

ALLIED

Quarterly Report March 31, 2020

Urban environments for
creativity and connectivity

04.29.20



Q1 2020

SANOI GROWTH 4.3%

FFO PER UNIT GROWTH 3.4% (EXCLUDING CONDO MARKETING COSTS)

AFFO PER UNIT GROWTH 4.5% (EXCLUDING CONDO MARKETING COSTS)

RENT GROWTH ON RENEWALS AND REPLACEMENTS 24.2%

NAV/UNIT GROWTH 11.7%

DEBT RATIO AT QUARTER-END 27.2%

UNENCUMBERED ASSETS AT QUARTER-END \$6.0B

ALLIED

Quarterly Report

March 31, 2020

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Letter to Unitholders

Dear Fellow Unitholder:

As you know, a global pandemic overshadowed the first quarter of 2020, forcing people around the world to confront a sudden and severe public-health crisis. Governments, businesses and citizens have implemented extreme physical-distancing measures in an effort to mitigate the spread of a novel virus, COVID-19. The measures appear to be working, but many of our fellow human beings have suffered and died as a result of infection. Even more of our fellow human beings are providing the services needed to care for the afflicted and to provide the essentials of human life. Having taken all necessary physical-distancing measures, our Trustees and employees express deep gratitude to the men and women providing essential services worldwide, including the building operators, contractors and security personnel protecting our buildings and building users.

The physical-distancing measures necessary to mitigate the spread of the virus have caused severe economic disruption. Governments and central banks worldwide have provided massive economic stimulus to counter the disruption and are likely to provide additional stimulus going forward. While this bodes well for recovery, there is no way to predict at this time the duration or severity of the current economic downturn.

Every macro-crisis I've experienced in my long career in commercial real estate has had its own rhythm or cycle. The real estate crash of the early 1990s in Toronto was severe and protracted. The current downturn in Calgary is the same. You need years of fortitude and endurance to work through such crises. It's well worth it, if you can do it, and Allied did it in Toronto before going public and in Calgary after going public.

The global financial crisis was sudden, severe and relatively short, especially in Canada. You didn't need the same level of endurance, but you had to look into the abyss and convince yourself and others that this too will pass. You needed more fortitude, but nowhere near as much endurance. Again, it was well worth it, and Allied did it.

I believe that what we're going through now is more akin to the global financial crisis. It has been sudden and severe, but I don't believe it will be protracted in the way the real estate crash of the early 1990s was in Toronto or the way that the recent downturn has been in Calgary. Indeed, I believe things are beginning to turn, especially from a public-health perspective. The economic downturn we're in will likely outlast the global pandemic that triggered it, but Allied has been built to withstand recession and to take advantage of opportunities that almost invariably arise in recessionary times.

The Allied team prepared well for physical distancing. Despite the reality we now face, our team members are communicating within departments and regions and across departments and regions, and they're doing it enthusiastically and effectively, all with a view to rising to the occasion for the benefit of Allied. In my view, this success is underpinned by the inter-departmental and inter-regional coordination and accountability that we've been working on for years now. While the physical distancing we've implemented is challenging, our team can and will make it work.

Our overriding goal as we work through the global pandemic is to safeguard the well-being of our employees, essential suppliers, customers and communities. A small percentage (approximately 8% by rental revenue) of our customers (mostly established storefront retailers) are in genuine need of financial assistance. We intend to assist these customers judiciously with temporary rent deferrals one month at a time starting in April. Based on long-standing customer relationships, we believe these customers are viable enterprises with the potential to operate successfully from our urban retail space once physical-distancing measures are lifted, just as the vast majority of them have done for years now.

FIRST-QUARTER RESULTS

Allied propelled strong internal and external growth in the first quarter of 2020, with a mid-single-digit percentage increase in same-asset NOI, FFO per unit and AFFO per unit and an 11.7% increase in NAV per unit. We also issued unsecured debentures in the aggregate principal amount of \$400 million and bearing interest at 3.117% per year for a term of 10 years. Half of the proceeds were used to prepay a \$200 million unsecured term loan maturing in 2021, with the result that we now have very little debt maturing in 2020 (\$23 million of first mortgage amortization) and 2021 (\$27 million of first mortgage amortization). Our balance sheet and debt-metrics are stronger than ever.

SHORT-TERM OUTLOOK

While consistent with our original outlook for 2020, our first-quarter results can't be taken alone in formulating an outlook for the remainder of 2020. We anticipate some downward pressure on our rental revenue in the short-term as a result of the global pandemic and consequent economic disruption. Most indicative in that regard is our rent collection for the month of April, which is the first full month during which physical-distancing measures were in place across Canada.

Gross monthly rent due in April was \$54 million. 3.2% of the total amount due derives from parking use, 7% from retail use, 15.4% from urban-data-centre (UDC) use and 74.4% from office use. In light of the current economic disruption, we have afforded a one-month rent deferral to users in genuine financial need, which for us includes a significant portion of our retail users and a very small portion of our office users in early stages of business development. We expect to afford another one-month rent deferral to such users for the month of May.

To date, we've collected 90% of the total amount due in April and afforded one-month deferrals aggregating \$4.2 million (8% of the total amount due). This leaves 2% of the total amount due in April to be collected. We're actively pursuing collection of the constituent amounts and expect to be successful in most instances.

Users of our UDC space experienced a surge in activity in late March and throughout April. The use of our meet-me-rooms and cross-connection capability is rising accordingly, as is the need for additional power, which we can supply profitably in meaningful quantities. We expect the surge to provide a boost to our earnings in 2020 and a more material boost to our longer-term earnings. We expect to be in a position to quantify this more fully when we report our second-quarter results.

It is clear from the above that we'll experience some erosion in our rental revenue over the remainder of 2020, primarily in the form of turnover vacancy in space we originally expected to be productive throughout 2020. We don't believe the short-term erosion will be material, especially when we consider probable positive offsets flowing from our UDC space and other aspects of our operations.

Our original internal forecast for 2020 called for mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. In light of the global pandemic and consequent economic disruption, our revised internal forecast for 2020 calls for flat-to-mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. We expect to allocate a large amount of capital in 2020 with the same strategic coherence and discipline we demonstrated in 2019. We're committed to allocating \$335 million to development and value-add activity over the course of 2020, and we expect to allocate additional capital to accretive acquisitions.

There are material areas of uncertainty with respect to our revised internal forecast, the most significant being the fact that we can't predict the duration of the physical-distancing measures that are now in place across Canada. We also can't predict how consumers will respond in the short term when physical-distancing measures are lifted or relaxed.

LONG-TERM OUTLOOK

I've been pleasantly surprised by the pace of our leasing activity while physical-distancing measures are in place. Our leasing teams continue to finalize lease renewals and entertain new requests for space in Montréal, Toronto, Vancouver and even Calgary. Because of the supply-demand dynamics in Montréal, Toronto and Vancouver, I expect continued upward pressure on rental rates. While there's no such pressure in Calgary, there appears to be continued demand for distinctive urban workspace on the part of knowledge-based organizations.

Our development activity has implications for our long-term outlook. Construction activity at all of our large development sites in Toronto is ongoing at about 80% of normal capacity. While there are understandable concerns for the health and well-being of construction workers, the prevailing view of all involved has been that appropriate physical-distancing and sanitation measures can be achieved without suspending work. The other issue that could impact on timing is supply-chain interruption. We are monitoring this closely, but we have not yet had to invoke *force majeure* provisions with respect to the delivery of space to users that have entered into pre-leasing commitments with us. Invoking these provisions would delay delivery dates, but would not result in penalties being payable by us in relation to the delay.

In my opinion, equity market valuation of public real estate entities is now largely disconnected from underlying real estate values. I've seen this occur several times in Allied's 17 years as a public real estate entity. In every instance, real estate values did not follow the equity markets down, but rather the equity markets caught back up with underlying real estate values in a reasonably short period of time. This is what I expect will happen this time around.

We continue to have deep confidence in, and commitment to, our strategy of consolidating and intensifying distinctive urban workspace and network-dense UDCs in Canada's major cities. We firmly believe that our strategy is underpinned by the most important secular trends in Canadian and global real estate and that these trends will not be altered in any material way by the global pandemic or its aftermath. We also firmly believe that we have the properties, the financial strength, the people and the platform necessary to execute our strategy for the ongoing benefit of our unitholders.

In the context of the global pandemic and its aftermath, I think it's worth repeating what I've said in the past about our vision and mission:

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

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

Real estate is no longer a passive investment or a static tolling business. It's a profoundly human business that needs to keep pace with demographic and technological change, as well as the ongoing change in human attitudes and values. It needs to be run for my granddaughters' generation and for those that follow. This means we have to run commercial real estate to save the global environment, not destroy it. It means we have to foster human wellness, not undermine it. It means we have to promote diversity, not impose uniformity. It means we have to facilitate creativity, not encourage conformity. Finally, it means we have to build and operate as city builders, which in a way embraces everything else I've just said.

While only time will tell, I don't believe any aspect of our vision or mission will be undermined by the global pandemic and its aftermath. People will not retreat from cities, nor will they become less social. We are, and always will be, social beings. Sensitivity to wellness and sustainability will be more pronounced than ever, but it will not be new in any way to city builders. Perhaps most importantly for our vision and mission, the men and women who constitute knowledge-based organizations are not going to retreat in droves to technologically-empowered home offices. Indeed, as one perceptive Canadian put it, "the dream of working from home has been destroyed forever by COVID-19". I've never dreamed of working from home and never will, but I think that particular Canadian is absolutely correct.

* * *

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,

A handwritten signature in black ink, appearing to read "Michael Emory". The signature is stylized with a large, looping initial "M" and a cursive "Emory".

Michael Emory
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Management's Discussion and Analysis of Results of Operations and Financial Condition as at March 31, 2020

Section I

–Overview

Allied is an unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust (“Declaration of Trust”) dated October 25, 2002, as amended and restated from time to time, most recently on April 14, 2020. Allied is governed by the laws of Ontario. Allied’s units (“Units”) are publicly traded on the Toronto Stock Exchange under the symbol “AP.UN”. Additional information on Allied, including its annual information form, is available on SEDAR at www.sedar.com.

This Management’s Discussion and Analysis (“MD&A”) of results of operations and financial condition relates to the quarter ended March 31, 2020. Unless the context indicates otherwise, all references to “Allied”, “we”, “us” and “our” in this MD&A refer to Allied Properties Real Estate Investment Trust. The Board of Trustees of Allied, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

This MD&A has been prepared with an effective date of April 29, 2020, and should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the quarter ended March 31, 2020, and Allied’s 2019 Annual Report. Historical results and percentage relationships contained in this MD&A, including trends that might appear, should not be taken as indicative of future results, operations or performance. Unless otherwise indicated, all amounts in this MD&A are in thousands of Canadian dollars.

NON-IFRS MEASURES

Readers are cautioned that certain terms used in the MD&A such as Funds from Operations (“FFO”), Normalized Funds from Operations (“Normalized FFO”), Adjusted Funds from Operations (“AFFO”), Normalized Adjusted Funds from Operations (“Normalized AFFO”), Net Rental Income (“NRI”) (a non-IFRS measure on a consolidated basis), Net Operating Income (“NOI”), “Same Asset NOI”, Net Asset Value (“NAV”), Gross Book Value (“GBV”), Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”), Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”), “Payout Ratio”, “Interest Coverage”, “Net Debt to Adjusted EBITDA” and any related per unit amounts used by Management of Allied to measure, compare and explain the operating results and financial performance of Allied do not have any standardized meaning prescribed under International Financial Reporting Standards (“IFRS”) and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS.

These terms are defined in the MD&A and reconciled to the unaudited condensed consolidated financial statements of Allied for the quarter ended March 31, 2020. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See “Other Financial Performance Measures”, “Net Operating Income”, “Debt” and “Financial Covenants”.

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

FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws, including, among other things, statements concerning Allied’s objectives and strategies to achieve those objectives, statements with respect to Management’s beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not historical facts. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as “indicators”, “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “continue” or similar expressions suggesting future outcomes or events. In particular, certain statements in the Letter to Unitholders, Section I—Overview, under the headings “Business Overview and Strategy”, “Focus and Definition”, “Vision and Mission”, “Corporate Social Responsibility” and “Business Environment and Outlook”, Section II—Leasing under the heading “Lease Maturity”, Section III—Asset Profile, under the headings “Rental Properties”, and “Development Properties”, Section IV—Liquidity and Capital Resources

and Section IX—Risks and Uncertainties, constitute forward-looking information. This MD&A includes, but is not limited to, forward-looking statements regarding: expected capital expenditure and allocation over 2020; completion of construction and lease-up in connection with Properties Under Development (“PUDs”); growth of our normalized FFO and normalized AFFO per unit; continued demand for space in our target markets; the expected effect of the global pandemic and consequent economic disruption; expected erosion in rental revenue over 2020; expected changes in Allied’s internal forecast; increase in operating income per square feet of gross leasable area (“GLA”); ability to extend lease terms; the creation of future value; estimated GLA, NOI and growth from PUDs; estimated costs of PUDs; future economic occupancy; return on investments, including yield on cost of PUDs; estimated rental NOI and anticipated rental rates; lease up of our intensification projects; anticipated available square feet of leasable area; Management’s plans to put additional buildings forward for certification; our ability to generate ancillary revenue; our ability to achieve risk-adjusted returns on intensification; receipt of municipal approval for value-creation projects, including intensifications; and completion of future financings and availability of capital. Such forward-looking statements reflect Management’s current beliefs and are based on information currently available to Management.

The forward-looking statements in this MD&A are not guarantees of future results, operations or performance and are based on estimates and assumptions that are subject to risks and uncertainties, including those described in Section IX - Risks and Uncertainties, which could cause actual results, operations or performance to differ materially from the forward-looking statements in this MD&A. Those risks and uncertainties include risks associated with property ownership, property development, geographic focus, asset-class focus, competition for real property investments, financing and interest rates, government regulations, environmental matters, construction liability, taxation, cybersecurity, and COVID-19. Material assumptions that were made in formulating the forward-looking statements in this MD&A include the following: that our current target markets remain stable, with no material increase in supply of directly-competitive office space; that acquisition capitalization rates remain reasonably constant; that the trend toward intensification within our target markets continues; and that the equity and debt markets continue to provide us with access to capital at a reasonable cost to fund our future growth and potentially refinance our mortgage debt as it matures. Although the forward-looking statements contained in this MD&A are based on what Management believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these statements.

All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Without limiting the generality of the foregoing, the discussion in the Letter to Unitholders, Section I—Overview and Section III—Asset Profile are qualified in their entirety by this forward-looking disclaimer. These statements are made as of April 29, 2020, and, except as required by applicable law, Allied undertakes no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

SUMMARY OF KEY FINANCIAL AND OPERATING PERFORMANCE MEASURES

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

	THREE MONTHS ENDED		YEAR ENDED
	MARCH 31, 2020	MARCH 31, 2019	DECEMBER 31, 2019
(\$000's except per-square foot, per-unit and financial ratios)			
Portfolio			
Number of properties	198	179	192
Total rental GLA (000's of square feet)	13,632	11,422	12,948
Leased rental GLA (000's of square feet)	12,929	11,010	12,278
Leased area	94.8%	96.4%	94.8%
Occupied area	94.5%	96.2%	94.4%
Average in-place net rent per occupied square foot (period-end)	22.91	23.12	22.88
Renewal and replacement rate for leases maturing in the period	61.2%	67.7%	84.9%
Increase in net rent on maturing leases	24.2%	19.6%	18.7%
Investment properties ⁽¹⁾	8,232,495	6,415,217	7,576,225
Total assets ⁽¹⁾	8,796,260	6,989,138	8,324,179
Cost of PUD as % of GBV	9.7%	8.0%	9.4%
Unencumbered investment properties	6,012,110	4,301,020	5,464,860
Total debt ⁽¹⁾	2,366,034	1,873,942	2,155,181
Net asset value ⁽¹⁾	5,930,543	4,704,506	5,717,699
Annualized Adjusted EBITDA	342,576	287,944	310,291
Net debt	2,344,366	1,783,594	1,943,899
Net debt as a multiple of Annualized Adjusted EBITDA	6.8x	6.2x	6.3x
Adjusted EBITDA	85,644	71,986	310,291
Interest expense ⁽¹⁾	16,812	15,259	60,826
Adjusted EBITDA as a multiple of interest expense	5.1x	4.7x	5.1x
Rental revenue from investment properties ⁽¹⁾	139,324	116,486	497,256
NOI	84,953	72,678	309,992
Same Asset NOI - rental portfolio	73,919	70,843	281,259
Same Asset NOI - total portfolio	73,476	70,810	286,388
Net income excluding gain on disposal and fair value adjustments ⁽²⁾	60,717	48,786	210,994
Net income	254,913	143,177	629,223
FFO	71,089	58,548	251,083

		THREE MONTHS ENDED		YEAR ENDED
		MARCH 31, 2020	MARCH 31, 2019	DECEMBER 31, 2019
(\$000's except per-square foot, per-unit and financial ratios)				
Normalized FFO ⁽³⁾		71,089	58,548	255,102
Normalized AFFO ⁽³⁾		61,780	50,186	215,632
Distributions		50,746	42,140	180,284
Per unit:				
Net income excluding gain (loss) on disposal and fair value adjustments		0.49	0.46	1.87
Net income		2.07	1.36	5.58
FFO		0.577	0.555	2.227
Normalized FFO ⁽³⁾		0.577	0.555	2.263
Normalized FFO payout ratio ⁽³⁾		71.4%	72.0%	70.7%
Normalized FFO ⁽³⁾ excluding condo marketing costs		0.582	0.563	2.301
Normalized AFFO ⁽³⁾		0.501	0.475	1.913
Normalized AFFO payout ratio ⁽³⁾		82.1%	84.0%	83.6%
Normalized AFFO ⁽³⁾ excluding condo marketing costs		0.506	0.484	1.951
Distributions		0.41	0.40	1.60
Net asset value		48.17	43.12	46.55
Actual Units outstanding		123,112,749	109,096,263	122,838,799
Weighted average diluted Units outstanding		123,255,260	105,546,682	112,731,050
Financial Ratios		ALLIED'S TARGETS		
Total indebtedness ratio		<35%	27.2%	27.0%
Secured indebtedness ratio		<45%	8.8%	12.2%
Debt service coverage ratio		>1.50x	2.6x	2.5x
Unencumbered property asset ratio		>1.40x	3.8x	4.2x
Interest-coverage ratio - including interest capitalized		>3.0x	3.3x	3.3x

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

(2) Includes \$198 of fair value adjustments related to an equity accounted investment (March 31, 2019 - \$3,151).

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

BUSINESS OVERVIEW AND STRATEGY

Allied is a leading owner, manager and developer of (i) distinctive urban workspace in Canada's major cities and (ii) network-dense urban data centres in Toronto that form Canada's hub for global connectivity. Allied's business is providing knowledge-based organizations with distinctive urban environments for creativity and connectivity.

DISTINCTIVE URBAN WORKSPACE

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

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

URBAN DATA CENTRE ("UDC") SPACE

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

WORKSPACE INNOVATION

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

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

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

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

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

FOCUS AND DEFINITION

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

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

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

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

VISION AND MISSION

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

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

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

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

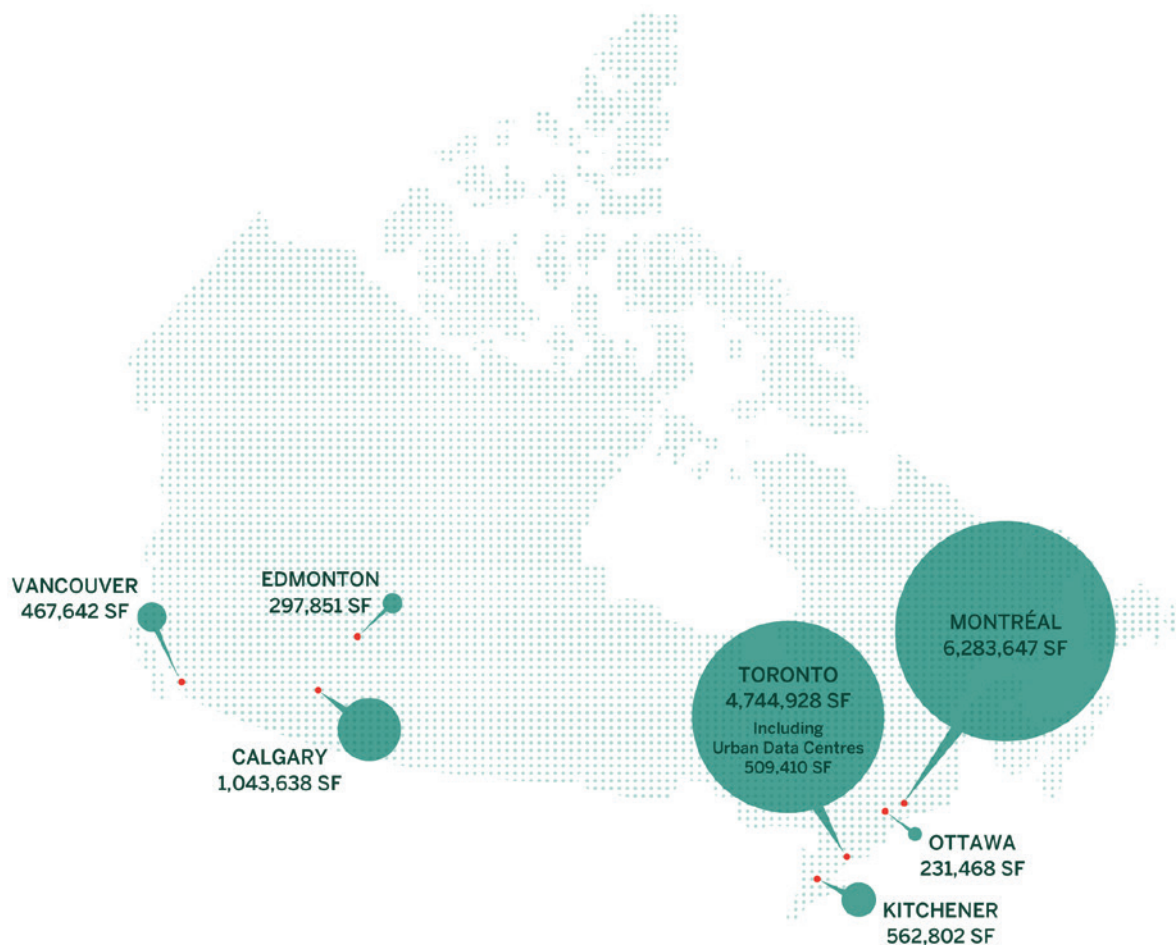
City building requires commitment, innovation and imagination, something Allied strives for on an ongoing basis. In an era of remarkable and continuous urban intensification, city building is essential to sustained profitability in real estate. Sporadic profitability is achievable without reference to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

PROPERTY MANAGEMENT

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

PROPERTY PORTFOLIO

Allied completed its initial public offering on February 20, 2003, at which time it had assets of \$120 million, a market capitalization of \$62 million and a local, urban-office portfolio of 820,000 square feet of GLA. As of March 31, 2020, Allied had assets of \$8.8 billion, a market capitalization of \$5.5 billion and rental properties with 13.6 million square feet of GLA in seven cities across Canada. The illustration below depicts the geographic diversity of Allied's rental portfolio.



