed the following acquisitions from third-parties:

LOCATION	DATE OF ACQUISITION	PROPERTY TYPE	INVESTMENT PROPERTY	OWNERSHIP
Calgary, AB	February 29, 2016	Office, Retail	$10,534	50%
Toronto, ON	March 29, 2016	Office	32,396	100%
Montréal, QC	May 31, 2016	Office, Retail, Development	172,986	100%
Montréal, QC	May 31, 2016	Office, Retail	56,607	100%
Toronto, ON	July 28, 2016	Development	6,542	100%
Toronto, ON	August 31, 2016	Development	12,923	50%
Toronto, ON	August 31, 2016	Office, Retail	84,696	100%
			$376,684	

The net cash consideration paid to acquire the above noted properties was $321,123, which included the assumption of other assets of $1,258, mortgages payable of $49,498 (net of a discount of $2,143) and other liabilities of $7,321.

DISPOSITIONS

For the three months ended March 31, 2017, Allied did not dispose of any investment properties.

During the year ended December 31, 2016, Allied completed the following dispositions of investment properties to third-parties:

LOCATION	DATE OF DISPOSITION	PROPERTY TYPE	SELLING PRICE
Toronto, ON	February 17, 2016	Office, Retail	**$9,615**
Winnipeg, MB	July 15, 2016	Development	**2,550**
Toronto, ON	July 19, 2016	Office, Retail	**3,300**
Victoria, BC	August 5, 2016	Office, Retail	**3,954**
Victoria, BC	August 5, 2016	Office, Retail	**8,146**
Total selling price			**$27,565**
Net selling costs			**(1,087)**
Working capital adjustments			**(28)**
Net cash consideration received			**$26,450**

5. INVESTMENT PROPERTIES

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

	MARCH 31, 2017			DECEMBER 31, 2016		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL
Balance, beginning of period	**$4,948,043**	**$181,498**	**$5,129,541**	$4,023,048	$345,965	$4,369,013
Additions:						
Acquisitions	**14,039**	**—**	**14,039**	322,651	54,033	376,684
Tenant improvements	**8,681**	**—**	**8,681**	36,555	—	36,555
Leasing commissions	**2,678**	**—**	**2,678**	15,481	—	15,481
Capital expenditures	**12,175**	**29,854**	**42,029**	97,344	83,200	180,544
Dispositions	**—**	**—**	**—**	(25,015)	(2,550)	(27,565)
Transfers from properties under development ("PUD")	**—**	**—**	**—**	289,543	(289,543)	—
Transfers to PUD	**(154,808)**	**154,808**	**—**	(10,992)	10,992	—
Finance lease	**990**	**—**	**990**	1,046	15,950	16,996
Amortization of straight-line rent, tenant improvements and leasing commissions	**(4,246)**	**—**	**(4,246)**	(17,470)	—	(17,470)
Fair value gain (loss) on investment properties	**43,539**	**149**	**43,688**	215,852	(36,549)	179,303
Balance, end of period	**$4,871,091**	**$366,309**	**$5,237,400**	$4,948,043	$181,498	$5,129,541

For the three months ended March 31, 2017, Allied capitalized a total of $5,339 of borrowing costs to qualifying investment properties (for the year ended December 31, 2016 - $21,085).

Included in the Rental Properties amounts noted above is investment properties with a fair value of $481,510 (December 31, 2016 - $460,075) which represents the fair value of Allied's interest in five investment properties with corresponding finance leases. The finance leases maturities range from 27.5 years to 85.2 years from period end. The finance lease obligation was increased in 2016 to reflect the additional square footage leased subsequent to the inception of the lease.

VALUATION METHODOLOGY

The appraised fair value of investment properties is 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 minimum term of ten years, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income ("NOI"), a non-GAAP measure, in the terminal year. This method is primarily used to value the rental properties portfolio.

(B) Comparable sales method - This approach compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions. 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. This method is primarily used to value the development portfolio.

In accordance with its policy, the Trust generally measures and records its investment properties and developments using valuations under the supervision of management with the support of independent external appraisers. Allied's entire portfolio is revalued 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 changes to the valuation techniques during the quarter.

SIGNIFICANT UNOBSERVABLE INPUTS

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

	WEIGHTED AVERAGE	
	MARCH 31, 2017	DECEMBER 31, 2016
Discount rate	**6.81%**	6.89%
Terminal capitalization rate	**6.00%**	6.06%
Overall capitalization rate	**5.63%**	5.68%
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:

CHANGE IN CAPITALIZATION RATE OF	-0.50%	-0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Investment Properties	**$510,468**	**$243,374**	**$(222,679)**	**$(427,194)**

6. LOANS AND NOTES RECEIVABLE

Loans and notes receivable are as follows:

	MARCH 31, 2017	DECEMBER 31, 2016
Loans receivable (a)	**$21,173**	$21,173
Notes and other receivables (b)	**3,249**	3,586
	$24,422	$24,759
Current	**$807**	$1,073
Non-current	**23,615**	23,686
	$24,422	$24,759

(A) In February 2015, Allied entered into a joint arrangement with Westbank and completed the acquisition of an undivided 50% interest in Adelaide & Duncan (refer to note 20 for further details), advancing $42,346 to the joint arrangement between Allied and Westbank. The loan is secured by a first charge on the property and assignment of rents and leases. Interest on the loan is payable monthly at a rate of 6.17%. The loan is repayable when the joint arrangement obtains external permanent financing.

