

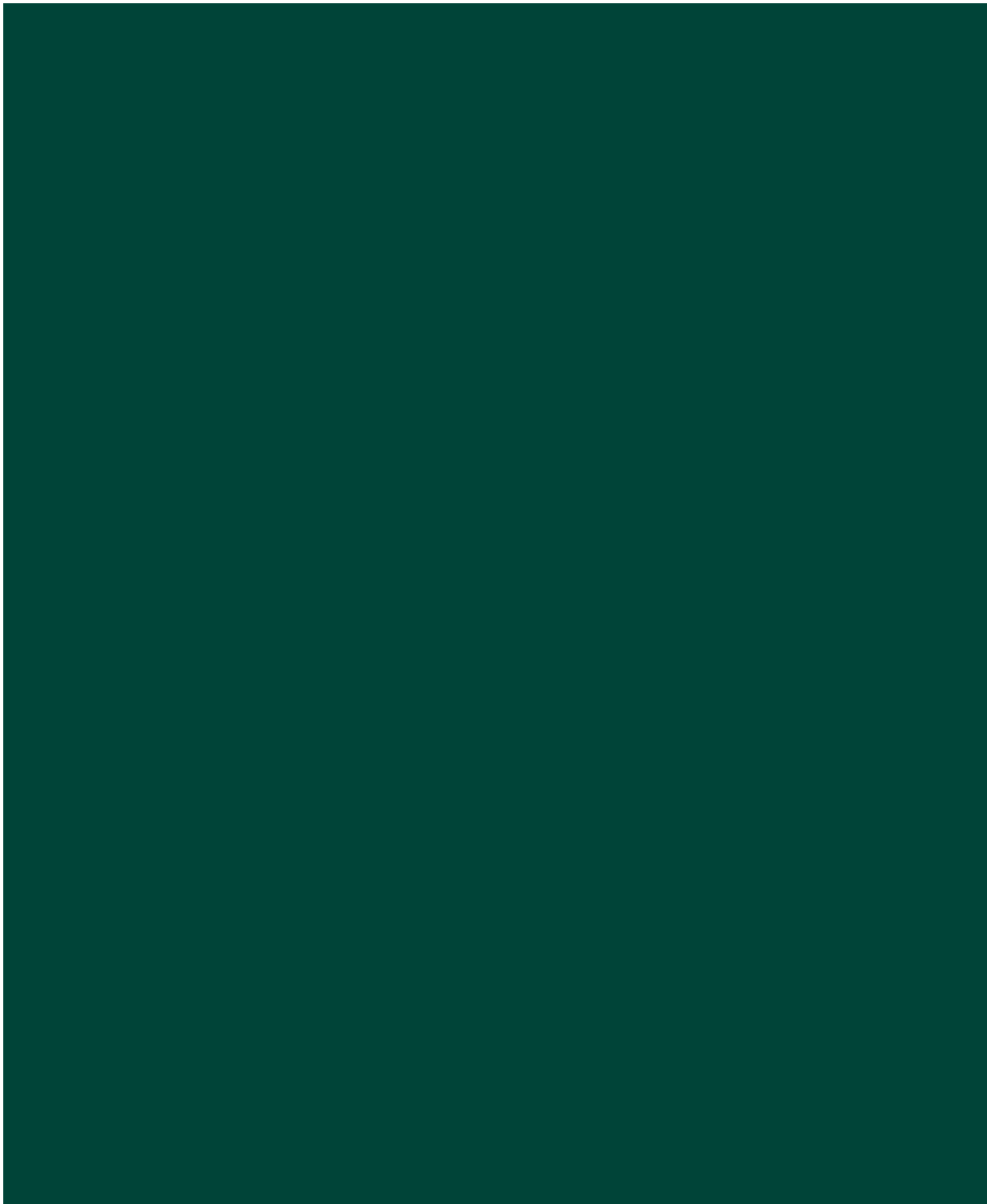
ALLIED

Annual Report December 31, 2021

Urban environments for
creativity and connectivity

02.01.22





ALLIED

Annual Report

December 31, 2021

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Letter to Unitholders

Dear Fellow Unitholder:

2021 was a strong year operationally and financially for Allied. FFO per unit came in at \$2.405 and AFFO per unit at \$2.091, in both cases at record levels and at the high end of the range contemplated in our internal forecast. NAV per unit was \$50.30 at year-end, up 3.6% from year-end 2020. Leasing activity exceeded our expectations for the year, with the result that our average in-place net rent per occupied square foot rose in all four quarters, finishing at \$24.64 in the fourth quarter compared to \$23.88 in the comparable quarter last year.

As the global pandemic appears to be coming to an end, I'm reminded of the thesis I articulated in early April of last year. It advanced the proposition that the global pandemic would benefit the commercial real estate industry by accelerating three established secular trends – (i) urban intensification, (ii) humanistic operation and (iii) stress-tested leadership. As I pointed out then, I can't prove the thesis. Only human behaviour over time will do that... or not. What I can say at this point in time is that human behaviour, as Allied experienced it over the course of 2021, supports the thesis. I intend to update the thesis in early April of this year and perhaps periodically thereafter.

We continue to have deep confidence in our strategy of operating distinctive urban workspace and UDCs in Canada's major cities. We expect our operating and development environment to be generally favourable in 2022. Our internal forecast for 2022 calls for low-to-mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. While we do not forecast NAV per unit growth, we do expect to propel further growth in 2022.

* * *

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', with a large loop at the top and a long, sweeping underline.

Michael Emory
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Management's Discussion and Analysis of Results of Operations and Financial Condition as at December 31, 2021

Section I

–Overview

Allied is an unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust (“Declaration of Trust”) dated October 25, 2002, as amended and restated from time to time, most recently on May 10, 2021. Allied is governed by the laws of Ontario. Allied’s units (“Units”) are publicly traded on the Toronto Stock Exchange under the symbol “AP.UN”. Additional information on Allied, including its annual information form, is available on SEDAR at www.sedar.com.

This Management’s Discussion and Analysis (“MD&A”) of results of operations and financial condition relates to the year ended December 31, 2021. Unless the context indicates otherwise, all references to “Allied”, “we”, “us” and “our” in this MD&A refer to Allied Properties Real Estate Investment Trust. The Board of Trustees of Allied, upon the recommendation of its Audit Committee, approved the contents of this MD&A.

This MD&A has been prepared with an effective date of February 1, 2022, and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2021. Historical results and percentage relationships contained in this MD&A, including trends that might appear, should not be taken as indicative of future results, operations or performance. Unless otherwise indicated, all amounts in this MD&A are in thousands of Canadian dollars.

This section includes certain terms that do not have a standardized meaning prescribed under International Financial Reporting Standards (“IFRS”) and includes certain forward-looking statements within the meaning of applicable securities law. Refer to Non-IFRS Measures and Forward-Looking Statements on pages 20 and 25, respectively.

Q4 2021 Operating and Financial Highlights

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

Q4 Operating Results

LEASED AREA

90.4%

OCCUPIED AREA

89.9%

AVERAGE IN-PLACE
NET RENT PER
OCCUPIED SQUARE
FOOT

\$24.64

↑ 3.2%

RENT GROWTH ON
MATURING SPACE

Rental portfolio

9.4%

WEIGHTED AVERAGE REMAINING
LEASE TERM IN YEARS

Rental portfolio

5.6

Q4 Financial Results

SAME ASSET NOI -
RENTAL PORTFOLIO ⁽¹⁾

↑ 1.5%

\$84.9M

FFO PER UNIT ⁽¹⁾⁽²⁾

\$0.600

↑ 1.9%

AFFO PER UNIT ⁽¹⁾⁽²⁾

\$0.518

↑ 2.0%

ESG Results

2021 GRESB SCORE FOR
STANDING INVESTMENTS

80/100

Up from
64/100 in 2020

Q4 Capital Allocation

\$95.2M

Allocated to acquisitions

\$90.2M

Allocated to development

Q4 Funding

\$21.0M

Gross proceeds from the
at-the-market equity program

\$240.7M

Of liquidity ⁽¹⁾⁽³⁾

Q4 Balance Sheet

NET DEBT AS A MULTIPLE OF
ANNUALIZED ADJUSTED EBITDA ⁽¹⁾

9.4x

TOTAL INDEBTEDNESS
RATIO ⁽¹⁾

33.5%

INTEREST COVERAGE
RATIO ⁽¹⁾⁽⁴⁾

3.4x

UNENCUMBERED
INVESTMENT PROPERTIES ⁽¹⁾

\$9.1B

93.9% of investment properties
on a proportionate basis ⁽¹⁾

(1) This is a non-IFRS measure, refer to page 20.

(2) Excluding condominium related items and financing prepayment costs on a diluted basis.

(3) Liquidity is the sum of cash and cash equivalents on a proportionate basis and the undrawn portion of Allied's unsecured revolving operating facility as at December 31, 2021.

(4) Including interest capitalized and excluding financing prepayment costs.

SUMMARY OF KEY OPERATING AND FINANCIAL PERFORMANCE MEASURES

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

(\$000's except per-square foot, per-Unit and financial ratios)	THREE MONTHS ENDED		YEAR ENDED		YEAR ENDED
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2019
Leased area			90.4%	92.5%	94.8%
Occupied area			89.9%	92.1%	94.4%
Average in-place net rent per occupied square foot			24.64	23.88	22.88
Renewal and replacement rate for leases maturing in the period			57.0%	78.3%	84.9%
Increase in net rent on maturing leases			10.1%	17.2%	18.7%
Investment properties ⁽¹⁾⁽⁴⁾			9,527,105	8,687,375	7,469,265
Unencumbered investment properties ⁽²⁾			9,064,010	6,463,680	5,464,860
Total assets ⁽¹⁾⁽⁴⁾			10,384,691	9,400,768	8,309,693
Cost of PUD as % of GBV ⁽²⁾			11.2%	9.0%	9.4%
NAV per Unit ⁽⁶⁾			50.30	48.54	46.55
Debt ⁽¹⁾			3,453,284	2,725,462	2,155,181
Total indebtedness ratio ⁽²⁾			33.5%	29.2%	26.1%
Adjusted EBITDA ⁽²⁾			365,050	349,023	310,291
Net debt as a multiple of Adjusted EBITDA ⁽²⁾			9.4x	7.7x	6.3x
Interest-coverage ratio - including interest capitalized and excluding financing prepayment costs ⁽²⁾⁽³⁾			3.4x	3.4x	3.3x
Rental revenue ⁽¹⁾⁽⁴⁾	146,722	145,173	568,886	560,327	496,109
Net income ⁽¹⁾	159,921	83,842	443,151	500,729	629,223
Net income excluding fair value adjustments and financing prepayment costs ⁽²⁾⁽³⁾⁽⁵⁾	64,444	62,240	261,854	238,135	190,860
Adjusted EBITDA ⁽²⁾	90,843	90,498	365,050	349,023	310,291
Same Asset NOI - rental portfolio ⁽²⁾	84,915	83,624	314,125	308,354	285,020
Same Asset NOI - total portfolio ⁽²⁾	85,869	85,104	325,734	313,554	289,120
FFO ⁽²⁾	75,691	74,742	253,376	284,732	251,083
All amounts below are excluding condominium related items and financing prepayment costs ⁽²⁾⁽³⁾:					
FFO	76,520	74,969	306,559	285,784	259,316
FFO per Unit (diluted)	0.600	0.589	2.405	2.295	2.300
FFO payout-ratio	70.9%	70.0%	70.6%	71.9%	69.5%
AFFO	66,076	64,623	266,517	248,003	219,846
AFFO per Unit (diluted)	0.518	0.508	2.091	1.991	1.950
AFFO payout-ratio	82.1%	81.2%	81.2%	82.8%	82.0%

- (1) *This measure is presented on an IFRS basis.*
- (2) *This is a non-IFRS measure, refer to page 20.*
- (3) *For the three months and year ended December 31, 2021, Allied incurred \$721 and \$52,610, respectively (December 31, 2020 - \$nil and \$nil, respectively, for the year ended December 31, 2019 - \$6,018) of financing prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages.*
- (4) *Prior to Q4 2021, the comparative figures for investment properties, total assets and rental revenue were reported in this section on a proportionate share basis. The comparative figures for all prior periods have been revised to an IFRS basis.*
- (5) *Prior to Q4 2021, the comparative figures for net income excluding fair value adjustments and financing prepayment costs were calculated on a proportionate share basis. The comparative figures for all prior periods have been revised to be calculated on an IFRS basis.*
- (6) *Net asset value per Unit ("NAV per Unit") is calculated as follows: total Unitholders' equity as at the corresponding period ended, (per the consolidated balance sheets) divided by the actual number of Units outstanding at period end.*

SUMMARY OF RENTAL PROPERTIES

195 Rental Properties valued at \$8.4B ⁽³⁾

(Not including 11 Properties Under Development valued at \$1.2B) ⁽³⁾

TOTAL RENTAL
PORTFOLIO GLA

14.2M_{SF}

VANCOUVER WESTERN REGION

717K

SF

ALLIED OCCUPANCY	91.0%
MARKET OCCUPANCY ⁽¹⁾	92.8%
PROPERTIES	13
EMPLOYEES	15

CALGARY WESTERN REGION

1.3M

SF

ALLIED OCCUPANCY	86.3%
MARKET OCCUPANCY ⁽¹⁾	66.8%
PROPERTIES	30
EMPLOYEES	40

KITCHENER CENTRAL REGION

562K

SF

ALLIED OCCUPANCY	96.9%
MARKET OCCUPANCY ⁽¹⁾⁽²⁾	72.9%
PROPERTIES	5
EMPLOYEES	4

TORONTO CENTRAL REGION

4.8M

SF

INCLUDING URBAN DATA CENTRES
510K SF

ALLIED OCCUPANCY	94.1%
MARKET OCCUPANCY ⁽¹⁾	90.3%
PROPERTIES	105
UDC PROPERTIES	3
ANCILLARY PARKING FACILITIES	9
EMPLOYEES	202

MONTREAL EASTERN REGION

6.7M

SF

ALLIED OCCUPANCY	87.1%
MARKET OCCUPANCY ⁽¹⁾	86.3%
PROPERTIES	31
EMPLOYEES	90

OTTAWA EASTERN REGION

231K

SF

ALLIED OCCUPANCY	99.0%
MARKET OCCUPANCY ⁽¹⁾	90.1%
PROPERTIES	2
EMPLOYEES	4

(1) Source: cbre.ca, CBRE Canada Office Figures Q4 2021 Report.

(2) Kitchener market occupancy is based on the city of Waterloo market occupancy.

(3) The rental properties and properties under development values are on a proportionate basis.

BUSINESS OVERVIEW AND STRATEGY

Allied is a leading owner operator 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 operator of distinctive urban workspace in Canada's major cities.

URBAN DATA CENTRE ("UDC") SPACE

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

WORKSPACE INNOVATION

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

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

Workspace amenities have made an equivalent contribution to workspace innovation. While achievable to an extent within a single building, amenity-richness is best achieved within a surrounding urban neighbourhood. This in turn places a premium on clustering buildings within an amenity-rich urban neighbourhood. Clustering also allows Allied to accommodate needs for expansion and contraction within the neighbourhood.

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

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

FOCUS AND DEFINITION

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

As Allied's business grew and evolved, it was defined not by the specific workspace format Allied owns, operates and develops, but rather by the workspace users Allied serves. If a particular format enables Allied to serve knowledge-based organizations better and more profitably, Allied will invest in it. The Well in Toronto is a good example. The workspace component 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 1001 Boulevard Robert-Bourassa in Montréal (formerly named 700 de la Gauchetière) in July of 2019 is another good example. Through a user-led transformation, a small portion of the workspace at this property 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 and Sun Life Financial at Allied's de Gaspé properties in Montréal. 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 1001 Boulevard Robert-Bourassa 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Allied made a commitment to submit formally to independent scrutiny of its ESG performance by 2020. The most important single step was to obtain a GRESB (formerly Global Real Estate Sustainability Benchmark) Assessment and to provide an annual ESG Report. Allied’s 2020 GRESB score was 64 and recognized as a “strong first-year showing”. In addition to strengths, the assessment identified clear opportunities for improvement in Allied’s ESG practices and disclosure. Allied’s 2021 GRESB score was 80, representing material progress in multiple areas over the initial assessment.

Allied also aligned its Second Annual ESG Report with (i) the Global Reporting Initiative (GRI) and (ii) the Sustainability Accounting Standards Board (SASB) Real Estate Standard. Allied’s Third Annual ESG Report, scheduled for release in mid-2022, will also outline Allied’s progress in adopting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

CONTEXT

Environmental, social and governance sensitivities are an integral part of Allied. They flow from its evolution as an organization focused on the provision of distinctive urban workspace and network-dense UDC space in Canada’s major cities.

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

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

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

GOVERNANCE

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

The Trustees are responsible for the oversight of the ESG Strategy and initiatives developed by Management. The Board’s Governance, Compensation and Nomination Committee oversees and monitors Allied’s ESG performance and reviews Allied’s ESG Report, ESG Policy and other governance policies and practices annually. Allied has established an ESG Committee to assist Management and the Board in defining, designing, implementing, expanding and evaluating Allied’s ESG Strategy and initiatives. The ESG Committee reports and makes recommendations to Management and the Board at least annually.



ESG HIGHLIGHTS

ALLIED MUSIC CENTRE

On December 8, 2020, Massey Hall announced that Allied made a landmark contribution to the Massey Hall Revitalization. This transformative support expands the project’s original scope and introduces Canada’s premiere multi-purpose performance facility, Allied Music Centre, home of historic Massey Hall. This partnership with Massey Hall will enable Allied to contribute meaningfully to its communities over an extended period of time. It will also enrich the experience of the many creative organizations and people who use Allied’s urban workspace across the country. Construction is underway and planned for completion in mid-2022.

ISSUED \$1.1 BILLION OF GREEN BONDS

On February 3, 2021, Allied announced its Green Financing Framework (the “Framework”) under which Allied or any of its subsidiaries may issue green bonds, green loans, or other financial instruments to finance and/or re-finance eligible green projects, as defined in the Framework. In February 2021, Allied issued its first green bond for \$600 million and in August 2021, Allied issued its second green bond for \$500 million. In December 2021, Allied published its Green Bond Report on the full allocation of the net proceeds of its February 2021 green bond issuance. Sustainalytics, a leading third party ESG research ratings and data firm, verified the allocation of the net proceeds were in compliance with the Framework.