ACQUISITIONS AND DISPOSITIONS

During the three months ended March 31, 2020, Allied completed the following property acquisitions from third parties:

PROPERTY	ACQUISITION DATE	ACQUISITION COST ⁽¹⁾	OFFICE GLA	RETAIL GLA	TOTAL GLA
3530-3540 Saint-Laurent, Montréal ⁽²⁾	January 14, 2020	\$13,421	47,068	4,008	51,076
4396-4410 Saint-Laurent, Montréal ⁽³⁾	January 15, 2020	18,530	41,799	13,535	55,334
54 The Esplanade, Toronto	January 16, 2020	26,079	—	9,038	9,038
747 Square-Victoria, Montréal ⁽⁴⁾	January 28, 2020	284,541	530,950	37,752	568,702
Ancillary residential properties, Toronto ⁽⁵⁾		3,224	—	—	—
Total		\$345,795	619,817	64,333	684,150

(1) Purchase price plus transaction costs.

(2) This property has a parking lot component containing 76 spaces.

(3) This property has a parking lot component containing 40 spaces.

(4) This property has a parking lot component containing 585 spaces.

(5) Allied acquired two ancillary residential properties during the three months ended March 31, 2020.

On April 20, 2020, Allied completed the purchase of The Landing, 375 Water Street, Vancouver, for a purchase price of \$225,000.

During the three months ended March 31, 2020, Allied did not dispose of any investment properties.

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

BUSINESS ENVIRONMENT AND OUTLOOK

A global pandemic has forced people around the world to confront a sudden and severe public-health crisis. Governments, businesses and citizens have implemented extreme physical-distancing measures in an effort to mitigate the spread of a novel virus, COVID-19. The measures appear to be working, but many human beings have suffered and died as a result of infection. Even more human beings are providing the services needed to care for the afflicted and to provide the essentials of human life. Having taken all necessary physical-distancing measures, the Trustees and employees of Allied express deep gratitude to the men and women providing essential services worldwide, including the building operators, contractors and security personnel protecting Allied's buildings and building users.

The physical-distancing measures necessary to mitigate the spread of the virus have caused severe economic disruption. Governments and central banks worldwide have provided massive economic stimulus to counter the disruption and are likely to provide additional stimulus going forward. While this bodes well for recovery, there is no way to predict at this time the duration or severity of the current economic downturn.

Allied's original internal forecast for 2020 called for mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. In light of the global pandemic and consequent economic disruption, its revised internal forecast for 2020 calls for flat-to-mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. Allied expects to allocate a large amount of capital in 2020 with the same strategic coherence and discipline it demonstrated in 2019. Allied is committed to allocating \$335,000 to development and value-add activity over the course of 2020, and it expects to allocate additional capital to accretive acquisitions.

Allied continues to have deep confidence in, and commitment to, its strategy of consolidating and intensifying distinctive urban workspace and network-dense UDCs in Canada's major cities. Allied firmly believes that its strategy is underpinned by the most important secular trends in Canadian and global real estate and that these trends will not be altered in any material way by the global pandemic or its aftermath. Allied also firmly believes that it has the properties, the financial strength, the people and the platform necessary to execute its strategy for the ongoing benefit of its unitholders.

Section II

–Leasing

Allied strives to maintain high levels of occupancy and leased area. At March 31, 2020, Allied's rental portfolio was 94.8% leased.

STATUS

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

	GLA	AS A % OF TOTAL GLA ⁽¹⁾
Leased area (occupied & committed)		
December 31, 2019	12,277,746	94.8%
Vacancy committed for future leases	(60,635)	
Occupancy - December 31, 2019	12,217,111	94.4%
Previous committed vacant space now occupied	52,154	
New leases and expansions on vacant space	35,575	
New vacancies during the period	(74,217)	
Surrender / early termination agreements	(8,524)	
Suite additions, re-measurements and removals	36,639	
Occupancy (pre acquisitions, dispositions and transfers)	12,258,738	94.7%
Occupancy related to acquired properties	618,676	
Occupancy - March 31, 2020	12,877,414	94.5%
Vacancy committed for future leases	51,833	
Leased area (occupied & committed) March 31, 2020	12,929,247	94.8%

(1) Excludes properties under development.

Of the 13,631,976 square feet total GLA in Allied's rental portfolio, 12,877,414 square feet was occupied by users on March 31, 2020. Another 51,833 square feet were subject to contractual lease commitments with users whose leases commence subsequent to March 31, 2020, bringing the leased area to 12,929,247 square feet, which represents 94.8% of Allied's total rental portfolio GLA.

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

FIXTURING COMMENCEMENT (OCCUPANCY)	Q2 2020	Q3 2020	Q3 2023	TOTAL
Lease commitments - GLA	40,733	5,550	5,550	51,833
% of lease commitments	78.6%	10.7%	10.7%	100%

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

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

RENT COMMENCEMENT (ECONOMIC OCCUPANCY)	Q2 2020	Q3 2020	Q4 2020	Q4 2023	TOTAL
Lease commitments - GLA	14,303	8,537	23,443	5,550	51,833
% of lease commitments	27.6%	16.5%	45.2%	10.7%	100%

Allied monitors the level of sub-lease space being marketed in its rental portfolio. Below is a summary of sub-lease space being marketed by city as at March 31, 2020, and December 31, 2019:

	MARCH 31, 2020	DECEMBER 31, 2019
Toronto	69,753	66,845
Kitchener	—	1,429
Montréal	73,023	49,370
Calgary	48,986	55,889
Edmonton	2,416	2,416
Vancouver	2,205	9,819
Total square feet	196,383	185,768
% of Total GLA	1.4%	1.4%

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

ACTIVITY

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

Leasing activity in connection with the rental portfolio as at March 31, 2020, is summarized in the following table:

	LEASABLE SF	LEASED SF BY MARCH 31	% LEASED BY MARCH 31	UNLEASED SF AT MARCH 31
Unleased area on January 1, 2020, including re-measurement	634,742	55,734	8.8%	579,008
Maturities during the period ended March 31, 2020	182,770	111,880	61.2%	70,890
Maturities in remainder of 2020	1,070,336	100,308	9.4%	970,028

On January 1, 2020, 634,742 square feet of GLA was vacant. By the three months ended March 31, 2020, Allied had leased 55,734 square feet of this GLA, leaving 579,008 square feet unleased (net of vacancy transferred to PUD, if any).

Leases for 182,770 square feet of GLA matured in the period ending March 31, 2020, at the end of which Allied renewed or replaced leases totaling 111,880 square feet of GLA, leaving 70,890 square feet unleased.

Leases for 1,070,336 square feet of GLA are maturing in the remainder of 2020. Allied has either renewed or replaced 100,308 square feet, leaving 970,028 square feet yet to be replaced or renewed.

For the three months ended March 31, 2020, the table below summarizes the rental rates achieved for leases that were either renewed or replaced. Overall, this has resulted in an increase of 24.2% in the net rent per square foot from maturing leases. This high increase stems from the material rent growth in Allied's primary target markets in Toronto.

LEASE RENEWALS/ REPLACEMENTS	FOR THE THREE MONTHS ENDED, MARCH 31, 2020		
	ABOVE IN-PLACE RENTS	AT IN-PLACE RENTS	BELOW IN-PLACE RENTS
% of total leased SF	71.9%	17.1%	10.9%
Maturing leases - weighted average rent	\$17.33	\$17.74	\$22.32
Renewals and replacements - weighted average rent	\$24.16	\$17.74	\$13.77

USER PROFILE

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

CATEGORY	% OF RENTAL REVENUE MARCH 31, 2020
Business services and professional	34.9%
Telecommunications and information technology	29.0%
Media and entertainment	12.1%
Retail	8.9%
Financial services	4.9%
Parking & other	4.4%
Government	4.3%
Educational and institutional	1.5%
	100.0%

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

USER	% OF RENTAL REVENUE MARCH 31, 2020	WEIGHTED AVERAGE REMAINING LEASE TERM (YEARS)	CREDIT RATING DBRS/S&P/MOODY'S
Cloud Service Provider	4.6%	1.0*	-/AAA/Aaa**
Ubisoft	2.6%	12.2	Not Rated
Cologix	2.5%	17.8	-/B-/B3
Equinix	2.2%	5.1	-/BBB-/Ba1
Shopify Inc.	1.5%	6.0	Not Rated
National Capital Commission, a Canadian Crown Corporation	1.4%	20.9	Not Rated
Bell Canada	1.3%	15.6	BBBH/BBB+/Baa1
Morgan Stanley	1.3%	8.8	AH/BBB+/A3
Entertainment One	1.1%	8.2	-/BBB-/Baa3**
Technicolor Canada	1.0%	4.4	-/B-/Caa1**
	19.5%	10.0	

* As a result of an extension completed subsequent to quarter end, the weighted average remaining lease term for this user is 2.5 years.

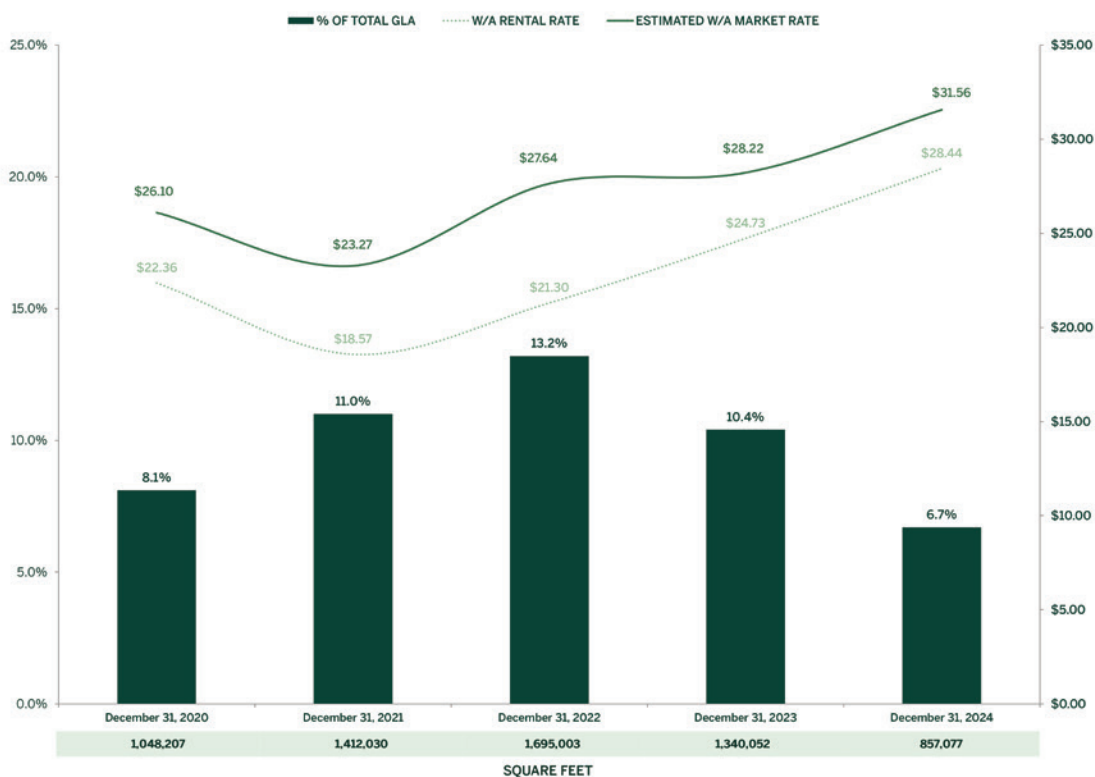
** Credit rating for parent company

LEASE MATURITY

As at March 31, 2020, 94.8% of the GLA in Allied's rental portfolio was leased. The weighted average term to maturity of Allied's leases at that time was 5.8 years. The weighted average market net rental rate is based on Management's current estimates and is supported in part by independent appraisals of certain relevant properties. There can be no assurance that Management's current estimates are accurate or that they will not change with the passage of time.

The following table contains information on the urban workspace, retail and urban data centre leases that mature up to 2024 and the corresponding estimated weighted average market rental rate as at March 31, 2020. Where the renewal rate on maturity is contractually predetermined, it is reflected below as the market rental rate.

TOTAL RENTAL PORTFOLIO	SQUARE FEET	% OF TOTAL GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	1,048,207	8.1%	22.36	26.10
December 31, 2021	1,412,030	11.0%	18.57	23.27
December 31, 2022	1,695,003	13.2%	21.30	27.64
December 31, 2023	1,340,052	10.4%	24.73	28.22
December 31, 2024	857,077	6.7%	28.44	31.56



The following tables contain information on lease maturities by segment:

MONTRÉAL & OTTAWA	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	365,029	6.0%	13.45	15.93
December 31, 2021	809,578	13.3%	16.33	17.91
December 31, 2022	607,597	10.0%	17.97	20.08
December 31, 2023	396,517	6.5%	17.50	18.20
December 31, 2024	203,703	3.4%	17.26	17.01

TORONTO & KITCHENER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	376,451	7.9%	18.33	27.44
December 31, 2021	376,674	8.0%	19.74	33.32
December 31, 2022	853,175	18.0%	22.52	33.27
December 31, 2023	635,231	13.4%	25.29	35.55
December 31, 2024	365,072	7.7%	29.04	36.61

CALGARY, EDMONTON & VANCOUVER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	237,051	14.3%	14.18	12.02
December 31, 2021	215,150	13.0%	22.60	20.73
December 31, 2022	204,682	12.3%	19.24	19.06
December 31, 2023	286,004	17.2%	25.00	17.35
December 31, 2024	232,329	14.0%	21.56	19.62

URBAN DATA CENTRES	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2020	69,676	16.4%	118.57	119.96
December 31, 2021	10,628	2.5%	108.73	124.66
December 31, 2022	29,550	6.9%	73.54	76.29
December 31, 2023	22,301	5.2%	133.68	137.06
December 31, 2024	55,973	13.2%	96.66	101.01

Section III

–Asset Profile

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

	MARCH 31, 2020			DECEMBER 31, 2019		
	IFRS BASIS	INVEST- MENT IN JOINT VENTURE	PROPOR- TIONATE BASIS	IFRS BASIS	INVEST- MENT IN JOINT VENTURE	PROPOR- TIONATE BASIS
Assets						
Non-current assets						
Investment properties	\$8,116,485	\$116,010	\$8,232,495	\$7,469,265	\$106,960	\$7,576,225
Residential inventory	119,794	—	119,794	114,910	—	114,910
Investment in joint venture and loan receivable	101,817	(101,817)	—	95,596	(95,596)	—
Loans and notes receivable	252,439	—	252,439	247,413	—	247,413
Other assets	39,777	8	39,785	39,788	—	39,788
	8,630,312	14,201	8,644,513	7,966,972	11,364	7,978,336
Current assets						
Cash and cash equivalents	19,366	2,302	21,668	208,914	2,368	211,282
Loans and notes receivable	3,748	—	3,748	3,863	—	3,863
Accounts receivable, prepaid expenses and deposits	125,485	846	126,331	129,944	754	130,698
	148,599	3,148	151,747	342,721	3,122	345,843
Total assets	\$8,778,911	\$17,349	\$8,796,260	\$8,309,693	\$14,486	\$8,324,179

continued

	MARCH 31, 2020			DECEMBER 31, 2019		
	IFRS BASIS	INVEST- MENT IN JOINT VENTURE	PROPOR- TIONATE BASIS	IFRS BASIS	INVEST- MENT IN JOINT VENTURE	PROPOR- TIONATE BASIS
Liabilities						
Non-current liabilities						
Debt	\$2,336,570	\$—	\$2,336,570	\$2,125,938	\$—	\$2,125,938
Other liabilities	55,191	—	55,191	33,923	—	33,923
Lease liabilities	155,745	—	155,745	155,221	—	155,221
	2,547,506	—	2,547,506	2,315,082	—	2,315,082
Current liabilities						
Debt	29,464	—	29,464	29,243	—	29,243
Accounts payable and other liabilities	271,398	17,349	288,747	247,669	14,486	262,155
	300,862	17,349	318,211	276,912	14,486	291,398
Total liabilities	2,848,368	17,349	2,865,717	2,591,994	14,486	2,606,480
Unitholders' equity	5,930,543	—	5,930,543	5,717,699	—	5,717,699
Total liabilities and Unitholders' equity	\$8,778,911	\$17,349	\$8,796,260	\$8,309,693	\$14,486	\$8,324,179

As at March 31, 2020, Allied's portfolio consisted of 198 investment properties (180 rental properties, eight development properties and 10 ancillary parking facilities), with a fair value of \$8,232,495.

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

	THREE MONTHS ENDED MARCH 31, 2020		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT	TOTAL
Balance, beginning of year	\$6,754,215	\$822,010	\$7,576,225
Additions:			
Acquisitions	345,795	—	345,795
Improvement allowances ⁽¹⁾	9,176	10,971	20,147
Leasing commissions ⁽¹⁾	2,595	1,829	4,424
Capital expenditures ⁽¹⁾	14,050	61,215	75,265
Finance leases	472	—	472
Amortization of straight-line rent and improvement allowances ⁽¹⁾	(6,233)	1,126	(5,107)
Fair value gain (loss) on investment properties ⁽¹⁾	221,945	(6,671)	215,274
Balance, end of year	\$7,342,015	\$890,480	\$8,232,495

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months ended March 31, 2020: improvement allowances of \$3,558; leasing commissions of \$160; capital expenditures of \$4,787; amortization of straight-line rent and improvement allowances of \$347; and fair value gain on investment of \$198.

For the three months ended March 31, 2020, Allied capitalized \$7,258 of borrowing costs, \$5,613 of which related to development activity and \$608 to upgrade activity in the rental portfolio (250 Front W and 151 Front W). Allied capitalized \$1,037 of borrowing costs to qualifying residential inventory.

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

Discounted cash flow method ("DCF method") - Under this approach, discount rates are applied to the projected annual operating cash flows, generally over a ten year period, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income ("NOI"), a non-GAAP measure, in the terminal year. This method is primarily used to value the rental properties portfolio.

Comparable sales method - This approach compares a subject property's characteristics with those of comparable properties which have recently sold. The process uses one of several techniques to adjust the price of the comparable transactions according to the presence, absence, or degree of characteristics which influence value. These characteristics include the cost of construction incurred at a property under development. This method is primarily used to value the development portfolio and ancillary parking facilities.

Allied's entire portfolio is revalued by the external appraiser each quarter. Management verifies all major inputs to the valuations, analyzes the change in fair values at the end of each reporting period and reviews the results with the independent appraiser every quarter. There were no material changes to the valuation techniques during the period. For properties with a leasehold interest with a term less than 40 years, the resulting valuation methodology is based upon a full-term discounted cash flow model.