(B) Included in notes and other receivables is an annuity loan receivable of $807 (December 31, 2016 - $1,073), bearing interest of 1.80% and maturing on December 1, 2017. The remaining balance is made up of individually insignificant notes receivable.

7. OTHER ASSETS

Other assets consist of the following:

	MARCH 31, 2017	DECEMBER 31, 2016
Equipment and other assets (1)	**$6,229**	$6,308
Unsecured term loan interest swap asset	**1,848**	2,179
	$8,077	$8,487

(1) During the three months ended March 31, 2017, Allied recorded amortization of equipment and other assets of $521 (March 31, 2016 - $359).

8. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

	MARCH 31, 2017	DECEMBER 31, 2016
Tenant trade receivables - net of allowance (a)	**$8,402**	$8,763
Other tenant receivables (b)	**4,653**	5,986
Miscellaneous receivables (c)	**7,467**	9,484
Prepaid expenses and deposits (d)	**20,235**	14,641
	$40,757	$38,874

(A) *Tenant trade receivables*

Tenant trade receivables include minimum rent, annual common area maintenance ("CAM"), property tax recovery billings and other recoverable charges.

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of tenants to meet obligations under lease agreements. Allied actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated realizable value when Allied has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

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

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Allowance for doubtful accounts, beginning of period	**$1,686**	$1,769
Additional provision recorded during the period	**562**	407
Reversal of previous provisions	**(176)**	(23)
Receivables written off during the period	**(538)**	(256)
Allowance for doubtful accounts, end of period	**$1,534**	$1,897

(B) *Other tenant receivables*

Other tenant 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 property taxes recoverable from municipalities and insurance claims. As at March 31, 2017, there are no indicators that the debtors will not meet their payment obligations.

(D) *Prepaid expenses and deposits*

Prepaid expenses primarily relate to property operating expenses (mainly realty taxes and insurance) and deposits relating to acquisitions.

9. DEBT

Debt consists of the following items:

	MARCH 31, 2017	DECEMBER 31, 2016
Mortgages payable (a)	**$1,101,132**	$1,118,551
Construction loans payable (b)	**26,250**	21,056
Unsecured revolving operating facility (c)	**94,000**	47,000
Senior unsecured debentures (d)	**373,677**	373,596
Unsecured term loans (e)	**349,145**	349,062
	$1,944,204	$1,909,265
Current	**$143,414**	$145,895
Non-current	**1,800,790**	1,763,370
	$1,944,204	$1,909,265

(A) *Mortgages payable*

Mortgages payable have a weighted average stated interest rate of 4.67% as at March 31, 2017 (December 31, 2016 - 4.66%). 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	MARCH 31, 2017	DECEMBER 31, 2016
Remaining 2017	**$26,564**	**$101,590**	**$128,154**	
2018	**34,611**	**56,900**	**91,511**	
2019	**32,188**	**116,673**	**148,861**	
2020	**26,770**	**4,456**	**31,226**	
2021	**26,017**	**104,344**	**130,361**	
2022	**21,955**	**100,102**	**122,057**	
2023	**17,808**	**220,957**	**238,765**	
2024	**4,709**	**175,740**	**180,449**	
2025	**1,146**	**8,788**	**9,934**	
2026	**924**	**20,443**	**21,367**	
Mortgages, principal	**$192,692**	**$909,993**	**$1,102,685**	$1,120,426
Net premium on assumed mortgages			**2,915**	2,924
Net financing costs			**(4,468)**	(4,799)
			$1,101,132	$1,118,551

(B) *Construction loans payable*

Allied provided a guarantee (limited to $114,000) to a Canadian chartered bank to support a $342,000 construction lending facility to assist with the financing of construction costs associated with the development of TELUS Sky, in which Allied has a 33.33% joint arrangement interest. The loan matures on August 31, 2019, and bears interest at bank prime plus 70 basis points or banker's acceptance rate plus 195 basis points. Allied's obligation of the balance outstanding under the facility as at March 31, 2017, was $26,250 (December 31, 2016 - $21,056).