ESTABLISHED ESG GOALS & TARGETS

Over the course of 2021, Allied completed its first formal ESG Strategy, which set goals and 2024 targets for its ESG priorities. On December 1, 2021, the Board adopted an ESG policy based on the goals established in the ESG Strategy. A detailed description of the goals and 2024 targets are included in Allied’s 2020 ESG Report.

BUSINESS ENVIRONMENT AND OUTLOOK

Allied’s internal forecast for 2022 calls for low-to-mid-single-digit percentage growth in each of same-asset NOI, FFO per unit and AFFO per unit. While Allied does not forecast NAV per unit growth, it does expect to propel further growth in 2022. Allied also expects to allocate a large amount of capital in 2022 with the same strategic coherence and discipline it demonstrated in prior years.

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

The foregoing sections contain non-IFRS measures and forward-looking statements. Refer to Non-IFRS Measures and Forward Looking Statements below.

NON-IFRS MEASURES

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

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Allied's proportionate share or proportionate basis	All references to "proportionate share" or "proportionate basis" refer to a non-IFRS financial measure representing Allied's proportionate share of equity accounted investments. Allied applies the equity method of accounting to its joint venture, TELUS Sky, as prescribed under IFRS. Management presents the proportionate share of its interests in joint arrangements that are accounted for using the equity method as it is viewed as relevant in demonstrating Allied's performance and is the basis of many of Allied's key performance measures.	Section II - Operations, Section V - Asset Profile, Section VI - Liquidity and Capital Resources
Funds from Operations ("FFO") and FFO excluding condominium costs and financing prepayment costs	<p>FFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its February 2019 White Paper ("White Paper"). FFO is defined as net income and comprehensive income less certain adjustments, on a proportionate basis, including fair value changes in investment properties and derivative instruments, incremental leasing costs and amortization of improvement allowances. FFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. Management believes FFO is a key measure of operating performance.</p> <p>FFO excluding condominium related items and financing prepayment costs starts with FFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs and financing prepayment costs. FFO excluding condominium related items and financing prepayment costs is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. Management believes this is a useful measure as these condominium and financing prepayment items are not indicative of recurring operating performance.</p>	Section II - Operations - Other Financial Performance Measures
Adjusted Funds from Operations ("AFFO") and AFFO excluding condominium related items and financing prepayment costs	<p>AFFO is a non-IFRS financial measure used by most Canadian real estate investment trusts based on a standardized definition established by REALPAC in its White Paper. AFFO is defined as FFO less amortization of straight-line rents, regular leasing expenditures, regular and recoverable maintenance capital expenditures, and incremental leasing costs (related to regular leasing expenditures). AFFO is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. Management considers AFFO to be a useful measure of recurring economic earnings and relevant in understanding Allied's ability to service its debt, fund capital expenditures and provide distributions to Unitholders.</p> <p>AFFO excluding condominium related items and financing prepayment costs starts with AFFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs and financing prepayment costs. AFFO excluding condominium related items and financing prepayment costs is reconciled to net income and comprehensive income, which is the most directly comparable IFRS measure. Management believes this is a useful measure as these condominium and financing prepayment items are not indicative of recurring economic earnings.</p>	Section II - Operations - Other Financial Performance Measures

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Net income excluding fair value adjustments and financing prepayment costs	Net income excluding fair value adjustments and financing prepayment costs is a non-IFRS financial measure that starts with net income and removes the effects of fair value gains or losses on investment properties and investment properties held for sale, or derivative instruments and financing prepayment costs on an IFRS basis. Management considers this to be a useful measure of operating performance, as fair value adjustments can fluctuate widely with the market and financing prepayment costs are non-recurring in nature.	Section II - Operations
Net Rental Income (“NRI”)	NRI is a non-IFRS financial measure defined as rental revenue less property operating costs on a proportionate basis. It excludes condominium revenue and condominium cost of sales. The most comparable IFRS figure is operating income. Management considers NRI to be a useful measure of the operating performance of its rental properties portfolio.	Section II - Operations - Net Operating Income
Net Operating Income (“NOI”)	NOI is a non-IFRS financial measure defined as NRI excluding the impact of non-cash items such as amortization of improvement allowances and the amortization of straight-line rents on a proportionate basis. The most directly comparable IFRS measure to NOI is Operating Income. Management believes this is a useful measure as it demonstrates the cash generating operating performance of its income producing properties.	Section II - Operations - Net Operating Income
Same Asset NOI	Same asset NOI is a non-IFRS measure defined as NOI for the properties that Allied owned and operated for the entire duration of both the current and comparative period. The most directly comparable IFRS measure to same asset NOI is Operating Income. Management believes this is a useful measure as NOI growth can be assessed on its portfolio excluding the impact of acquisition and disposition activities. Allied uses same asset NOI to evaluate the performance of its properties.	Section II - Operations - Same Asset NOI
Normalized Last Quarter Annualized (“LQA”) NOI	Normalized LQA NOI is a non-IFRS measure defined as the normalized NOI of an individual property or portfolio for the most recently completed quarter multiplied by four. In the calculation of this metric, non-recurring items are excluded from LQA NOI. The most directly comparable IFRS measure to normalized LQA NOI is Operating Income. Management considers normalized LQA NOI relevant in analyzing the operations of its rental properties on a property-by-property or portfolio basis.	N/A
Gross Book Value (“GBV”)	Gross Book Value is a non-IFRS measure defined as the total assets of Allied on a proportionate basis. The most directly comparable IFRS measure to GBV is total assets. Management believes GBV is a useful measure to assess the growth in Allied's total portfolio of rental and development properties.	Section V - Asset Profile
Unencumbered investment properties	Unencumbered investment properties is a non-IFRS measure defined as the value of investment properties which are free and clear of any encumbrances. This is calculated on a proportionate share basis. Management believes unencumbered investment properties is a useful measure to assess the borrowing capacity of Allied.	N/A

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Cost of Properties Under Development ("PUD") as a percentage of GBV	Cost of PUD as a percentage of GBV is a non-IFRS measure defined as the book value of Allied's properties under development, on a proportionate basis, divided by the GBV at period-end. Management believes this is a useful metric in assessing development risk. Allied has a limit of 15% as outlined in its Declaration of Trust.	Section V - Asset Profile
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Annualized Adjusted EBITDA	Adjusted EBITDA is a non-IFRS measure calculated on a proportionate basis comprised of earnings before interest expense, income taxes, depreciation and amortization expense (including amortization of improvement allowances), gains and losses on disposal of investment properties and the fair value changes associated with investment properties and investment properties held for sale, and financial instruments. Annualized Adjusted EBITDA is a non-IFRS measure calculated as the Adjusted EBITDA for the current year-to-date period annualized. The most directly comparable IFRS measure to Adjusted EBITDA and Annualized Adjusted EBITDA is net income and comprehensive income. Management believes Adjusted EBITDA and Annualized Adjusted EBITDA are useful metrics to determine Allied's ability to service its debt, finance capital expenditures and provide distributions to its Unitholders.	Section II - Operations - Other Financial Performance Measures
Net debt	Net debt is a non-IFRS measure, calculated on a proportionate basis, as debt less cash and cash equivalents. The most directly comparable IFRS measure to net debt is debt. Management considers net debt a useful measure for evaluating debt levels and interest coverage.	Section VI - Liquidity and Capital Resources - Debt
Net debt as a multiple of Annualized Adjusted EBITDA	Net debt as a multiple of Annualized Adjusted EBITDA is a non-IFRS measure of Allied's financial leverage and is defined as net debt divided by Annualized Adjusted EBITDA. This measure indicates the number of years required for Allied's Annualized Adjusted EBITDA to repay all outstanding debts, taking into consideration the cash on hand to decrease debt. Management considers this metric a useful measure for evaluating Allied's ability to service its debt.	N/A
FFO and AFFO Payout-Ratios and FFO and AFFO Payout-Ratios excluding condominium related items and financing prepayment costs	FFO and AFFO payout-ratios and FFO and AFFO payout-ratios excluding condominium related items and financing prepayment costs are non-IFRS measures. These payout ratios are calculated by dividing the actual Unitholder distributions by FFO, AFFO and FFO and AFFO excluding condominium related items and financing prepayment costs in a given period. Management considers these metrics a useful way to evaluate Allied's distribution paying capacity.	N/A

NON-IFRS MEASURE	DEFINITION	RECONCILIATION
Interest Coverage Ratio and Interest Coverage Ratio - including interest capitalized and excluding financing prepayment costs	Interest coverage ratio and interest coverage ratio including interest capitalized and excluding financing prepayment costs are non-IFRS measures calculated on a trailing twelve-month basis and are defined as Adjusted EBITDA divided by interest expense with interest capitalized included and financing prepayment costs excluded. Management considers these metrics useful as they indicate Allied's ability to meet its interest cost obligations on a trailing twelve-month basis.	N/A
Total Indebtedness Ratio	Total indebtedness ratio is a non-IFRS measure of Allied's financial leverage, which is calculated on a proportionate basis by taking debt plus outstanding letters of credit divided by total assets. Management considers this metric useful as it indicates Allied's ability to meet its debt obligations.	Section V - Asset Profile

FORWARD-LOOKING STATEMENTS

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws, including, among other things, statements concerning Allied's objectives and strategies to achieve those objectives, statements with respect to Management's beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not historical facts. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as "indicators", "outlook", "forecast", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "continue" or similar expressions suggesting future outcomes or events. In particular, certain statements in the Letter to Unitholders, Section I—Overview, under the headings "Business Overview and Strategy", "Focus and Definition", "Vision and Mission", "Environmental, Social and Governance" and "Business Environment and Outlook", Section III - Leasing under the headings "Status" and "Lease Maturity", Section V - Asset Profile, under the headings "Rental Properties", and "Development Properties", Section VI - Liquidity and Capital Resources and Section IX - Risks and Uncertainties, constitute forward-looking information. This MD&A includes, but is not limited to, forward-looking statements regarding: increases to Allied's annual EBITDA due to development activities; expected capital expenditure and allocation over 2022; completion of construction and lease-up in connection with Properties Under Development ("PUDs"); growth of our same asset NOI, FFO per Unit excluding condominium related items and financing prepayment costs and AFFO per Unit excluding condominium related items and financing prepayment costs; continued demand for space in our target markets; the expected effect of the global pandemic and consequent economic disruption; Allied's internal forecast; the creation of future value; estimated gross leasable area ("GLA"), NOI and growth from PUDs; estimated costs of PUDs; future economic occupancy; return on investments, including yield on cost of PUDs; estimated rental NOI and anticipated rental rates; lease up of our intensification projects; anticipated available square feet of leasable area; targets for LEED certification; our ability to generate ancillary revenue; our ability to achieve risk-adjusted returns on intensification; our expectations regarding the timing of development of potential incremental density; receipt of municipal approval for value-creation projects, including intensifications; Management's expectations regarding future distributions; and completion of future financings and availability of capital. Such forward-looking statements reflect Management's current beliefs and are based on information currently available to Management.

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

All forward-looking statements in this MD&A are qualified in their entirety by this forward-looking disclaimer. Without limiting the generality of the foregoing, the discussion in the Letter to Unitholders, Section I - Overview, Section V - Asset Profile and Section VI - Liquidity and Capital Resources are qualified in their entirety by this forward-looking disclaimer. These statements are made as of February 1, 2022, and, except as required by applicable law, Allied undertakes no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

Section II

–Operations

The following sets out summary information and financial results for the three months and year ended December 31, 2021, and the comparable period in 2020.

NET INCOME AND COMPREHENSIVE INCOME

The following table reconciles the consolidated statements of income and comprehensive income on an IFRS basis to a proportionate basis, which is a non-IFRS measure, for the three months and years ended December 31, 2021, and December 31, 2020. Refer to Non-IFRS measures on page 20.

There is an additional table to reconcile net income and comprehensive income to net income excluding fair value adjustments and financing prepayment costs, a non-IFRS measure, for the three months and years ended December 31, 2021, and December 31, 2020. Refer to Non-IFRS measures on page 20.

	THREE MONTHS ENDED					
	DECEMBER 31, 2021			DECEMBER 31, 2020		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPORTIONATE BASIS
Rental revenue	\$146,722	\$1,411	\$148,133	\$145,173	\$777	\$145,950
Property operating costs	(63,917)	(1,096)	(65,013)	(62,421)	(639)	(63,060)
Net rental income	82,805	315	83,120	82,752	138	82,890
Operating income	\$82,805	\$315	\$83,120	\$82,752	\$138	\$82,890
Interest expense	(17,438)	(16)	(17,454)	(17,774)	—	(17,774)
General and administrative expenses	(7,464)	—	(7,464)	(5,211)	—	(5,211)
Condominium marketing expenses	(108)	—	(108)	(227)	(44)	(271)
Amortization of other assets	(273)	—	(273)	(341)	—	(341)
Interest income	7,036	—	7,036	5,018	—	5,018
Fair value gain (loss) on investment properties and investment properties held for sale	96,204	(1,134)	95,070	16,880	(2,071)	14,809
Fair value (loss) gain on derivative instruments	(6)	—	(6)	4,722	—	4,722
Net loss from joint venture	(835)	835	—	(1,977)	1,977	—
Net income and comprehensive income	\$159,921	\$—	\$159,921	\$83,842	\$—	\$83,842

	THREE MONTHS ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Net income and comprehensive income	\$159,921	\$83,842
Less: Fair value gain on investment properties and investment properties held for sale	96,204	16,880
Less: Fair value (loss) gain on derivative instruments	(6)	4,722
Add: Financing prepayment costs	721	—
Net income excluding fair value adjustments and financing prepayment costs	\$64,444	\$62,240

On an IFRS basis, net income and comprehensive income for the three months ended December 31, 2021, increased by \$76,079 over the comparable period in 2020, primarily due to fair value adjustments and an increase in interest income, partially offset by an increase in general and administrative expenses.

	YEAR ENDED					
	DECEMBER 31, 2021			DECEMBER 31, 2020		
	IFRS BASIS	INVESTMENT	PROPORTIONATE	IFRS BASIS	INVESTMENT	PROPORTIONATE
		IN JOINT VENTURE			IN JOINT VENTURE	
Rental revenue	\$568,886	\$4,907	\$573,793	\$560,327	\$2,464	\$562,791
Property operating costs	(239,495)	(3,274)	(242,769)	(241,490)	(1,219)	(242,709)
Net rental income	329,391	1,633	331,024	318,837	1,245	320,082
Condominium revenue	—	—	—	178	—	178
Operating income	\$329,391	\$1,633	\$331,024	\$319,015	\$1,245	\$320,260
Interest expense	(120,145)	(206)	(120,351)	(72,603)	—	(72,603)
General and administrative expenses	(25,834)	—	(25,834)	(22,215)	—	(22,215)
Condominium marketing expenses	(573)	(14)	(587)	(1,230)	(133)	(1,363)
Amortization of other assets	(1,167)	—	(1,167)	(1,467)	—	(1,467)
Interest income	28,023	—	28,023	19,819	—	19,819
Fair value gain (loss) on investment properties and investment properties held for sale	217,557	(1,864)	215,693	280,590	(4,296)	276,294
Fair value gain (loss) on derivative instruments	16,350	—	16,350	(17,996)	—	(17,996)
Net (loss) income from joint venture	(451)	451	—	(3,184)	3,184	—
Net income and comprehensive income	\$443,151	\$—	\$443,151	\$500,729	\$—	\$500,729

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Net income and comprehensive income	\$443,151	\$500,729
Less: Fair value gain on investment properties and investment properties held for sale	217,557	280,590
Less: Fair value gain (loss) on derivative instruments	16,350	(17,996)
Add: Financing prepayment costs	52,610	—
Net income excluding fair value adjustments and financing prepayment costs	\$261,854	\$238,135

On an IFRS basis, net income and comprehensive income for the year ended December 31, 2021, decreased by \$57,578 over the comparable period in 2020 primarily due to fair value adjustments, financing prepayment costs, and an increase in general and administrative expenses, partially offset by an increase in operating income, an increase in interest income and a decrease in interest expense.

NET OPERATING INCOME ("NOI")

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

Allied's real estate portfolio has grown through acquisitions and development activities that have positively contributed to the operating results for the year ended December 31, 2021, as compared to the same period in the prior year.

The following table reconciles operating income to net operating income, a non-IFRS measure. Refer to non-IFRS measures on page 20.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Operating income, IFRS basis	\$82,805	\$82,752	\$329,391	\$319,015
Add: investment in joint venture	315	138	1,633	\$1,245
Operating income, proportionate basis	83,120	82,890	331,024	320,260
Condominium revenue	—	—	—	(178)
Net rental income	\$83,120	\$82,890	\$331,024	\$320,082
Amortization of improvement allowances ⁽¹⁾	8,259	8,072	32,424	32,522
Amortization of straight-line rents ⁽¹⁾	(1,141)	(1,596)	(4,729)	(10,132)
NOI	\$90,238	\$89,366	\$358,719	\$342,472

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months and year ended December 31, 2021: amortization improvement allowances of \$130 and \$119, respectively, (December 31, 2020 - \$113 and \$329, respectively), and amortization of straight-line rents of \$(239) and \$(1,047), respectively (December 31, 2020 - \$(393) and \$(2,276), respectively).

The following tables set out the NOI by segment and space type from the rental and development properties for the three months and year ended December 31, 2021, and the comparable period in 2020.

SEGMENT	THREE MONTHS ENDED				CHANGE	
	DECEMBER 31, 2021		DECEMBER 31, 2020		\$	%
Urban Workspace						
Montréal & Ottawa	\$30,401	33.7%	\$27,936	31.2%	\$2,465	8.8%
Toronto & Kitchener	34,853	38.6	36,967	41.4	(2,114)	(5.7)
Calgary, Edmonton & Vancouver	9,647	10.7	10,071	11.3	(424)	(4.2)
Urban Workspace - Total	\$74,901	83.0%	\$74,974	83.9%	\$(73)	(0.1)%
Urban Data Centres	\$15,337	17.0%	\$14,392	16.1%	\$945	6.6%
NOI	\$90,238	100.0%	\$89,366	100.0%	\$872	1.0%

TYPE OF SPACE	THREE MONTHS ENDED				CHANGE	
	DECEMBER 31, 2021		DECEMBER 31, 2020		\$	%
Urban Workspace - Office	\$63,534	70.4%	\$65,228	73.0%	\$(1,694)	(2.6)%
Urban Data Centres	15,337	17.0	14,392	16.1	945	6.6
Urban Workspace - Retail	7,592	8.4	6,826	7.6	766	11.2
Urban Workspace - Parking	3,775	4.2	2,920	3.3	855	29.3
NOI	\$90,238	100.0%	\$89,366	100.0%	\$872	1.0%

The increase in NOI for the three months ended December 31, 2021, was primarily the result of commencement of economic occupancy at 425 Viger, occupancy and rent growth in the UDC portfolio, contributions from acquisitions in Montréal, Toronto, Vancouver, and Calgary, and an increase in variable parking revenue. This is partially offset by the Quebec government subsidy related to the Canada Emergency Commercial Rent Assistance (“CECRA”) program in the comparable quarter and occupancy turnover mainly in the urban workspace portfolio.