In valuing the investment properties as at March 31, 2020, the independent appraiser compares the value derived using the DCF method to the value that would have been calculated by applying a capitalization rate to NOI. This is done to assess the reasonability of the value obtained under the DCF method. The resulting portfolio weighted average capitalization rate was 4.83%, detailed in the table below:

OVERALL CAPITALIZATION RATE	MARCH 31, 2020			DECEMBER 31, 2019		
	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE \$	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE \$
Montréal & Ottawa	4.75% - 6.75%	5.03%	\$2,227,808	5.00% - 7.00%	5.28%	\$1,855,598
Toronto & Kitchener	3.75% - 5.75%	4.47%	3,437,922	4.00% - 5.75%	4.62%	3,208,262
Calgary, Edmonton & Vancouver	3.75% - 7.00%	4.93%	734,905	3.75% - 7.00%	4.96%	752,405
Urban Data Centres	5.25% - 6.25%	5.60%	941,380	5.25% - 6.25%	5.60%	937,950
Rental Properties	3.75% - 7.00%	4.82%	\$7,342,015	3.75% - 7.00%	4.96%	\$6,754,215
Properties Under Development	4.75% - 7.00%	4.99%	890,480	5.00% - 7.00%	5.25%	822,010
Total Investment Properties	3.75% - 7.00%	4.83%	\$8,232,495	3.75% - 7.00%	4.98%	\$7,576,225

RENTAL PROPERTIES

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

URBAN WORKSPACE

Allied has evolved into a leading owner, manager and developer of urban workspace in Canada's major cities. It currently owns 177 rental properties in seven Canadian cities. Listed below are Allied's top 10 office rental properties measured by Normalized Last Quarter Annualized ("LQA") NOI. Normalized LQA NOI is a non-IFRS measure, which represents the normalized results for the most recently completed quarter (excluding straight-line rent) multiplied by four. These properties represent 34.0% of the last quarter annualized NOI for the period ended March 31, 2020.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
Cité Multimédia, Montréal	\$22,399	\$429,500	4.75%	Desjardins, Morgan Stanley, SAP Canada
700 de la Gauchetière, Montréal ⁽¹⁾	17,865	322,500	—%	AON Canada Inc, Hydro-Québec, National Bank of Canada
Nordelec, Montréal	14,769	292,440	5.00%	Gsoft, Unity Technologies, Yellow Pages Media
QRC West, Toronto	12,703	287,910	4.25%	eOne, Sapien Canada
747 Rue du Square Victoria, Montréal ⁽²⁾	12,631	276,000	—%	C-Cap Commercial, Dussault Systèmes Canada, Secretariat of the Convention on Biological Diversity, Société Québécoise des Infrastructures
5455 de Gaspé Avenue, Montréal	8,706	142,200	5.00%	Attraction Media, Framestore, Ubisoft
555 Richmond Street West, Toronto	7,727	179,120	4.75%	Centre Francophone de Toronto, Synaptive Medical
King Portland Centre, Toronto	6,432	163,260	3.81%	Indigo, Shopify
Vintage I & II, Calgary	6,094	64,100	5.75%	Royal & Sun Alliance
5445 de Gaspé Avenue, Montréal	6,088	100,820	5.25%	Sun Life, Ubisoft
Total	\$115,414	\$2,257,850	4.71%	

(1) Allied acquired 700 de la Gauchetière in the third quarter ended September 30, 2019; the appraised fair value is the purchase price.

(2) Allied acquired 747 Rue du Square Victoria in the first quarter ended March 31, 2020; the appraised fair value is the purchase price.

NETWORK-DENSE URBAN DATA CENTRES

Allied operates three network-dense UDCs in downtown Toronto: 151 Front W (“151”), 250 Front W (“250”) and 905 King W (“905”). Listed below are Allied’s UDCs measured by normalized LQA NOI. UDCs represent 15.4% of the total annualized NOI for the period ended March 31, 2020.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
151 Front W, Toronto	\$34,403	\$536,790	5.25%	Bell, Cologix, Equinix
250 Front W, Toronto	13,387	311,020	6.00%	AWS, Cloud Service Provider
905 King W, Toronto	4,646	93,570	6.25%	Beanfield, Cloud Service Provider, Cologix
Total	\$52,436	\$941,380	5.60%	

Regular rental revenue represented 90.0% of annualized NOI from UDCs in 2020. Ancillary rental revenue represented 10.0% of annualized NOI from UDCs. Ancillary rental revenue is comprised of revenue from the rental of conduit space, rack space and cross-connect space.

	NORMALIZED LQA NOI	% OF UDC
Regular rental revenue	\$47,194	90.0%
Ancillary rental revenue	5,242	10.0%
Total normalized LQA NOI	\$52,436	100%

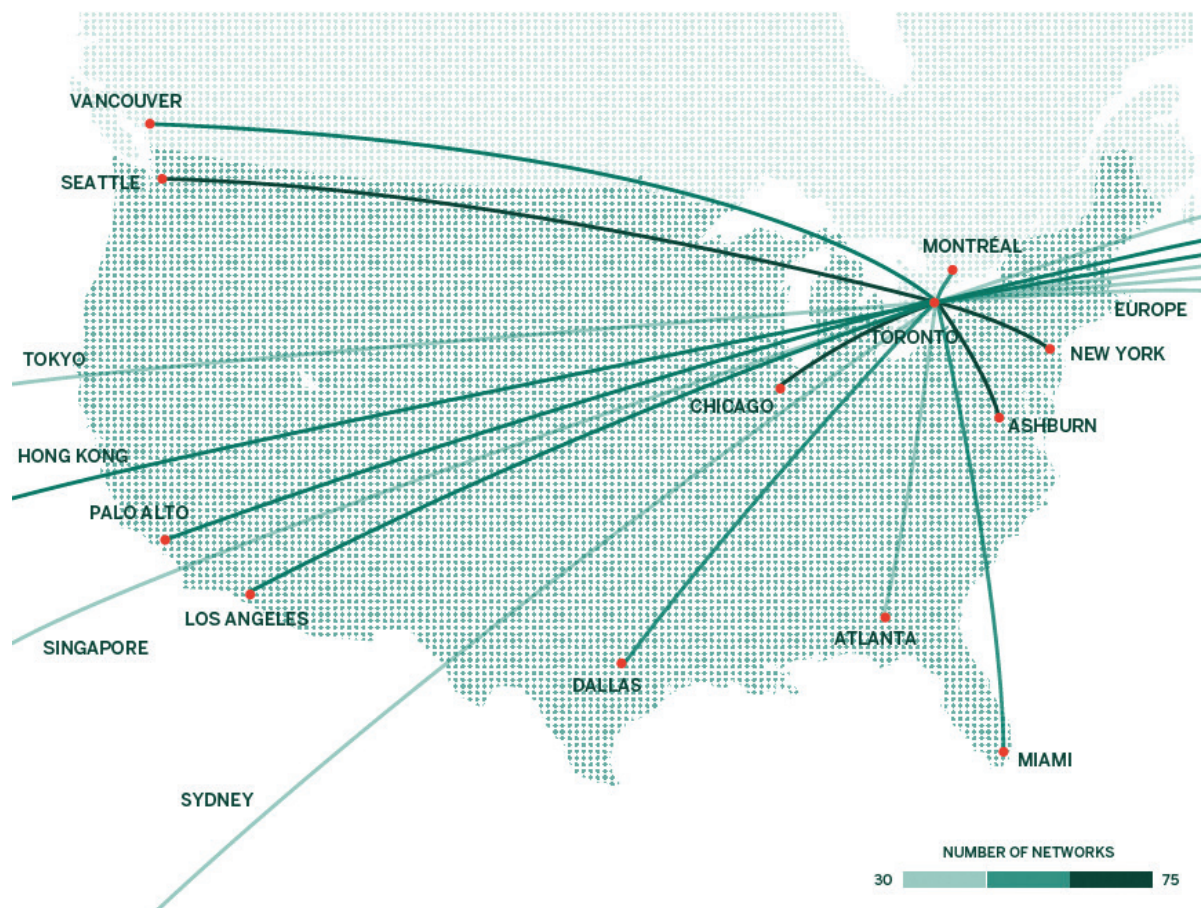
Allied acquired 151 in 2009 and has operated it very successfully since acquisition. 250 and 905 are connected to 151 via a multi-layered, diverse infrastructure of high-density fibre that Allied owns.

151 is the largest internet exchange point (IXP) in Canada and the fifth largest in North America. It houses Toronto Internet Exchange (TorIX), a not-for-profit organization that enables internet networks to connect and exchange traffic. With over 230 peers connecting, TorIX has experienced a steady and dramatic increase in traffic since 2009, with traffic in 2019 exceeding 600 gigabits per second. The traffic growth is illustrated below:



Source: TorIX Website

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



Source: PeeringDB.com

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

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

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

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

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

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

RENTAL PROPERTIES UNDERGOING INTENSIFICATION APPROVAL

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

Allied began tracking the intensification potential inherent in the Toronto portfolio in the fourth quarter of 2007 (see our MD&A dated March 7, 2008, for the quarter and year ended December 31, 2007). At the time, the 46 properties in Toronto comprised 2.4 million square feet of GLA and were situated on 780,000 square feet (17.8 acres) of underutilized land immediately east and west of the Downtown Core. The 103 properties in Toronto (including properties in the development portfolio) now comprise 4.2 million square feet of GLA and are situated on 37.8 acres of underutilized land immediately east and west of the Downtown Core. With achievable rezoning, the underlying land in our Toronto portfolio could permit up to 10.8 million square feet of GLA, 6.6 million square feet more than currently is in place.

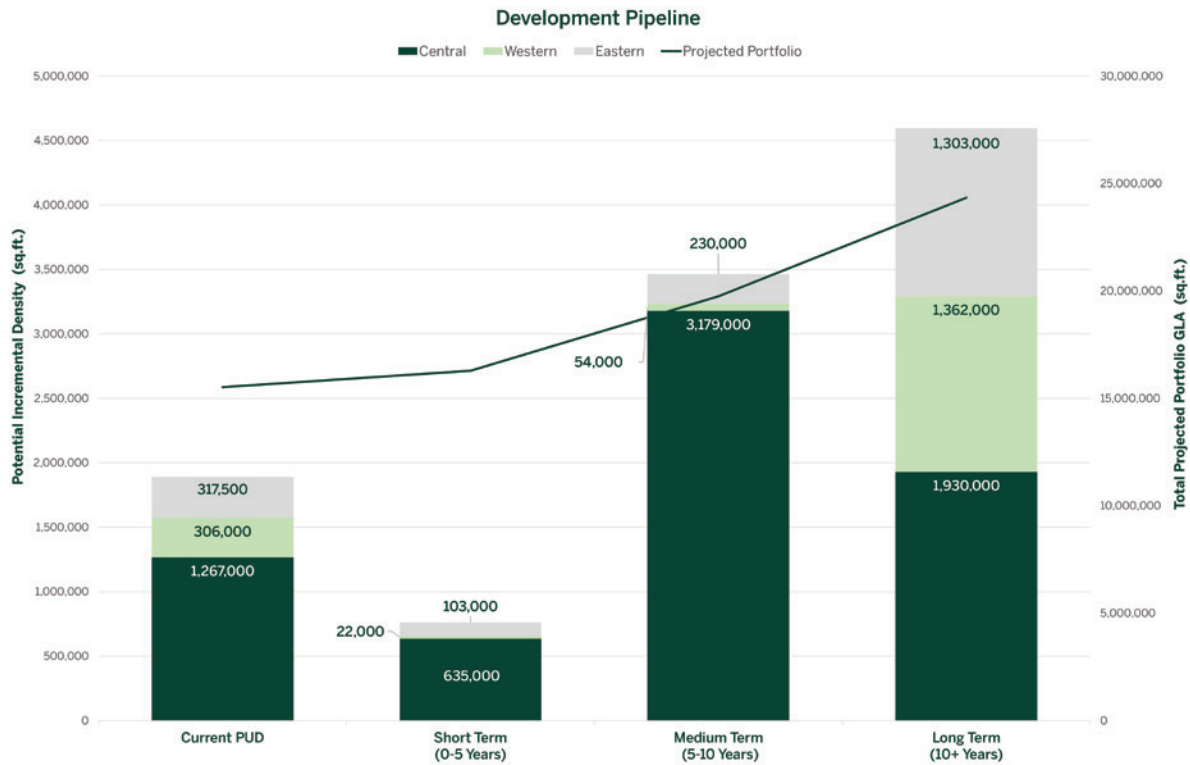
Allied entered the Montréal market in April of 2005. The 30 properties in Montréal now comprise 6.3 million square feet of GLA. As they are much larger buildings on average than those comprising the Toronto portfolio, the 41.8 acres of land on which they sit (immediately south, east and northeast of the Downtown Core) are more fully utilized than the land in the Toronto portfolio. Nevertheless, the underlying land in the Montréal portfolio could permit up to 8.2 million square feet of GLA, 1.9 million square feet more than currently is in place.

There is similar potential inherent in the rest of Allied's portfolio, which is quantified in the chart below. Across Canada on a portfolio-wide basis, there is 10.7 million square feet of potential incremental density, of which 1.9 million square feet is currently in PUD, and the remaining 8.8 million square feet is potential incremental density. Of the 8.8 million square feet of potential incremental density, 2.7 million square feet is reflected in the appraised fair values, primarily for properties where zoning approvals are in place. The remaining 6.1 million square feet is not reflected in the appraised fair values.

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

CITY	CURRENT GLA	CURRENT PUD (ESTIMATED ON COMPLETION)	POTENTIAL INCREMENTAL DENSITY	TOTAL POTENTIAL GLA
Toronto	4,235,518	1,120,000	5,412,000	10,767,518
Kitchener	562,802	147,000	332,000	1,041,802
Total Toronto & Kitchener	4,798,320	1,267,000	5,744,000	11,809,320
Toronto Urban Data Centres	509,410	—	—	509,410
Total Urban Data Centres	509,410	—	—	509,410
Montréal	6,283,647	317,500	1,636,000	8,237,147
Ottawa	231,468	—	—	231,468
Total Montréal & Ottawa	6,515,115	317,500	1,636,000	8,468,615
Calgary	1,043,638	306,000	1,149,000	2,498,638
Edmonton	297,851	—	230,000	527,851
Vancouver	467,642	—	59,000	526,642
Total Calgary, Edmonton & Vancouver	1,809,131	306,000	1,438,000	3,553,131
Total	13,631,976	1,890,500	8,818,000	24,340,476

The timing of development for the 8.8 million square feet of potential incremental density is impossible to predict with precision, however the chart below provides a reasonable estimate of when the potential could begin to be realized. One factor is our self-imposed limitation on development activity. The focus in the short-term and the long-term remains on the Toronto portfolio.



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

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	REZONING APPROVAL STATUS	USE	CURRENT GLA	ESTIMATED GLA ON COMPLETION	ESTIMATED COMPLETION
King & Peter ⁽¹⁾	\$2,875	\$82,340	Completed	Office, limited retail	86,230	790,000	Unscheduled
Union Centre	1,665	107,860	Completed	Office, limited retail	41,787	1,129,000	Unscheduled
QRC West, Phase II ⁽²⁾	912	36,200	Completed	Office, retail	32,624	90,000	2022
Adelaide & Spadina ⁽³⁾	393	25,020	Completed	Office, retail	11,015	230,000	Unscheduled
King & Brant ⁽⁴⁾	386	20,850	Completed	Office, retail	16,340	130,000	2022
Nordelec	—	29,300	In Progress	Office	—	230,000	Unscheduled
Total	\$6,231	\$301,570			187,996	2,599,000	

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

(2) QRC West, Phase II is comprised of 375-381 Queen W.

(3) Adelaide & Spadina is comprised of 383-387 Adelaide W. 96 Spadina and 379 Adelaide W were previously included, but will now remain in the rental portfolio during future development activity.

(4) Allied has received permission to intensify 544 King W and 7-9 Morrison. The approval permits approximately 120,000 square feet of office space and 10,000 square feet of retail space. Allied is exploring the opportunity to increase the permitted leasable area.

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

DEVELOPMENT PROPERTIES

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

It is expected that development activity will become a more important component of Allied's growth as projects are completed. The expectation is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be successful lease-up of space in the development portfolio. The material assumption is that the office leasing market in the relevant markets remains stable. Pursuant to Allied's Declaration of Trust, the cost of Properties Under Development cannot exceed 15% of GBV. At the end of March 31, 2020, the cost of Allied's Properties Under Development was 9.7% of GBV (December 31, 2019 - 9.4%). This self-imposed limitation is intended to align the magnitude of Allied's development activity with the overall size of the business.

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

Allied has the following eight Properties Under Development:

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

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

(2) The GLA components (in square feet) at our 33.33% share are as follows: 143,000 of office, 70,000 of residential and 5,000 of retail.

(3) The GLA components (in square feet) are as follows: 313,000 of office and 4,500 of retail.

(4) While initially working toward repositioning this property for a different use, Allied is now working toward restoring and retrofitting the property to the highest possible standards for workspace in the creative economy.

(5) The GLA components (in square feet) at our 50% share are as follows: 144,000 of residential, 77,000 of office and 9,000 of retail.

(6) Each of Allied and RioCan own an undivided 50% interest with an estimated total GLA of 3,100,000 square feet. The GLA components (in square feet) at our 50% share will be as follows: approximately 578,000 of office, 185,000 of retail, and the remaining is related to residential air rights. The air rights were sold by the co-ownership as previously announced, with closing expected to occur by 2021.

(7) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The GLA components (in square feet) at our 50% share will be as follows: 200,000 of residential, 60,000 of retail and 40,000 of office.

The following table sets out the fair value of Allied's Properties Under Development as at March 31, 2020, as well as Management's estimates with respect to the financial outcome on completion:

PROPERTY NAME	TRANSFER TO RENTAL PORTFOLIO	APPRAISED VALUE	ESTIMATED ANNUAL NOI	ESTIMATED TOTAL COST	ESTIMATED YIELD ON COST	ESTIMATED COST TO COMPLETE
TELUS Sky, Calgary ⁽¹⁾	Q3 2020	\$116,010	\$7,650 - \$8,310	\$156,000	4.9% - 5.3%	\$9,630
425 Viger, Montréal	Q2 2020	130,100	7,300 - 7,450	104,266	7.0% - 7.1%	4,100
The Lougheed (604-1st SW), Calgary	Q3 2021	15,280	TBD	TBD	TBD	TBD
College & Manning, 547-549 College, Toronto ⁽¹⁾	Q1 2021	14,320	975 - 1,125	31,352	3.2% - 3.7%	13,300
Adelaide & Duncan, Toronto ⁽¹⁾	Q2 2021	89,660	10,125 - 11,500	190,600	5.3% - 6.0%	109,000
Breithaupt Phase III, Kitchener ⁽¹⁾⁽²⁾	Q4 2021	11,800	5,375 - 5,500	78,652	6.8% - 7.0%	63,400
The Well, Toronto ⁽¹⁾	Q1 2022	485,690	37,500 - 43,250	688,000	5.5% - 6.3%	253,900
KING Toronto, Toronto ⁽¹⁾⁽³⁾	Q1 2023	27,620	5,000 - 6,000	76,141	6.6% - 7.9%	42,100
Total		\$890,480				

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

(2) Breithaupt Phase III is comprised of 43 Wellington, 53 & 55 Wellington, 305 Joseph and 2-4 Stewart.

(3) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The appraised value relates to the commercial component. The estimated total cost is net of the estimated gross proceeds from the sale of the residential inventory of \$280,000 - \$290,000.

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

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

RESIDENTIAL INVENTORY

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

On September 19, 2017, Allied and its partner, RioCan, announced that they had finalized plans that would allow the co-owners to improve the return on the development of King Portland Centre. The co-owners had originally intended to develop the residential portion of the project as rental apartments and then decided to sell the residential portion as condominium units, totaling 132 units. As of December 31, 2019, all units have been occupied.

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. KING Toronto is a mixed-use property comprised of office, retail, and residential uses. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. The residential component will be developed and sold as condominium units, totaling 440 units. Management expects the condominium sales to close in 2023.

Residential inventory is as follows:

	MARCH 31, 2020	DECEMBER 31, 2019
KING Toronto	\$119,794	\$114,910

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

	MARCH 31, 2020	DECEMBER 31, 2019
Balance, beginning of period	\$114,910	\$140,302
Acquisitions ⁽¹⁾	—	10,454
Dispositions ⁽¹⁾	—	(5,227)
Sale of residential units ⁽²⁾	—	(43,342)
Development expenditures	4,884	12,723
Balance, end of period	\$119,794	\$114,910

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

(2) Allied recognized condominium cost of sales in 2019 for the 132 units occupied at King Portland Centre.

DEVELOPMENT COMPLETIONS

PROPERTY	COMPLETION	INVESTMENT	STABILIZED NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
QRC West, Toronto	2015	\$130,000	\$12,703	9.8%	\$287,910	\$157,910	121.5%
The Breithaupt Block, Kitchener	2016	\$25,020	\$1,950	7.8%	\$45,900	\$20,880	83.5%
180 John, Toronto	2017	\$27,500	\$1,600	5.8%	\$31,440	\$3,940	14.3%
189 Joseph, Kitchener	2017	\$11,360	\$720	6.3%	\$13,520	\$2,160	19.0%

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

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

KING PORTLAND CENTRE

	INVESTMENT						
Land Costs	\$21,478						
Hard & Soft Costs	64,437						
Capitalized Interest & Operating Costs	5,033	STABILIZED	UNLEVERED	FAIR	VALUE	VALUE	VALUE
Condominium Profits	(14,270)	NOI	YIELD ON COST	VALUE	CREATION	CREATION AS	% OF COST
Total Development Costs	\$76,678	\$6,432	8.4%	\$138,830	\$62,152	81.1%	

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

LOANS RECEIVABLE

As of March 31, 2020, total loans receivable outstanding is \$250,314 (December 31, 2019 - \$245,303).

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

On August 1, 2017, Allied entered into an arrangement with Westbank to provide a credit facility of up to \$100,000, plus interest, for the land acquisition and the pre-development costs of 400 West Georgia in Vancouver. The facility is secured by Westbank's covenant and a charge on the property (subordinated to the construction lender). On February 11, 2019, the facility was increased to \$160,000. Interest accrues and is payable monthly at a rate of 6.75% per annum. The credit facility matures on August 31, 2022, and has a one-year extension option to August 31, 2023. On placement of permanent financing, Allied intends to acquire a 50% undivided interest in 400 West Georgia based on total development costs. As at March 31, 2020, the loan receivable outstanding is \$108,087 (December 31, 2019 - \$106,292).