JOINT ARRANGEMENT	OWNERSHIP	ALLIED'S GUARANTEE LIMIT	DATE OF MATURITY	MARCH 31, 2017	DECEMBER 31, 2016
TELUS Sky	33.33%	$114,000	August 31, 2019	**$26,250**	$21,056

(C) *Unsecured revolving operating facility*

Allied has access to an unsecured revolving operating facility (the "Unsecured Facility") of $250,000 with a maturity date of January 29, 2019. The Unsecured Facility contains a $100,000 accordion feature, allowing Allied to increase the amount available under the facility to $350,000. The Unsecured Facility bears interest at bank prime plus 70 basis points or bankers' acceptance plus 170 basis points. The Unsecured Facility had a balance of $94,000 outstanding at March 31, 2017 (December 31, 2016 - $47,000).

	MARCH 31, 2017	DECEMBER 31, 2016
Unsecured Facility limit	**$250,000**	$250,000
Amounts drawn under the Unsecured Facility	**(94,000)**	(47,000)
Letters of credit outstanding under the Unsecured Facility	**$(2,148)**	$(2,348)
Remaining unused balance under the Unsecured Facility	**$153,852**	$200,652

(D) *Senior unsecured debentures*

On May 12, 2016, Allied issued $150,000 of 3.934% Series B unsecured debentures (the "Series B Debentures") due November 14, 2022, with semi-annual interest payments due on May 14 and November 14 of each year commencing November 14, 2016. Debt financing costs of $801 were incurred and recorded against the principal owing. Funds from the issuance were used to fund acquisitions, repay amounts drawn on the Unsecured Facility and for general working capital purposes.

The respective financing costs and premium recognized are amortized using the effective interest method and recorded to Interest Expense (note 9 (f)).

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	MARCH 31, 2017	DECEMBER 31, 2016
Series A	3.748%	May 13, 2020	May 13 and November 13	**$225,000**	$225,000
Series B	3.934%	November 14, 2022	May 14 and November 14	**150,000**	150,000
Unsecured Debentures, principal				**375,000**	375,000
Net premium on Unsecured Debentures				**483**	522
Net financing costs				**(1,806)**	(1,926)
				$373,677	$373,596

Hereafter, the Series A and Series B Debentures are collectively referred to as the "Unsecured Debentures".

(E) *Unsecured term loans*

On March 16, 2016, Allied entered into a $150,000 unsecured credit facility with a Canadian chartered bank for a term of five years and bearing interest at a floating rate of CDOR plus 1.70% per year (the "Unsecured Term Facility"). On May 25, 2016, the credit limit for the Unsecured Term Facility was increased to $200,000. Allied drew on the Unsecured Term Facility in two tranches, on March 16, 2016, for $100,000 at an effective interest rate of 2.830%, and on May 25, 2016, for $100,000 at an effective interest rate of 2.890%. The Unsecured Term Facility provides for the interest rate to be adjusted up or down based on changes in the credit rating of the Unsecured Debentures. In addition, Allied entered into interest rate swap agreements which have the effect of fixing the floating CDOR interest rate for the term of the Unsecured Term Facility. After giving effect to the interest rate swaps, the current effective rate for the Unsecured Term Facility is 2.860%. The interest rate swap agreements have a notional amount of $200,000. Financing costs of $700 were incurred and recorded against the principal owing.

Funds from the Unsecured Term Facility were used to fund acquisitions, repay amounts drawn on the Unsecured Facility and for general working capital purposes.

The respective financing costs are amortized using the effective interest method and recorded to Interest Expense (note 9 (f)).

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	MARCH 31, 2017	DECEMBER 31, 2016
Unsecured Term Loan	2.645%	December 14, 2018	Monthly	**$150,000**	$150,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	**100,000**	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	**100,000**	100,000
Unsecured Term Loans, principal				**350,000**	350,000
Net financing costs				**(855)**	(938)
				$349,145	$349,062

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

(F) *Interest expense*

Interest expense consists of the following:

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Interest on debt:		
Mortgages payable	**$12,560**	$13,499
Construction loans payable	**61**	37
Unsecured Facility	**554**	513
Unsecured Debentures	**3,598**	2,108
Unsecured Term Loans	**2,383**	1,093
Interest on finance lease obligations	**1,537**	1,104
Amortization, premium (discount) on debt	**(47)**	168
Amortization, net financing costs	**533**	456
	$21,179	$18,978
Less: interest capitalized to qualifying investment properties	**(5,339)**	(5,083)
Interest expense	**$15,840**	$13,895

Borrowing costs have been capitalized to qualifying investment properties, where applicable, at a weighted average rate of 4.1% per annum (March 31, 2016 – 4.3%).

(G) *Schedule of principal repayments*

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

	REMAINING 2017	2018	2019	2020	2021	THEREAFTER	TOTAL
Mortgages payable, principal repayments	$26,564	$34,611	$32,188	$26,770	$26,017	$46,542	$192,692
Mortgages payable, balance due at maturity	101,590	56,900	116,673	4,456	104,344	526,030	909,993
Construction loans payable	—	—	26,250	—	—	—	26,250
Unsecured Facility	—	—	94,000	—	—	—	94,000
Unsecured Debentures	—	—	—	225,000	—	150,000	375,000
Unsecured Term Loans	—	150,000	—	—	200,000	—	350,000
Total	$128,154	$241,511	$269,111	$256,226	$330,361	$722,572	$1,947,935

A description of Allied's risk management objectives and policies for financial instruments is provided in note 24.