SEGMENT	YEAR ENDED				CHANGE	
	DECEMBER 31, 2021		DECEMBER 31, 2020		\$	%
Urban Workspace						
Montréal & Ottawa	\$115,970	32.3%	\$106,711	31.2%	\$9,259	8.7%
Toronto & Kitchener	142,360	39.7	141,405	41.3	955	0.7
Calgary, Edmonton & Vancouver	39,762	11.1	38,451	11.2	1,311	3.4
Urban Workspace - Total	\$298,092	83.1%	\$286,567	83.7%	\$11,525	4.0%
Urban Data Centres	\$60,627	16.9%	\$55,905	16.3%	\$4,722	8.4%
NOI	\$358,719	100.0%	\$342,472	100.0%	\$16,247	4.7%

TYPE OF SPACE	YEAR ENDED				CHANGE	
	DECEMBER 31, 2021		DECEMBER 31, 2020		\$	%
Urban Workspace - Office	\$254,516	70.9%	\$248,564	72.6%	\$5,952	2.4%
Urban Data Centres	60,627	16.9	55,905	16.3	4,722	8.4
Urban Workspace - Retail	30,758	8.6	24,953	7.3	5,805	23.3
Urban Workspace - Parking	12,818	3.6	13,050	3.8	(232)	(1.8)
NOI	\$358,719	100.0%	\$342,472	100.0%	\$16,247	4.7%

The increase in NOI for the year ended December 31, 2021, was primarily the result of commencement of economic occupancy at 425 Viger, occupancy and rent growth in the UDC portfolio, contributions from acquisitions in Vancouver, Toronto, Calgary, and Montréal and rent abatements provided under the CECRA program in the comparable period. This was partially offset by a decrease in variable parking revenue and turnover vacancy in the urban workspace portfolio.

SAME ASSET NOI

Same asset NOI, a non-IFRS measure in the table below, refers to those investment properties that were owned by Allied from October 1, 2020, to December 31, 2021. Same asset NOI of the development portfolio for the three months ended December 31, 2021, consists of Breithaupt Phase III, Adelaide & Duncan, College & Manning, KING Toronto, The Well, QRC West Phase II, King & Brant, 400 Atlantic and Boardwalk-Revillon Building. Same asset NOI of the assets held for sale for the three months ended December 31, 2021, consists of three investment properties that Allied classified as assets held for sale on September 30, 2021 and intends to sell to third parties within the next nine months. Refer to non-IFRS measures on page 20.

	THREE MONTHS ENDED		CHANGE	
	DECEMBER 31, 2021	DECEMBER 31, 2020	\$	%
Urban Workspace				
Montréal & Ottawa	\$29,401	\$27,493	\$1,908	6.9%
Toronto & Kitchener	31,521	32,660	(1,139)	(3.5)
Calgary & Vancouver	8,656	9,079	(423)	(4.7)
Urban Workspace	\$69,578	\$69,232	\$346	0.5%
Urban Data Centres	15,337	14,392	945	6.6%
Rental Portfolio - Same Asset NOI	\$84,915	\$83,624	\$1,291	1.5%
Urban Workspace	574	988	(414)	(41.9)
Development Portfolio - Same Asset NOI	\$574	\$988	\$(414)	(41.9)%
Assets Held for Sale - Same Asset NOI	\$380	\$492	\$(112)	(22.8)%
Total Portfolio - Same Asset NOI	\$85,869	\$85,104	\$765	0.9%
Acquisitions	1,441	4	1,437	
Lease terminations	268	542	(274)	
Development fees and corporate items	2,660	3,716	(1,056)	
NOI	\$90,238	\$89,366	\$872	1.0%
Amortization of improvement allowances	(8,259)	(8,072)	(187)	
Amortization of straight-line rents	1,141	1,596	(455)	
Operating income, proportionate basis	\$83,120	\$82,890	\$230	0.3%
Less: investment in joint venture	315	138	177	128.3%
Operating income, IFRS basis	\$82,805	\$82,752	\$53	0.1%

Same asset NOI of the total portfolio increased by 0.9% for the three months ended December 31, 2021. Same asset NOI of the rental portfolio increased by 1.5% as a result of rent commencement at 425 Viger, occupancy and rent growth in the UDC portfolio, and an increase in variable parking revenue. This is partially offset by the Quebec government subsidy related to the CECRA program in the comparable quarter and turnover vacancy in the urban workspace portfolio. Same asset NOI of the UDC portfolio increased by 6.6% as a result of occupancy, rent and ancillary revenue growth. Same asset NOI of the development portfolio decreased due to lower occupancy during upgrade activities at Boardwalk-Revillon Building and 400 Atlantic.

Same asset NOI in the table below refers to those investment properties that were owned by Allied from January 1, 2020, to December 31, 2021. Same asset NOI of the development portfolio for the year ended December 31, 2021, consists of 425 Viger, Breithaupt Phase III, College & Manning, Adelaide & Duncan, KING Toronto, TELUS Sky, The Well, QRC West Phase II, King & Brant, 400 Atlantic and Boardwalk-Revillon Building. Same asset NOI of the assets held for sale for the year ended December 31, 2021, consists of three investment properties that Allied classified as assets held for sale on September 30, 2021 and intends to sell to third parties within the next nine months.

	YEAR ENDED		CHANGE	
	DECEMBER 31, 2021	DECEMBER 31, 2020	\$	%
Urban Workspace				
Montréal & Ottawa	\$96,382	\$94,028	\$2,354	2.5%
Toronto & Kitchener	127,715	127,623	92	0.1
Calgary & Vancouver	29,401	30,937	(1,536)	(5.0)
Urban Workspace	253,498	252,588	910	0.4%
Urban Data Centres	60,627	55,766	4,861	8.7%
Rental Portfolio - Same Asset NOI	\$314,125	\$308,354	\$5,771	1.9%
Urban Workspace	10,074	3,325	6,749	203.0%
Development Portfolio - Same Asset NOI	\$10,074	\$3,325	\$6,749	203.0%
Assets Held for Sale - Same Asset NOI	\$1,535	\$1,875	\$(340)	(18.1)%
Total Portfolio - Same Asset NOI	\$325,734	\$313,554	\$12,180	3.9%
Acquisitions	20,146	16,735	3,411	
Lease terminations	1,281	1,163	118	
Development fees and corporate items	11,558	11,020	538	
NOI	\$358,719	\$342,472	\$16,247	4.7%
Amortization of improvement allowances	(32,424)	(32,522)	98	
Amortization of straight-line rents	4,729	10,132	(5,403)	
Condominium profits	—	178	(178)	
Operating income, proportionate basis	\$331,024	\$320,260	\$10,764	3.4%
Less: investment in joint venture	1,633	1,245	388	31.2%
Operating income, IFRS basis	\$329,391	\$319,015	\$10,376	3.3%

Same asset NOI of the total portfolio increased by 3.9% for the year ended December 31, 2021. Same asset NOI of the rental portfolio increased by 1.9% as a result of occupancy and rent growth in the UDC portfolio and rent abatements provided under the CECRA program in the comparable period. This was partially offset by a decrease in variable parking revenue and turnover vacancy in the urban workspace portfolio. Same asset NOI of the UDC portfolio increased by 8.7% as a result of occupancy, rent and ancillary revenue growth. Same asset NOI of the development portfolio increased due to rent commencement at 425 Viger and TELUS Sky.

INTEREST EXPENSE

Interest expense for the three months and years ended December 31, 2021, and 2020, are as follows:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Interest on debt:				
Mortgages payable	\$1,002	\$7,670	\$16,722	\$31,141
Construction loans payable	1,390	378	2,983	1,351
Unsecured Facilities	1,409	423	2,836	2,152
Unsecured Debentures	18,666	13,669	64,940	49,455
Unsecured term loan	2,202	2,206	8,739	10,353
Interest on lease liabilities	2,361	2,219	9,184	8,926
Amortization, premium on debt	(117)	(469)	(531)	(1,846)
Amortization, net financing costs	590	518	2,394	2,081
	\$27,503	\$26,614	\$107,267	\$103,613
Less: Interest capitalized to qualifying investment properties and residential inventory	(10,786)	(8,840)	(39,732)	(31,010)
Interest expense excluding financing prepayment costs	\$16,717	\$17,774	\$67,535	\$72,603
Financing prepayment costs	721	—	52,610	—
Interest expense, IFRS basis	\$17,438	\$17,774	\$120,145	\$72,603

For the three months ended December 31, 2021, interest expense on an IFRS basis decreased by \$336 over the comparable period primarily due to higher capitalized interest and a lower balance of mortgages payable, partially offset by a higher balance of unsecured debentures. For the year ended December 31, 2021, interest expense on an IFRS basis increased by \$47,542 over the comparable period primarily due to financing prepayment costs and a higher balance of unsecured debentures, partially offset by a lower balance of mortgages payable and higher capitalized interest.

For the three months and year ended December 31, 2021, 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, 2021, 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 lease commencement.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months and years ended December 31, 2021, and 2020, are as follows:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Salaries and benefits	\$6,317	\$4,358	\$21,683	\$18,080
Professional and trustees fees	1,184	861	4,481	4,319
Office and general expenses	1,938	1,289	5,816	4,628
	\$9,439	\$6,508	\$31,980	\$27,027
Capitalized to qualifying investment properties	(1,975)	(1,297)	(6,146)	(4,812)
Total general and administrative expenses, IFRS basis	\$7,464	\$5,211	\$25,834	\$22,215

For the three months ended December 31, 2021, general and administrative expenses increased by \$2,253 over the comparative quarter mainly due to higher compensation expense recognized for the year. For the year ended December 31, 2021, general and administrative expenses increased by \$3,619 from the comparable period, primarily due to higher compensation expense and severance expense incurred in the current year.

INTEREST INCOME

Interest income for the three months and years ended December 31, 2021, and 2020, are as follows:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Interest on loans receivable	\$6,358	\$4,794	\$24,065	\$17,932
Guarantee fees	593	111	3,294	459
Interest on cash and cash equivalents and other	85	113	664	1,428
Interest income, IFRS basis	\$7,036	\$5,018	\$28,023	\$19,819

For the three months ended December 31, 2021, interest income increased by \$2,018 over the comparable period primarily due to a higher balance of loans receivable and an increase in guarantee fees. For the year ended December 31, 2021, interest income increased by \$8,204 from the comparable period, primarily due to a higher balance of loans receivable and an increase in guarantee fees (including a retroactive amount totaling \$1,567), partially offset by a lower balance of cash and cash equivalents.

OTHER FINANCIAL PERFORMANCE MEASURES

FUNDS FROM OPERATIONS (“FFO”) AND FFO EXCLUDING CONDOMINIUM RELATED ITEMS AND FINANCING PREPAYMENT COSTS

Allied’s calculation of FFO, a non-IFRS measure, is in compliance with REALPAC’s standardized definition in the White Paper. FFO excluding condominium related items and financing prepayment costs, a non-IFRS measure, starts with the standardized definition of FFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs and financing prepayment costs. Refer to non-IFRS measures on page 20.

Allied initiated condominium pre-sales at KING Toronto, a 50/50 joint venture with Westbank, in the fourth quarter of 2018. For the three months and year ended December 31, 2021, Allied incurred \$108 and \$573, respectively, (at its share) of condominium marketing costs in connection with the pre-sales activity. (Marketing costs associated with merchant development are expensed when incurred.) Allied and Westbank have initiated construction of KING Toronto.

For the three months ended December 31, 2021, FFO per Unit excluding condominium related items and financing prepayment costs totaled \$0.600. This is an increase of \$0.011 or 1.9% over the comparable period in the prior year. The increase was primarily due to an increase in NOI and an increase in interest income, partially offset by higher general and administrative expenses.

For the year ended December 31, 2021, FFO per Unit excluding condominium related items and financing prepayment costs totaled \$2.405. This is an increase of \$0.110 or 4.8% over the comparable period in the prior year. The increase was primarily due to an increase in NOI, an increase in interest income which included a retroactive amount totaling \$1,567 for guarantee fees, and a decrease in interest expense, partially offset by an increase in general and administrative expenses.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate FFO pay-out ratio excluding condominium related items and financing prepayment costs. Refer to non-IFRS measures on page 20. For the three months and year ended December 31, 2021, the FFO pay-out ratio excluding condominium related items and financing prepayment costs was 70.9% and 70.6%, respectively.

ADJUSTED FUNDS FROM OPERATIONS (“AFFO”) EXCLUDING CONDOMINIUM RELATED ITEMS AND FINANCING PREPAYMENT COSTS

Allied’s calculation of AFFO, a non-IFRS measure, is in compliance with REALPAC’s standardized definition in the White Paper. AFFO excluding condominium related items and financing prepayment costs, a non-IFRS measure, starts with the standardized definition of AFFO and removes the effects of condominium revenue, condominium cost of sales, condominium marketing costs and financing prepayment costs. Refer to non-IFRS measures on page 20.

For the three months ended December 31, 2021, AFFO per Unit excluding condominium related items and financing prepayment costs totaled \$0.518. This represents an increase of \$0.010 or 2.0% over the comparable period in the prior year. The increase was primarily due to the changes in FFO excluding condominium related items and financing prepayment costs discussed above and lower regular leasing expenditures, partially offset by higher recoverable maintenance capital expenditures.

For the year ended December 31, 2021, AFFO per Unit excluding condominium related items and financing prepayment costs totaled \$2.091. This represents an increase of \$0.100 or 5.0% over the comparable period in the prior year. The increase was primarily due to the changes in FFO excluding condominium related items and financing prepayment costs discussed above and lower amortization of straight-line rents, partially offset by higher regular leasing expenditures and recoverable maintenance capital expenditures.

To ensure sufficient cash is retained to meet capital improvement and leasing objectives, Allied strives to maintain an appropriate AFFO pay-out ratio excluding condominium related items and financing prepayment costs, which is the ratio of actual distributions to AFFO excluding condominium related items and financing prepayment costs in a given period. For the three months and year ended December 31, 2021, the AFFO pay-out ratio excluding condominium related items and financing prepayment costs was 82.1% and 81.2%, respectively.

RECONCILIATION OF FFO AND AFFO

The following table reconciles Allied's net income to FFO, FFO excluding condominium related items and financing prepayment costs and AFFO excluding condominium related items and financing prepayment costs, which are on a non-IFRS basis, for the three months and years ended December 31, 2021, and December 31, 2020. Refer to non-IFRS measures on page 20.

	THREE MONTHS ENDED		
	DECEMBER 31, 2021	DECEMBER 31, 2020	CHANGE
Net income and comprehensive income	\$159,921	\$83,842	\$76,079
Adjustment to fair value of investment properties and investment properties held for sale	(96,204)	(16,880)	(79,324)
Adjustment to fair value of derivative instruments	6	(4,722)	4,728
Incremental leasing costs	2,249	1,745	504
Amortization of improvement allowances	8,129	7,959	170
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	1,134	2,071	(937)
Amortization of improvement allowances	130	113	17
Interest expense ⁽¹⁾	326	614	(288)
FFO	\$75,691	\$74,742	\$949
Condominium revenue	—	—	—
Condominium marketing costs	108	227	(119)
Financing prepayment costs	721	—	721

THREE MONTHS ENDED			
	DECEMBER 31, 2021	DECEMBER 31, 2020	CHANGE
FFO excluding condominium related items and financing prepayment costs	\$76,520	\$74,969	\$1,551
Amortization of straight-line rents	(902)	(1,203)	301
Regular leasing expenditures ⁽²⁾	(3,253)	(3,849)	596
Regular maintenance capital expenditures	(1,566)	(1,939)	373
Incremental leasing costs (related to regular leasing expenditures)	(1,574)	(1,221)	(353)
Recoverable maintenance capital expenditures	(2,910)	(1,741)	(1,169)
Adjustment relating to joint venture:			
Amortization of straight-line rents	(239)	(393)	154
AFFO excluding condominium related items and financing prepayment costs	\$66,076	\$64,623	\$1,453
Weighted average number of Units			
Basic	127,441,142	127,256,661	184,481
Diluted	127,611,273	127,298,000	313,273
Per Unit - basic	\$0.594	\$0.587	\$0.007
FFO			
FFO excluding condominium related items and financing prepayment costs	\$0.600	\$0.589	\$0.011
AFFO excluding condominium related items and financing prepayment costs	\$0.518	\$0.508	\$0.010
Per Unit - diluted			
FFO	\$0.593	\$0.587	\$0.006
FFO excluding condominium related items and financing prepayment costs	\$0.600	\$0.589	\$0.011
AFFO excluding condominium related items and financing prepayment costs	\$0.518	\$0.508	\$0.010
Pay-out Ratio			
FFO	71.6%	70.2%	1.4%
FFO excluding condominium related items and financing prepayment costs	70.9%	70.0%	0.9%
AFFO excluding condominium related items and financing prepayment costs	82.1%	81.2%	0.9%

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

(2) Refer to Capital Expenditures on page 41 for a description of regular leasing expenditures.