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied advanced \$67,030 to Westbank for its purchase of a 50% undivided interest in the property. The facility will initially be secured by a first mortgage on the property. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable at the earlier of November 23, 2023, or the closing of the condominium units. As at March 31, 2020, the loan receivable outstanding is \$80,310 (December 31, 2019 - \$77,765).

On March 18, 2019, Allied made an amendment to the joint arrangement with Perimeter to develop Breithaupt Phase III and a loan receivable arrangement to provide 50% of the pre-development costs. The facility is secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable upon completion of development and rent commencement, which is anticipated to take place in the fourth quarter of 2021. As at March 31, 2020, the loan receivable outstanding is \$9,498 (December 31, 2019 - \$9,365).

On July 31, 2019, Allied entered into an arrangement with Westbank to provide a credit facility of up to \$185,000, plus interest, for the land acquisition and the pre-development costs of 720 Beatty Street in Vancouver. The funding will initially be secured by a first mortgage on the property for a fixed term. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues and is payable monthly at a rate of 7.00% per annum on amounts periodically advanced. The credit facility matures in six years following approval of the project by the British Columbia Utilities Commission. On placement of permanent financing, Allied intends to acquire a 50% undivided interest in 720 Beatty based on an agreed upon formula. As at March 31, 2020, the loan receivable outstanding is \$31,246 (December 31, 2019 - \$30,708).

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

	MARCH 31, 2020	DECEMBER 31, 2019
Adelaide & Duncan	\$21,173	\$21,173
400 West Georgia	108,087	106,292
KING Toronto	80,310	77,765
Breithaupt Phase III	9,498	9,365
720 Beatty	31,246	30,708
Total loans receivable	\$250,314	\$245,303

Section IV

–Liquidity and Capital Resources

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

Allied has financed its operations through the use of equity, mortgage debt secured by rental properties, construction loans, 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 \$6.0 billion as at March 31, 2020.

DEBT

Total debt and net debt are non-IFRS financial measures and do not have any standard meaning prescribed by IFRS. As computed by Allied, total debt and net debt may differ from similar computations reported by other Canadian real estate investment trusts and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers total debt and net debt to be useful measures for evaluating debt levels and interest coverage. The following illustrates the calculation of total debt (net of transaction costs) and net debt as at March 31, 2020, and December 31, 2019:

	MARCH 31, 2020	DECEMBER 31, 2019
Mortgages payable	\$740,610	\$737,448
Construction loans payable	32,866	23,210
Unsecured revolving operating facility	—	—
Senior unsecured debentures	1,343,219	945,369
Unsecured term loans	249,339	449,154
Total debt, IFRS basis and at proportionate share ⁽¹⁾	\$2,366,034	\$2,155,181
Less cash and cash equivalents ⁽²⁾	21,668	211,282
Net debt	\$2,344,366	\$1,943,899

(1) As of March 31, 2020, there was no debt outstanding attributable to TELUS Sky (December 31, 2019 - nil).

(2) As of March 31, 2020, cash and cash equivalents attributable to TELUS Sky total \$2,302 (December 31, 2019 - \$2,368).

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

	MORTGAGES PAYABLE	W/A INTEREST RATE OF MATURING MORTGAGES	SENIOR UNSECURED DEBENTURES	W/A INTEREST RATE	UNSECURED TERM LOANS	W/A INTEREST RATE	TOTAL	CONSOLIDATED W/A INTEREST RATE OF MATURING DEBT
Remaining 2020	\$22,889	4.95%	\$—	—%	\$—	—%	\$22,889	4.95%
2021	26,668	—%	—	—%	—	—%	26,668	—%
2022	231,356	4.19%	150,000	3.93%	—	—%	381,356	4.08%
2023	242,366	4.72%	—	—%	—	—%	242,366	4.72%
2024	157,198	4.31%	—	—%	—	—%	157,198	4.31%
2025	15,384	3.63%	200,000	3.64%	—	—%	215,384	3.64%
2026	21,834	3.59%	—	—%	250,000	3.99%	271,834	3.96%
2027	487	—%	300,000	3.11%	—	—%	300,487	3.11%
2028	14,750	4.04%	—	—%	—	—%	14,750	4.04%
2029	—	—%	300,000	3.39%	—	—	300,000	3.39%
2030	5,000	—%	400,000	3.12%	—	—%	405,000	3.12%
	\$737,932	4.32%	\$1,350,000	3.35%	\$250,000	3.99%	\$2,337,932	3.72%

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



MORTGAGES PAYABLE

As of March 31, 2020, mortgages payable, net of financing costs, total \$740,610 and have a weighted average stated interest rate of 4.32% (December 31, 2019 - 4.38%). The weighted average term of the mortgage debt is 3.6 years (December 31, 2019 - 3.8 years). The mortgages are secured by a first registered charge over specific investment properties and first general assignments of leases, insurance and registered chattel mortgages.

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

	PRINCIPAL REPAYMENTS	BALANCE DUE AT MATURITY	MARCH 31, 2020	DECEMBER 31, 2019
Remaining 2020	\$19,244	\$3,645	\$22,889	
2021	26,668	—	26,668	
2022	25,728	205,628	231,356	
2023	16,781	225,585	242,366	
2024	4,726	152,472	157,198	
2025	6,596	8,788	15,384	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
2030	5,000	—	5,000	
Mortgages, principal	\$106,914	\$631,018	\$737,932	\$734,286
Net premium on assumed mortgages			4,946	5,400
Net financing costs			(2,268)	(2,238)
			\$740,610	\$737,448

CONSTRUCTION LOANS PAYABLE

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

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	MARCH 31, 2020	DECEMBER 31, 2019
Breithaupt Phase III	50%	December 2, 2022	\$5,000	\$—
Adelaide & Duncan	50%	August 11, 2023	27,866	23,210
			\$32,866	\$23,210

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

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

UNSECURED REVOLVING OPERATING FACILITY

As of March 31, 2020, and December 31, 2019, Allied's obligation under the unsecured revolving operating facility is as follows:

	MARCH 31, 2020	DECEMBER 31, 2019
Unsecured Facility limit	\$400,000	\$400,000
Letters of credit outstanding under the Unsecured Facility	(24,011)	(14,896)
Remaining unused balance under the Unsecured Facility	\$375,989	\$385,104

Allied has access to an Unsecured Facility of \$400,000 with a maturity of January 30, 2023. The Unsecured Facility bears interest at bank prime plus 20 basis points or bankers' acceptance plus 120 basis points with a standby fee of 24 basis points (December 31, 2019 - bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points), subject to certain conditions being met. In the event that these conditions are not met, the Unsecured Facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points (December 31, 2019 - bank prime plus 70 basis points or bankers' acceptance plus 170 basis points with a standby fee of 34 basis points). The Unsecured Facility contains a \$100,000 accordion feature, allowing Allied to increase the amount available under the facility to \$500,000. The Unsecured Facility has no balance outstanding as at March 31, 2020 (December 31, 2019 - nil).

On April 21, 2020, Allied entered into a \$100,000 bilateral unsecured line of credit for a term of one year bearing interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points. Going forward, Allied expects to maintain unsecured credit line availability of at least \$500,000 with a \$100,000 accordion feature. Management considers this appropriate given the size of Allied's business and its annual debt maturity levels from 2022 onward.

SENIOR UNSECURED DEBENTURES

As of March 31, 2020, and December 31, 2019, Allied's obligation under the senior unsecured debentures is as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	MARCH 31, 2020	DECEMBER 31, 2019
Series B	3.934%	November 14, 2022	May 14 and November 14	\$150,000	\$150,000
Series C	3.636%	April 21, 2025	April 21 and October 21	200,000	200,000
Series D	3.394%	August 15, 2029	February 15 and August 15	300,000	300,000
Series E	3.113%	April 8, 2027	April 8 and October 8	300,000	300,000
Series F	3.117%	February 21, 2030	February 21 and August 21	400,000	—
Unsecured Debentures, principal				\$1,350,000	\$950,000
Net financing costs				(6,781)	(4,631)
				\$1,343,219	\$945,369

The Series B, C, D, E and F Debentures are collectively referred to as the “Unsecured Debentures”.

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

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

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

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

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

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

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

UNSECURED TERM LOANS

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

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	MARCH 31, 2020	DECEMBER 31, 2019
Unsecured Term Loan	3.992%	January 14, 2026	Monthly	\$250,000	\$250,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	—	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	—	100,000
Unsecured Term Loans, principal				\$250,000	\$450,000
Net financing costs				(661)	(846)
				\$249,339	\$449,154

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

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

On March 4, 2020, Allied repaid \$100,000 of the principal amount of Tranche 2 of the Unsecured Term Facility due March 16, 2021.

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

CREDIT RATINGS

Allied's credit ratings as at March 31, 2020, for the Unsecured Debentures are summarized below:

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

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

The minimum Moody’s investment grade rating is “Baa3,” with the highest rating being “Aaa”. On April 9, 2019, Moody’s upgraded Allied’s outlook from stable to positive. On October 30, 2019, Moody’s upgraded Allied’s rating from Baa3 to Baa2, with a stable outlook.

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

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

FINANCIAL COVENANTS

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

UNSECURED FACILITY AND UNSECURED TERM LOANS

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

COVENANT	THRESHOLD	MARCH 31, 2020	DECEMBER 31, 2019
Indebtedness ratio	Below 60%	27.2%	26.1%
Secured indebtedness ratio	Below 45%	8.8%	9.1%
Debt service coverage ratio	Consolidated adjusted EBITDA to be more than 1.5 times debt service payments	2.6x	2.5x
Equity maintenance	At least \$1,250,000 plus 75% of future equity issuances (\$2,683,314)	5,930,543	5,717,699
Unencumbered property assets value ratio	Unencumbered property assets to be more than 1.4 times total unsecured debt	3.8x	3.9x
Distribution payout ratio	Maintain distributions below 100% of FFO	71.4%	71.5%

SENIOR UNSECURED DEBENTURES

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

COVENANT	THRESHOLD	MARCH 31, 2020	DECEMBER 31, 2019
Pro forma interest coverage ratio	Maintain a 12-month rolling consolidated pro forma EBITDA of at least 1.65 times pro forma interest expense	3.1x	3.1x
Pro forma asset coverage test	Maintain net consolidated debt below 65% of net aggregate assets on a pro forma basis	27.0%	26.0%
Equity maintenance covenant	Maintain Unitholders' equity above \$300,000	5,930,543	5,717,699
Pro forma unencumbered net aggregate adjusted asset ratio	Maintain pro forma unencumbered net aggregate adjusted assets above 1.4 times consolidated unsecured indebtedness	4.1x	4.4x

As of March 31, 2020, Allied was in compliance with the terms and covenants of the agreements governing the Unsecured Facility, the Unsecured Term Loans and the Unsecured Debentures.

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

UNITHOLDERS' EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the three months ended March 31, 2020, and for the year ended December 31, 2019.

	MARCH 31, 2020		DECEMBER 31, 2019	
	UNITS	AMOUNT	UNITS	AMOUNT
Units, beginning of period	122,838,799	\$3,725,472	103,861,945	\$2,835,395
Restricted Unit plan (net of forfeitures)	—	(2,693)	—	(2,462)
Unit option plan - options exercised	273,950	9,699	277,854	10,437
Unit offering	—	—	18,699,000	882,102
Units, end of period	123,112,749	\$3,732,478	122,838,799	\$3,725,472

As at April 29, 2020, 123,112,749 Trust Units and 1,291,590 options to purchase Units were issued and outstanding.

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

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

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

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, 2020	MARCH 31, 2019
Basic	122,982,792	105,279,592
Unit Option Plan	272,468	267,090
Fully diluted	123,255,260	105,546,682

NORMAL COURSE ISSUER BID

On February 20, 2020, Allied received approval from the Toronto Stock Exchange ("TSX") for the renewal of its normal course issuer bid ("NCIB"), which entitles Allied to purchase up to 12,100,300 of its outstanding Units, representing approximately 10% of its public float as at February 10, 2020. The NCIB commenced February 24, 2020, and will expire on February 23, 2021, or such earlier date as Allied completes its purchases pursuant to the NCIB. All purchases under the NCIB will be made on the open market through the facilities of the TSX or alternate trading systems in Canada at market prices prevailing at the time of purchase. Any Units that are repurchased will either be cancelled or delivered to participants under Allied's Restricted Unit Plan or to employees pursuant to Allied's employee programs.

During the three months ended March 31, 2020, Allied purchased 46,893 Units for \$2,695 at a weighted average price of \$57.46 per unit under its NCIB program, of which 46,833 were purchased for delivery to participants under Allied's Restricted Unit Plan and 60 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

UNIT OPTION AND RESTRICTED UNIT PLANS

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

At March 31, 2020, Allied had granted options to purchase up to 1,291,590 Units outstanding, of which 531,993 had vested. At December 31, 2019, Allied had options to purchase 1,213,310 Units outstanding, of which 604,445 had vested.

For the three months ended March 31, 2020, Allied recorded a share-based payment expense related to options of \$477 in general and administrative expense in the consolidated statements of income and comprehensive income (for the three months ended March 31, 2019 - \$376).

In March 2010, Allied adopted a restricted unit plan (the “Restricted Unit Plan”), whereby restricted Units (“Restricted Units”) are granted to certain key employees and trustees, at the discretion of the Board of Trustees. The Restricted Units are purchased in the open market. Employees and trustees who are granted Restricted Units have the right to vote and to receive distributions from the date of the grant. The Restricted Units granted to employees vest as to one-third on each of the three anniversaries following the date of the grant. Restricted Units granted to non-management trustees are fully vested. Whether vested or not, without the specific authority of the Governance and Compensation Committee, the Restricted Units may not be sold, mortgaged or otherwise disposed of for a period of six years following the date of the grant, except that in the case of a non-management trustee, the release date will be automatically accelerated to the date such person ceases to hold office as a trustee of Allied. The Restricted Unit Plan contains provisions providing for the vesting or forfeiture of unvested Restricted Units within specified time periods in the event the employee’s employment is terminated, and authorizes the Chief Executive Officer, in his or her discretion, to accelerate the release date and vesting of Restricted Units in certain circumstances where an employee’s employment is terminated. At March 31, 2020, Allied had 294,943 Restricted Units outstanding (December 31, 2019 - 287,023).

For the three months ended March 31, 2020, Allied recorded a share-based payment expense related to Restricted Units of \$1,194 in general and administrative expense in the consolidated statements of income and comprehensive income (for the three months ended March 31, 2019 - \$587).

DISTRIBUTIONS TO UNITHOLDERS

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

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

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

SOURCES OF DISTRIBUTIONS

For the three months ended March 31, 2020, Allied declared \$50,746 in distributions (three months ended March 31, 2019 - \$42,140).

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Distributions declared	\$50,746	\$42,140
Net income	\$254,913	\$143,177
Cash flows provided by operating activities	\$101,797	\$39,752
AFFO excluding condo marketing costs	\$62,367	\$51,044
Excess of net income over distributions declared	\$204,167	\$101,037
Excess of cash flows provided by operating activities over distributions declared	\$51,051	\$(2,388)
Excess of cash provided by AFFO over distributions declared	\$11,621	\$8,904

In the table above, AFFO has been presented in accordance with the “White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS” published by the Real Property Association of Canada (“REALpac”) in February of 2019.

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

The current rate of distribution amounts to \$1.65 per unit per annum (December 31, 2019 - \$1.65 per unit per annum).

COMMITMENTS

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

	MARCH 31, 2020
Capital expenditures and committed acquisitions	\$584,690

Commitments as at March 31, 2020, and December 31, 2019, of \$840 and \$1,238, respectively, were held within equity accounted investments.

The above does not include Allied’s lease liability commitments, which are disclosed in Note 12 of the consolidated financial statements for the three months ended March 31, 2020.

Section V

–Discussion of Operations

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

NET INCOME AND COMPREHENSIVE INCOME

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

	THREE MONTHS ENDED					
	MARCH 31, 2020			MARCH 31, 2019		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPOR- TIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPOR- TIONATE BASIS
Rental revenue from investment properties	\$138,977	\$347	\$139,324	\$116,486	\$—	\$116,486
Property operating costs	(59,218)	(260)	(59,478)	(49,432)	(5)	(49,437)
Operating income	\$79,759	\$87	\$79,846	\$67,054	\$(5)	\$67,049
Interest expense	(16,812)	—	(16,812)	(15,259)	—	(15,259)
General and administrative expenses	(6,605)	—	(6,605)	(5,460)	—	(5,460)
Condominium marketing expenses	(587)	(4)	(591)	(845)	(13)	(858)
Amortization of other assets	(374)	—	(374)	(368)	—	(368)
Interest income	5,253	—	5,253	3,682	—	3,682
Fair value gain on investment properties	215,076	198	215,274	107,791	(3,151)	104,640
Fair value loss on derivative instruments	(21,078)	—	(21,078)	(10,249)	—	(10,249)
Net income (loss) from joint venture	281	(281)	—	(3,169)	3,169	—
Net income and comprehensive income	\$254,913	\$—	\$254,913	\$143,177	\$—	\$143,177

Net income and comprehensive income for the three months ended March 31, 2020, increased by \$111,736 over the comparable period in 2019. Excluding the effect of the fair value changes on investment properties and derivative instruments, net income for the three months ended March 31, 2020, was up by \$11,931, from the same period in the prior year. This was primarily due to an increase in net operating and interest income, partially offset by higher interest expense and general and administrative expenses.

NET OPERATING INCOME (“NOI”)

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

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

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

The following table reconciles operating income to net operating income.

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Operating income	\$79,846	\$67,049
Amortization of improvement allowances ⁽¹⁾	7,741	7,573
Amortization of straight-line rents ⁽¹⁾	(2,634)	(1,944)
NOI	\$84,953	\$72,678

(1) Includes Allied’s proportionate share of the equity accounted investment of the following amounts for the three months ended March 31, 2020: amortization improvement allowances of \$113 and amortization of straight-line rents of \$460.

The following tables set out the NOI by segment and space type from the rental and development properties for the three months ended March 31, 2020, and the comparable period in 2019.

SEGMENT	THREE MONTHS ENDED				CHANGE	
	MARCH 31, 2020		MARCH 31, 2019		\$	%
Urban Workspace						
Montréal & Ottawa	\$26,511	31.2%	\$17,438	24.0%	\$9,073	52.0%
Toronto & Kitchener	36,100	42.5%	32,932	45.3%	3,168	9.6%
Calgary, Edmonton & Vancouver	8,975	10.6%	8,712	12.0%	263	3.0%
Urban Workspace - Total	71,586	84.3%	59,082	81.3%	12,504	21.2%
Urban Data Centres	13,367	15.7%	13,596	18.7%	(229)	(1.7)%
NOI	\$84,953	100.0%	\$72,678	100.0%	\$12,275	16.9%

TYPE OF SPACE	THREE MONTHS ENDED				CHANGE	
	MARCH 31, 2020		MARCH 31, 2019		\$	%
Urban Workspace - Office	\$60,027	70.7%	\$50,187	69.1%	\$9,840	19.6%
Urban Data Centres	13,367	15.7%	13,596	18.7%	(229)	(1.7)%
Urban Workspace - Retail	7,263	8.5%	5,254	7.2%	2,009	38.2%
Urban Workspace - Parking	4,296	5.1%	3,641	5.0%	655	18.0%
NOI	\$84,953	100.0%	\$72,678	100.0%	\$12,275	16.9%

The increase in NOI for the three months ended March 31, 2020, was primarily the result of rent growth in Montréal, occupancy and rent growth in Toronto, and contributions from acquisitions in Montréal, Vancouver, and Calgary.

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, 2019, to March 31, 2020. The same asset NOI from the development portfolio for the three months ended March 31, 2020, consists of 425 Viger, 305 Joseph, Adelaide & Duncan, KING Toronto, TELUS Sky, and The Well.

	THREE MONTHS ENDED		CHANGE	
	MARCH 31, 2020	MARCH 31, 2019	\$	%
Urban Workspace				
Montréal & Ottawa	\$18,972	\$17,468	\$1,504	8.6%
Toronto & Kitchener	33,632	31,168	2,464	7.9%
Calgary, Edmonton & Vancouver	8,087	8,611	(524)	(6.1)%
Urban Workspace	60,691	57,247	3,444	6.0%
Urban Data Centres	13,228	13,596	(368)	(2.7)%
Rental Portfolio - Same Asset NOI	73,919	70,843	3,076	4.3%
Urban Workspace	(443)	(33)	(410)	
Development Portfolio - Same Asset NOI	(443)	(33)	(410)	(1,242.4)%
Total Portfolio - Same Asset NOI	\$73,476	\$70,810	\$2,666	3.8%
Acquisitions	8,939	4	8,935	
Lease terminations	71	50	21	
Development fees and corporate items	2,467	1,814	653	
NOI	\$84,953	\$72,678	\$12,275	16.9%
Amortization of improvement allowances	(7,741)	(7,573)	(168)	
Amortization of straight-line rents	2,634	1,944	690	
Operating income	\$79,846	\$67,049	\$12,797	19.1%

Same asset NOI of the total portfolio increased by 3.8% for the three months ended March 31, 2020. Same asset NOI of the rental portfolio increased by 4.3% as a result of rent growth in Montréal and occupancy and rent growth in Toronto. Same asset NOI from the UDC portfolio decreased by 2.7% as a result of turnover vacancy. Same asset NOI from the development portfolio decreased with the discontinuation of capitalized operating costs as fixturing commenced at 425 Viger and TELUS Sky, as well as the completion of leasing activity in order to commence development at KING Toronto.