10. FINANCE LEASE OBLIGATIONS

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

	REMAINING 2017 [1]	2018 - 2021 [1]	THEREAFTER	MARCH 31, 2017	DECEMBER 31, 2016
Future minimum lease payments	**$5,891**	**$38,511**	**$496,738**	**$541,140**	$543,103
Interest accrued on lease obligations	**1,750**	**2,904**	**—**	**4,654**	5,229
Less: amounts representing interest payments	**(7,641)**	**(41,415)**	**(343,910)**	**(392,966)**	(396,128)
Present value of lease payments	**$—**	**$—**	**$152,828**	**$152,828**	$152,204

(1) The future minimum lease payments prior to 2021 are less than the effective interest on the finance lease obligations.

Some of Allied's finance 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 finance lease agreements contain renewal options, purchase options, escalation clauses, additional debt and further leasing clauses. For the three months ended March 31, 2017, minimum lease payments of $1,891 were paid by Allied (March 31, 2016 - $1,837).

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consists of the following:

	MARCH 31, 2017	DECEMBER 31, 2016
Trade payables and other liabilities	**$78,665**	$64,411
Prepaid tenant rents and tenant deposits	**39,559**	37,616
Accrued interest payable	**8,943**	5,415
Distributions payable to Unitholders	**10,821**	10,804
Mortgage interest swap liability	**12,213**	12,633
	$150,201	$130,879

12. FAIR VALUE MEASUREMENTS

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

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

- Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 – valuation technique for which significant inputs are not based on observable market data.

The following table presents the hierarchy of assets and liabilities:

	MARCH 31, 2017			DECEMBER 31, 2016		
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	LEVEL 1	LEVEL 2	LEVEL 3
Assets:						
Investment properties (note 5)	**$—**	**$—**	**$5,237,400**	$—	$—	$5,129,541
Loans and notes receivable (note 6)	**—**	**24,422**	**—**	—	24,759	—
Other assets (note 7)	**—**	**8,077**	**—**	—	8,487	—
Cash and cash equivalents (note 19)	**7,650**	**—**	**—**	12,193	—	—
Accounts receivable, prepaid expenses and deposits (note 8)	**—**	**40,757**	**—**	—	38,874	—
Liabilities:						
Debt (note 9)						
Mortgages	**—**	**1,150,392**	**—**	—	1,164,661	—
Construction loans payable	**—**	**26,250**	**—**	—	21,056	—
Unsecured Facility	**—**	**94,000**	**—**	—	47,000	—
Unsecured Debentures	**—**	**390,552**	**—**	—	383,134	—
Unsecured Term Loans	**—**	**348,152**	**—**	—	347,821	—
Finance lease obligations (note 10 and note 5)	**—**	**—**	**481,510**	—	—	460,075
Accounts payable and other liabilities (note 11)	**—**	**150,201**	**—**	—	130,879	—

The carrying value of Allied's financial assets and liabilities approximates the fair value except for debt (note 9) and finance lease obligations (note 10).

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

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

INTEREST RATE DERIVATIVE CONTRACTS

The fair value of Allied's interest rate derivative contracts, which represent a net liability as at March 31, 2017, is $10,365 as compared to a net liability as at December 31, 2016, of $10,454. The fair value of the derivative contracts is determined using forward interest rates observable in the market (Level 2).

	MARCH 31, 2017	DECEMBER 31, 2016
Mortgage interest swap liability (note 11)	**$12,213**	$12,633
Unsecured term loan interest swap asset (note 7)	**(1,848)**	(2,179)
Net liability	**$10,365**	$10,454

13. UNITHOLDERS EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the three months ended March 31, 2017 and for the year ended December 31, 2016.

	MARCH 31, 2017		DECEMBER 31, 2016	
	UNITS	AMOUNT	UNITS	AMOUNT
Trust Units, beginning of year	**84,734,469**	**$2,098,267**	78,430,153	$1,873,541
Units issued under the DRIP	**—**	**—**	168,014	5,839
Net cash used to purchase and allocate Units to the Restricted Unit Plan (net of forfeitures)	**—**	**(2,283)**	—	(1,022)
Repayments of long-term incentive plan installment loan receivable (note 15)	**—**	**72**	—	74
Units issued under the unit based compensation arrangement (note 14(a))	**131,846**	**3,499**	162,302	3,570
Units issued, net of issuance costs	**—**	**—**	6,089,250	220,367
Purchase of Units under normal course issuer bid for cancellation	**—**	**—**	(115,250)	(4,102)
Trust Units, end of period	**84,866,315**	**$2,099,555**	84,734,469	$2,098,267

On August 19, 2016, Allied raised gross proceeds of $230,174 through the issuance of 6,089,250 Units at a price of $37.80 per unit. Costs relating to the issuance totaled $9,807 and were applied against the gross proceeds of the issuance and charged against Unitholder's equity.