	YEAR ENDED		
	DECEMBER 31, 2021	DECEMBER 31, 2020	CHANGE
Net income and comprehensive income	\$443,151	\$500,729	\$(57,578)
Adjustment to fair value of investment properties and investment properties held for sale	(217,557)	(280,590)	63,033
Adjustment to fair value of derivative instruments	(16,350)	17,996	(34,346)
Incremental leasing costs	8,038	7,069	969
Amortization of improvement allowances	32,305	32,193	112
Adjustments relating to joint venture:			
Adjustment to fair value on investment properties	1,864	4,296	(2,432)
Amortization of improvement allowances	119	329	(210)
Interest expense ⁽¹⁾	1,806	2,710	(904)
FFO	\$253,376	\$284,732	\$(31,356)
Condominium revenue	—	(178)	178
Condominium marketing costs	573	1,230	(657)
Financing prepayment costs	52,610	—	52,610
FFO excluding condominium related items and financing prepayment costs	\$306,559	\$285,784	\$20,775
Amortization of straight-line rents	(3,682)	(7,856)	4,174
Regular leasing expenditures ⁽²⁾	(17,177)	(11,016)	(6,161)
Regular maintenance capital expenditures	(4,327)	(5,908)	1,581
Incremental leasing costs (related to regular leasing expenditures)	(5,626)	(4,950)	(676)
Recoverable maintenance capital expenditures	(8,183)	(5,775)	(2,408)
Adjustment relating to joint venture:			
Amortization of straight-line rents	(1,047)	(2,276)	1,229
AFFO excluding condominium related items and financing prepayment costs	\$266,517	\$248,003	\$18,514
Weighted average number of Units			
Basic	127,305,384	124,427,715	2,877,669
Diluted	127,455,829	124,536,634	2,919,195
Per Unit - basic			
FFO	\$1.990	\$2.288	\$(0.298)
FFO excluding condominium related items and financing prepayment costs	\$2.408	\$2.297	\$0.111
AFFO excluding condominium related items and financing prepayment costs	\$2.094	\$1.993	\$0.101
Per Unit - diluted			
FFO	\$1.988	\$2.286	\$(0.298)
FFO excluding condominium related items and financing prepayment costs	\$2.405	\$2.295	\$0.110
AFFO excluding condominium related items and financing prepayment costs	\$2.091	\$1.991	\$0.100

	YEAR ENDED		
	DECEMBER 31, 2021	DECEMBER 31, 2020	CHANGE
Pay-out Ratio			
FFO	85.5%	72.1%	13.4%
FFO excluding condominium related items and financing prepayment costs	70.6%	71.9%	(1.3)%
AFFO excluding condominium related items and financing prepayment costs	81.2%	82.8%	(1.6)%

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

(2) Refer to Capital Expenditures on page 41 for a description of regular leasing expenditures.

CAPITAL EXPENDITURES

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

For the three months ended December 31, 2021, Allied incurred (i) \$3,253 in regular leasing expenditures or \$9.35 per occupied square foot, (ii) \$1,566 in regular maintenance capital expenditures and (iii) \$2,910 of recoverable maintenance capital expenditures.

For the year ended December 31, 2021, Allied incurred (i) \$17,177 in regular leasing expenditures or \$10.55 per occupied square foot, (ii) \$4,327 in regular maintenance capital expenditures and (iii) \$8,183 of recoverable maintenance capital expenditures.

For the three months and year ended December 31, 2021, Allied invested \$128,973 and \$417,967, respectively, of revenue enhancing capital into the rental and development portfolio to enhance its income-producing capability and in ongoing development activity.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Regular leasing expenditures	\$3,253	\$3,849	\$17,177	\$11,016
Regular maintenance capital expenditures	\$1,566	\$1,939	\$4,327	\$5,908
Recoverable maintenance capital expenditures	\$2,910	\$1,741	\$8,183	\$5,775
Revenue-enhancing capital and development costs	\$128,973	\$108,570	\$417,967	\$348,737

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

The following table reconciles Allied's net income and comprehensive income to Adjusted EBITDA, a non-IFRS measure, for the three months and years ended December 31, 2021, and December 31, 2020. Refer to non-IFRS measures on page 20.

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Net income and comprehensive income for the period	\$159,921	\$83,842	\$443,151	\$500,729
Interest expense	17,454	17,774	120,351	72,603
Amortization of other assets	273	341	1,167	1,467
Amortization of improvement allowances	8,259	8,072	32,424	32,522
Fair value gain on investment properties and investment properties held for sale	(95,070)	(14,809)	(215,693)	(276,294)
Fair value loss (gain) on derivative instruments	6	(4,722)	(16,350)	17,996
Adjusted EBITDA	\$90,843	\$90,498	\$365,050	\$349,023

Section III

–Leasing

Allied strives to maintain high levels of occupancy and leased area. At December 31, 2021, Allied's rental portfolio was 90.4% leased.

STATUS

Leasing status for the rental portfolio as at December 31, 2021, is summarized below:

	YEAR ENDED	
	GLA	AS A % OF TOTAL GLA ⁽¹⁾
Leased area (occupied & committed) - beginning of year	12,946,538	92.5%
Vacancy committed for future leases	(59,159)	
Occupancy - beginning of year	12,887,379	92.1%
Previously committed vacant space now occupied	53,609	
New leases and expansions on vacant space	301,001	
New vacancies during the period	(510,627)	
Surrender/early termination agreements	(98,784)	
Suite additions, remeasurements and removals	(31,049)	
Occupancy (pre-2021 acquisitions, dispositions and transfers)	12,601,529	90.1%
Occupancy related to acquired properties	317,544	
Occupancy related to transfers to PUD	(128,452)	
Occupancy - end of year	12,790,621	89.9%
Vacancy committed for future leases	70,606	
Leased area (occupied & committed) - end of year	12,861,227	90.4%

(1) Excludes properties under development and residential GLA.

Of the 14,234,491 square feet total GLA in Allied's rental portfolio, 12,790,621 square feet were occupied by users on December 31, 2021. Another 70,606 square feet were subject to contractual lease commitments with users whose leases commence subsequent to December 31, 2021, bringing the leased area to 12,861,227 square feet, which represents 90.4% of Allied's total rental portfolio GLA.

The table below outlines the rental portfolio's leased area as at December 31, 2021, for the stabilized properties and the transitional properties. Transitional properties consists of six properties (810 Saint Antoine, El Pro Lofts, RCA Building, 342 Water, 375 Water and the retail portion of 1001 Boulevard Robert-Bourassa) where we have suppressed occupancy to facilitate longer term upgrade plans.

	DECEMBER 31, 2021	
	LEASED AREA (SF)	LEASED AREA (%)
Stabilized rental portfolio	12,335,316	91.6%
Transitional rental portfolio	525,911	68.4%
Total rental portfolio	12,861,227	90.4%

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

FIXTURING COMMENCEMENT (OCCUPANCY)	Q1 2022	Q2 2022	Q3 2022	Q3 2023	TOTAL
Lease commitments - GLA	18,329	39,657	7,070	5,550	70,606
% of lease commitments	26.0%	56.1%	10.0%	7.9%	100%

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

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

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

RENT COMMENCEMENT (ECONOMIC OCCUPANCY)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q4 2023	TOTAL
Lease commitments - GLA	8,043	22,556	10,286	7,070	15,567	1,534	5,550	70,606
% of lease commitments	11.4%	31.9%	14.6%	10.0%	22.0%	2.2%	7.9%	100.0%

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:

	DECEMBER 31, 2021	SEPTEMBER 30, 2021	JUNE 30, 2021	MARCH 31, 2021
Toronto	229,434	264,944	344,914	383,038
Kitchener	—	—	—	35,421
Montréal	169,429	176,260	203,850	239,059
Calgary	21,610	46,403	32,005	37,781
Vancouver	7,654	28,906	46,161	37,745
Total square feet	428,127	516,513	626,930	733,044
% of Total GLA	3.0%	3.7%	4.5%	5.3%

The decline in the three months and year ended December 31, 2021, is primarily due to tenants withdrawing space from the sub-lease market in favor of reoccupying.

ACTIVITY

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

Leasing activity in connection with the rental portfolio as at December 31, 2021, is summarized in the following table:

	LEASABLE SF ⁽¹⁾	LEASED SF BY DECEMBER 31	% LEASED BY DECEMBER 31	UNLEASED SF AT DECEMBER 31
Unleased area on January 1, 2021, including re-measurement	1,225,682	405,574	33.1%	820,108
Maturities during the year ended December 31, 2021 ⁽²⁾	1,547,125	882,136	57.0%	664,989
	2,772,807	1,287,710		1,485,097
Maturities in future years		920,382		
Total		2,208,092		

(1) Excludes the impact of properties acquired in the current period and properties under development.

(2) Some maturities occurred at December 31, 2021, and are included in Allied's leased area as at December 31, 2021.

On January 1, 2021, 1,225,682 square feet of GLA was unleased. By the year ended December 31, 2021, Allied had leased 405,574 square feet of this GLA, leaving 820,108 square feet to be leased (net of vacancy transferred to PUD, if any).

Leases for 1,547,125 square feet of GLA matured in the year ended December 31, 2021, at the end of which Allied renewed or replaced leases totaling 882,136 square feet of GLA, leaving 664,989 square feet to be leased.

In addition, during the year ended December 31, 2021, Allied leased 920,382 of square feet scheduled to mature after 2021.

The tables below summarize the rental rates achieved for leases that were either renewed or replaced in the three months and year ended December 31, 2021.

LEASING SPREAD	THREE MONTHS ENDED DECEMBER 31, 2021				YEAR ENDED DECEMBER 31, 2021			
	EXPIRING RATE	RENEWAL AND REPLACEMENT RATE	SPREAD	SQUARE FEET	EXPIRING RATE	RENEWAL AND REPLACEMENT RATE	SPREAD	SQUARE FEET
Ending to Starting Base Rent								
Total Portfolio	\$16.02	\$17.52	9.4%	794,826	\$18.47	\$20.34	10.1%	1,802,518
Excluding Calgary	\$16.20	\$17.90	10.5%	742,680	\$18.72	\$20.97	12.0%	1,672,462
Average to Average Base Rent								
Total Portfolio	\$15.37	\$18.19	18.3%	794,826	\$17.31	\$20.88	20.6%	1,802,518
Excluding Calgary	\$15.61	\$18.63	19.3%	742,680	\$17.57	\$21.54	22.6%	1,672,462

LEASE RENEWALS/ REPLACEMENTS	FOR THE YEAR ENDED DECEMBER 31, 2021		
	ABOVE IN-PLACE RENTS	AT IN-PLACE RENTS	BELOW IN-PLACE RENTS
% of total leased SF	52.6%	29.0%	18.4%
Maturing leases - weighted average rent	\$18.95	\$20.74	\$13.52
Renewals and replacements - weighted average rent	\$24.03	\$20.74	\$9.15

Leasing activity resulted in an increase of 9.4% and 10.1% in the net rent per square foot from maturing leases for the three months and year ended December 31, 2021, respectively. Excluding transactions in Calgary, the rental rates achieved on maturing leases resulted in an increase of 10.5% and 12.0% in net rent per square foot for both the three months and year ended December 31, 2021, respectively.

The following tables outline leasing activity during the year ended December 31, 2021.

	FOR THE THREE MONTHS ENDED DECEMBER 31, 2021			FOR THE YEAR ENDED DECEMBER 31, 2021		
	NEW LEASES	RENEWALS AND REPLACEMENTS	TOTAL	NEW LEASES	RENEWALS AND REPLACEMENTS	TOTAL
Tours			253			1,010
Net leased square feet	87,729	794,826	882,555	405,574	1,802,518	2,208,092
Number of transactions	26	115	141	116	279	395
Lease term (in years)	5.9	11.3	10.8	5.4	7.5	7.1
Net effective rent (per square foot per year) ⁽¹⁾						
Net annualized rent	\$24.06	\$19.50	\$19.82	\$24.25	\$21.89	\$22.36
Tenant improvements	(1.40)	(2.32)	(2.26)	(1.75)	(2.09)	(2.03)
Leasing commissions	(1.61)	(0.91)	(0.96)	(0.90)	(0.90)	(0.90)
Landlord's work	(0.90)	(0.75)	(0.76)	(0.78)	(0.46)	(0.52)
Total leasing costs	\$(3.91)	\$(3.98)	\$(3.98)	\$(3.43)	\$(3.45)	\$(3.45)
Net effective rent	\$20.15	\$15.52	\$15.84	\$20.82	\$18.44	\$18.91

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

USER PROFILE

The following sets out Allied's user-mix on the basis of percentage of rental revenue for the year ended December 31, 2021:

CATEGORY	% OF RENTAL REVENUE DECEMBER 31, 2021
Business services and professional	33.3%
Telecommunications and information technology	31.6%
Media and entertainment	12.2%
Retail	8.7%
Financial services	4.7%
Government	4.5%
Parking and other	2.6%
Life sciences	1.4%
Educational and institutional	1.0%
	100.0%

The following sets out information on the top-10 users by rental revenue for the year ended December 31, 2021:

USER	% OF RENTAL REVENUE DECEMBER 31, 2021	WEIGHTED AVERAGE REMAINING LEASE TERM (YEARS)	% OF TOTAL GLA	CREDIT RATING DBRS/S&P/ MOODY'S
Cloud Service Provider	4.4%	1.4	0.7%	-/AAA/Aaa*
Ubisoft	2.5%	10.5	3.8%	Not Rated
Cologix	2.3%	16.0	0.5%	-/B/B3
Equinix	2.2%	3.3	0.4%	-/BBB/Baa3
Google Canada Corporation	2.0%	7.8	2.4%	-/AA+/Aa2*
National Capital Commission ("NCC"), a Canadian Crown Corporation	1.4%	19.1	1.3%	Not Rated
Morgan Stanley	1.4%	7.9	1.6%	AH/BBB+/A1
Bell Canada	1.4%	13.9	0.2%	BBB/BBB+/Baa2
TELUS Communications Inc.	1.2%	15.4	0.6%	BBBH/BBB+/Baa1
Shopify Inc.	1.1%	7.0	0.6%	Not Rated
	19.9%	9.6	12.1%	

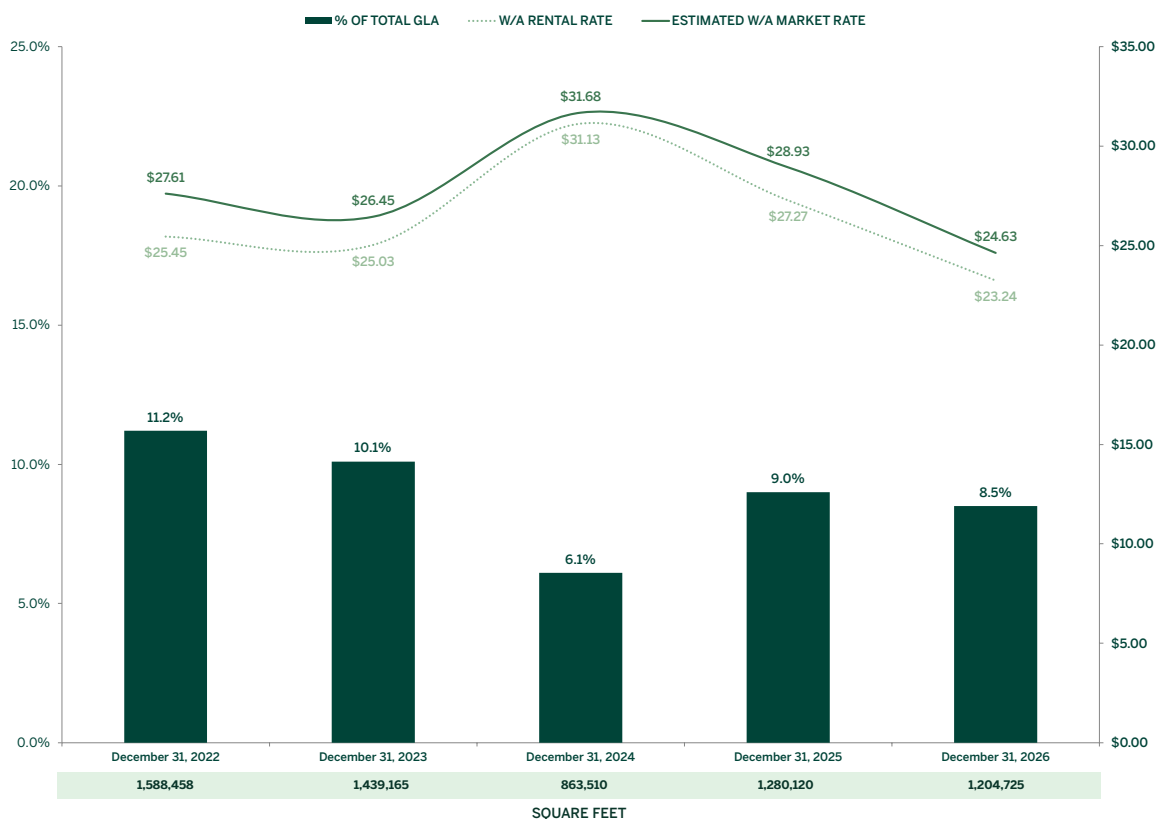
* Credit rating for parent company

LEASE MATURITY

As at December 31, 2021, 90.4% of the GLA in Allied's rental portfolio was leased and its weighted average term to maturity was 5.6 years. The estimated weighted average market net rental rate is based on Management's estimates of today's market rental rates and is supported in part by independent appraisals of certain relevant properties. There can be no assurance that Management's current estimates are accurate or that they will not change with the passage of time.