INTEREST EXPENSE

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

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Interest on debt:		
Mortgages payable	\$7,866	\$8,204
Construction loans payable	349	26
Unsecured Facility	699	1,003
Unsecured Debentures	9,550	5,441
Unsecured Term Loans	3,300	3,833
Interest on lease liabilities	2,205	2,101
Amortization, discount on debt	(454)	(98)
Amortization, net financing costs	555	428
	\$24,070	\$20,938
Less: Interest capitalized to qualifying investment properties and residential inventory	(7,258)	(5,679)
Interest expense, IFRS basis and proportionate basis	\$16,812	\$15,259

For the three months ended March 31, 2020, excluding capitalized interest, interest expense increased by \$3,132 over the comparable period primarily due to a higher balance of unsecured debentures.

For the three months ended March 31, 2020, capitalized interest increased over the comparable period with the continuation of development and upgrade activities across the portfolio.

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

GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31, 2020, general and administrative expenses increased by \$1,145 from the comparable period. The increase is mainly due to higher compensation expenses related to Allied's expanding management team, corporate expenses and professional fees.

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Salaries and benefits	\$5,715	\$4,675
Professional and trustees fees	1,002	900
Office and general expenses	1,067	921
	\$7,784	\$6,496
Capitalized to qualifying investment properties	(1,179)	(1,036)
Total general and administrative expenses	\$6,605	\$5,460

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

Allied initiated condominium pre-sales at KING Toronto, a 50/50 joint venture with Westbank, in the fourth quarter of 2018. The first three phases have sold well, and the fourth and final phase has been released to strong demand. For the three months ended March 31, 2020, Allied incurred \$587 (at its share) of non-recurring marketing costs in connection with the pre-sales activity. (Marketing costs associated with merchant development are expensed when incurred.) Allied and Westbank have initiated construction of KING Toronto. FFO excluding condo marketing costs starts with the standardized definition of FFO and removes the effects of condominium marketing costs.

For the three months ended March 31, 2020, FFO excluding condo marketing costs totaled \$0.582 per unit. This is an increase of \$0.019 per unit, or 3.4%, over the comparable period in the prior year. The increase was primarily due to an increase in NOI and interest income, partially offset by higher general and administrative and interest expenses.

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, 2020, the FFO pay-out ratio excluding condo marketing costs was 70.8%.

ADJUSTED FUNDS FROM OPERATIONS (“AFFO”)

AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts and should not be considered as an alternative to net income or comprehensive income, cash flow from operating activities or any other measure prescribed under IFRS. AFFO does not have any standardized meaning prescribed by IFRS. 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, 2020, AFFO excluding condo marketing costs totaled \$0.506 per unit. This represents an increase of \$0.022 per unit, or 4.5%, over the comparable period in the prior year. AFFO excluding condo marketing costs per unit increased primarily due to the changes in FFO excluding condo marketing costs discussed above, and lower regular leasing expenditures, partially offset by higher straight line rent and higher regular and recoverable maintenance capital expenditures.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate AFFO pay-out ratio, which is the ratio of actual distributions to AFFO in a given period. For the three months ended March 31, 2020, the AFFO excluding condo marketing costs pay-out ratio was 81.4%.

RECONCILIATION OF FFO AND AFFO

The following table reconciles Allied's net income to FFO and AFFO for the three months ended March 31, 2020, and March 31, 2019.

	THREE MONTHS ENDED		
	MARCH 31, 2020	MARCH 31, 2019	CHANGE
Net income and comprehensive income	\$254,913	\$143,177	\$111,736
Adjustment to fair value of investment properties	(215,076)	(107,791)	(107,285)
Adjustment to fair value of derivative instruments	21,078	10,249	10,829
Incremental leasing costs	1,866	1,868	(2)
Amortization of improvement allowances	7,628	7,573	55
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	(198)	3,151	(3,349)
Amortization of improvement allowances	113	—	113
Interest capitalized ⁽¹⁾	765	321	444
FFO	\$71,089	\$58,548	\$12,541
Condominium marketing costs	587	858	(271)
FFO excluding condo marketing costs	\$71,676	\$59,406	\$12,270
Amortization of straight-line rents	(2,174)	(1,944)	(230)
Regular leasing expenditures	(4,004)	(4,518)	514
Regular maintenance capital expenditures	(768)	(175)	(593)
Incremental leasing (related to regular leasing expenditures)	(1,306)	(1,308)	2
Recoverable maintenance capital expenditures	(597)	(417)	(180)
Adjustments relating to joint venture:			
Amortization of straight-line rents	(460)	—	(460)
AFFO excluding condo marketing costs	\$62,367	\$51,044	\$11,323
Weighted average number of Units			
Basic	122,982,792	105,279,592	17,703,200
Diluted	123,255,260	105,546,682	17,708,578

	THREE MONTHS ENDED		
	MARCH 31, 2020	MARCH 31, 2019	CHANGE
Per Unit - basic			
FFO	\$0.578	\$0.556	\$0.022
FFO excluding condominium marketing costs	\$0.583	\$0.564	\$0.019
AFFO excluding condominium marketing costs	\$0.507	\$0.485	\$0.022
Per Unit - diluted			
FFO	\$0.577	\$0.555	\$0.022
FFO excluding condominium marketing costs	\$0.582	\$0.563	\$0.019
AFFO excluding condominium marketing costs	\$0.506	\$0.484	\$0.022
Payout Ratio			
FFO	71.4%	72.0%	(0.6%)
FFO excluding condominium marketing costs	70.8%	70.9%	(0.1%)
AFFO excluding condominium marketing costs	81.4%	82.6%	(1.2%)

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

CAPITAL EXPENDITURES

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

For the three months ended March 31, 2020, Allied incurred (i) \$4,004 in regular leasing expenditures or \$10.15 per leased square foot, (ii) \$768 in regular maintenance capital expenditures and (iii) \$597 of recoverable maintenance capital expenditures.

For the three months ended March 31, 2020, Allied invested \$73,900 of revenue enhancing capital into the rental and development portfolio to enhance its income-producing capability and in ongoing development activity.

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Regular leasing expenditures	\$4,004	\$4,518
Regular maintenance capital expenditures	\$768	\$175
Recoverable maintenance capital expenditures	\$597	\$417
Revenue-enhancing capital and development costs	\$73,900	\$48,727

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (“EBITDA”)

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

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

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

The following table reconciles Allied’s net income and comprehensive income to Adjusted EBITDA for the three months ended March 31, 2020, and March 31, 2019.

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Net income and comprehensive income for the period	\$254,913	\$143,177
Interest expense	16,812	15,259
Amortization of equipment and other assets	374	368
Amortization of improvement allowances	7,741	7,573
Fair value (gain) on investment properties	(215,274)	(104,640)
Fair value loss on derivative instruments	21,078	10,249
Adjusted EBITDA	\$85,644	\$71,986

Section VI

–Historical Performance

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

	Q1 2020	Q4 2019 ⁽¹⁾	Q3 2019 ⁽¹⁾	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018 ⁽¹⁾
Rental revenue from investment properties	\$138,977	\$134,306	\$127,867	\$117,449	\$116,486	\$112,889	\$109,630	\$106,983
Condominium revenue	—	30,600	14,741	—	—	—	—	—
Property operating costs	\$(59,218)	\$(59,174)	\$(54,284)	\$(47,857)	\$(49,432)	\$(47,925)	\$(46,145)	\$(45,540)
Condominium cost of sales	—	(29,022)	(14,320)	—	—	—	—	—
Operating income	\$79,759	\$76,710	\$74,004	\$69,592	\$67,054	\$64,964	\$63,485	\$61,443
Net income and comprehensive income	\$254,913	\$264,960	\$121,191	\$99,895	\$143,177	\$137,270	\$204,654	\$113,652
Weighted average units (diluted)	123,255,260	118,248,550	116,563,480	110,368,003	105,546,682	104,062,567	100,680,315	93,868,833
Distributions	\$50,746	\$47,267	\$46,393	\$44,484	\$42,140	\$40,817	\$39,575	\$37,210
FFO	\$71,089	\$66,304	\$63,674	\$62,557	\$58,548	\$55,657	\$55,253	\$43,750
FFO per unit (diluted)	\$0.577	\$0.561	\$0.546	\$0.567	\$0.555	\$0.535	\$0.549	\$0.466
FFO pay-out ratio	71.4%	71.3%	72.9%	71.1%	72.0%	73.3%	71.6%	85.1%
Normalized FFO ⁽¹⁾	\$71,089	\$68,181	\$65,816	\$62,557	\$58,548	\$55,657	\$55,253	\$51,252
Normalized FFO per unit (diluted) ⁽¹⁾	\$0.577	\$0.577	\$0.565	\$0.567	\$0.555	\$0.535	\$0.549	\$0.546
Normalized FFO pay-out ratio ⁽¹⁾	71.4%	69.3%	70.5%	71.1%	72.0%	73.3%	71.6%	72.6%
Normalized FFO ⁽¹⁾ per unit (diluted) excluding condominium marketing costs	\$0.582	\$0.583	\$0.576	\$0.579	\$0.563	\$0.550	\$0.549	\$0.546
Normalized AFFO ⁽¹⁾	\$61,780	\$56,741	\$56,866	\$51,840	\$50,186	\$45,186	\$47,034	\$42,610
Normalized AFFO per unit (diluted) ⁽¹⁾	\$0.501	\$0.480	\$0.488	\$0.470	\$0.475	\$0.434	\$0.467	\$0.454
Normalized AFFO pay-out ratio ⁽¹⁾	82.1%	83.3%	81.6%	85.8%	84.0%	90.3%	84.1%	87.3%
Normalized AFFO ⁽¹⁾ per unit (diluted) excluding condominium marketing costs	\$0.506	\$0.487	\$0.499	\$0.482	\$0.484	\$0.450	\$0.467	\$0.454
Net debt as a multiple of annualized adjusted EBITDA	6.8x	5.8x	6.7x	5.6x	6.2x	7.1x	6.3x	6.8x
Total indebtedness ratio	27.2%	26.1%	28.1%	25.8%	27.0%	29.4%	27.6%	29.9%

	Q1 2020	Q4 2019 ⁽¹⁾	Q3 2019 ⁽¹⁾	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018 ⁽¹⁾
Total rental GLA	13,632	12,948	12,878	11,507	11,422	11,192	10,953	10,940
Leased rental GLA	12,929	12,278	12,234	11,080	11,010	10,826	10,541	10,435
Leased area %	94.8%	94.8%	95.0%	96.3%	96.4%	96.7%	96.2%	95.4%

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

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

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, 2020, and the notes contained therein.

Section VIII

–Disclosure Controls and Internal Controls

Management maintains appropriate information systems, procedures and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”) of Allied, along with the assistance of senior management under their supervision, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Allied 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 for external purposes in accordance with IFRS.

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

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

Section IX

–Risks and Uncertainties

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

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

COVID-19 RISK

The recent outbreak of coronavirus COVID-19 could have adverse consequences on Allied including, but not limited to, business continuity interruptions, disruptions of development activities, unfavorable market conditions, and threats to the health and safety of employees. Allied's users may also face business challenges as a result of the outbreak that may adversely affect their business and their ability to pay rent as required under the leases. Certain provinces in which Allied operates have enacted mandatory business closures affecting many of its users. Provincial governments are encouraging landlords to enter into rent deferral arrangements with users whose businesses are required to close or are otherwise impaired. There can be no assurance that deferred rents will be collected in accordance with deferral arrangements or at all. Any inability to collect rents in a timely manner or at all could adversely affect Allied's business and financial results. In addition, due to the closure of the courts in most of the jurisdictions in which Allied operates, certain remedies available to a landlord to deal with defaulting users are unavailable to the extent such remedies require an order of the court.

On April 16, 2020, the Government of Canada announced its intention to introduce the Canada Emergency Commercial Rent Assistance (CECRA) program for small businesses which is expected to provide loans, including forgivable loans, to commercial property owners who in turn will lower or forgo the rent of small businesses for certain months. Allied continues to consider the implications of government programs such as CECRA on its business and will continue to do so as further details regarding the CECRA and other programs are publicly announced.

Allied is a party to various joint arrangements and partnerships with different entities. If these joint arrangements or partnerships do not perform as expected or default on financial obligations due in whole or in part to factors related to COVID-19, Allied has an associated risk. Allied has mitigated these risks by negotiating contractual rights upon default, by entering into agreements with financially stable partners and by working with partners who have a successful record of completing development projects.

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

The duration of business disruptions and related financial impact of COVID-19 cannot be reasonably estimated at this time. In response to the recent outbreak, Allied has developed and implemented a plan to monitor and mitigate risks posed to its employees, users and business, including the measures described in Section I—Overview, under the heading "Business Environment and Outlook". However, no such plan can eliminate the risks associated with events of this magnitude, and much of the impacts will be the result of matters beyond Allied's control. There can be no assurance that the measures undertaken to date will eliminate the risk of disruption to Allied's business operations and development activity, and there can be no assurance that Allied's users will be able to maintain their business operations and continue to be able to pay rent in full, on a timely basis or at all. Such events could materially adversely affect Allied's operations, reputation and financial condition, including the fair value of Allied's properties.

FINANCING AND INTEREST RATE RISK

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



Interest rates on total debt are between 3.11% and 5.08% with a weighted average interest rate of 3.72%. The weighted average term of our debt is 6.17 years. The aforementioned excludes the revolving Unsecured Facility and construction loans, refer to note 11(b) and (c) of the unaudited condensed consolidated financial statements for further details.

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

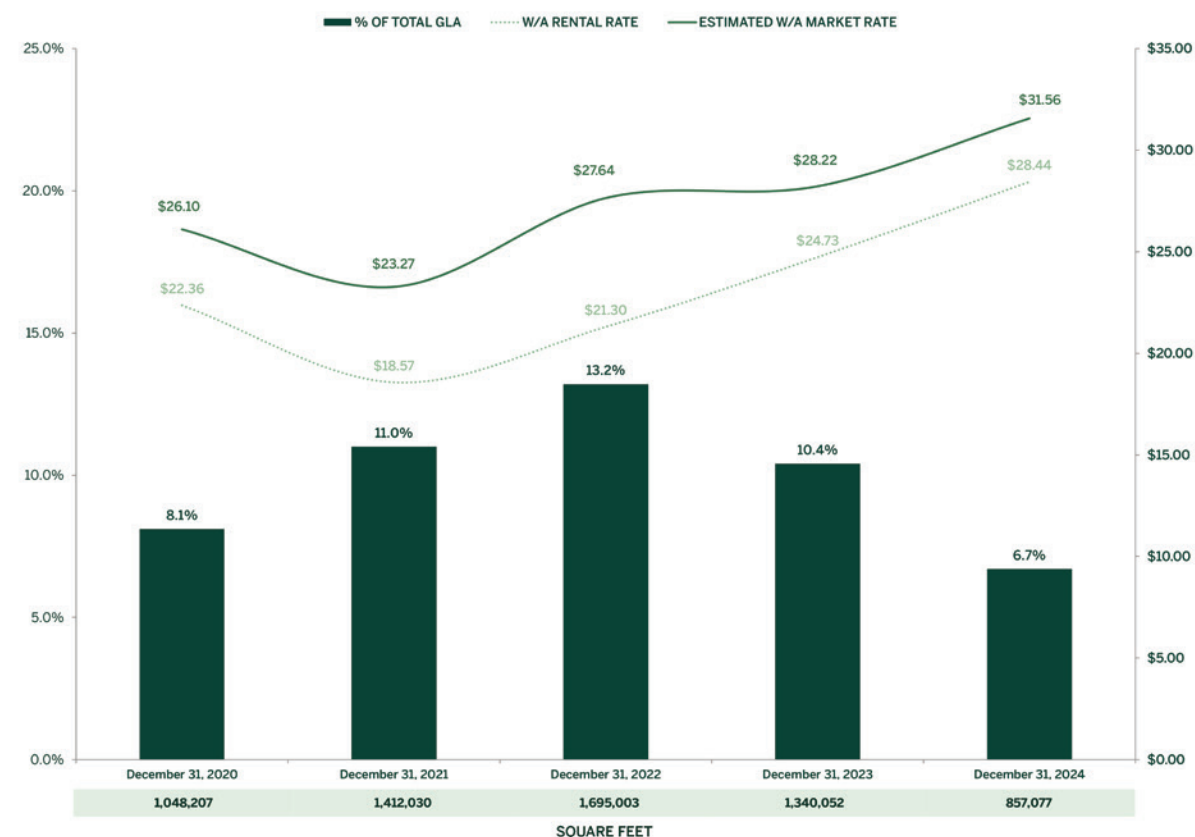
CREDIT RISK

Allied is subject to credit risk arising from the possibility that users may not be able to fulfill their lease obligations. Allied strives to mitigate this risk by maintaining a diversified user-mix and limiting exposure to any single user. Allied's exposure to top 10 users is 19.5% of gross revenue and the credit quality of our top 10 users continues to improve.

As Allied has invested in mortgages to facilitate acquisitions, further credit risks arise in the event that borrowers default on the repayment of their mortgages to Allied. Allied's mortgage investments will typically be subordinate to prior ranking mortgage or charges. Not all of Allied's financing activities will translate into acquisitions. As at March 31, 2020, Allied had \$250,314 in loans receivable, the majority of which is loaned to affiliates of a single private company. In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the mortgage investment. Allied mitigates this risk by obtaining corporate guarantees and/or registered mortgage charges.

LEASE ROLL-OVER RISK

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



In evaluating lease roll-over risk, it is informative to determine Allied's sensitivity to a decline in occupancy. For every full-year decline of 100 basis points in occupancy at its average rental rate per square foot, Allied's annual AFFO would decline by approximately \$5,575 (approximately \$0.045 per unit). The decline in AFFO per unit would be more pronounced if the decline in occupancy involved space leased above the average rental rate per square foot and less pronounced if the decline in occupancy involved space leased below the average rental rate per square foot.

ENVIRONMENTAL AND CLIMATE CHANGE RISK

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

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

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

DEVELOPMENT RISK

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

TAXATION RISK

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

JOINT ARRANGEMENT RISK

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

CYBERSECURITY RISK

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

REAL ESTATE RISK

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

Section X

–Property Table

MARCH 31, 2020 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
28 Atlantic	10,065	—	—	10,065		—	10,065	100.0%
32 Atlantic	50,434	—	—	50,434		—	50,434	100.0%
47 Jefferson	6,884	—	—	6,884		—	6,884	100.0%
64 Jefferson	78,820	—	—	78,820		—	78,820	100.0%
905 King W	51,262	1,400	—	52,662		—	52,662	100.0%
College & Manning - 559-563 College ⁽¹⁾	24,627	2,634	—	27,261		—	27,261	100.0%
College & Palmerston - 491 College ⁽¹⁾	8,863	3,717	—	12,580		—	12,580	100.0%
The Castle - 135 Liberty	55,152	—	—	55,152		—	55,152	100.0%
The Castle - 41 Fraser	13,921	—	—	13,921		—	13,921	100.0%
The Castle - 47 Fraser	7,468	3,480	—	10,948		—	10,948	100.0%
The Castle - 49 Fraser	17,472	—	—	17,472		—	17,472	100.0%
The Castle - 53 Fraser	78,797	—	—	78,797		—	78,797	100.0%
The Castle - 8 Pardee	—	2,681	—	2,681		—	2,681	100.0%
King West	403,765	13,912	—	417,677	3.1%	—	417,677	100.0%
141 Bathurst	10,101	—	—	10,101		—	10,101	100.0%
183 Bathurst	24,136	5,643	—	29,779		—	29,779	100.0%
241 Spadina	24,833	6,046	—	30,879		—	30,879	100.0%
379 Adelaide W	38,560	3,045	—	41,605		—	41,605	100.0%
383 Adelaide W	4,515	—	—	4,515		—	4,515	100.0%
387 Adelaide W	6,500	—	—	6,500		—	6,500	100.0%
420 Wellington W	31,221	3,163	—	34,384		—	34,384	100.0%

MARCH 31, 2020 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
425 Adelaide W	72,404	2,903	—	75,307		951	74,356	98.7%
425-439 King W	66,486	23,497	—	89,983		—	89,983	100.0%
441-443 King W	6,377	2,904	—	9,281		—	9,281	100.0%
445-455 King W	31,603	16,342	—	47,945		—	47,945	100.0%
460 King W	10,144	4,285	—	14,429		—	14,429	100.0%
461 King W	38,689	35,833	—	74,522		—	74,522	100.0%
468 King W	63,121	—	—	63,121		—	63,121	100.0%
469 King W	61,618	12,273	—	73,891		—	73,891	100.0%
478 King W ⁽²⁾	—	4,351	—	4,351		—	4,351	100.0%
485 King W	12,339	—	—	12,339		—	12,339	100.0%
500 King W	44,130	21,598	—	65,728		—	65,728	100.0%
522 King W	28,850	21,863	—	50,713		—	50,713	100.0%
544 King W	16,340	—	—	16,340		—	16,340	100.0%
552-560 King W	6,784	17,395	—	24,179		—	24,179	100.0%
555 Richmond W	296,162	1,850	—	298,012		2,958	295,054	99.0%
579 Richmond W	26,818	—	—	26,818		—	26,818	100.0%
662 King W	33,731	—	—	33,731		—	33,731	100.0%
668 King W	—	6,934	—	6,934		—	6,934	100.0%
80-82 Spadina	60,004	16,009	—	76,013		1,360	74,653	98.2%
96 Spadina	79,450	8,815	—	88,265		575	87,690	99.4%
King Portland Centre - 602-606 King W ⁽¹⁾	19,208	6,346	—	25,554		—	25,554	100.0%
King Portland Centre - 620 King W ⁽¹⁾	128,599	8,440	—	137,039		—	137,039	100.0%
King Portland Centre - 642 King W ⁽¹⁾	7,382	5,365	—	12,747		375	12,372	97.1%
King West Central	1,250,105	234,900	—	1,485,005	10.9%	6,219	1,478,786	99.6%
116 Simcoe	15,461	—	—	15,461		—	15,461	100.0%
179 John	70,923	—	—	70,923		—	70,923	100.0%
180 John	45,631	—	—	45,631		—	45,631	100.0%
185 Spadina	55,213	—	—	55,213		—	55,213	100.0%
200 Adelaide W	26,614	—	—	26,614		—	26,614	100.0%
208-210 Adelaide W	11,477	—	—	11,477		—	11,477	100.0%
217-225 Richmond W	30,205	22,587	—	52,792		—	52,792	100.0%
257 Adelaide W	42,763	—	—	42,763		—	42,763	100.0%
312 Adelaide W	62,420	5,583	—	68,003		2,294	65,709	96.6%
331-333 Adelaide W	19,048	3,725	—	22,773		—	22,773	100.0%