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

NORMAL COURSE ISSUER BID

During the three months ended March 31, 2017, Allied purchased 65,580 Units for $2,283 at a weighted average price of $34.81 per Unit under its NCIB program, of which all were purchased for delivery to participants under the Trust's Restricted Unit Plan.

On December 19, 2016, 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 8,306,955 of its outstanding Units, representing approximately 10% of its public float as at December 7, 2016. The NCIB renewal commenced December 22, 2016, and will expire on December 21, 2017, 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.

On March 9, 2016, the Trust entered into an automatic unit repurchase plan with a broker in order to facilitate repurchase of its Units under the NCIB at times when the Trust would ordinarily not be permitted to purchase its Units due to self-imposed trading blackout periods. On the announcement on August 10, 2016, of an equity offering by the Trust, the automatic unit repurchase plan terminated automatically in accordance with its terms.

During the year ended December 31, 2016, Allied purchased 147,244 Units for $5,162 at a weighted average price of $35.06 per Unit under its NCIB program, of which 115,250 Units were purchased for cancellation, 30,994 Units were purchased for delivery to participants under the Trust's Restricted Unit Plan and 1,000 Units were purchased for certain long term employee anniversary grants.

14. UNIT OPTION AND RESTRICTED UNIT PLANS

(A) *Unit option plan*

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

SUMMARY OF UNIT OPTION GRANTS:

Date granted	Expiry date	Units granted	Exercise price	Exercised - life to date	Forfeited - life to date	Net outstanding	Vested
March 5, 2013	March 5, 2018	209,235	$34.25	(50,844)	(26,448)	131,943	131,943
March 4, 2014	March 4, 2019	266,174	$33.29	(13,182)	(65,914)	187,078	187,078
May 6, 2014	May 6, 2019	8,474	$34.59	—	—	8,474	5,649
March 3, 2015	March 3, 2020	302,706	$40.60	—	—	302,706	201,804
March 1, 2016	March 1, 2026	540,480	$31.56	(720)	(5,616)	534,144	191,390
February 22, 2017	February 22, 2027	279,654	$35.34	—	—	279,654	—
		1,606,723		(64,746)	(97,978)	1,443,999	717,864

	THREE MONTHS ENDED MARCH 31, 2017		YEAR ENDED DECEMBER 31, 2016	
	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 period	**$31.56-40.60**	**6.18**	$26.51-40.60	4.99

	THREE MONTHS ENDED MARCH 31, 2017		YEAR ENDED DECEMBER 31, 2016	
	Number of Units	**Weighted average exercise price**	Number of Units	Weighted average exercise price
Balance at the beginning of the period	**1,296,191**	**$33.70**	923,629	$32.89
Granted during the period	**279,654**	**35.34**	540,480	31.56
Forfeited during the period	**—**	**—**	(5,616)	31.56
Exercised during the period	**(131,846)**	**26.54**	(162,302)	21.99
Balance at the end of the period	**1,443,999**	**$34.67**	1,296,191	$33.70
Units exercisable at the end of the period	**717,864**	**$35.07**	499,801	$33.24

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

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

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

	THREE MONTHS ENDED MARCH 31, 2017	YEAR ENDED DECEMBER 31, 2016
Unit options granted	**279,654**	540,480
Unit option holding period (years)	**10**	10
Volatility rate	**25.08%**	25.74%
Distribution yield	**4.33%**	4.75%
Risk free interest rate	**1.69%**	1.14%
Value of options granted	**$1,423**	$2,140

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

For the Unit Option Plan, $441 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in net income for the three months ended March 31, 2017, and credited to Unitholders' equity (for the three months ended March 31, 2016 - $291).

(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 remain subject to forfeiture until the participant has held his or her position with Allied for a specific period of time. One third of the Restricted Units vest on each of the first, second and third anniversaries from the date of grant. Full vesting of Restricted Units will not occur until the participant has remained employed by Allied for three years from the date of grant. Units required under the Restricted Unit Plan are acquired in the secondary market through a custodian and then distributed to the individual participant accounts. The following is a summary of the activity of Allied's Restricted Unit Plan:

	THREE MONTHS ENDED	YEAR ENDED
	MARCH 31, 2017	DECEMBER 31, 2016
Outstanding Restricted Units, beginning of year	**223,717**	220,216
Granted	**65,580**	30,994
Expiration of restriction period (1)	**(44,769)**	(27,329)
Forfeited	**—**	(164)
Outstanding Restricted Units, end of period	**244,528**	223,717

(1) Subsequent to March 31, 2017, Allied transfered the above noted Restricted Units to the respective plan participants.

For the Restricted Unit Plan, a total of $400 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in net income for the three months ended March 31, 2017, and credited to Unitholders' equity (for the three months ended March 31, 2016 - $374).