The following contains information on the urban workspace and UDC leases that mature up to 2026 and the corresponding estimated weighted average market rental rate as at December 31, 2021. 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, 2022	1,588,458	11.2%	25.45	27.61
December 31, 2023	1,439,165	10.1%	25.03	26.45
December 31, 2024	863,510	6.1%	31.13	31.68
December 31, 2025	1,280,120	9.0%	27.27	28.93
December 31, 2026	1,204,725	8.5%	23.24	24.63



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, 2022	598,945	8.7%	17.88	18.19
December 31, 2023	444,803	6.4%	16.72	17.58
December 31, 2024	260,629	3.8%	17.92	17.57
December 31, 2025	280,448	4.1%	18.20	17.97
December 31, 2026	520,196	7.5%	18.32	18.67

TORONTO & KITCHENER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2022	615,376	12.8%	22.88	27.06
December 31, 2023	658,657	13.7%	25.67	30.70
December 31, 2024	350,441	7.3%	32.57	33.62
December 31, 2025	673,155	14.0%	26.04	30.28
December 31, 2026	503,801	10.5%	26.37	29.13

CALGARY & VANCOUVER	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2022	279,450	14.0%	19.68	21.82
December 31, 2023	311,337	15.6%	26.88	21.52
December 31, 2024	197,980	9.9%	28.43	27.46
December 31, 2025	236,728	11.8%	21.13	16.75
December 31, 2026	177,764	8.9%	26.54	27.12

URBAN DATA CENTRES	SQUARE FEET	% OF SEGMENT GLA	WEIGHTED AVERAGE IN-PLACE RENTAL RATE	ESTIMATED WEIGHTED AVERAGE MARKET RENTAL RATE
December 31, 2022	94,687	18.6%	107.05	107.94
December 31, 2023	24,368	4.8%	136.02	136.41
December 31, 2024	54,460	10.7%	94.86	102.15
December 31, 2025	89,789	17.6%	81.01	85.17
December 31, 2026	2,964	0.6%	158.75	158.75

Section IV

–Historical Performance

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

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Rental revenue ⁽¹⁾	\$146,722	\$142,654	\$138,675	\$140,835	\$145,173	\$139,673	\$136,504	\$138,977
Condominium revenue ⁽¹⁾	—	—	—	—	—	65	113	—
Property operating costs ⁽¹⁾	\$(63,917)	\$(59,112)	\$(56,748)	\$(59,718)	\$(62,421)	\$(60,647)	\$(59,204)	\$(59,218)
Condominium cost of sales ⁽¹⁾	—	—	—	—	—	—	—	—
Operating income ⁽¹⁾	\$82,805	\$83,542	\$81,927	\$81,117	\$82,752	\$79,091	\$77,413	\$79,759
Net income and comprehensive income ⁽¹⁾	\$159,921	\$107,185	\$98,523	\$77,522	\$83,842	\$69,013	\$92,961	\$254,913
Weighted average Units (diluted)	127,611,273	127,447,002	127,443,551	127,329,378	127,298,000	124,390,540	123,207,219	123,255,260
Distributions ⁽¹⁾	\$54,225	\$54,101	\$54,094	\$54,101	\$52,493	\$51,354	\$50,784	\$50,746
FFO ⁽²⁾	\$75,691	\$41,690	\$76,580	\$59,415	\$74,742	\$70,276	\$68,624	\$71,089
FFO per Unit (diluted) ⁽²⁾	\$0.593	\$0.327	\$0.601	\$0.467	\$0.587	\$0.565	\$0.557	\$0.577
FFO pay-out ratio ⁽²⁾	71.6%	129.8%	70.6%	91.1%	70.2%	73.1%	74.0%	71.4%
All amounts below are excluding condominium related items and financing prepayment costs ⁽³⁾								
FFO ⁽²⁾	\$76,520	\$79,537	\$76,705	\$73,797	\$74,969	\$70,486	\$68,652	\$71,676
FFO per Unit (diluted) ⁽²⁾	\$0.600	\$0.624	\$0.602	\$0.580	\$0.589	\$0.567	\$0.557	\$0.582
FFO payout-ratio ⁽²⁾	70.9%	68.0%	70.5%	73.3%	70.0%	72.9%	74.0%	70.8%
AFFO ⁽²⁾	\$66,076	\$66,132	\$67,980	\$66,329	\$64,623	\$59,796	\$61,216	\$62,367
AFFO per Unit (diluted) ⁽²⁾	\$0.518	\$0.519	\$0.533	\$0.521	\$0.508	\$0.481	\$0.497	\$0.506
AFFO payout-ratio ⁽²⁾	82.1%	81.8%	79.6%	81.6%	81.2%	85.9%	83.0%	81.4%
NAV per Unit ⁽²⁾	\$50.30	\$49.50	\$49.07	\$48.72	\$48.54	\$48.29	\$48.52	\$48.17
Net debt as a multiple of annualized adjusted EBITDA ⁽²⁾	9.4x	8.9x	8.1x	7.9x	7.4x	7.2x	7.6x	6.8x
Total indebtedness ratio ⁽²⁾	33.5%	32.9%	31.0%	31.1%	29.2%	28.8%	29.3%	27.2%
Total rental GLA	14,234	14,106	13,936	13,886	13,991	13,930	14,097	13,632
Leased rental GLA	12,861	12,781	12,772	12,755	12,947	12,990	13,343	12,929
Leased area %	90.4%	90.6%	91.6%	91.9%	92.5%	93.3%	94.7%	94.8%

(1) This measure is presented on an IFRS basis.

(2) This is a non-IFRS measure, refer to page 20.

(3) In the first, third and fourth quarters of 2021, Allied incurred \$14,161, \$37,728 and \$721, respectively, of financing prepayment costs in connection with the favourable refinancing of unsecured debentures and first mortgages.

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 V

–Asset Profile

The following table reconciles the consolidated balance sheet on an IFRS basis to a proportionate basis, a non-IFRS measure, as at December 31, 2021, and December 31, 2020. Refer to non-IFRS measures on page 20.

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPOR- TIONATE BASIS	IFRS BASIS	INVESTMENT IN JOINT VENTURE	PROPOR- TIONATE BASIS
Assets						
Non-current assets						
Investment properties	\$9,527,105	\$124,960	\$9,652,065	\$8,687,375	\$122,310	\$8,809,685
Residential inventory	170,980	—	170,980	140,038	—	140,038
Investment in joint venture and loan receivable	124,790	(124,790)	—	117,112	(117,112)	—
Loans and notes receivable	223,456	—	223,456	322,543	—	322,543
Other assets	28,185	1,370	29,555	23,643	533	24,176
	10,074,516	1,540	10,076,056	9,290,711	5,731	9,296,442
Current assets						
Cash and cash equivalents	22,548	2,170	24,718	45,512	3,286	48,798
Loans and notes receivable	144,306	—	144,306	93	—	93
Accounts receivable, prepaid expenses and deposits	57,061	709	57,770	64,452	602	65,054
Investment properties held for sale	86,260	—	86,260	—	—	—
	310,175	2,879	313,054	110,057	3,888	113,945
Total assets	\$10,384,691	\$4,419	\$10,389,110	\$9,400,768	\$9,619	\$9,410,387
Liabilities						
Non-current liabilities						
Debt	\$3,417,138	\$—	\$3,417,138	\$2,698,794	\$—	\$2,698,794
Other liabilities	44,635	—	44,635	63,045	—	63,045
Lease liabilities	157,550	—	157,550	157,068	—	157,068
	3,619,323	—	3,619,323	2,918,907	—	2,918,907
Current liabilities						
Debt	36,146	—	36,146	26,668	—	26,668
Accounts payable and other liabilities	303,450	4,419	307,869	278,161	9,619	287,780
	339,596	4,419	344,015	304,829	9,619	314,448
Total liabilities	3,958,919	4,419	3,963,338	3,223,736	9,619	3,233,355
Unitholders' equity	6,425,772	—	6,425,772	6,177,032	—	6,177,032
Total liabilities and Unitholders' equity	\$10,384,691	\$4,419	\$10,389,110	\$9,400,768	\$9,619	\$9,410,387

As at December 31, 2021, Allied's portfolio consisted of 209 investment properties (195 rental properties, 11 development properties and three investment properties held for sale), with a fair value of \$9,652,065, including one equity accounted investment in a joint venture.

Changes to the carrying amounts of investment properties on a proportionate basis, a non-IFRS measure, are summarized in the following table. Refer to non-IFRS measures on page 20.

	THREE MONTHS ENDED			YEAR ENDED		
	DECEMBER 31, 2021			DECEMBER 31, 2021		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOP- MENT	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOP- MENT	TOTAL
Balance, beginning of period	\$8,172,266	\$1,163,460	\$9,335,726	\$7,913,165	\$896,520	\$8,809,685
Additions:						
Acquisitions	95,222	—	95,222	315,973	28,648	344,621
Improvement allowances ⁽¹⁾	9,051	430	9,481	23,615	2,119	25,734
Leasing commissions ⁽¹⁾	8,450	183	8,633	15,313	1,829	17,142
Capital expenditures ⁽¹⁾	43,257	90,192	133,449	126,071	304,406	430,477
Dispositions	—	(16,153)	(16,153)	—	(71,592)	(71,592)
Transfers to PUD	—	—	—	(47,040)	47,040	—
Transfers to other assets	(2,456)	—	(2,456)	(6,838)	—	(6,838)
Transfers to investment properties held for sale	—	—	—	(86,260)	—	(86,260)
Finance leases	211	—	211	1,098	—	1,098
Amortization of straight-line rent and improvement allowances ⁽¹⁾	(6,999)	(119)	(7,118)	(27,195)	(500)	(27,695)
Fair value gain on investment properties and investment properties held for sale ⁽¹⁾	94,233	837	95,070	185,333	30,360	215,693
Balance, end of period	\$8,413,235	\$1,238,830	\$9,652,065	\$8,413,235	\$1,238,830	\$9,652,065

(1) Includes Allied's proportionate share of the equity accounted investment of the following amounts for the three months and year ended December 31, 2021: improvement allowances of \$nil and \$1,056; leasing commissions of \$29 and \$301; capital expenditures of \$896 and \$2,229; amortization of straight-line rent and improvement allowances of \$109 and \$928; and fair value loss on investment properties of \$1,134 and \$1,864, respectively.

For the three months ended December 31, 2021, Allied capitalized \$10,790 of borrowing costs to its capital expenditures on a proportionate basis, \$8,248 of which related to development activity and \$1,089 to upgrade activity in the rental portfolio (primarily 250 Front W, RCA Building and 1001 Boulevard Robert-Bourassa). Allied capitalized \$1,453 of borrowing costs to qualifying residential inventory.

For the year ended December 31, 2021, Allied capitalized \$39,919 of borrowing costs to its capital expenditures on a proportionate basis, \$30,692 of which related to development activity and \$4,468 to upgrade activity in the rental portfolio (primarily 250 Front W, RCA Building and 375 Water). Allied capitalized \$4,759 of borrowing costs to qualifying residential inventory.

As at December 31, 2021, Allied had three properties classified as investment properties held for sale. Allied intends to sell these properties to third parties within the next nine months.

	DECEMBER 31, 2021	DECEMBER 31, 2020
Investment properties held for sale	\$86,260	\$—

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

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

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, ancillary parking facilities and investment properties held for sale.

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

In valuing the investment properties as at December 31, 2021, 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 4.69%, detailed in the table below:

OVERALL CAPITALIZATION RATE	DECEMBER 31, 2021			DECEMBER 31, 2020		
	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE \$ ⁽¹⁾	RANGE %	WEIGHTED AVERAGE %	FAIR VALUE \$ ⁽¹⁾
Montréal & Ottawa	4.50% - 6.75%	5.03%	\$2,546,217	4.75% - 6.75%	5.08%	\$2,419,295
Toronto & Kitchener	3.75% - 5.75%	4.39%	3,605,222	3.75% - 5.75%	4.47%	3,428,395
Calgary & Vancouver	3.50% - 7.00%	4.52%	1,128,774	3.50% - 7.00%	4.76%	1,040,835
Urban Data Centres	5.00% - 5.75%	5.30%	1,133,022	5.00% - 5.75%	5.32%	1,024,640
Rental Properties	3.50% - 7.00%	4.74%	\$8,413,235	3.50% - 7.00%	4.80%	\$7,913,165
Properties Under Development	4.00% - 7.00%	4.24%	1,238,830	5.25% - 7.00%	5.95%	896,520
Total Investment Properties	3.50% - 7.00%	4.69%	\$9,652,065	3.50% - 7.00%	4.82%	\$8,809,685

(1) Presented on a proportionate basis, which is a non-IFRS measure. Refer to non-IFRS measures on page 20.

RENTAL PROPERTIES

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

URBAN WORKSPACE

Allied has evolved into a leading owner operator of urban workspace in Canada's major cities. It currently owns 195 rental properties in six Canadian cities and three investment properties held for sale. Listed below are Allied's top-10 urban workspace rental properties measured by Normalized Last Quarter Annualized ("LQA") NOI, a non-IFRS measure. Refer to non-IFRS measures on page 20. These properties represent 30.1% of the total LQA NOI for the three months ended December 31, 2021.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
1001 Boulevard Robert-Bourassa, Montréal ⁽¹⁾	\$17,039	\$373,750	5.25%	AON Canada Inc, Autorité Régionale de Transport Métropolitain, Hydro-Québec, National Bank of Canada
Cité Multimédia, Montréal	16,300	408,410	4.75%	Acceo Solutions, Morgan Stanley, Technicolor
Le Nordelec, Montréal	15,066	302,820	5.00%	Gsoft, Unity Technologies, Yellow Pages Media
QRC West, Toronto	13,178	318,660	4.00%	eOne, Sapiient Canada
747 Rue du Square Victoria, Montréal	10,255	283,360	4.75%	Dassault Systèmes Canada, Otera Capital Inc., Secretariat of the Convention on Biological Diversity, Société Québécoise des Infrastructures
5455 de Gaspé Avenue, Montréal	9,340	147,840	5.00%	Attraction Media, Framestore, Ubisoft
555 Richmond Street West, Toronto	7,744	189,530	4.50%	Centre Francophone de Toronto, Synaptive
King Portland Centre, Toronto	6,743	183,010	3.81%	Indigo, Shopify
5445 de Gaspé Avenue, Montréal	6,473	107,820	5.25%	Sun Life, Ubisoft
375 Water Street, Vancouver	6,453	227,820	3.75%	Incognito Software Inc., Cloud Service Provider, Quarterdeck Brewing Co
Total	\$108,591	\$2,543,020	4.62%	

(1) 700 De La Gauchetière was renamed to 1001 Boulevard Robert-Bourassa in Q2 2021.

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, a non-IFRS measure. Refer to non-IFRS measures on page 20. UDCs represent 17.0% of the total LQA NOI for the three months ended December 31, 2021.

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	CAP RATE	PRINCIPAL USERS
151 Front W, Toronto	\$40,822	\$678,800	5.00%	Bell, Cologix, Equinix, Digital Realty
250 Front W, Toronto	15,978	348,710	5.75	AWS, Cloud Service Provider
905 King W, Toronto	4,673	105,510	5.75	Beanfield, Cloud Service Provider, Cologix
Total	\$61,473	\$1,133,020	5.30%	

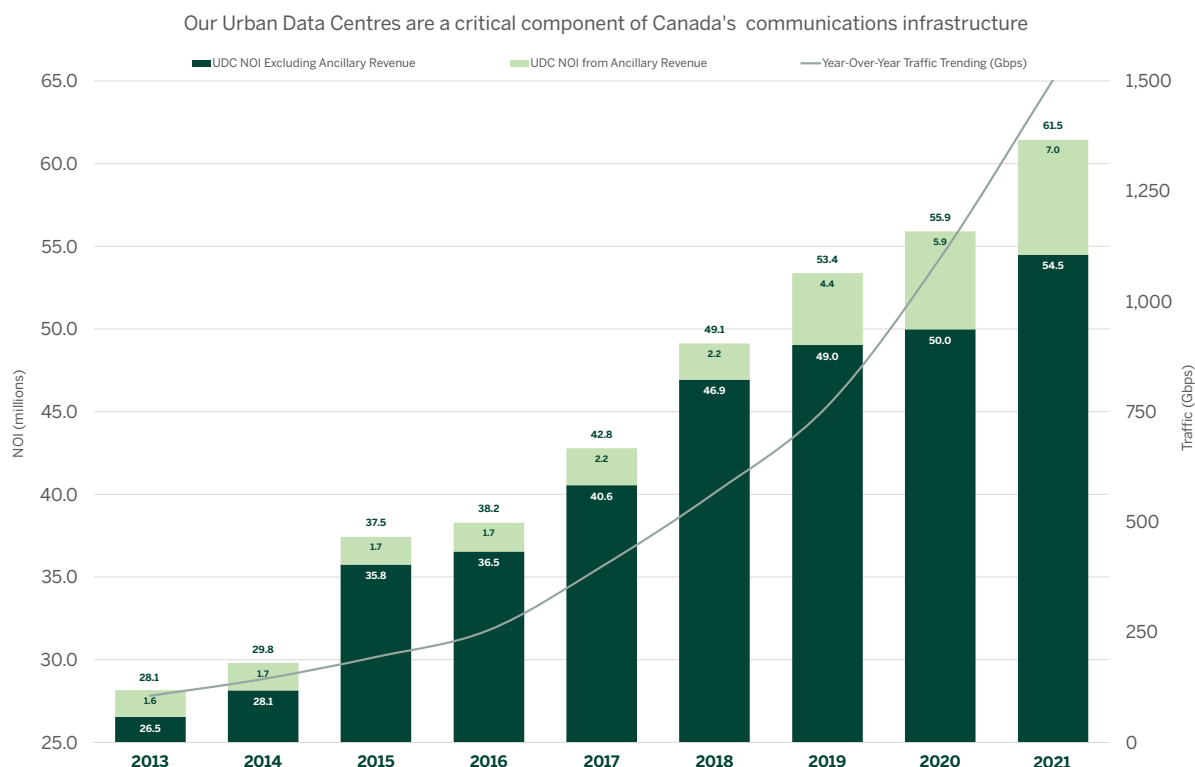
Allied has two basic sources of rental revenue from 151, 250 and 905. The largest source, regular rental revenue, derives from leasing and sub-leasing space to ultimate users. A smaller but material source, ancillary rental revenue, derives from conduit fees, rack fees and interconnection fees charged on a recurring monthly basis for cross-connects that enable different types of users to interconnect with low-latency and redundancy, reducing network costs and improving network security and performance.

Regular rental revenue represents 88.6% of Normalized LQA NOI from UDCs for the three months ended December 31, 2021. Ancillary rental revenue represents 11.4% of Normalized LQA NOI from UDCs. Ancillary rental revenue is comprised of revenue from the rental of conduit space, rack space and cross-connects.

	NORMALIZED LQA NOI	% OF NORMALIZED LQA NOI
Regular rental revenue	\$54,447	88.6%
Ancillary rental revenue	7,026	11.4%
Total Normalized LQA NOI	\$61,473	100.0%

Allied acquired 151 in 2009 and both 250 and 905 are connected to it 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 third 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 290 peers connecting, TorIX has experienced a steady and dramatic increase in traffic since 2009, with traffic in the fourth quarter of 2021 exceeding 1,500 gigabits per second. The following sets out Allied's increase in UDC NOI in relation to the growth in traffic through TorIX.



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.

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

Allied leases 173,000 square feet of GLA at 250 pursuant to a long-term lease that expires on June 2, 2062. As a result of substantial capital improvements completed by Allied, including high-density fibre connections to 151, 250 has become an important interconnected cloud-hosting facility in Canada, providing retail, wholesale and managed services.