MARCH 31, 2020 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
358-360 Adelaide W	50,786	—	—	50,786		—	50,786	100.0%
375-381 Queen W	21,541	11,083	—	32,624		10,525	22,099	67.7%
388 King W	20,275	19,040	—	39,315		—	39,315	100.0%
82 Peter	38,583	8,332	—	46,915		8,332	38,583	82.2%
99 Spadina	51,058	—	—	51,058		—	51,058	100.0%
QRC West - 134 Peter, Phase I	298,782	8,213	—	306,995		—	306,995	100.0%
QRC West - 364 Richmond W, Phase I	38,279	—	—	38,279		—	38,279	100.0%
Union Centre	41,787	—	—	41,787		4,952	36,835	88.2%
Entertainment District	940,846	78,563	—	1,019,409	7.5%	26,103	993,306	97.4%
193 Yonge	34,349	16,898	—	51,247		—	51,247	100.0%
Downtown	34,349	16,898	—	51,247	0.4%	—	51,247	100.0%
106 Front E	24,129	10,554	—	34,683		—	34,683	100.0%
184 Front E	84,115	4,829	—	88,944		—	88,944	100.0%
35-39 Front E	34,653	13,822	—	48,475		—	48,475	100.0%
36-40 Wellington E	15,494	9,993	—	25,487		—	25,487	100.0%
41-45 Front E	20,958	14,239	—	35,197		—	35,197	100.0%
45-55 Colborne	30,622	13,158	—	43,780		—	43,780	100.0%
47 Front E	9,068	4,337	—	13,405		—	13,405	100.0%
49 Front E	9,482	10,435	—	19,917		—	19,917	100.0%
50 Wellington E	22,112	12,454	—	34,566		—	34,566	100.0%
54 Esplanade	—	9,038	—	9,038		—	9,038	100.0%
56 Esplanade	59,270	22,137	—	81,407		1,177	80,230	98.6%
60 Adelaide E	105,571	4,608	—	110,179		—	110,179	100.0%
70 Esplanade	19,590	6,109	—	25,699		—	25,699	100.0%
St. Lawrence Market	435,064	135,713	—	570,777	4.2%	1,177	569,600	99.8%
137 George	1,770	—	—	1,770		1,770	—	—%
204-214 King E	115,426	13,837	—	129,263		—	129,263	100.0%
230 Richmond E	73,542	—	—	73,542		—	73,542	100.0%
252-264 Adelaide E	44,536	2,582	—	47,118		1,225	45,893	97.4%
489 Queen E	31,737	—	—	31,737		—	31,737	100.0%
70 Richmond E	34,469	—	—	34,469		—	34,469	100.0%
Dominion Square - 468 Queen N	30,398	3,523	—	33,921		4,683	29,238	86.2%

MARCH 31, 2020 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
Dominion Square - 468 Queen S	34,313	9,091	—	43,404		—	43,404	100.0%
Dominion Square - 478-496 Queen	6,552	33,526	—	40,078		—	40,078	100.0%
QRC East - 111 Queen E	172,881	38,549	—	211,430		8,393	203,037	96.0%
QRC South - 100 Lombard	44,671	—	—	44,671		4,573	40,098	89.8%
Queen Richmond	590,295	101,108	—	691,403	5.1%	20,644	670,759	97.0%
Toronto	3,654,424	581,094	—	4,235,518	31.1%	54,143	4,181,375	98.7%
189-195 Joseph	26,462	—	—	26,462		—	26,462	100.0%
25 Breithaupt ⁽³⁾	46,845	—	—	46,845		—	46,845	100.0%
51 Breithaupt ⁽³⁾	66,355	—	—	66,355		—	66,355	100.0%
72 Victoria	89,759	—	—	89,759		—	89,759	100.0%
The Tannery - 151 Charles W	307,571	25,810	—	333,381		4,785	328,596	98.6%
Kitchener	536,992	25,810	—	562,802	4.1%	4,785	558,017	99.2%
Toronto & Kitchener	4,191,416	606,904	—	4,798,320	35.2%	58,928	4,739,392	98.8%
The Chambers - 40 Elgin	195,994	5,500	—	201,494		—	201,494	100.0%
The Chambers - 46 Elgin	29,974	—	—	29,974		2,430	27,544	91.9%
Ottawa	225,968	5,500	—	231,468	1.7%	2,430	229,038	99.0%
3510 Saint-Laurent	85,663	15,022	—	100,685		—	100,685	100.0%
3530-3540 Saint-Laurent	47,068	4,008	—	51,076		12,570	38,506	75.4%
3575 Saint-Laurent	165,501	19,276	—	184,777		9,865	174,912	94.7%
400 Atlantic	87,181	292	—	87,473		9,150	78,323	89.5%
4396-4410 Saint-Laurent	41,799	13,535	—	55,334		2,810	52,524	94.9%
4446 Saint-Laurent	72,801	7,251	—	80,052		3,209	76,843	96.0%
451-481 Saint-Catherine W	20,879	9,984	—	30,863		2,350	28,513	92.4%
480 Saint-Laurent	50,249	6,323	—	56,572		8,212	48,360	85.5%
5445 de Gaspé	480,945	896	—	481,841		—	481,841	100.0%
5455 de Gaspé	465,071	22,539	—	487,610		2,757	484,853	99.4%
5505 Saint-Laurent	244,685	2,221	—	246,906		—	246,906	100.0%
6300 Parc	181,180	3,736	—	184,916		7,008	177,908	96.2%
645 Wellington	129,017	8,115	—	137,132		—	137,132	100.0%
700 de la Gauchetière W	954,114	41,617	—	995,731		132,584	863,147	86.7%
740 Saint-Maurice	67,692	—	—	67,692		—	67,692	100.0%

MARCH 31, 2020 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
747 Square-Victoria	530,950	37,752	—	568,702		50,094	518,608	91.2%
8 Place du Commerce	48,306	11,633	—	59,939		—	59,939	100.0%
85 Saint-Paul W	79,404	—	—	79,404		18,382	61,022	76.9%
Cité Multimédia - 111 Duke	358,913	12,571	—	371,484		4,530	366,954	98.8%
Cité Multimédia - 50 Queen	27,071	—	—	27,071		—	27,071	100.0%
Cité Multimédia - 700 Wellington	135,232	—	—	135,232		12,005	123,227	91.1%
Cité Multimédia - 75 Queen	253,311	2,513	—	255,824		644	255,180	99.8%
Cité Multimédia - 80 Queen	65,044	4,203	—	69,247		3,152	66,095	95.5%
Cité Multimédia - 87 Prince	100,116	1,040	—	101,156		—	101,156	100.0%
El Pro Lofts - 644 Courcelle	145,030	8,451	—	153,481		30,784	122,697	79.9%
Le Nordelec - 1301-1303 Montmorency	7,550	—	—	7,550		—	7,550	100.0%
Le Nordelec - 1655 Richardson	32,893	—	—	32,893		—	32,893	100.0%
Le Nordelec - 1751 Richardson & 1700 Saint-Patrick	787,035	42,401	—	829,436		28,042	801,394	96.6%
RCA Building - 1001 Lenoir	304,555	39,013	—	343,568		69,487	274,081	79.8%
Montréal	5,969,255	314,392	—	6,283,647	46.1%	407,635	5,876,012	93.5%
Montréal & Ottawa	6,195,223	319,892	—	6,515,115	47.8%	410,065	6,105,050	93.7%
613 11th SW	—	4,288	—	4,288		—	4,288	100.0%
617 11th SW	3,230	6,306	—	9,536		3,088	6,448	67.6%
Alberta Block - 805 1st SW	9,094	22,540	—	31,634		2,863	28,771	91.0%
Alberta Hotel - 808 1st SW	28,036	20,424	—	48,460		10,563	37,897	78.2%
Atrium on Eleventh - 625 11th SE	34,870	1,410	—	36,280		12,247	24,033	66.2%
Biscuit Block - 438 11th SE	51,298	—	—	51,298		—	51,298	100.0%
Burns Building - 237 8th SE	74,096	1,249	—	75,345		—	75,345	100.0%
Cooper Block - 809 10th SW	35,256	—	—	35,256		5,278	29,978	85.0%
Customs House - 134 11th SE	73,352	—	—	73,352		—	73,352	100.0%

MARCH 31, 2020 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
Demcor Condo - 221 10th SE	14,253	—	—	14,253		14,253	—	—%
Demcor Tower - 239 10th SE	25,337	—	—	25,337		—	25,337	100.0%
Five Roses Building - 731-739 10th SW ⁽⁴⁾	—	10,404	—	10,404		—	10,404	100.0%
Glenbow - 802 11th SW ⁽⁴⁾	—	3,660	—	3,660		—	3,660	100.0%
Glenbow - 822 11th SW ⁽⁴⁾	4,848	3,919	—	8,767		2,168	6,599	75.3%
Glenbow Annex - 816 11th SW ⁽⁴⁾	—	4,511	—	4,511		—	4,511	100.0%
Glenbow Cornerblock - 838 11th SW ⁽⁴⁾	5,499	5,606	—	11,105		573	10,532	94.8%
Glenbow Ellison - 812 11th SW ⁽⁴⁾	5,676	—	—	5,676		5,676	—	—%
Kipling Square - 601 10th SW	48,502	—	—	48,502		11,332	37,170	76.6%
Leeson Lineham Building - 209 8th SW	33,241	—	—	33,241		—	33,241	100.0%
LocalMotive - 1240 20th SE	57,536	—	—	57,536		—	57,536	100.0%
Odd Fellows - 100 6th SW	33,474	—	—	33,474		—	33,474	100.0%
Pilkington Building - 402 11th SE	40,253	—	—	40,253		—	40,253	100.0%
Roberts Block - 603-605 11th SW	23,645	27,499	—	51,144		18,225	32,919	64.4%
Sherwin Block - 738 11th SW ⁽⁴⁾	10,845	4,895	—	15,740		—	15,740	100.0%
Telephone Building - 119 6th SW	63,063	—	—	63,063		—	63,063	100.0%
Vintage Towers - 322-326 11th SW	190,219	20,418	—	210,637		6,458	204,179	96.9%
Woodstone Building - 1207-1215 13th SE	33,152	—	—	33,152		11,530	21,622	65.2%
Young Block - 129 8th SW	7,734	—	—	7,734		2,414	5,320	68.8%
Calgary	906,509	137,129	—	1,043,638	7.7%	106,668	936,970	89.8%
Boardwalk Building - 10310 102nd NW	121,318	18,067	—	139,385		—	139,385	100.0%
Revillon Building - 10310 102nd NW	149,029	—	—	149,029		17,393	131,636	88.3%
Revillon Parkade - 10230 104th NW	—	9,437	—	9,437		—	9,437	100.0%
Edmonton	270,347	27,504	—	297,851	2.2%	17,393	280,458	94.2%

MARCH 31, 2020 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
1040 Hamilton	36,276	9,162	—	45,438		12,167	33,271	73.2%
1050 Homer	28,483	14,215	—	42,698		9,418	33,280	77.9%
1220 Homer	21,708	—	—	21,708		—	21,708	100.0%
1286 Homer	25,637	—	—	25,637		—	25,637	100.0%
151-155 West Hastings	38,512	—	—	38,512		—	38,512	100.0%
2233 Columbia Street	21,591	6,852	—	28,443		—	28,443	100.0%
342 Water	18,416	2,886	—	21,302		—	21,302	100.0%
365 Railway	31,528	—	—	31,528		—	31,528	100.0%
840 Cambie	89,377	—	—	89,377		—	89,377	100.0%
948-950 Homer	45,003	—	—	45,003		—	45,003	100.0%
Sun Tower - 128 West Pender	76,303	1,693	—	77,996		4,182	73,814	94.6%
Vancouver	432,834	34,808	—	467,642	3.4%	25,767	441,875	94.5%
Calgary, Edmonton, & Vancouver	1,609,690	199,441	—	1,809,131	13.3%	149,828	1,659,303	91.7%
Total Office and Retail	11,996,329	1,126,237	—	13,122,566	96.3%	618,821	12,503,745	95.3%
151 Front W	—	—	277,744	277,744		28,008	249,736	89.9%
250 Front W	—	—	173,000	173,000		55,900	117,100	67.7%
905 King W	—	—	58,666	58,666		—	58,666	100.0%
Urban Data Centres	—	—	509,410	509,410	3.7%	83,908	425,502	83.5%
Total Rental Portfolio	11,996,329	1,126,237	509,410	13,631,976	100%	702,729	12,929,247	94.8%

Note that the table above does not include ancillary residential properties, which total 14 and are included in the property count.

(1) RioCan/Allied Joint Arrangement

(2) Lifetime/Allied Joint Arrangement

(3) Perimeter/Allied Joint Arrangement

(4) First Capital/Allied Joint Arrangement

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

(1) TELUS/Westbank/Allied Joint Venture

(2) RioCan/Allied Joint Arrangement

(3) Westbank/Allied Joint Arrangement

(4) Each of Allied and RioCan own an undivided 50% interest with an estimated total GLA of 3,100,000 square feet. The GLA components (in square feet) at our 50% share will be as follows: approximately 534,000 of office, 212,000 of retail, and the remaining is related to residential air rights. The air rights were sold by the co-ownership as previously announced, with closing expected to occur by 2021.

(5) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W and 539 King W. The GLA components (in square feet) at our 50% share will be as follows: 200,000 of residential, 60,000 of retail and 40,000 of office.

(6) Perimeter/Allied Joint Arrangement. Breithaupt Phase III is comprised of 43 Wellington, 53 & 55 Wellington, 305 Joseph and 2-4 Stewart.

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

(1) Lifetime/Allied Joint Arrangement

Unaudited Condensed
Consolidated Financial Statements

For the Three Months Ended
March 31, 2020 and 2019

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

(in thousands of Canadian dollars)	NOTES	MARCH 31, 2020	DECEMBER 31, 2019
Assets			
Non-current assets			
Investment properties	5	\$8,116,485	\$7,469,265
Residential inventory	6	119,794	114,910
Investment in joint venture and loan receivable	7	101,817	95,596
Loans and notes receivable	8	252,439	247,413
Other assets	9	39,777	39,788
		8,630,312	7,966,972
Current assets			
Cash and cash equivalents	20	19,366	208,914
Loans and notes receivable	8	3,748	3,863
Accounts receivable, prepaid expenses and deposits	10	125,485	129,944
		148,599	342,721
Total assets		\$8,778,911	\$8,309,693
Liabilities			
Non-current liabilities			
Debt	11	\$2,336,570	\$2,125,938
Other liabilities	13	55,191	33,923
Lease liabilities	12	155,745	155,221
		2,547,506	2,315,082
Current liabilities			
Debt	11	29,464	29,243
Accounts payable and other liabilities	13	271,398	247,669
		300,862	276,912
Total liabilities		2,848,368	2,591,994
Unitholders' equity		5,930,543	5,717,699
Total liabilities and Unitholders' equity		\$8,778,911	\$8,309,693

Commitments and Contingencies (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, 2020 AND 2019

(in thousands of Canadian dollars, except unit and per unit amounts)	NOTES	THREE MONTHS ENDED	
		MARCH 31, 2020	MARCH 31, 2019
Rental revenue from investment properties	18	\$138,977	\$116,486
Property operating costs		(59,218)	(49,432)
Operating income		79,759	67,054
Interest expense	11 (f)	(16,812)	(15,259)
General and administrative expenses	19	(6,605)	(5,460)
Condominium marketing expenses		(587)	(845)
Amortization of other assets	9	(374)	(368)
Interest income		5,253	3,682
Fair value gain on investment properties	5	215,076	107,791
Fair value loss on derivative instruments	14, 25 (d)	(21,078)	(10,249)
Net income (loss) from joint venture	7	281	(3,169)
Net income and comprehensive income		\$254,913	\$143,177
Income per unit			
Basic		\$2.07	\$1.36
Diluted		\$2.07	\$1.36
Weighted average number of Units	17		
Basic		122,982,792	105,279,592
Diluted		123,255,260	105,546,682

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, 2020 AND 2019

(in thousands of Canadian dollars)	NOTES	TRUST UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
Balance at January 1, 2019	15	\$2,835,395	\$1,521,035	\$18,233	\$4,374,663
Net income and comprehensive income		—	143,177	—	143,177
Unit offering (net of issuance costs)	15	220,268	—	—	220,268
Distributions		—	(42,140)	—	(42,140)
Unit option plan – options exercised	16 (a)	10,072	—	—	10,072
Contributed surplus – Unit option plan	16 (a)	—	—	376	376
Restricted Unit plan (net of forfeitures)	16 (b)	(2,497)	—	587	(1,910)
Balance at March 31, 2019		\$3,063,238	\$1,622,072	\$19,196	\$4,704,506

(in thousands of Canadian dollars)	NOTES	TRUST UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
Balance at January 1, 2020	15	\$3,725,472	\$1,969,974	\$22,253	\$5,717,699
Net income and comprehensive income		—	254,913	—	254,913
Distributions		—	(50,746)	—	(50,746)
Unit option plan – options exercised	16 (a)	9,699	—	—	9,699
Contributed surplus – Unit option plan	16 (a)	—	—	477	477
Restricted Unit plan (net of forfeitures)	16 (b)	(2,693)	—	1,194	(1,499)
Balance at March 31, 2020		\$3,732,478	\$2,174,141	\$23,924	\$5,930,543

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, 2020 AND 2019

(in thousands of Canadian dollars)	NOTES	THREE MONTHS ENDED	
		MARCH 31, 2020	MARCH 31, 2019
Operating activities			
Net income for the period		\$254,913	\$143,177
Fair value gain on investment properties	5	(215,076)	(107,791)
Fair value loss on derivative instruments	25 (d)	21,078	10,249
Realized gain on derivative instruments	25 (d)	80	—
Interest expense (excluding capitalized interest)	11 (f)	16,812	15,259
Interest paid (excluding capitalized interest)	20, 5, 6	(12,333)	(9,414)
Interest income		(5,253)	(3,682)
Interest received	20	3,731	3,682
Net loss from joint venture	7	(281)	3,169
Amortization of equipment and other assets	9	374	368
Amortization of improvement allowances	5	7,628	7,573
Amortization of straight-line rents	5	(2,174)	(1,944)
Amortization of discount on debt	11 (f)	(454)	(98)
Amortization of lease liabilities		59	(347)
Unit compensation expense	16	1,671	963
Additions to residential inventory	6	(4,884)	(8,579)
Change in other non-cash financing items	7	1,403	428
Change in other non-cash operating items	7, 20	34,503	(13,261)
Cash provided by operating activities		101,797	39,752
Financing activities			
Repayment of mortgages payable	11 (a)	(6,354)	(6,268)
Proceeds from senior unsecured debentures (net of financing costs)	11 (d)	397,650	—
Repayment of unsecured term loan	11 (e)	(200,000)	—
Principal payments of lease liabilities		(7)	(1,268)
Distributions paid to Unitholders		(50,156)	(41,444)
Proceeds of Unit offering (net of issuance costs)	15	—	220,268
Proceeds from exercise of Unit options	15, 16	9,699	10,072
Restricted Unit Plan (net of forfeitures)	15, 16	(2,693)	(2,497)
Proceeds from notes receivables	8 (b)	68	150
Proceeds from Unsecured Revolving Operating Facility	11 (c)	240,000	31,000
Repayments of Unsecured Revolving Operating Facility	11 (c)	(240,000)	(126,000)

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(in thousands of Canadian dollars)	NOTES	THREE MONTHS ENDED	
		MARCH 31, 2020	MARCH 31, 2019
Proceeds from construction loan	11 (b)	9,656	10,173
Financing costs		(200)	—
Loan receivable issued to third-party	7, 8 (a), 20	(9,255)	(16,258)
Cash provided by financing activities		148,408	77,928
Investing activities			
Acquisition of investment properties	4	(328,170)	(1,385)
Deposits on acquisitions	10 (d)	(20,000)	—
Additions to investment properties (including capitalized interest)	5, 7	(70,478)	(37,296)
Additions to equipment and other assets	9	(252)	(15)
Leasing commissions	5, 7	(4,264)	(1,433)
Improvement allowances	5	(16,589)	(5,902)
Cash used in investing activities		(439,753)	(46,031)
(Decrease) Increase in cash and cash equivalents		(189,548)	71,649
Cash and cash equivalents, beginning of period		208,914	18,059
Cash and cash equivalents, end of period		\$19,366	\$89,708

Supplemental cash flow information (note 20)

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

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER UNIT AND UNIT AMOUNTS)

1. NATURE OF OPERATIONS

Allied Properties Real Estate Investment Trust (“Allied”) is a Canadian unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust dated October 25, 2002, most recently amended April 14, 2020. Allied is governed by the laws of the Province of Ontario and began operations on February 19, 2003. The Units of Allied are traded on the Toronto Stock Exchange and are traded under the symbol “AP.UN”.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements are presented in Canadian dollars.