15. LONG-TERM INCENTIVE PLAN

Officers and trustees of Allied have been granted the right to participate in a long-term incentive plan ("LTIP"), whereby the participants subscribe for Units at a purchase price equal to the weighted average trading price of the Units for five trading days preceding the date of the grant. The purchase price is payable as to 5% upon issuance and to the balance ("installment loan receivable") over a term not exceeding ten years. The installment loan receivable bears interest at rates of 3% or 5% per annum on any outstanding balance and is a direct, personal obligation of the participant. The Units issued under the LTIP are held by a custodian for the benefit of the participants until the installment loan receivable has been paid in full. The values of these Units held by the Custodian as at March 31, 2017, and December 31, 2016, were $54 and $162, respectively. Cash distributions paid in respect of the Units issued under the LTIP are applied first to the interest and then to reduce the balance of the installment loan receivable.

The fair value of the LTIP is the estimated present value of the imputed interest benefit over an estimated expected term of ten years, which is recorded as compensation cost. The LTIP installment loans receivable are recognized as deductions from Units issued. Distributions received under the LTIP are charged to Unitholders' equity while interest received under the LTIP is credited to distributions.

UNITS ISSUED UNDER THE LTIP	CUMULATIVE AS AT MARCH 31, 2017	THREE MONTHS ENDED MARCH 31, 2017	CUMULATIVE AS AT DECEMBER 31, 2016
Number of Units issued	**412,293**	**—**	412,293
Units issued	**$6,282**	**$—**	$6,282
Compensation cost	**474**	**—**	474
	6,756	**—**	6,756
LTIP installment loans receivable	**(5,968)**	**—**	(5,968)
Interest on installment loans receivable	**(1,089)**	**(1)**	(1,088)
Distributions applied against installment loans receivable	**3,635**	**2**	3,633
Repayment of installment loans	**3,422**	**71**	3,351
	—	**72**	(72)
	$6,756	**$72**	$6,684

16. WEIGHTED AVERAGE NUMBER OF UNITS

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

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Basic	**84,767,773**	78,484,807
Unit option plan	**96,206**	65,142
LTIP	**4,450**	17,000
Fully diluted	**84,868,429**	78,566,949

17. FUTURE MINIMUM RENT

Future minimum rental income is as follows:

	REMAINING 2017	2018 - 2021	THEREAFTER	TOTAL
Future minimum rental income	**$164,521**	**$589,659**	**$870,788**	**$1,624,968**

18. GENERAL AND ADMINISTRATIVE EXPENSES

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Salaries and benefits	**$3,317**	$2,261
Professional and directors fees	**649**	613
Office and general expenses	**623**	712
	$4,589	$3,586
Capitalized to qualifying investment properties	**(1,089)**	(990)
Total	**$3,500**	$2,596

19. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents include the following components:

	MARCH 31, 2017	DECEMBER 31, 2016
Cash	**$6,002**	$11,546
Short-term deposits	**1,648**	647
Total cash and cash equivalents	**$7,650**	$12,193

The following summarizes supplemental cash flow information and non-cash transactions:

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Supplemental		
Interest paid on debt	**$16,904**	$15,935
Interest received	**$330**	$333
Non-cash transactions		
Units issued under DRIP	**$—**	$1,935

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

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Net change in accounts receivable, prepaid expenses and deposits	**$(1,883)**	$(395)
Less: Prepaid expenses and deposits	**—**	(1,100)
Net change in Loans and notes receivable	**337**	—
Less: Proceeds from annuity loan receivable	**(267)**	—
Net change in accounts payable and other liabilities	**19,322**	8,365
Less: Distributions payable to Unitholders	**(17)**	(16)
Less: Unsecured Term Loan interest swap liability	**—**	(1,160)
Less: Mortgage interest swap liability	**420**	(3,706)
Less: Amounts from acquired properties	**(42)**	(768)
Change in non-cash operating items	**$17,870**	$1,220

20. JOINT ARRANGEMENTS

The Trust 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, obligations with respect to liabilities, and its share of revenues and expenses for the joint operations in which it participates.

			OWNERSHIP	
PROPERTIES	LOCATION	CURRENT STATUS	MARCH 31, 2017	DECEMBER 31, 2016
478 King W	Toronto, ON	Rental Property	**50%**	50%
642 King W	Toronto, ON	Property Under Development	**50%**	50%
816-838 11th SW	Calgary, AB	Rental Property	**50%**	50%
Adelaide & Duncan	Toronto, ON	Property Under Development	**50%**	50%
Breithaupt Block I & II	Kitchener, ON	Rental Property	**50%**	50%
College & Manning	Toronto, ON	Rental Property	**50%**	50%
College & Palmerston	Toronto, ON	Property Under Development	**50%**	50%
King Portland Centre	Toronto, ON	Rental Property and Property Under Development	**50%**	50%
TELUS Sky	Calgary, AB	Property Under Development	**33.33%**	33.33%
The Well	Toronto, ON	Rental Property	**40%**	40%