Allied acquired 905 in 2003. As a result of substantial capital improvements completed by Allied, including connecting it to 151 with high-density fibre, 59,056 square feet of GLA at the property has become an important urban data centre.

Allied expects that cross-connects at 250 and 905 will give rise to recurring ancillary rental revenue. Cross-connects utilize the existing infrastructure at 250 and 905 without occupying any of the unleased GLA or requiring additional capital expenditure by Allied.

URBAN DATA CENTRE USER PROFILE

The following sets out Allied's user-mix for UDCs, on the basis of percentage of rental revenue for the year ended December 31, 2021:

CATEGORY	% OF RENTAL REVENUE DECEMBER 31, 2021
Network	69.3%
Cloud	29.8%
Enterprise	0.9%
	100.0%

ACQUISITIONS

During the year ended December 31, 2021, Allied acquired the following properties and air rights from third parties:

PROPERTY	ACQUISITION DATE	ACQUISITION COST ⁽¹⁾	OFFICE GLA	RETAIL GLA	TOTAL GLA
432 Wellington, Toronto ⁽²⁾	January 28, 2021	\$17,806	—	8,997	8,997
608-1st SW, Calgary	February 8, 2021	6,464	—	34,100	34,100
478 King W, Toronto ⁽³⁾	April 22, 2021	10,963	—	4,351	4,351
65 Front E, Toronto	April 29, 2021	20,064	14,899	5,922	20,821
64 Spadina, Toronto	May 19, 2021	14,617	—	5,297	5,297
12 Brant, Toronto	June 18, 2021	16,180	—	11,936	11,936
422-424 Wellington W, Toronto ⁽⁴⁾	August 4, 2021	28,648	—	—	—
143 Bathurst, Toronto	August 23, 2021	2,945	—	—	—
700 Saint Antoine E, Montréal ⁽⁵⁾	August 30, 2021	80,449	107,320	15,323	122,643
810 Saint Antoine E, Montréal ⁽⁶⁾	August 30, 2021	51,263	43,500	—	43,500
731-10th SW, Calgary ⁽⁷⁾	October 19, 2021	7,975	—	10,404	10,404
802-838 11th SW, Glenbow Assembly, Calgary ⁽⁷⁾	October 19, 2021	12,787	17,020	17,695	34,715
Sherwin Block, Calgary ⁽⁷⁾	October 19, 2021	7,299	9,160	4,088	13,248
207 West Hastings, Vancouver	November 12, 2021	67,161	59,659	12,646	72,305
		344,621	251,558	130,759	382,317
Union Centre Air Rights, Toronto	December 15, 2021	14,814	N/A	N/A	N/A
Total		\$359,435	\$251,558	\$130,759	\$382,317

(1) Purchase price plus transaction costs.

(2) This property has a parking lot component containing 10 spaces.

(3) Allied acquired the remaining 50% interest in 478 King W on April 22, 2021.

(4) This property has a parking lot component containing 20 spaces.

(5) This property has a parking lot component containing 21 spaces.

(6) This property has a parking lot component containing 132 spaces.

(7) Allied acquired the remaining 50% interest in 731-10th SW, 802-838 11th SW, and Sherwin Block on October 19, 2021.

DISPOSITIONS

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

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

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

On January 24, 2022, Allied and its partners closed on the fifth and final phase of The Well air rights, the associated underground parking and transfer floor slab developments for net cash consideration of \$14,841 (at Allied's share), which represented the fair value at the time of disposition so there is no gain or loss on disposition.

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 112 properties in Toronto (including properties in the development portfolio) now comprise 4.3 million square feet of GLA and are situated on 38.9 acres of underutilized land immediately east and west of the Downtown Core. With achievable rezoning, the underlying land in our Toronto portfolio could permit up to 11.4 million square feet of GLA, 7.1 million square feet more than currently is in place.

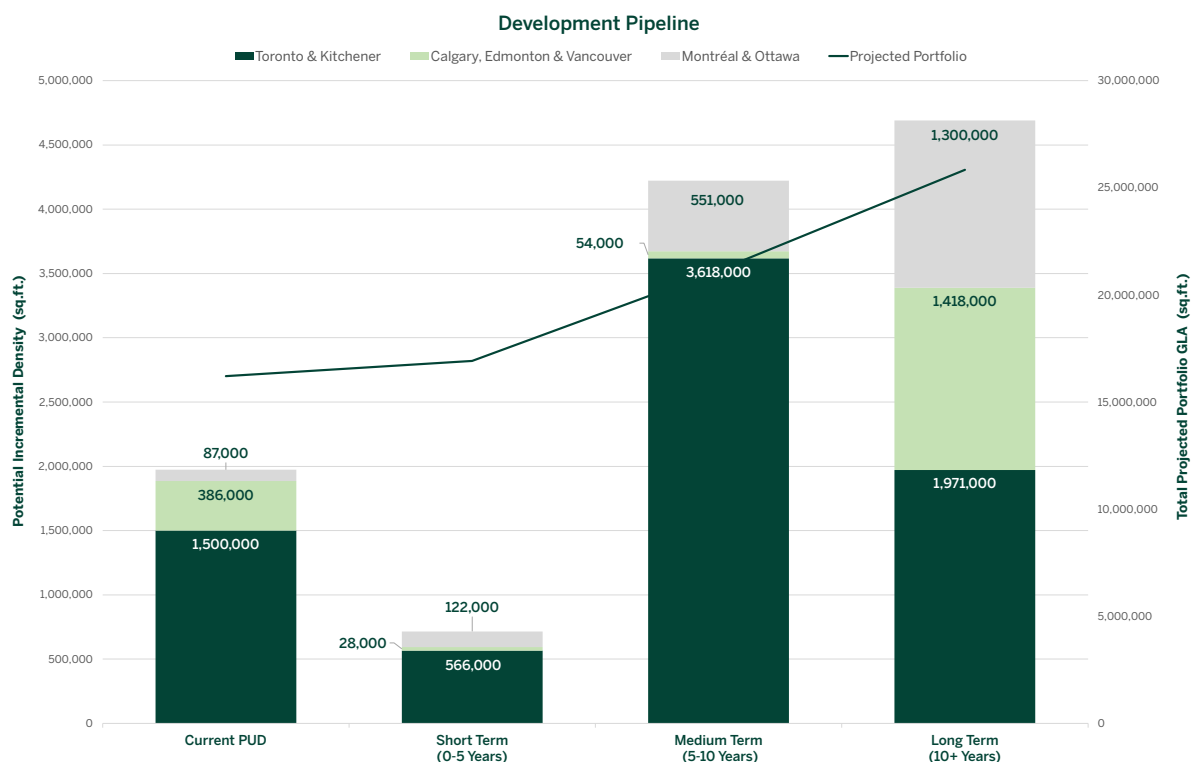
Allied entered the Montréal market in April of 2005. The 32 properties in Montréal now comprise 6.7 million square feet of GLA. As they are much larger buildings on average than those comprising the Toronto portfolio, the 45.2 acres of land on which they sit (immediately south, east and northeast of 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 8.7 million square feet of GLA, 2.0 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 11.6 million square feet of potential incremental density, of which 2.0 million square feet is currently in PUD, and the remaining 9.6 million square feet is potential incremental density. Of the 9.6 million square feet of potential incremental density, 3.3 million square feet is reflected in the appraised fair values, mainly at properties where zoning approvals are in place. The remaining 6.3 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	4,250,469	1,353,134	5,823,758	11,427,361
Kitchener	562,295	147,000	332,216	1,041,511
Total Toronto & Kitchener	4,812,764	1,500,134	6,155,974	12,468,872
Toronto Urban Data Centres	510,000	—	—	510,000
Total Urban Data Centres	510,000	—	—	510,000
Montréal	6,680,378	87,473	1,972,727	8,740,578
Ottawa	231,468	—	—	231,468
Total Montréal & Ottawa	6,911,846	87,473	1,972,727	8,972,046
Calgary	1,283,298	88,000	1,435,762	2,807,060
Edmonton	—	297,851	—	297,851
Vancouver	716,583	—	65,030	781,613
Total Calgary, Edmonton & Vancouver	1,999,881	385,851	1,500,792	3,886,524
Total	14,234,491	1,973,458	9,629,493	25,837,442

The timing of development for the 9.6 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 properties in Toronto, two properties in Montréal and one property in Vancouver, all of which are owned in their entirety by Allied. These properties are identified in the following table:

PROPERTY NAME	NORMALIZED LQA NOI	APPRAISED FAIR VALUE	REZONING APPROVAL STATUS	USE	CURRENT GLA	ESTIMATED GLA ON COMPLETION	ESTIMATED COMPLETION
The Castle ⁽¹⁾	\$5,146	\$114,580	In progress	Office, limited retail	179,907	460,000	Unscheduled
King & Peter ⁽²⁾	2,827	83,730	Completed	Office, limited retail	86,230	790,000	Unscheduled
Union Centre	1,863	146,980	Completed	Office, limited retail	41,787	1,330,000	Unscheduled
Bathurst Street Assembly ⁽³⁾	957	46,450	In progress	Office, residential, retail	36,919	318,000	Unscheduled
365 Railway	661	18,700	In progress	Office	31,528	60,000	Unscheduled
Adelaide & Spadina ⁽⁴⁾	336	24,740	Completed	Office, retail	11,015	230,000	Unscheduled
Le Nordelec - Lot A ⁽⁵⁾	—	24,300	In progress	Office	—	230,000	Unscheduled
Le Nordelec - Lot E ⁽⁶⁾	—	5,000	Completed	Office	7,550	135,000	Unscheduled
Total	\$11,790	\$464,480			394,936	3,553,000	

(1) The Castle is comprised of 41-53 Fraser, 8 Pardee Avenue and 135 Liberty Street.

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

(3) Bathurst Street Assembly is comprised of 141 Bathurst, 579 Richmond, the surface parking lot at 555 Richmond and the associated ancillary residential properties at Bathurst and Richmond.

(4) Adelaide & Spadina is comprised of 383 Adelaide W and 387 Adelaide W.

(5) Le Nordelec - Lot A is comprised of 1900 Saint Patrick, a component of the 1751 Richardson & 1700 Saint-Patrick property.

(6) Le Nordelec - Lot E is comprised of 1301-1303 Montmorency.

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

DEVELOPMENT PROPERTIES

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

It is expected that development activity will become a more important component of Allied's growth as projects are completed. The expectation is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be successful lease-up of space in the development portfolio. The material assumption is that the office leasing market in the relevant markets remains stable. Pursuant to Allied's Declaration of Trust, the cost of Properties Under Development cannot exceed 15% of GBV. At December 31, 2021, the cost of Allied's Properties Under Development was 11.2% of GBV (December 31, 2020 - 9.0%). 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 11 Properties Under Development:

PROPERTY NAME	USE	ESTIMATED GLA ON COMPLETION (SF)	% OF OFFICE DEVELOPMENT PRE-LEASED
The Lougheed (604-1st SW), Calgary ⁽¹⁾	Office, retail	88,000	—%
College & Manning, 547-549 College, Toronto ⁽²⁾	Retail, residential	27,000	N/A
400 Atlantic, Montréal	Office, retail	87,473	35
The Well, Toronto ⁽²⁾⁽³⁾	Office, retail	763,000	90
Breithaupt Phase III, Kitchener ⁽²⁾	Office	147,000	100
Adelaide & Duncan, Toronto ⁽²⁾⁽⁴⁾	Office, retail, residential	230,000	100
Boardwalk-Revillon Building, Edmonton ⁽⁵⁾	Office, retail	297,851	51
QRC West Phase II, Toronto ⁽⁶⁾	Office, retail	93,134	100
422-424 Wellington W, Toronto	Retail	10,000	N/A
KING Toronto, Toronto ⁽²⁾⁽⁷⁾	Office, retail	100,000	—
King & Brant, Toronto ⁽⁸⁾	Office, retail, residential	130,000	—
Total		1,973,458	68%

- (1) While initially working toward repositioning this property for a different use, Allied is now working toward restoring and retrofitting the property to the highest possible standards for workspace in the creative economy.
- (2) These properties are co-owned, reflected in the table above at Allied's ownership interest.
- (3) Each of Allied and RioCan own an undivided 50% interest in The Well. The GLA components (in square feet) at Allied's 50% share will be as follows: approximately 586,000 of office, 177,000 of retail and the residential air rights. The residential air rights and associated underground parking and transfer floor slab developments ("The Well Air Rights") were sold by the co-ownership as previously announced, with the first phase closed in Q4 2020, the second and third phases closed in Q2 2021, the fourth phase closed in Q4 2021 and the last phase closed in January 2022.
- (4) The GLA components (in square feet) at our 50% share are as follows: 144,000 of residential, 77,000 of office and 9,000 of retail.
- (5) The GLA components (in square feet) are as follows: 233,559 of office and 64,292 of retail.
- (6) The GLA components (in square feet) are as follows: 77,434 of office and 15,700 of retail.
- (7) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The GLA components (in square feet) at our 50% share will be as follows: 60,000 of retail and 40,000 of office.
- (8) 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.

The following table sets out the fair value of Allied's Properties Under Development as at December 31, 2021, as well as Management's estimates with respect to the financial outcome on completion:

PROPERTY NAME	TRANSFER TO RENTAL PORTFOLIO	APPRAISED VALUE	ESTIMATED ANNUAL NOI	ESTIMATED TOTAL COST	ESTIMATED YIELD ON COST	ESTIMATED COST TO COMPLETE
The Lougheed (604-1st SW), Calgary	Q1 2022	\$16,580	TBD	TBD	TBD	TBD
College & Manning, 547-549 College, Toronto ⁽¹⁾	Q1 2022	28,380	975 - 1,125	32,075	3.0% - 3.5%	2,000
400 Atlantic, Montréal	Q2 2022	8,080	TBD	TBD	TBD	TBD
The Well, Toronto ⁽¹⁾⁽³⁾	Q2 2022	769,040	37,500 - 43,250	768,000	4.9% - 5.6%	143,300
Breithaupt Phase III, Kitchener ⁽¹⁾⁽²⁾	Q2 2022	68,860	5,375 - 5,500	78,652	6.8% - 7.0%	25,300
Adelaide & Duncan, Toronto ⁽¹⁾⁽⁴⁾	Q3 2022	136,260	9,625 - 11,125	194,500	4.9% - 5.7%	67,200
Boardwalk-Revillon Building, Edmonton	Q3 2022	63,630	TBD	TBD	TBD	TBD
QRC West Phase II, Toronto	Q2 2023	48,990	4,500 - 4,600	83,849	5.4% - 5.5%	47,100
422-424 Wellington W, Toronto	TBD	27,500	TBD	TBD	TBD	TBD
KING Toronto, Toronto ⁽¹⁾⁽⁵⁾	Q1 2024	50,660	5,000 - 6,000	88,143	5.7% - 7.2%	31,600
King & Brant, Toronto	TBD	20,850	TBD	TBD	TBD	TBD
Total		\$1,238,830				

(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) The estimated costs are net of the estimated gross proceeds from the sale of the The Well Air Rights of \$100,885 (at Allied's share), excluding closing costs.

(4) The project is anticipated to be completed in two phases. The commercial phase is scheduled for completion in Q3 2022 and the residential phase is scheduled for completion in Q4 2023.

(5) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The appraised value relates to the commercial component. The estimated total cost is net of the estimated gross proceeds from the sale of the residential inventory of \$290,000 - \$295,000.

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.

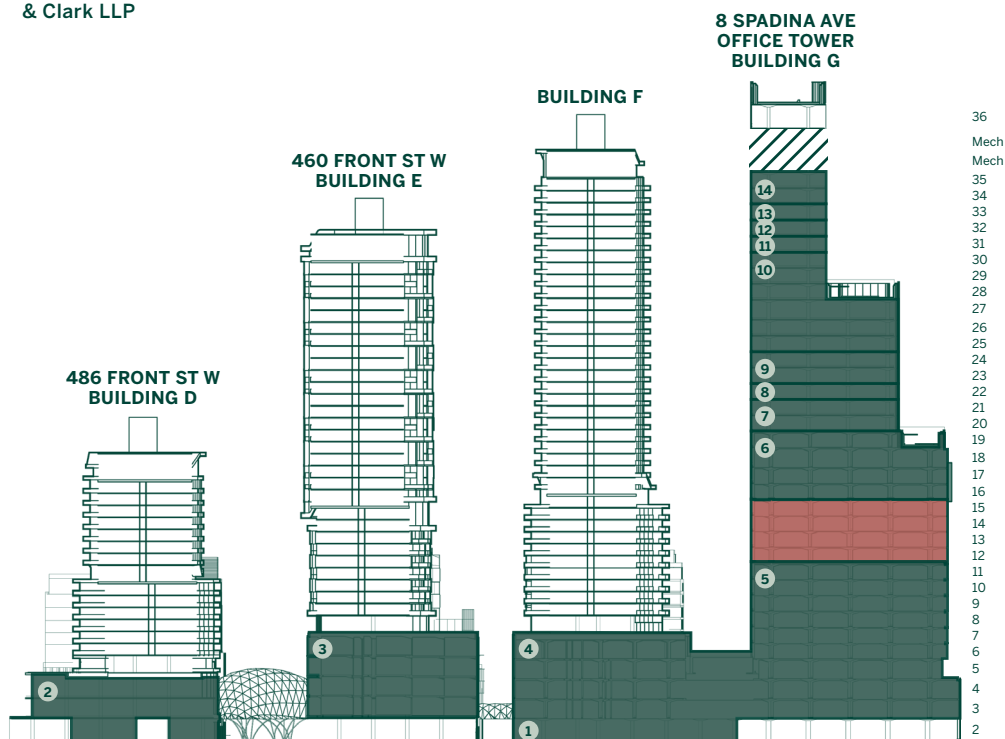
Transfer to the rental portfolio occurs when the property is capable of operating in the manner intended by Management. Generally this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Estimated annual NOI is based on 100% economic occupancy. The 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.

The Well Development Update:

The Well is a large-scale development project that will be completed in early 2022. The office is 90% pre-leased and rent commencement is anticipated to begin in the third quarter of 2022.