The unaudited condensed consolidated financial statements for the three months ended March 31, 2020, and 2019, were approved and authorized for issue by the Board of Trustees on April 29, 2020.

(A) Statement of compliance

The unaudited condensed consolidated financial statements of Allied for the three months ended March 31, 2020, and 2019, are prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”).

The significant accounting policies disclosed in Allied’s December 31, 2019, audited annual consolidated statements have been applied consistently in the preparation of these unaudited condensed consolidated financial statements.

(B) Comparative figures

The comparative figures have been revised to conform with presentation adopted in 2019 as a result of the condominium sales earned in the year ended December 31, 2019. Therefore, comparatives include a revised sub-total entitled operating income which has replaced the previous sub-total net rental income on the face of the unaudited condensed consolidated statement of income and comprehensive income. The comparative figures have also been revised for the accounting related to a joint venture (see Note 7) and related segment disclosures (see Note 22).

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, 2019, audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited condensed consolidated financial statements.

4. ACQUISITIONS AND DISPOSITIONS

During the three months ended March 31, 2020, Allied completed the following property acquisitions from third parties:

PROPERTY	ACQUISITION DATE	PROPERTY TYPE	INVESTMENT PROPERTY	INTEREST ACQUIRED
3530-3540 Saint-Laurent, Montréal	January 14, 2020	Office, Retail	\$13,421	100%
4396-4410 Saint Laurent, Montréal	January 15, 2020	Office, Retail	18,530	100%
54 The Esplanade, Toronto	January 16, 2020	Retail	26,079	100%
747 Square-Victoria, Montréal	January 28, 2020	Office, Retail	284,541	100%
Ancillary residential properties, Toronto ⁽¹⁾	-	Residential	3,224	100%
			\$345,795	

(1) Allied acquired two ancillary residential properties during the three months ended March 31, 2020.

The total purchase price for the above-noted properties during the three months ended March 31, 2020, of \$345,795 is comprised of net cash consideration paid of \$328,170, the assumption of other liabilities of \$7,625 and a mortgage assumption of \$10,000.

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

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

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

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

Dispositions

During the three months ended March 31, 2020 and the year ended December 31, 2019, Allied did not dispose of any investment properties.

5. INVESTMENT PROPERTIES

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

	MARCH 31, 2020			DECEMBER 31, 2019		
	PROPERTIES UNDER DEVELOPMENT ("PUD")			PROPERTIES UNDER DEVELOPMENT ("PUD")		
	RENTAL PROPERTIES	DEVELOPMENT ("PUD")	TOTAL	RENTAL PROPERTIES	DEVELOPMENT ("PUD")	TOTAL
Balance, beginning of period	\$6,754,215	\$715,050	\$7,469,265	\$5,592,216	\$570,241	\$6,162,457
Additions:						
Acquisitions	345,795	—	345,795	547,306	2,162	549,468
Improvement allowances	9,176	7,413	16,589	37,755	22	37,777
Leasing commissions	2,595	1,669	4,264	13,310	4,223	17,533
Capital expenditures	14,050	56,428	70,478	55,428	219,279	274,707
Transfers from PUD	—	—	—	98,850	(98,850)	—
Transfers to PUD	—	—	—	(6,530)	6,530	—
Transfers to other assets	—	—	—	(152)	—	(152)
Lease liabilities	472	—	472	1,887	—	1,887
Amortization of straight-line rent and improvement allowances	(6,233)	779	(5,454)	(24,882)	(20)	(24,902)
Fair value gain (loss) on investment properties	221,945	(6,869)	215,076	439,027	11,463	450,490
Balance, end of period	\$7,342,015	\$774,470	\$8,116,485	\$6,754,215	\$715,050	\$7,469,265

For the three months ended March 31, 2020, Allied capitalized \$6,221 of borrowing costs to qualifying investment properties (March 31, 2019 - \$4,465).

Included in the rental properties amounts noted above are right-of-use assets with a fair value of \$511,900 (December 31, 2019 - \$509,860) representing the fair value of Allied's interest in five investment properties with corresponding lease liabilities. The leases' maturities range from 24.5 years to 82.2 years.

Valuation methodology

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

- (a) Discounted cash flow method - Under this approach, discount rates are applied to the projected annual operating cash flows, generally over a ten year period, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income (“NOI”), a non-GAAP measure, in the terminal year. This method is primarily used to value the rental properties portfolio.
- (b) Comparable sales method - This approach compares a subject property’s characteristics with those of comparable properties which have recently sold. The process uses one of several techniques to adjust the price of the comparable transactions according to the presence, absence, or degree of characteristics which influence value. These characteristics include the cost of construction incurred at a property under development. This method is primarily used to value the development portfolio and ancillary parking facilities.

In accordance with its policy, Allied measures and records its investment properties using valuations under the supervision of Management with the support of an independent external appraiser. Allied’s entire portfolio is revalued by the external appraiser each quarter. Management verifies all major inputs to the valuations, analyzes the change in fair values at the end of each reporting period and reviews the results with the independent appraiser every quarter. There were no material changes to the valuation techniques during the period. For properties with a leasehold interest with a term less than 40 years, the resulting valuation methodology is based upon a full-term discounted cash flow model.

Significant inputs

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

	WEIGHTED AVERAGE	
	MARCH 31, 2020	DECEMBER 31, 2019
Discount rate	6.46%	6.63%
Terminal capitalization rate	5.22%	5.38%
Overall capitalization rate	4.82%	4.98%
Discount horizon (years)	10	10

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

CHANGE IN CAPITALIZATION RATE OF	-0.50%	-0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Investment Properties	\$939,408	\$444,009	\$(400,221)	\$(762,827)

6. RESIDENTIAL INVENTORY

Residential inventory is as follows:

	MARCH 31, 2020	DECEMBER 31, 2019
KING Toronto	\$119,794	\$114,910

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

	MARCH 31, 2020	DECEMBER 31, 2019
Balance, beginning of period	\$114,910	\$140,302
Acquisitions ⁽¹⁾	—	10,454
Dispositions ⁽¹⁾	—	(5,227)
Sale of residential units ⁽²⁾	—	(43,342)
Development expenditures	4,884	12,723
Balance, end of period	\$119,794	\$114,910

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

(2) Allied recognized condominium cost of sales in 2019 for the 132 units occupied at King Portland Centre.

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

On September 19, 2017, Allied and its partner, RioCan, announced that they had finalized plans that would allow the co-owners to improve the return on the development of King Portland Centre. The co-owners had originally intended to develop the residential portion of the project as rental apartments and then decided to sell the residential portion as condominium units, totaling 132 units. As of December 31, 2019, all units have been occupied.

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. KING Toronto is a mixed-use property comprised of office, retail, and residential uses. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. The residential component will be developed and sold as condominium units, totaling 440 units.

For the three months ended March 31, 2020, Allied capitalized \$1,037 of borrowing costs to qualifying residential inventory (March 31, 2019 - \$1,214).

7. INVESTMENT IN JOINT VENTURE AND LOAN RECEIVABLE

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

	MARCH 31, 2020	DECEMBER 31, 2019
Investment in joint venture	\$(9,006)	\$(8,439)
Loans receivable from joint venture	110,823	104,035
	\$101,817	\$95,596

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

On October 31, 2019, Allied advanced a construction loan in the amount of \$96,142 to TELUS Sky, with the loan having a maximum limit of \$114,000. The loan matures on August 31, 2021, and bears interest at bank prime plus 45 basis points or bankers' acceptance rate plus 145 basis points. As at March 31, 2020, the loan receivable outstanding is \$110,823 (December 31, 2019 - \$104,035). Allied is providing a joint and several guarantee in the amount of \$114,000 to support the TELUS Sky facility.

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

	MARCH 31, 2020	DECEMBER 31, 2019
Current assets (including cash and cash equivalents)	\$9,454	\$9,377
Non-current assets	348,052	320,880
Current liabilities	(52,042)	(43,457)
Non-current liabilities	(332,483)	(312,117)
Net assets of TELUS Sky at 100%	\$(27,019)	\$(25,317)
Net assets of TELUS Sky at Allied's share ⁽¹⁾	\$(9,006)	\$(8,439)

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Revenue	\$1,041	\$—
Expenses	(779)	(15)
Interest expense	—	—
General and administrative expense	(13)	(39)
Fair value gain (loss)	594	(9,453)
Net income (loss) and total comprehensive loss of TELUS Sky at 100%	\$843	\$(9,507)
Net income (loss) and total comprehensive loss at Allied's share ⁽¹⁾	\$281	\$(3,169)

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

	MARCH 31, 2020	DECEMBER 31, 2019
Opening balance	\$(8,439)	\$18,456
Net earnings	281	(25,844)
Distributions	(848)	(1,051)
Ending balance	\$(9,006)	\$(8,439)

The comparative figures for the period ended March 31, 2019, have been revised in respect of the accounting for Allied's investment in TELUS Sky from a joint operation to a joint venture. As a result the condensed consolidated statement of income and comprehensive income and statement of cash flow summarized in the table below were revised; and there was no impact on net income, earnings per share and the consolidated statement of equity.

	PREVIOUSLY REPORTED	ADJUSTMENT	REVISED PRESENTATION
Condensed consolidated Statement of Income & Comprehensive Income for the period ended March 31, 2019			
Property operating costs	(49,437)	5	(49,432)
Interest expense	(14,938)	(321)	(15,259)
Condo marketing expense	(858)	13	(845)
Fair value gain on investment properties	104,319	3,472	107,791
Share of loss from joint venture	—	(3,169)	(3,169)
Condensed consolidated Statement of Cash Flows for the period ended March 31, 2019			
<i>Cash provided by operating activities</i>			
Fair value (gain) on investment properties	(104,319)	(3,472)	(107,791)
Change in other non-cash operating items	(7,930)	(5,331)	(13,261)
<i>Cash provided by financing activities</i>			
Proceeds of construction loan	17,269	(7,096)	10,173
<i>Cash used by investing activities</i>			
Additions to investment properties	(49,640)	12,344	(37,296)
Leasing commissions	(1,481)	48	(1,433)

8. LOANS AND NOTES RECEIVABLE

Loans and notes receivable are as follows:

	MARCH 31, 2020	DECEMBER 31, 2019
Loans receivable (a)	\$250,314	\$245,303
Notes and other receivables (b)	5,873	5,973
	\$256,187	\$251,276
Current	\$3,748	\$3,863
Non-current	252,439	247,413
	\$256,187	\$251,276

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

On August 1, 2017, Allied entered into an arrangement with Westbank to provide a credit facility of up to \$100,000, plus interest, for the land acquisition and the pre-development costs of 400 West Georgia in Vancouver. The facility is secured by Westbank's covenant and a charge on the property (subordinated to the construction lender). On February 11, 2019, the facility was increased to \$160,000. Interest accrues and is payable monthly at a rate of 6.75% per annum. The credit facility matures on August 31, 2022, and has a one-year extension option to August 31, 2023. As at March 31, 2020, the loan receivable outstanding is \$108,087 (December 31, 2019 - \$106,292).

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied advanced \$67,030 to Westbank for its purchase of a 50% undivided interest in the property. The facility will initially be secured by a first mortgage on the property. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable at the earlier of November 23, 2023, or the closing of the condominium units. As at March 31, 2020, the loan receivable outstanding is \$80,310 (December 31, 2019 - \$77,765).

On March 18, 2019, Allied made an amendment to the joint arrangement with Perimeter to develop Breithaupt Phase III and a loan receivable arrangement to provide 50% of the pre-development costs. The facility is secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable upon completion of development and rent commencement, which is anticipated to take place in the fourth quarter of 2021. As at March 31, 2020, the loan receivable outstanding is \$9,498 (December 31, 2019 - \$9,365).

On July 31, 2019, Allied entered into an arrangement with Westbank to provide a credit facility of up to \$185,000, plus interest, for the land acquisition and the pre-development costs of 720 Beatty Street in Vancouver. The funding will initially be secured by a first mortgage on the property for a fixed term. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues and is payable monthly at a rate of 7.00% per annum on amounts periodically advanced. The credit facility matures in six years following approval of the project by the British Columbia Utilities Commission. As at March 31, 2020, the loan receivable outstanding is \$31,246 (December 31, 2019 - \$30,708).

- (b) As at March 31, 2020, the balance of notes and other receivables includes \$3,645 of mortgage receivables (December 31, 2019 - \$3,713) from the purchaser of Allied's Québec City portfolio as the mortgage transfer was not executed by the lender. The remaining balance is made up of individually insignificant notes receivable.

9. OTHER ASSETS

Other assets consist of the following:

	MARCH 31, 2020	DECEMBER 31, 2019
Equipment and other assets ⁽¹⁾	\$4,960	\$5,081
Property, plant and equipment ⁽²⁾	17,782	17,782
Prepaid deposits ⁽³⁾	15,927	13,202
Interest rate swap derivative assets	1,108	3,723
	\$39,777	\$39,788

(1) During the three months ended March 31, 2020, Allied recorded amortization of equipment and other assets of \$374 (March 31, 2019 - \$368).

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

(3) These prepaid deposits are from the sale of residential condominium units for KING Toronto, which are held in trust.

10. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

	MARCH 31, 2020	DECEMBER 31, 2019
User trade receivables - net of allowance (a)	\$10,850	\$7,686
Other user receivables (b)	43,982	46,569
Miscellaneous receivables (c)	14,197	15,258
Prepaid expenses and deposits (d)	56,456	60,431
	\$125,485	\$129,944

(A) User trade receivables

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

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

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

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Allowance for doubtful accounts, beginning of period	\$3,899	\$2,333
Additional provision recorded during the period	342	473
Reversal of previous provisions	(325)	(519)
Allowance for doubtful accounts, end of period	\$3,916	\$2,287

(B) *Other user receivables*

Other user receivables pertain to unbilled operating costs such as common area maintenance and property tax recoveries and chargebacks. Included in this amount is \$40,159 (December 31, 2019 - \$40,153) of residential condominium sales receivables from King Portland Centre (net of deposits).

(c) *Miscellaneous receivables*

Miscellaneous receivables consist primarily of property taxes recoverable from municipalities and insurance claims. As at March 31, 2020, there are no credit risk indicators that the debtors will not meet their payment obligations.

(D) *Prepaid expenses and deposits*

Prepaid expenses primarily relate to property operating expenses (mainly realty taxes and insurance), deposits relating to acquisitions of \$20,830 (December 31, 2019 - \$29,080) and deposits held in trust of \$9,366 (December 31, 2019 - \$18,340) received from the sale of residential condominium units.

11. DEBT

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

	MARCH 31, 2020	DECEMBER 31, 2019
Mortgages payable (a)	\$740,610	\$737,448
Construction loans payable (b)	32,866	23,210
Unsecured revolving operating facility (c)	—	—
Senior unsecured debentures (d)	1,343,219	945,369
Unsecured term loans (e)	249,339	449,154
	\$2,366,034	\$2,155,181
Current	\$29,464	\$29,243
Non-current	2,336,570	2,125,938
	\$2,366,034	\$2,155,181

(A) *Mortgages payable*

Mortgages payable have a weighted average stated interest rate of 4.32% as at March 31, 2020 (December 31, 2019 - 4.38%). The mortgages are secured by a first registered charge over specific investment properties and first general assignments of leases, insurance and registered chattel mortgages.

	PRINCIPAL REPAYMENTS	BALANCE DUE AT MATURITY	MARCH 31, 2020	DECEMBER 31, 2019
Remaining 2020	\$19,244	\$3,645	\$22,889	
2021	26,668	—	26,668	
2022	25,728	205,628	231,356	
2023	16,781	225,585	242,366	
2024	4,726	152,472	157,198	
2025	6,596	8,788	15,384	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
2030	5,000	—	5,000	
Mortgages, principal	\$106,914	\$631,018	\$737,932	\$734,286
Net premium on assumed mortgages			4,946	5,400
Net financing costs			(2,268)	(2,238)
			\$740,610	\$737,448

(B) *Construction loans payable*

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

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	MARCH 31, 2020	DECEMBER 31, 2019
Breithaupt Phase III	50%	December 2, 2022	\$5,000	\$—
Adelaide & Duncan	50%	August 11, 2023	27,866	23,210
			\$32,866	\$23,210

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

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

(C) *Unsecured revolving operating facility*

As of March 31, 2020, and December 31, 2019, Allied's obligation under the unsecured revolving operating facility is as follows:

	MARCH 31, 2020	DECEMBER 31, 2019
Unsecured Facility limit	\$400,000	\$400,000
Letters of credit outstanding under the Unsecured Facility	(24,011)	(14,896)
Remaining unused balance under the Unsecured Facility	\$375,989	\$385,104

Allied has access to an Unsecured Facility of \$400,000 with a maturity of January 30, 2023. The Unsecured Facility bears interest at bank prime plus 20 basis points or bankers' acceptance plus 120 basis points with a standby fee of 24 basis points (December 31, 2019 - bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points), subject to certain conditions being met. In the event that these conditions are not met, the Unsecured Facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points (December 31, 2019 - bank prime plus 70 basis points or bankers' acceptance plus 170 basis points with a standby fee of 34 basis points). The Unsecured Facility contains a \$100,000 accordion feature, allowing Allied to increase the amount available under the facility to \$500,000. The Unsecured Facility has no balance outstanding as at March 31, 2020 (December 31, 2019 - nil).

On April 21, 2020, Allied entered into a \$100,000 bilateral unsecured line of credit for a term of one year bearing interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

(D) *Senior unsecured debentures*

As of March 31, 2020, and December 31, 2019, Allied's obligation under the senior unsecured debentures is as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	MARCH 31, 2020	DECEMBER 31, 2019
Series B	3.934%	November 14, 2022	May 14 and November 14	\$150,000	\$150,000
Series C	3.636%	April 21, 2025	April 21 and October 21	200,000	200,000
Series D	3.394%	August 15, 2029	February 15 and August 15	300,000	300,000
Series E	3.113%	April 8, 2027	April 8 and October 8	300,000	300,000
Series F	3.117%	February 21, 2030	February 21 and August 21	400,000	—
Unsecured Debentures, principal				\$1,350,000	\$950,000
Net financing costs				(6,781)	(4,631)
				\$1,343,219	\$945,369

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

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

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

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

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

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

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

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

(E) *Unsecured term loans*

As of March 31, 2020, and December 31, 2019, Allied’s obligation under the unsecured term loans is as follows:

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	MARCH 31, 2020	DECEMBER 31, 2019
Unsecured Term Loan	3.992%	January 14, 2026	Monthly	\$250,000	\$250,000
Unsecured Term Facility					
Tranche 1	2.830%	March 16, 2021	Quarterly	—	100,000
Tranche 2	2.890%	March 16, 2021	Quarterly	—	100,000
Unsecured Term Loans, principal				\$250,000	\$450,000
Net financing costs				(661)	(846)
				\$249,339	\$449,154

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

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

On March 4, 2020, Allied repaid \$100,000 of the principal amount of Tranche 2 of the Unsecured Term Facility due March 16, 2021.

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

(F) *Interest expense*

Interest expense consists of the following:

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Interest on debt:		
Mortgages payable	\$7,866	\$8,204
Construction loans payable	349	26
Unsecured Facility	699	1,003
Unsecured Debentures	9,550	5,441
Unsecured Term Loans	3,300	3,833
Interest on lease liabilities	2,205	2,101
Amortization, discount on debt	(454)	(98)
Amortization, net financing costs	555	428
	\$24,070	\$20,938
Less: Interest capitalized to qualifying investment properties and residential inventory	(7,258)	(5,679)
Interest expense	\$16,812	\$15,259

Borrowing costs have been capitalized to qualifying investment properties and residential inventory, where applicable, at a weighted average rate of 3.72% per annum (March 31, 2019 - 3.95%).

(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 2020	2021	2022	2023	2024	THEREAFTER	TOTAL
Mortgages payable, principal repayments	\$19,244	\$26,668	\$25,728	\$16,781	\$4,726	\$13,767	\$106,914
Mortgages payable, balance due at maturity	3,645	—	205,628	225,585	152,472	43,688	631,018
Construction loans payable	—	—	5,000	27,866	—	—	32,866
Unsecured Debentures	—	—	150,000	—	—	1,200,000	1,350,000
Unsecured Term Loans	—	—	—	—	—	250,000	250,000
Total	\$22,889	\$26,668	\$386,356	\$270,232	\$157,198	\$1,507,455	\$2,370,798

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

12. LEASE LIABILITIES

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

	REMAINING 2020 ⁽¹⁾	2021 - 2024 ⁽¹⁾	THEREAFTER	MARCH 31, 2020	DECEMBER 31, 2019
Future minimum lease payments	\$8,014	\$42,172	\$468,180	\$518,366	\$503,200
Interest accrued on lease obligations	60	1,144	—	1,204	1,401
Less: amounts representing interest payments	(8,074)	(43,316)	(312,435)	(363,825)	(349,380)
Present value of lease payments	\$—	\$—	\$155,745	\$155,745	\$155,221

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

Some of Allied's lease agreements contain contingent rent clauses. Contingent rental payments are recognized in the consolidated statements of income and comprehensive income as required when contingent criteria are met. The lease agreements contain renewal options, purchase options, escalation clauses, additional debt and further leasing clauses. For the three months ended March 31, 2020, minimum lease payments of \$2,141 were paid by Allied (March 31, 2019 - \$3,671).