	MARCH 31, 2017	DECEMBER 31, 2016
Total assets	**$394,825**	$367,442
Total liabilities	**$146,558**	$131,000

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Revenue	**$1,726**	$2,022
Expenses	**(954)**	(1,658)
Income before fair value adjustment on investment properties	**772**	364
Fair value gain (loss) on investment properties	**2,201**	(3,221)
Net income (loss)	**$2,973**	$(2,857)

21. SEGMENTED INFORMATION

To measure performance based on income from property operations, management divides operations into three geographical locations consisting of Eastern Canada (Montréal, Québec City and Ottawa), Central Canada (Toronto and Kitchener) and Western Canada (Winnipeg, Calgary, Edmonton, Vancouver and Victoria). On August 5, 2016, Allied disposed of two properties in Victoria, British Columbia, and consistent with its previously disclosed business strategy, has exited that market.

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

Allied does not allocate interest expense to segments as debt is viewed by management to be used for the purpose of acquisitions, development and improvement of all the properties. Similarly, general and administration expenses, interest income and fair value of derivative instruments are not allocated to segments. These are disclosed below as Other.

SEGMENTED UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Three months ended March 31, 2017	EASTERN CANADA	CENTRAL CANADA	WESTERN CANADA	OTHER	TOTAL
Rental revenue from investment properties	**$28,057**	**$59,561**	**$14,493**	**$—**	**$102,111**
Property operating costs	**(13,569)**	**(23,981)**	**(6,809)**	**—**	**(44,359)**
Net rental income	**14,488**	**35,580**	**7,684**	**—**	**57,752**
Interest expense	**—**	**—**	**—**	**(15,840)**	**(15,840)**
General and administrative expenses	**—**	**—**	**—**	**(3,500)**	**(3,500)**
Amortization of leasing costs and other assets	**(736)**	**(1,156)**	**(238)**	**(521)**	**(2,651)**
Interest income	**—**	**—**	**—**	**329**	**329**
Fair value gain (loss) on investment properties	**(1,711)**	**54,132**	**(8,733)**	**—**	**43,688**
Fair value gain on derivative instruments	**—**	**—**	**—**	**89**	**89**
Loss on disposal of investment properties	**—**	**—**	**—**	**—**	**—**
Net income (loss) and comprehensive income (loss)	**$12,041**	**$88,556**	**$(1,287)**	**$(19,443)**	**$79,867**

SEGMENTED UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Three months ended March 31, 2016	EASTERN CANADA	CENTRAL CANADA	WESTERN CANADA	OTHER	TOTAL
Rental revenue from investment properties	$22,403	$56,274	$15,136		$93,813
Property operating costs	(11,251)	(22,513)	(6,870)		(40,634)
Net rental income	11,152	33,761	8,266	—	53,179
Interest expense	—	—	—	(13,895)	(13,895)
General and administrative expenses	—	—	—	(2,596)	(2,596)
Amortization of leasing costs and other assets	(711)	(913)	(207)	(359)	(2,190)
Interest income	—	—	—	332	332
Fair value gain (loss) on investment properties	(7,978)	10,191	5,431	—	7,644
Fair value loss on derivative instruments	—	—	—	(4,882)	(4,882)
Loss on disposal of investment properties	—	(124)	—		(124)
Net income (loss) and comprehensive income (loss)	$2,463	$42,915	$13,490	$(21,400)	$37,468

22. INCOME TAXES

Allied is taxed as a "Mutual Fund Trust" for income tax purposes. Pursuant to its Declaration of Trust, it distributes or designates substantially all of its taxable income to Unitholders and does not deduct such distributions or designations for income tax purposes. Accordingly, no provision for income taxes has been made. Income tax obligations relating to distributions of Allied are the obligations of the Unitholders.

23. 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 and key management and their close family members.

Allied engages in third-party property management business, including the provision of services for properties in which certain trustees of Allied have an ownership interest. For the three months ended March 31, 2017 real estate service revenue earned from these properties was $57 (for the three months ended March 31, 2016 - $39).

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:

	THREE MONTHS ENDED	
	MARCH 31, 2017	MARCH 31, 2016
Salary, bonus and other short-term employee benefits	**$916**	$968
Unit-based compensation	**641**	504
	$1,557	$1,472

24. RISK MANAGEMENT

(A) *Capital management*

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

Various debt, equity and earnings distributions ratios are used to monitor capital adequacy requirements. For debt management, debt to gross book value and fair value, debt average term to maturity, and variable debt as a percentage of total debt are the primary ratios used in capital management. The Declaration of Trust requires Allied to maintain debt to gross book value, as defined by the Declaration of Trust, of less than 60% (65% including convertible debentures, if any) and the variable rate debt and debt having maturities of less than one year to not exceed 15% of gross book value. As at March 31, 2017, the debt to gross book value ratio was 36.6% (December 31, 2016 - 36.6%) and debts having variable interest rates or maturities of less than one year aggregated to 4.5% of gross book value (December 31, 2016 - 3.7%).