The current stacking plan for The Well is set out below:

WORKSPACE			RENT COMMENCEMENT	LEGEND
LEASED SQUARE FOOTAGE - 90%				
1	Media & Entertainment Service Provider	Floor 2: 26,013 sf	Q2 2023	<div></div> AVAILABLE OFFICE SPACE 122,219 SF *
2	Konrad Group	Floors 2-4: 89,908 sf	Q3 2023	
3	Spaces/IWG	Floors 3-6: 127,158 sf	Q1 2023	<div></div> LEASED OFFICE SPACE 1,049,069 SF *
4	Shopify	Floors 3-9: 343,268 sf	Q4 2022	
5	Torstar	Floors 10-11: 59,963 sf	Q1 2023	<div></div> BUILDINGS D, E AND F REPRESENT RESIDENTIAL DENSITY IN WHICH ALLIED HAS NO INTEREST *SQUARE FEET AT 100% OWNERSHIP (OF WHICH ALLIED'S SHARE IS 50%)
6	Intuit	Floors 16-19: 113,687 sf	Q3 2022	
7	Quadrangle	Floors 20-21: 47,526 sf	Q4 2022	
8	Dyson	Floor 22: 24,579 sf	Q4 2022	
9	Financeit	Floors 23-24: 49,158 sf	Q3 2022	
10	Index Exchange	Floors 25-30: 108,814	Q2 2023	
11	Middlefield	Floor 31: 11,799 sf	Q3 2023	
12	Digital Media Service Provider	Floor 32: 11,799 sf	Q4 2022	
13	Woodbourne Canada	Floor 33: 11,799 sf	Q4 2022	
14	Matthews, Dinsdale & Clark LLP	Floors 34-35: 23,598 sf	Q1 2023	



RESIDENTIAL INVENTORY

Residential inventory is as follows:

	DECEMBER 31, 2021	DECEMBER 31, 2020
KING Toronto	\$170,980	\$140,038

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Balance, beginning of year	\$140,038	\$114,910
Development expenditures	30,942	25,128
Balance, end of year	\$170,980	\$140,038

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

On November 30, 2018, Allied entered into a joint arrangement with Westbank to develop KING Toronto. KING Toronto is a mixed-use property comprised of office, retail and residential uses. As part of the arrangement Allied sold a 50% undivided interest to Westbank. The residential component will be developed and sold as condominium units, totaling 440 units. As at December 31, 2021, 362 units or 82% have been pre-sold, subject to customary closing conditions. Management expects the condominium sales to close in 2024.

DEVELOPMENT COMPLETIONS

PROPERTY	COMPLETION	INVESTMENT	LQA NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
QRC West, Toronto	2015	\$130,000	\$13,178	10.1%	\$318,660	\$188,660	145.1%
The Breithaupt Block, Kitchener	2016	\$25,020	\$2,527	10.1%	\$49,870	\$24,850	99.3%
180 John, Toronto	2017	\$27,500	\$1,572	5.7%	\$31,580	\$4,080	14.8%
189 Joseph, Kitchener	2017	\$11,360	\$707	6.2%	\$13,740	\$2,380	21.0%

In 2004, Allied expanded into Montréal with the purchase of 425 Viger. At the time, the property comprised of 200,000 square feet of GLA and was fully leased. In 2007, Allied purchased the adjacent parking lot with the intention of intensifying the combined property once the main user's lease expired. Allied began the intensification activity in Q1 2018, and completed the project in Q2 2020. The property now consists of 316,320 square feet of GLA.

425 VIGER

	INVESTMENT					
Land Costs	\$30,076					
Hard & Soft Costs	66,353					
Capitalized Interest & Operating Costs	7,839	LQA NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
Total Development Costs	\$104,268	\$8,015	7.7%	\$169,260	\$64,992	62.3%

In 2012, Allied entered into an equal two-way joint arrangement with RioCan to develop King Portland Centre. Allied and RioCan each acquired an undivided 50% interest in 642 King W and 620 King W and subsequently put them into development, completing 642 King W in early 2018 and 620 King W in early 2019. They are comprised of 299,126 square feet of GLA (Allied's share 149,563 square feet) and are 100% leased. (602-606 King W are excluded from the figures below as they were never under development.) The property is LEED Platinum certified for core and shell.

KING PORTLAND CENTRE

	INVESTMENT					
Land Costs	\$21,478					
Hard & Soft Costs	64,437					
Capitalized Interest & Operating Costs	5,033					
Condominium Profits	(14,270)	LQA NOI	UNLEVERED YIELD ON COST	FAIR VALUE	VALUE CREATION	VALUE CREATION AS % OF COST
Total Development Costs	\$76,678	\$6,017	7.8%	\$158,140	\$81,462	106.2%

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

LOANS RECEIVABLE

As at December 31, 2021, total loans receivable outstanding is \$367,579 (December 31, 2020 - \$320,526).

In February 2015, Allied entered into a joint arrangement with Westbank and completed the acquisition of an undivided 50% interest in Adelaide & Duncan. As part of the arrangement, Allied advanced \$21,173 to Westbank for its purchase of a 50% undivided interest in the property. The facility is secured by a charge on the property (subordinated to the construction lender) and assignment of rents and leases. Interest accrues and is payable monthly at a rate of 7.75% per annum. The loan is repayable when the joint arrangement obtains external permanent financing. As at December 31, 2021, the loan receivable outstanding is \$21,173 (December 31, 2020 - \$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 to the credit facility monthly at a rate of 6.75% per annum. The credit facility matures on August 31, 2022, and has a one-year extension option to August 31, 2023. On placement of permanent financing, Allied intends to acquire a 50% undivided interest in 400 West Georgia based on total development costs. As at December 31, 2021, the loan receivable outstanding is \$144,271 (December 31, 2020 - \$120,825).

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 30, 2023, or the closing of the condominium units. As at December 31, 2021, the loan receivable outstanding is \$90,586 (December 31, 2020 - \$84,566).

On March 18, 2019, Allied made an amendment to the joint arrangement with Perimeter to develop Breithaupt Phase III and a loan receivable arrangement to provide 50% of the pre-development costs. The facility is secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable in instalments upon completion of development and rent commencement, which is anticipated to begin in the third quarter of 2022. As at December 31, 2021, the loan receivable outstanding is \$10,256 (December 31, 2020 - \$10,637) due to repayments made earlier than anticipated.

On July 31, 2019, Allied entered into an arrangement with Westbank to provide a credit facility of up to \$185,000, plus interest, for the land acquisition and the pre-development costs of 720 Beatty Street in Vancouver. The funding will initially be secured by a first mortgage on the property for a fixed term. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues to the credit facility monthly at a rate of 7.00% per annum. The credit facility matures on December 9, 2025. On placement of permanent financing, Allied intends to acquire a 50% undivided interest in 720 Beatty based on an agreed upon formula. As at December 31, 2021, the loan receivable outstanding is \$101,293 (December 31, 2020 - \$83,325).

The table below summarizes the loans receivable as at December 31, 2021, and December 31, 2020.

	DECEMBER 31, 2021	DECEMBER 31, 2020
Adelaide & Duncan	\$21,173	\$21,173
400 West Georgia	144,271	120,825
KING Toronto	90,586	84,566
Breithaupt Phase III	10,256	10,637
720 Beatty	101,293	83,325
Total loans receivable	\$367,579	\$320,526

Section VI

–Liquidity and Capital Resources

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

Allied has financed its operations through the use of equity, mortgage debt secured by rental properties, construction loans, unsecured operating lines, senior unsecured debentures and unsecured term loans. Conservative financial management has been consistently applied through the use of long term, fixed rate, debt financing. Allied's objective is to maximize financial flexibility while continuing to strengthen the balance sheet. Management intends to achieve this by continuing to access the equity market, unsecured debenture market, unsecured loans and growing the pool of unencumbered investment properties, which totals \$9,064,010, representing 93.9% of investment properties, on a proportionate basis, as at December 31, 2021. Refer to non-IFRS measures on page 20.

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

DEBT

The following illustrates the calculation of debt (net of transaction costs) on an IFRS basis and net debt, a non-IFRS measure, as at December 31, 2021, and December 31, 2020. Refer to non-IFRS measures on page 20.

	DECEMBER 31, 2021	DECEMBER 31, 2020
Mortgages payable	\$118,057	\$716,813
Construction loans payable	132,696	57,104
Unsecured revolving operating facilities	365,000	60,000
Senior unsecured debentures	2,587,989	1,642,119
Unsecured term loan	249,542	249,426
Debt, IFRS basis	\$3,453,284	\$2,725,462
Less cash and cash equivalents ⁽¹⁾	24,718	48,798
Net debt	\$3,428,566	\$2,676,664

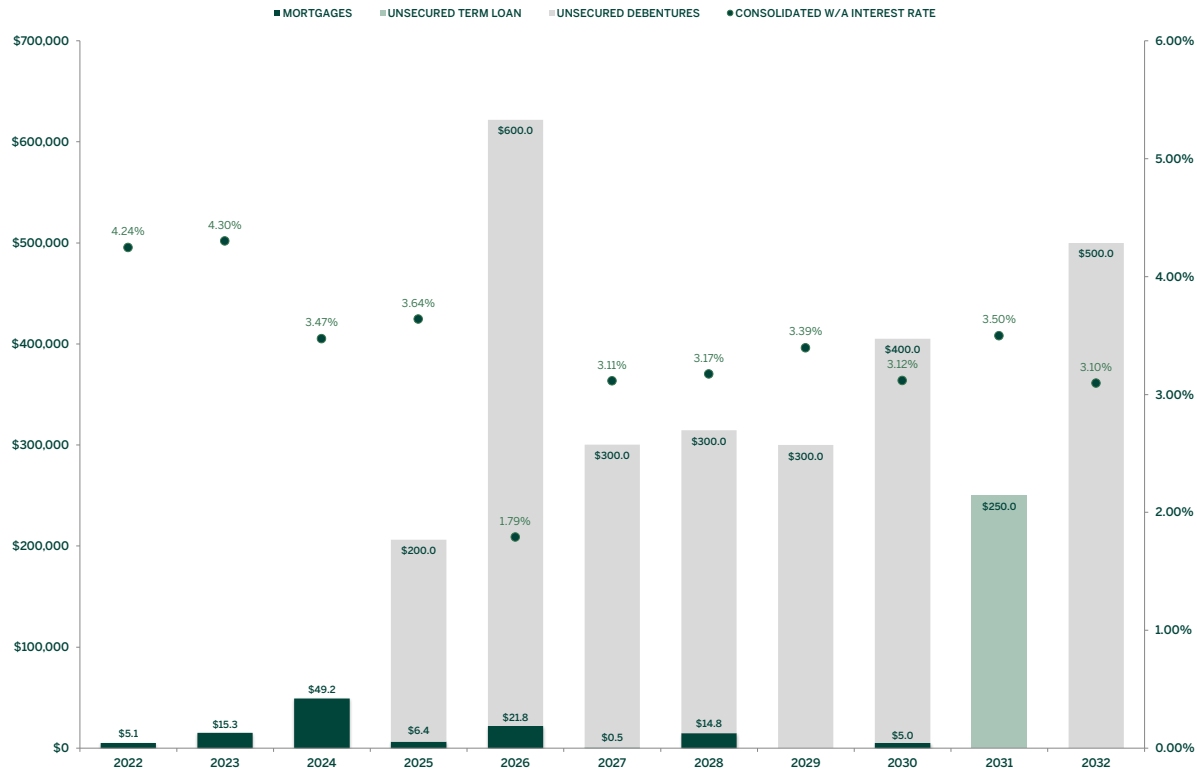
(1) This is on a proportionate basis and includes cash and cash equivalents attributable to TELUS Sky totaling \$2,170 as at December 31, 2021 (December 31, 2020 - \$3,286).

The table below summarizes the scheduled principal maturity for Allied's mortgages payable, Unsecured Debentures and unsecured term loan:

	MORTGAGES PAYABLE	W/A INTEREST RATE OF MATURING MORTGAGES	SENIOR UNSECURED DEBENTURES	W/A INTEREST RATE	UNSECURED TERM LOAN	W/A INTEREST RATE	TOTAL	CONSOLIDATED W/A INTEREST RATE OF MATURING DEBT
2022	\$5,105	4.24%	\$—	—%	\$—	—%	\$5,105	4.24%
2023	15,299	4.30	—	—	—	—	15,299	4.30
2024	49,196	3.47	—	—	—	—	49,196	3.47
2025	6,423	—	200,000	3.64	—	—	206,423	3.64
2026	21,834	3.59	600,000	1.73	—	—	621,834	1.79
2027	487	—	300,000	3.11	—	—	300,487	3.11
2028	14,750	4.04	300,000	3.13	—	—	314,750	3.17
2029	—	—	300,000	3.39	—	—	300,000	3.39
2030	5,000	—	400,000	3.12	—	—	405,000	3.12
2031	—	—	—	—	250,000	3.50	250,000	3.50
2032	—	—	500,000	3.10	—	—	500,000	3.10
	\$118,094	3.39%	\$2,600,000	2.86%	\$250,000	3.50%	\$2,968,094	2.94%

Allied's consolidated weighted average interest rate of maturing debt decreased by 66 basis points to 2.94% as at December 31, 2021, from 3.60% as at December 31, 2020. The reduction was primarily due to a \$600,000 inaugural green bond issued on February 12, 2021, bearing interest at 1.726%, and a subsequent \$500,000 green bond issued on August 6, 2021, bearing interest at 3.095%, which were used to prepay \$633,053 of first mortgages with a weighted average interest rate of 4.42%.

The weighted average term of Allied's debt (excluding construction loans and Unsecured Facilities) is 6.7 years. The chart below summarizes the maturities of principal in regards to debt obligations as at December 31, 2021:



MORTGAGES PAYABLE

As at December 31, 2021, mortgages payable, net of financing costs, total \$118,057 and have a weighted average stated interest rate of 3.39% (December 31, 2020 - 4.31%). The weighted average term of the mortgage debt is 4.0 years (December 31, 2020 - 2.9 years). The mortgages are secured by a first registered charge over specific investment properties and first general assignments of leases, insurance and registered chattel mortgages.

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

	PRINCIPAL REPAYMENTS	BALANCE DUE AT MATURITY	DECEMBER 31, 2021	DECEMBER 31, 2020
2022	\$3,307	\$1,798	\$5,105	
2023	3,069	12,230	15,299	
2024	2,528	46,668	49,196	
2025	6,423	—	6,423	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
2030	5,000	—	5,000	
Mortgages, principal	\$22,498	\$95,596	\$118,094	\$715,043
Net premium on assumed mortgages			1,066	3,555
Net financing costs			(1,103)	(1,785)
			\$118,057	\$716,813

CONSTRUCTION LOANS PAYABLE

As at December 31, 2021, and December 31, 2020, Allied's obligations under the construction loans are as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2021	DECEMBER 31, 2020
Adelaide & Duncan	50%	August 11, 2023	\$62,048	\$44,051
Breithaupt Phase III	50%	December 2, 2022	31,041	7,406
KING Toronto	50%	December 17, 2024	39,607	5,647
			\$132,696	\$57,104

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

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

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

UNSECURED REVOLVING OPERATING FACILITIES

As at December 31, 2021, and December 31, 2020, Allied's obligations under the unsecured revolving operating facilities (the "Unsecured Facilities") are as follows:

DECEMBER 31, 2021							
	MATURITY DATE	INTEREST RATES ON DRAWINGS	STANDBY FEE	FACILITY LIMIT	LETTERS DRAWINGS OF CREDIT	AMOUNT AVAILABLE	
Unsecured facility limit \$600,000 ⁽¹⁾	January 30, 2025	Prime + 0.20% or Bankers' acceptance + 1.20% ⁽²⁾	0.24%	\$600,000	\$(365,000)	\$(19,025)	\$215,975

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

(2) The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this unsecured facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

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

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

(2) The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this Unsecured Facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

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

On January 29, 2021, Allied amended the unsecured facilities to merge the two existing facilities into one facility with a limit of \$500,000 plus a \$100,000 accordion feature and to extend the maturity to January 30, 2024.

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

SENIOR UNSECURED DEBENTURES

As at December 31, 2021, and December 31, 2020, Allied's obligations under the senior unsecured debentures are as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	DECEMBER 31, 2021	DECEMBER 31, 2020
Series B	3.934%	November 14, 2022	May 14 and November 14	\$—	\$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	400,000
Series G	3.131%	May 15, 2028	May 15 and November 15	300,000	300,000
Series H	1.726%	February 12, 2026	February 12 and August 12	600,000	—
Series I	3.095%	February 6, 2032	February 6 and August 6	500,000	—
Unsecured Debentures, principal				\$2,600,000	\$1,650,000
Net financing costs				(12,011)	(7,881)
				\$2,587,989	\$1,642,119

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

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

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

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

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

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

UNSECURED TERM LOAN

As at December 31, 2021, and December 31, 2020, Allied's obligation under the unsecured term loan is as follows:

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2021	DECEMBER 31, 2020
Unsecured term loan	3.496%	January 14, 2031	Monthly	\$250,000	\$250,000
Net financing costs				(458)	(574)
				\$249,542	\$249,426

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

CREDIT RATINGS

Allied's credit ratings as at December 31, 2021, are summarized below:

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

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

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

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

FINANCIAL COVENANTS

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

UNSECURED FACILITIES AND UNSECURED TERM LOAN

The following outlines the covenants as defined in the agreements governing the Unsecured Facilities and unsecured term loan. The covenants are calculated on a proportionate basis, as required in these agreements. Refer to non-IFRS measures on page 20.

COVENANT	THRESHOLD	DECEMBER 31, 2021	DECEMBER 31, 2020
Indebtedness ratio	Below 60%	33.5%	29.2%
Secured indebtedness ratio	Below 45%	2.5%	8.2%
Debt service coverage ratio ⁽¹⁾	Consolidated adjusted EBITDA to be more than 1.5 times debt service payments	2.1x	2.7x
Equity maintenance	At least \$1,250,000 plus 75% of future equity issuances (\$2,812,770)	6,425,772	6,177,032
Unencumbered property assets value ratio	Unencumbered property assets to be more than 1.4 times total unsecured debt	2.8x	3.3x
Distribution payout ratio	Maintain distributions below 100% of FFO	71.2%	70.8%

(1) The debt service coverage ratio as at December 31, 2021, includes financing prepayment costs of \$52,610 (December 31, 2020 - \$nil). Excluding these financing prepayment costs, the debt service coverage ratio as at December 31, 2021, would be 2.9x.