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consists of the following:

	MARCH 31, 2020	DECEMBER 31, 2019
Trade payables and other liabilities	\$167,237	\$157,014
Prepaid user rents	72,336	63,844
Accrued interest payable	14,897	10,473
Distributions payable to Unitholders	16,928	16,338
Residential deposits ⁽¹⁾	25,927	23,203
Interest rate swap derivative liability	29,264	10,720
	\$326,589	\$281,592
Current	\$271,398	\$247,669
Non-current ⁽²⁾	55,191	33,923
	\$326,589	\$281,592

(1) These deposits relate to the sale of residential condominium units at KING Toronto.

(2) Non-current liabilities are composed of residential deposits totaling \$25,927 and an interest rate swap derivative liability totaling \$29,264.

14. FAIR VALUE MEASUREMENTS

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

		MARCH 31, 2020		DECEMBER 31, 2019	
		CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial Assets:					
Loans and notes receivable (note 8)	Amortized cost	256,187	256,187	251,276	251,276
Loan receivable from joint venture (note 7)	Amortized cost	110,823	110,823	104,035	104,035
Cash and cash equivalents (note 20)	Amortized cost	19,366	19,366	208,914	208,914
Accounts receivable (note 10)	Amortized cost	69,029	69,029	69,513	69,513
Interest rate swap derivative assets (note 9)	FVTPL	1,108	1,108	3,723	3,723
Financial Liabilities:					
Debt (note 11)					
Mortgages	Amortized cost	740,610	786,601	737,448	759,823
Construction loans payable	Amortized cost	32,866	32,866	23,210	23,210
Unsecured Debentures	Amortized cost	1,343,219	1,313,950	945,369	966,973
Unsecured Term Loans	Amortized cost	249,339	271,153	449,154	457,310
Interest rate swap liability (note 13)	FVTPL	29,264	29,264	10,720	10,720
Accounts payable and other liabilities (note 13)	Amortized cost	297,325	297,325	270,872	270,872

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

- Level 1 - quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following table presents the hierarchy of assets and liabilities:

	MARCH 31, 2020			DECEMBER 31, 2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial Assets:						
Loans and notes receivable (note 8)	—	256,187	—	—	251,276	—
Loan receivable from joint venture (note 7)	—	110,823	—	—	104,035	—
Cash and cash equivalents (note 20)	19,366	—	—	208,914	—	—
Accounts receivable (note 10)	—	69,029	—	—	69,513	—
Interest rate swap derivative assets (note 9)	—	1,108	—	—	3,723	—
Financial Liabilities:						
Debt (note 11)						
Mortgages	—	786,601	—	—	759,823	—
Construction loans payable	—	32,866	—	—	23,210	—
Unsecured Debentures	—	1,313,950	—	—	966,973	—
Unsecured Term Loans	—	271,153	—	—	457,310	—
Interest rate swap liability (note 13)	—	29,264	—	—	10,720	—
Accounts payable and other liabilities (note 13)	—	297,325	—	—	270,872	—

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

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

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

Interest rate swap derivative contracts

The fair value of Allied's interest rate derivative contracts, which represent a net liability as at March 31, 2020, is \$28,156 (December 31, 2019 - \$6,997). The fair value of the derivative contracts is determined using forward interest rates observable in the market (Level 2).

	MARCH 31, 2020	DECEMBER 31, 2019
Interest rate swap derivative asset (note 9)	\$1,108	\$3,723
Interest rate swap derivative liability (note 13)	(29,264)	(10,720)
Total	\$(28,156)	\$(6,997)

Debt

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

15. UNITHOLDERS' EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the three months ended March 31, 2020, and for the year ended December 31, 2019.

	MARCH 31, 2020		DECEMBER 31, 2019	
	UNITS	AMOUNT	UNITS	AMOUNT
Units, beginning of period	122,838,799	\$3,725,472	103,861,945	\$2,835,395
Restricted Unit plan (net of forfeitures) (note 16(b))	—	(2,693)	—	(2,462)
Unit option plan - options exercised (note 16(a))	273,950	9,699	277,854	10,437
Unit offering	—	—	18,699,000	882,102
Units, end of period	123,112,749	\$3,732,478	122,838,799	\$3,725,472

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

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

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

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

Distributions

On April 15, 2020, Allied declared a distribution for the month of April 2020 of \$0.1375 per unit, representing \$1.65 per unit on an annualized basis to Unitholders of record on April 30, 2020.

Normal course issuer bid

On February 20, 2020, Allied received approval from the Toronto Stock Exchange (“TSX”) for the renewal of its normal course issuer bid (“NCIB”), which entitles Allied to purchase up to 12,100,300 of its outstanding Units, representing approximately 10% of its public float as at February 10, 2020. The NCIB commenced February 24, 2020, and will expire on February 23, 2021, or such earlier date as Allied completes its purchases pursuant to the NCIB. All purchases under the NCIB will be made on the open market through the facilities of the TSX or alternate trading systems in Canada at market prices prevailing at the time of purchase. Any Units that are repurchased will either be cancelled or delivered to participants under Allied’s Restricted Unit Plan or to employees pursuant to Allied’s employee programs.

During the three months ended March 31, 2020, Allied purchased 46,893 Units for \$2,695 at a weighted average price of \$57.46 per unit under its NCIB program, of which 46,833 were purchased for delivery to participants under Allied’s Restricted Unit Plan and 60 Units were purchased for certain employee rewards outside of Allied’s Restricted Unit Plan.

16. UNIT OPTION AND RESTRICTED UNIT PLANS

(A) Unit Option Plan

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

SUMMARY OF UNIT OPTION GRANTS:

Date granted	Expiry date	Units granted	Exercise price	Exercised - life to date	Forfeited - life to date	Net outstanding	Vested
March 1, 2016	March 1, 2026	540,480	\$31.56	(341,138)	(19,132)	180,210	180,210
February 22, 2017	February 22, 2027	279,654	\$35.34	(23,576)	—	256,078	186,165
February 14, 2018	February 14, 2028	198,807	\$40.30	(14,685)	—	184,122	85,876
February 13, 2019	February 13, 2029	323,497	\$47.53	(2,717)	(1,830)	318,950	79,742
February 5, 2020	February 5, 2030	352,230	\$54.59	—	—	352,230	—
		1,694,668		(382,116)	(20,962)	1,291,590	531,993

	THREE MONTHS ENDED		YEAR ENDED	
	MARCH 31, 2020		DECEMBER 31, 2019	
	The range of exercise prices	Weighted average remaining contractual life (years)	The range of exercise prices	Weighted average remaining contractual life (years)
For the Units outstanding at the end of the period	\$31.56-54.59	8.20	\$31.56-47.53	7.02

	THREE MONTHS ENDED		YEAR ENDED	
	MARCH 31, 2020		DECEMBER 31, 2019	
	Number of units	Weighted average exercise price	Number of units	Weighted average exercise price
Balance at the beginning of the period	1,213,310	\$38.75	1,169,497	\$36.05
Granted during the period	352,230	54.59	323,497	47.53
Forfeited during the period	—	—	(1,830)	47.53
Exercised during the period	(273,950)	35.40	(277,854)	37.56
Balance at the end of the period	1,291,590	\$43.78	1,213,310	\$38.75
Units exercisable at the end of the period	531,993	\$36.69	604,445	\$34.49

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

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

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

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

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

For the three months ended March 31, 2020, Allied recorded a share-based payment expense of \$477 in general and administrative expense in the consolidated statements of income and comprehensive income (for the three months ended March 31, 2019 - \$376).

(B) *Restricted Unit Plan*

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

	THREE MONTHS ENDED	YEAR ENDED
	MARCH 31, 2020	DECEMBER 31, 2019
Restricted Units, beginning of the period	287,023	267,420
Granted	46,833	51,858
Expiration of restriction period	(38,913)	(31,586)
Forfeited	—	(669)
Restricted Units, end of the period	294,943	287,023

For the three months ended March 31, 2020, Allied recorded a share-based payment expense of \$1,194 in general and administrative expense in the consolidated statements of income and comprehensive income (for the three months ended March 31, 2019 - \$587).

17. WEIGHTED AVERAGE NUMBER OF UNITS

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

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Basic	122,982,792	105,279,592
Unit Option Plan	272,468	267,090
Fully diluted	123,255,260	105,546,682

18. TOTAL REVENUE

Total revenue includes the following:

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Rental revenue ⁽¹⁾	\$64,256	\$53,665
Tax and insurance recoveries	25,452	20,385
Miscellaneous revenue ⁽²⁾	6,030	5,152
Operating cost recoveries	43,239	37,284
Total revenue	\$138,977	\$116,486

(1) Includes straight-line rent, amortization of tenant improvements and parking revenue earned at properties.

(2) Includes lease terminations, third-party managed parking, variable percentage rent and other miscellaneous items.

Future minimum rental income is as follows:

	2020	2021-2024	THEREAFTER	TOTAL
Future minimum rental income	\$214,401	\$953,366	\$1,123,876	\$2,291,643

19. GENERAL AND ADMINISTRATIVE EXPENSES

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Salaries and benefits	\$5,715	\$4,675
Professional and trustee fees	1,002	900
Office and general expenses	1,067	921
	\$7,784	\$6,496
Capitalized to qualifying investment properties	(1,179)	(1,036)
Total general and administrative expenses	\$6,605	\$5,460

20. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents include the following components:

	MARCH 31, 2020	DECEMBER 31, 2019
Cash	\$18,866	\$208,414
Short-term deposits	500	500
Total cash and cash equivalents	\$19,366	\$208,914

The following summarizes supplemental cash flow information in operating activities:

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Supplemental		
Interest paid on debt (including capitalized interest (note 11))	\$19,591	\$15,093
Interest received	\$3,731	\$2,478

The following summarizes supplemental cash flow information in investing activities:

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Supplemental		
Mortgages assumed (note 4)	\$10,000	\$—

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

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Net change in accounts receivable, prepaid expenses and deposits	\$1,734	\$(25,253)
Add back: Deposits from acquired properties	20,000	—
Net change in loans and notes receivable	(990)	(5,264)
Net change in accounts payable and other liabilities	44,997	16,018
Less: Non-cash interest	(4,479)	(5,845)
Less: Distributions payable to Unitholders	(590)	(696)
Less: Mortgage interest swap liability	(18,544)	7,781
Less: Accrued amounts from acquired properties (net of assumed mortgage premiums)	(7,625)	(2)
Change in non-cash operating items	\$34,503	\$(13,261)

21. JOINT OPERATIONS

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

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

PROPERTIES	LOCATION	CURRENT STATUS	OWNERSHIP	
			MARCH 31, 2020	DECEMBER 31, 2019
478 King W	Toronto, ON	Rental Property	50%	50%
642 King W	Toronto, ON	Rental Property	50%	50%
731-10th SW	Calgary, AB	Rental Property	50%	50%
802-838 11th SW, Glenbow Assembly	Calgary, AB	Rental Property	50%	50%
Adelaide & Duncan	Toronto, ON	Property Under Development	50%	50%
Breithaupt Block	Kitchener, ON	Rental Property and Property Under Development	50%	50%
College & Manning	Toronto, ON	Rental Property and Property Under Development	50%	50%
College & Palmerston	Toronto, ON	Rental Property	50%	50%
KING Toronto	Toronto, ON	Property Under Development	50%	50%
King Portland Centre	Toronto, ON	Rental Property	50%	50%
Sherwin Block	Calgary, AB	Rental Property	50%	50%
The Well ⁽¹⁾	Toronto, ON	Property Under Development	50%	50%

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

	MARCH 31, 2020	DECEMBER 31, 2019
Total assets	\$1,116,279	\$1,034,433
Total liabilities	\$277,794	\$273,556

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Revenue	\$5,009	\$3,756
Expenses	(2,965)	(2,499)
Income before fair value adjustment on investment properties	2,044	1,257
Fair value gain (loss) on investment properties	15,665	(6,315)
Net income (loss)	\$17,709	\$(5,058)

22. SEGMENTED INFORMATION

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

The CODM measures and evaluates the performance of Allied’s operating segments based on net rental income and condominium profits. Condominium profits during the three months ended March 31, 2020 were nil (March 31, 2019 - nil).

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

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

The following summary tables present a reconciliation of operating income to net income for the three months ended March 31, 2020, and 2019.

SEGMENTED UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Three months ended March 31, 2020	MONTREAL & OTTAWA	TORONTO & KITCHENER	CALGARY, EDMONTON & VANCOUVER ⁽¹⁾	URBAN DATA CENTRES	JOINT VENTURE (TELUS SKY)	TOTAL
Rental revenue from investment properties	\$48,821	\$53,678	\$15,489	\$21,336	\$(347)	\$138,977
Property operating costs	(23,989)	(20,389)	(7,112)	(7,988)	260	(59,218)
Net rental income	\$24,832	\$33,289	\$8,377	\$13,348	\$(87)	
Interest expense						(16,812)
General and administrative expenses						(6,605)
Condominium marketing expenses						(587)
Amortization of other assets						(374)
Interest income						5,253
Fair value gain on investment properties						215,076
Fair value loss on derivative instruments						(21,078)
Net income from joint venture						281
Net income and comprehensive income						\$254,913

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

SEGMENTED UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Three months ended March 31, 2019	MONTREAL & OTTAWA	TORONTO & KITCHENER	CALGARY, EDMONTON & VANCOUVER ⁽¹⁾	URBAN DATA CENTRES	JOINT VENTURE (TELUS SKY)	TOTAL
Rental revenue from investment properties	\$30,973	\$49,041	\$13,281	\$23,191	\$—	\$116,486
Property operating costs	(15,986)	(19,072)	(5,914)	(8,465)	5	(49,432)
Net rental income	\$14,987	\$29,969	\$7,367	\$14,726	\$5	
Interest expense						(15,259)
General and administrative expenses						(5,460)
Condominium marketing expenses						(845)
Amortization of other assets						(368)
Interest income						3,682
Fair value gain on investment properties						107,791
Fair value loss on derivative instruments						(10,249)
Net loss from joint venture						(3,169)
Net income and comprehensive income						\$143,177

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

23. INCOME TAXES

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

24. RELATED PARTY TRANSACTIONS

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

Allied engages in third-party property management business, including the provision of services for properties in which certain trustees of Allied have an ownership interest. For the three months ended March 31, 2020, real estate service revenue earned from these properties was \$91 (for the three months ended March 31, 2019 - \$85).

The loan to the joint venture has a balance outstanding of \$110,823 (December 31, 2019 - \$104,035) (see Note 7).

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

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

	THREE MONTHS ENDED	
	MARCH 31, 2020	MARCH 31, 2019
Salary, bonus and other short-term employee benefits	\$1,040	\$1,019
Unit-based compensation	1,425	792
	\$2,465	\$1,811

25. RISK MANAGEMENT

(A) *Capital management*

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

Various debt, equity and earnings distributions ratios are used to monitor capital adequacy requirements. For debt management, debt to gross book value and fair value, debt average term to maturity, and variable debt as a percentage of total debt are the primary ratios used in capital management. The Declaration of Trust requires Allied to maintain debt to gross book value, as defined by the Declaration of Trust, of less than 60% (65% including convertible debentures, if any) and the variable rate debt and debt having maturities of less than one year to not exceed 15% of gross book value. As at March 31, 2020, the debt to gross book value ratio was 27.2% (December 31, 2019 - 26.1%) and debts having variable interest rates or maturities of less than one year aggregated to 0.3% of gross book value (December 31, 2019 - 0.4%).

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

Allied has certain key financial covenants in its Unsecured Debentures, Unsecured Facility and Unsecured Term Loans. The key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are evaluated by Allied on an ongoing basis to ensure compliance with the agreements. Allied was in compliance with each of the key financial covenants under these agreements as at March 31, 2020.

(B) *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in market prices. Allied is exposed to interest rate risk on its borrowings. Substantively all of Allied's mortgages payable as at March 31, 2020, are at fixed interest rates and are not exposed to changes in interest rates during the term of the debt. However, there is interest rate risk associated with Allied's fixed interest rate term debt due to the expected requirement to refinance such debts upon maturity. As fixed rate debt matures and as Allied utilizes additional floating rate debt under the Unsecured Facility, Allied will be further exposed to changes in interest rates. As at March 31, 2020, the Unsecured Facility, which is at a floating interest rate and is exposed to changes in interest rates, had no balance outstanding (December 31, 2019 - nil). In addition, there is a risk that interest rates will fluctuate from the date Allied commits to a debt to the date the interest rate is set with the lender. As part of its risk management program, Allied endeavours to maintain an appropriate mix of fixed rate and floating rate debt, to stagger the maturities of its debt and to minimize the time between committing to a debt and the date the interest rate is set with the lender.

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

AS AT MARCH 31, 2020	-1.0%		+1.0%
	CARRYING AMOUNT	INCOME IMPACT	INCOME IMPACT
Mortgages and construction loans payable maturing within one year	\$29,464	\$295	\$(295)

(C) *Credit risk*

As Allied has provided loans and advances to facilitate property development, further credit risks arise in the event that borrowers default on the repayment of their amounts owing to Allied. Allied's loans and advances will be subordinate to prior ranking mortgages or charges. As at March 31, 2020, Allied had \$250,314 outstanding in loans receivable (December 31, 2019 - \$245,303) and \$110,823 outstanding in joint venture loan receivable (December 31, 2019 - \$104,035). In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the loan value. Allied mitigates this risk by obtaining corporate guarantees and/or registered mortgage charges.

Credit risk from user receivables arises from the possibility that users may experience financial difficulty and be unable to fulfill their lease commitments, resulting in Allied incurring a financial loss. Allied manages credit risk to mitigate exposure to financial loss by staggering lease maturities, diversifying revenue sources over a large user base, ensuring no individual user contributes a significant portion of Allied's revenues and conducting credit reviews of new users. The maximum credit risk exposure related to user receivables is equivalent to the carrying amount of the user receivable balance. The expected credit losses are estimated by Management at March 31, 2020, and March 31, 2019, to be \$3,916 and \$2,287, 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, 2020	MARCH 31, 2019
Less than 30 days	\$3,339	\$4,804
30 to 60 days	2,625	807
More than 60 days	4,886	4,275
Total	\$10,850	\$9,886

(D) *Liquidity risk*

Liquidity risk arises from the possibility of not having sufficient capital available to fund ongoing operations or the ability to refinance or meet obligations as they come due. Mitigation of liquidity risk is also managed through credit risk as discussed above. A significant portion of Allied's assets have been pledged as security under the related mortgages and other security agreements. Interest rates on the mortgages payable are between 3.59% and 5.08% for March 31, 2020 (December 31, 2019 - 3.59% and 5.08%).

As at March 31, 2020, Allied has entered into interest rate derivative contracts to limit its exposure to fluctuations in interest rates on \$83,878 of its variable rate mortgages payable, \$250,000 of its variable rate Unsecured Term Loans and \$23,444 of its construction loans (December 31, 2019 - \$84,594, \$450,000 and \$14,144, respectively). Gains or losses arising from the change in fair values of the interest rate derivative contracts are recognized in the consolidated statements of income and comprehensive income. For the three months ended March 31, 2020, Allied recognized as part of the change in fair value adjustment on derivative instruments a net loss of \$21,078 (for the three months ended March 31, 2019 - a net loss of \$10,249).

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

(E) *Maturity analysis*

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

	REMAINING 2020	2021	2022	2023	2024	THEREAFTER	TOTAL
Mortgages payable	\$46,143	\$56,665	\$258,352	\$259,552	\$161,748	\$61,307	\$843,767
Construction loans payable	600	799	5,789	28,318	—	—	35,506
Unsecured Debentures	40,071	45,162	195,162	39,261	39,261	1,346,468	1,705,385
Unsecured Term Loans	7,485	9,980	9,980	9,980	9,980	259,980	307,385
Total	\$94,299	\$112,606	\$469,283	\$337,111	\$210,989	\$1,667,755	\$2,892,043

26. COMMITMENTS AND CONTINGENCIES

Allied has entered into commitments for acquisitions, building renovations with respect to leasing activities and development costs. The commitments as at March 31, 2020, and December 31, 2019, were \$584,690 and \$687,242, respectively.

Commitments as at March 31, 2020, and December 31, 2019, of \$840 and \$1,238, respectively, were held within equity accounted investments.

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

Allied, through a financial intermediary, has issued letters of credit in the amount of \$24,602 (December 31, 2019 - \$15,036).

27. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spread of COVID-19 a pandemic. Subsequent to quarter end, the evolving response to the pandemic by the federal and provincial governments in Canada includes continuing and new emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused significant disruption to businesses in Canada and globally, resulting in an economic slowdown. Global capital markets have also experienced significant volatility. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Allied is continuing to monitor the impact of the COVID-19 pandemic on its business, liquidity and results of operations.

On April 20, 2020, Allied completed the purchase of 375 Water, Vancouver, for total cash consideration of \$225,000.

2020 Outlook

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

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

FLAT-TO-MID-SINGLE-DIGIT % GROWTH IN AFFO/UNIT

CONTINUED GROWTH IN NAV/UNIT

CONTINUED STRONG DEBT-METRICS

CONTINUED GROWTH IN UNENCUMBERED ASSETS

ALLIED PROPERTIES REIT

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