On December 15, 2016, Allied filed a short form Base Shelf Prospectus allowing for the issuance, from time to time, of Units and debt securities, or any combination there of having an aggregate offering price of up to $1,000,000. This document is valid for a 25-month period.

Allied has certain key financial covenants in its Unsecured Debentures, Unsecured Facility and Unsecured Term Loans. The key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are evaluated by the Trust 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 March 31, 2017, and December 31, 2016.

(B) *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in market prices. Allied is exposed to interest rate risk on its borrowings. Substantively all of Allied's mortgages payable as at March 31, 2017, 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 March 31, 2017, the Unsecured Facility, which is at a floating interest rate and is exposed to changes in interest rates, has a balance of $94,000 (December 31, 2016 - $47,000). In addition, there is a risk that interest rates will fluctuate from the date Allied commits to a debt to the date the interest rate is set with the lender. As part of its risk management program, Allied endeavours to maintain an appropriate mix of fixed rate and floating rate debt, to stagger the maturities of its debt and to minimize the time between committing to a debt and the date the interest rate is set with the lender.

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

		-1.0%	+1.0%
AS AT MARCH 31, 2017	CARRYING AMOUNT	INCOME IMPACT	INCOME IMPACT
Unsecured Facility	**$94,000**	**$940**	**$(940)**
Mortgages payable maturing within one year	**$143,414**	**$1,434**	**$(1,434)**

(C) *Credit risk*

Credit risk from tenant receivables arises from the possibility that tenants 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 tenant base, ensuring no individual tenant contributes a significant portion of Allied's revenues and conducting credit reviews of new tenants. Management reviews tenant receivables on a regular basis and reduces carrying amounts through the use of an allowance for doubtful accounts and the amount of any loss is recognized in the Consolidated Statements of Income and Comprehensive Income within property operating costs. As at March 31, 2017, and March 31, 2016, allowance for doubtful accounts totals $1,534 and $1,897, respectively.

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

	MARCH 31, 2017	MARCH 31, 2016
Less than 30 days	**$2,048**	$2,068
30 to 60 days	**951**	1,215
More than 60 days	**5,403**	13,237
Total	**$8,402**	$16,520

(D) *Liquidity risk*

Liquidity risk arises from the possibility of not having sufficient capital available to fund ongoing operations or ability to refinance or meet obligations as they come due. Mitigation of liquidity risk is also managed through credit risk as discussed above. A significant portion of Allied's assets have been pledged as security under the related mortgages and other security agreements. Interest rates on the mortgages payable are between 2.00% and 6.88% for March 31, 2017, and December 31, 2016.

As at March 31, 2017, Allied has entered into interest rate derivative contracts to limit its exposure to fluctuations in the interest rates on $236,554 of its variable rate mortgages payable and $350,000 of its variable rate Unsecured Term Loans (December 31, 2016 - $238,378 and $350,000, respectively). Gains or losses arising from the change in fair values of the interest rate derivative contracts are recognized in the Consolidated Statements of Income and Comprehensive Income. For the three months ended March 31, 2017, Allied recognized, as part of the change in fair value adjustment on derivative instruments, a net gain of $89 (for the three months ended March 31, 2016 – net loss of $4,882).

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

(E) *Maturity Analysis*

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

	REMAINING 2017	2018	2019	2020	2021	THEREAFTER	TOTAL
Mortgages payable	$165,459	$135,304	$188,172	$62,109	$158,405	$618,117	$1,327,566
Construction loans payable	772	772	26,764	—	—	—	28,308
Unsecured Facility	1,824	2,432	94,203	—	—	—	98,459
Unsecured Debentures	10,750	14,334	14,334	235,118	5,901	155,901	436,338
Unsecured Term loans	7,218	159,299	5,685	5,685	200,000	—	377,887
Total	**$186,023**	**$312,141**	**$329,158**	**$302,912**	**$364,306**	**$774,018**	**$2,268,558**

25. COMMITMENTS AND CONTINGENCIES

Allied has entered into commitments for acquisitions, building renovations with respect to leasing activities and development costs. The commitments as at March 31, 2017, and December 31, 2016, were $102,770 and $107,121, respectively.

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 claims would not have a significant effect on the unaudited condensed consolidated financial statements.

Allied, through a financial intermediary, has issued letters of credit in the amount of $2,840 representing deposits on financing requirements (December 31, 2016 - $3,040).

26. SUBSEQUENT EVENTS

On April 5, 2017, Allied repaid a mortgage on maturity amounting to $4,870 with an interest rate of 3.942%.

On April 21, 2017, Allied issued $200,000 principal amount of Series C senior unsecured debentures under the base shelf prospectus dated December 15, 2016, with an interest rate of 3.636% per annum that mature on April 21, 2025.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