SENIOR UNSECURED DEBENTURES

The following outlines the requirements of covenants specified in the trust indenture with respect to the Unsecured Debentures. The covenants are calculated on a proportionate basis, which is in line with the trust indenture. Refer to non-IFRS measures on page 20.

COVENANT	THRESHOLD	DECEMBER 31, 2021	DECEMBER 31, 2020
Pro forma interest coverage ratio	Maintain a 12-month rolling consolidated pro forma EBITDA of at least 1.65 times pro forma interest expense	3.5x	3.2x
Pro forma asset coverage test	Maintain net consolidated debt below 65% of net aggregate assets on a pro forma basis	33.5%	29.1%
Equity maintenance	Maintain Unitholders' equity above \$300,000	6,425,772	6,177,032
Pro forma unencumbered net aggregate adjusted asset ratio	Maintain pro forma unencumbered net aggregate adjusted assets above 1.4 times consolidated unsecured indebtedness	3.0x	3.6x

As at December 31, 2021, Allied was in compliance with the terms and covenants of the agreements governing the Unsecured Facilities, the unsecured term loan and the Unsecured Debentures.

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

UNITHOLDERS' EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the years ended December 31, 2021 and December 31, 2020.

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	UNITS	AMOUNT	UNITS	AMOUNT
Units, beginning of year	127,259,218	\$3,884,661	122,838,799	\$3,725,472
Restricted Unit Plan (net of forfeitures)	—	(2,141)	—	(2,695)
Unit Option Plan - options exercised	1,533	56	277,311	9,805
Unit issuance (net of costs)	477,100	20,079	4,143,108	152,079
Units, end of year	127,737,851	\$3,902,655	127,259,218	\$3,884,661

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

Subsequent to December 31, 2021, Allied issued 211,800 Units under the ATM Program at a weighted average price of \$44.02 per Unit for gross proceeds of \$9,324, and incurred commissions of \$140, for net proceeds of \$9,184.

As at February 1, 2022, 127,949,651 Trust Units and 1,726,381 options to purchase Units were issued and outstanding.

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

The table below represents weighted average Units outstanding for:

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Basic	127,441,142	127,256,661	127,305,384	124,427,715
Unit Option Plan	170,131	41,339	150,445	108,919
Fully diluted	127,611,273	127,298,000	127,455,829	124,536,634

NORMAL COURSE ISSUER BID

On February 22, 2021, 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 12,531,845 of its outstanding Units, representing approximately 10% of its public float as at February 11, 2021. The NCIB commenced February 24, 2021, and will expire on February 23, 2022, or such earlier date as Allied completes its purchases pursuant to the NCIB. All purchases under the NCIB will be made on the open market through the facilities of the TSX or alternate trading systems in Canada at market prices prevailing at the time of purchase. Any Units that are repurchased will either be cancelled or delivered to participants under Allied’s Restricted Unit Plan or to employees pursuant to Allied’s employee programs.

During the year ended December 31, 2021, Allied purchased 58,923 Units for \$2,169 at a weighted average price of \$36.80 per Unit under its NCIB program, of which 58,260 Units were purchased for delivery to participants under Allied’s Restricted Unit Plan and 663 Units were purchased for certain employee rewards outside of Allied’s Restricted Unit Plan.

COMPENSATION PLANS

Allied adopted a unit option plan (the “Unit Option Plan”) providing for the issuance, from time to time, at the discretion of the trustees, of options to purchase Units for cash. Participation in the Unit Option Plan is restricted to certain employees of Allied. The Unit Option Plan complies with the requirements of the TSX. The exercise price of any option granted will not be less than the closing market price of the Units on the day preceding the date of grant. The term of the options may not exceed ten years. Options granted prior to February 22, 2017 vest evenly over three years; options granted subsequently vest evenly over four years from the date of grant. All options are settled in Units. Effective December 2021, no further options will be granted under the Unit Option Plan.

At December 31, 2021, Allied had granted options to purchase up to 1,726,381 Units outstanding, of which 842,672 had vested. At December 31, 2020, Allied had options to purchase 1,288,229 Units outstanding, of which 548,396 had vested.

For the year ended December 31, 2021, Allied recorded a share-based payment expense of \$1,740 (December 31, 2020 - \$1,988) in general and administrative expense in the consolidated statements of income and comprehensive income related to the Unit Option Plan.

In March 2010, Allied adopted a restricted unit plan (the “Restricted Unit Plan”), whereby restricted Units (“Restricted Units”) are granted to certain key employees and trustees, at the discretion of the Board of Trustees. The Restricted Units are purchased in the open market. Employees and trustees who are granted Restricted Units have the right to vote and to receive distributions from the date of the grant. Generally, the Restricted Units granted to employees vest as to one-third on each of the three anniversaries following the date of the grant. Restricted Units granted to non-management trustees are fully vested. Whether vested or not, without the specific authority of the Governance and Compensation Committee, the Restricted Units may not be sold, mortgaged or otherwise disposed of for a period of six years following the date of the grant, except that in the case of a non-management trustee, the release date will be automatically accelerated to the date such person ceases to hold office as a trustee of Allied. The Restricted Unit Plan contains provisions providing for the vesting or forfeiture of unvested Restricted Units within specified time periods in the event the employee’s employment is terminated, and authorizes the Chief Executive Officer, in his or her discretion, to accelerate the release date and vesting of Restricted Units in certain circumstances where an employee’s employment is terminated. At December 31, 2021, Allied had 296,810 Restricted Units outstanding (December 31, 2020 - 288,135).

For the year ended December 31, 2021, Allied recorded a share-based payment expense of \$2,376 (December 31, 2020 - \$2,804) in general and administrative expense in the consolidated statements of income and comprehensive income related to the Restricted Unit Plan.

In December 2021, Allied adopted a cash settled restricted and performance trust unit plan (the “RTU/PTU Plan”) whereby performance trust units and/or restricted trust units (together, “Plan Units”) are granted to certain employees at the discretion of the Board. Plan Units are subject to such vesting, settlement, performance criteria and adjustment factors as are established by the Board at the time of the grant and accumulate distribution equivalents in the form of additional Plan Units. The RTU/PTU Plan contains provisions providing for the vesting or forfeiture of unvested Plan Units within specified time periods in the event the employee’s employment is terminated, and authorizes the Chief Executive Officer, in their discretion, to amend the vesting and settlement of Plan Units in certain circumstances where an employee’s employment is terminated. At December 31, 2021, there were no Plan Units granted or outstanding.

DISTRIBUTIONS TO UNITHOLDERS

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

	MARCH, 2004	MARCH, 2005	MARCH, 2006	MARCH, 2007	MARCH, 2008	DECEMBER, 2012	DECEMBER, 2013
Annualized increase per Unit	\$0.04	\$0.04	\$0.04	\$0.04	\$0.06	\$0.04	\$0.05
% increase	3.6%	3.5%	3.4%	3.3%	4.8%	3.0%	3.7%
Annualized distribution per Unit	\$1.14	\$1.18	\$1.22	\$1.26	\$1.32	\$1.36	\$1.41

	DECEMBER, 2014	DECEMBER, 2015	DECEMBER, 2016	DECEMBER, 2017	DECEMBER, 2018	JANUARY, 2020	JANUARY, 2021	JANUARY, 2022
Annualized increase per Unit	\$0.05	\$0.04	\$0.03	\$0.03	\$0.04	\$0.05	\$0.05	\$0.05
% increase	3.5%	2.7%	2.0%	2.0%	2.6%	3.1%	3.0%	2.9%
Annualized distribution per Unit	\$1.46	\$1.50	\$1.53	\$1.56	\$1.60	\$1.65	\$1.70	\$1.75

SOURCES OF DISTRIBUTIONS

For the three months and year ended December 31, 2021, Allied declared \$54,225 and \$216,521 in distributions, respectively (December 31, 2020 - \$52,493 and \$205,377, respectively).

	THREE MONTHS ENDED		YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020	DECEMBER 31, 2021	DECEMBER 31, 2020
Distributions declared	\$54,225	\$52,493	\$216,521	\$205,377
Net income	\$159,921	\$83,842	\$443,151	\$500,729
Cash flows provided by operating activities	\$87,509	\$65,754	\$241,114	\$356,257
AFFO excluding condominium related items and financing prepayment costs ⁽¹⁾	\$66,076	\$64,623	\$266,517	\$248,003
AFFO excluding condominium related items and financing prepayment costs payout ratio ⁽¹⁾	82.1%	81.2%	81.2%	82.8%
Excess of net income over distributions declared	\$105,696	\$31,349	\$226,630	\$295,352
Excess of cash flows provided by operating activities over distributions declared	\$33,284	\$13,261	\$24,593	\$150,880
Excess of cash provided by AFFO excluding condominium related items and financing prepayment costs over distributions declared	\$11,851	\$12,130	\$49,996	\$42,626

(1) This is a non-IFRS measure, refer to page 20.

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

The rate of distribution as at December 31, 2021, amounts to \$1.70 per Unit per annum (December 31, 2020 - \$1.65 per Unit per annum).

COMMITMENTS

At December 31, 2021, Allied had future commitments as set out below, excluding the amount held within equity accounted investments:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Capital expenditures and committed acquisitions	\$473,779	\$335,344

As at December 31, 2021, commitments of \$354 (December 31, 2020 - \$551) were held within equity accounted investments.

The above does not include Allied's lease liability commitments, which are disclosed in note 12 of the consolidated financial statements for the year ended December 31, 2021.

Section VII

–Accounting Estimates and Assumptions

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Critical accounting estimates and assumptions are discussed in Allied's audited consolidated financial statements for the year ended December 31, 2021, and the notes contained therein.

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and any respective changes are discussed in Allied's audited consolidated financial statements for the year ended December 31, 2021, and the notes contained therein.

Section VIII

–Disclosure Controls and Internal Controls

Management maintains appropriate information systems, procedures and controls to provide reasonable assurance that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”) evaluated, or caused to be evaluated under their direct supervision, the design and operating effectiveness of disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings) at December 31, 2021, and based on that evaluation, have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and CFO evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Allied’s internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings) at December 31, 2021, using the COSO Internal Control - Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, the CEO and the CFO determined that internal controls over financial reporting were appropriately designed and were operating effectively.

No changes were made in the design of internal controls over financial reporting during the period ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, Allied’s internal controls over financial reporting.

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

Section IX

–Risks and Uncertainties

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

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

COVID-19 RISK

The ongoing COVID-19 pandemic, and government restrictive measures intended to contain or manage its impact, could adversely affect Allied's business, financial condition and results of operations. Various measures have been introduced by Canadian federal and provincial governments and other authorities to mitigate the transmission of COVID-19 and its variants, including social distancing recommendations, closure of non-essential businesses, occupancy limits in enclosed spaces, quarantines, and travel bans, some of which remain in effect. The nature and extent of these measures may change depending on the efficacy of vaccination programs, the emergence of new variants of the COVID-19 virus, and any resurgence of COVID-19 positive cases. As a result of the continuously evolving circumstances surrounding COVID-19, uncertainty remains with respect to Allied's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as the restriction measures continue or change in Canada. In addition, Allied cannot predict the extent and severity of the economic disruption flowing from the global pandemic.

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

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

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

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

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

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

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. For Allied's current debt-maturity schedule, refer to page 74.

Interest rates on debt are between 1.73% and 4.30% with a weighted average interest rate of 2.94%. The weighted average term of our debt (excluding construction loans and Unsecured Facilities) is 6.7 years. Refer to note 11(b) and (c) of the consolidated financial statements for further details.

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

CREDIT RISK

Allied is subject to credit risk arising from the possibility that users may not be able to fulfill their lease obligations. Allied strives to mitigate this risk by maintaining a diversified user-mix and limiting exposure to any single user. Allied's exposure to top-10 users is 19.9% of gross revenue and the credit quality of our top-10 users continues to improve.

As Allied has invested in mortgages to facilitate acquisitions, further credit risks arise in the event that borrowers default on the repayment of their mortgages to Allied. Allied's mortgage investments will typically be subordinate to prior ranking mortgage or charges. Not all of Allied's financing activities will translate into acquisitions. As at December 31, 2021, Allied had \$367,579 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. For Allied's current lease maturity schedule, refer to page 49.

In evaluating lease roll-over risk, it is informative to determine Allied's sensitivity to a decline in occupancy. For every full-year decline of 100 basis points in occupancy at its average rental rate per square foot, Allied's annual AFFO excluding condominium related items and financing prepayment costs would decline by approximately \$5,737 (approximately \$0.045 per Unit). The decline in AFFO excluding condominium related items and financing prepayment costs per Unit would be more pronounced if the decline in occupancy involved space leased above the average rental rate per square foot and less pronounced if the decline in occupancy involved space leased below the average rental rate per square foot.

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.

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

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 undertakes regular internal and external assessments of its information security posture, including annual third-party penetration testing and ongoing third-party assessment of Allied's information technology footprint. Allied has adopted ISO 27001:2013 as a guiding framework for its portfolio and has obtained ISO 27001 certification and a SOC 2 Type 2 audit report for its UDC portfolio. For information stored with or processed by third parties, Allied undertakes due diligence prior to working with them and uses contractual means to ensure compliance to standards set by Allied. Allied's employees complete information security training every four months and an external Information Technology General Controls audit is completed annually. Additionally, Allied monitors and assesses risks surrounding collection, usage, storage, protection, and retention/destruction practices of personal data. Allied also maintains information security risk insurance coverage. Since inception, Allied has not experienced an unauthorized intrusion or infiltration of its systems that has resulted in a data breach. These measures, as well as Allied's increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

REAL ESTATE RISK

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

Section X

–Property Table

DECEMBER 31, 2021 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	14,857	—	—	14,857		—	14,857	100.0%
The Castle - 47 Fraser	7,468	3,480	—	10,948		—	10,948	100.0%
The Castle - 49 Fraser	17,472	—	—	17,472		6,870	10,602	60.9%
The Castle - 53 Fraser	78,797	—	—	78,797		—	78,797	100.0%
The Castle - 8 Pardee	—	2,681	—	2,681		—	2,681	100.0%
King West	404,701	13,912	—	418,613	2.9%	6,870	411,743	98.4%
12 Brant	—	11,936	—	11,936		—	11,936	100.0%
141 Bathurst	10,101	—	—	10,101		1,718	8,383	83.0%
183 Bathurst	24,136	5,643	—	29,779		13,924	15,855	53.2%
241 Spadina	24,833	6,046	—	30,879		—	30,879	100.0%
379 Adelaide W	38,560	3,045	—	41,605		23,676	17,929	43.1%
383 Adelaide W	4,515	—	—	4,515		2,382	2,133	47.2%

DECEMBER 31, 2021 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
387 Adelaide W	6,500	—	—	6,500		—	6,500	100.0%
420 Wellington W	31,221	3,163	—	34,384		—	34,384	100.0%
425 Adelaide W	72,404	2,858	—	75,262		6,723	68,539	91.1%
425-439 King W	66,486	23,497	—	89,983		—	89,983	100.0%
432 Wellington Street W	—	8,997	—	8,997		—	8,997	100.0%
441-443 King W	6,377	2,904	—	9,281		—	9,281	100.0%
445-455 King W	31,523	16,342	—	47,865		—	47,865	100.0%
460 King W	10,144	4,285	—	14,429		—	14,429	100.0%
461 King W	38,689	35,833	—	74,522		—	74,522	100.0%
468 King W	63,121	—	—	63,121		—	63,121	100.0%
469 King W	61,618	12,273	—	73,891		—	73,891	100.0%
478 King W ⁽²⁾	—	8,701	—	8,701		—	8,701	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%
552-560 King W	6,784	17,395	—	24,179		—	24,179	100.0%
555 Richmond W	296,038	1,850	—	297,888		35,661	262,227	88.0%
579 Richmond W	26,818	—	—	26,818		3,459	23,359	87.1%
64 Spadina	—	5,297	—	5,297		—	5,297	100.0%
662 King W	33,731	—	—	33,731		2,703	31,028	92.0%
668 King W	—	6,934	—	6,934		—	6,934	100.0%
80-82 Spadina	60,048	16,009	—	76,057		—	76,057	100.0%
96 Spadina	78,913	8,240	—	87,153		4,122	83,031	95.3%
King Portland Centre - 602-606 King W ⁽¹⁾	19,208	6,364	—	25,572		—	25,572	100.0%
King Portland Centre - 620 King W ⁽¹⁾	127,658	9,170	—	136,828		—	136,828	100.0%
King Portland Centre - 642 King W ⁽¹⁾	7,370	5,365	—	12,735		—	12,735	100.0%
King West Central	1,232,115	265,608	—	1,497,723	10.5%	94,368	1,403,355	93.7%
116 Simcoe	15,461	—	—	15,461		3,973	11,488	74.3%
117 & 119 John	—	7,562	—	7,562		—	7,562	100.0%
125 John	2,171	798	—	2,969		—	2,969	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		1,441	25,173	94.6%
208-210 Adelaide W	11,477	—	—	11,477		1,854	9,623	83.9%

DECEMBER 31, 2021 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
217-225 Richmond W	31,122	21,670	—	52,792		8,737	44,055	83.5%
257 Adelaide W	42,763	—	—	42,763		—	42,763	100.0%
312 Adelaide W	62,420	5,584	—	68,004		25,834	42,170	62.0%
331-333 Adelaide W	19,048	3,725	—	22,773		—	22,773	100.0%
358-360 Adelaide W	50,786	—	—	50,786		8,575	42,211	83.1%
388 King W	20,275	19,040	—	39,315		13,741	25,574	65.1%
82 Peter	40,069	6,846	—	46,915		—	46,915	100.0%
99 Spadina	51,058	—	—	51,058		—	51,058	100.0%
QRC West - 134 Peter, Phase I	298,782	8,213	—	306,995		—	306,995	100.0%
QRC West - 364 Richmond W, Phase I	38,279	—	—	38,279		—	38,279	100.0%
Union Centre	41,787	—	—	41,787		4,952	36,835	88.2%
Entertainment District	923,879	73,438	—	997,317	7.0%	69,107	928,210	93.1%
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	24,123	10,554	—	34,677		3,397	31,280	90.2%
184 Front E	84,116	4,829	—	88,945		—	88,945	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		4,055	21,432	84.1%
41-45 Front E	20,958	14,239	—	35,197		—	35,197	100.0%
45-55 Colborne	30,622	13,288	—	43,910		8,716	35,194	80.2%
47 Front E	9,068	4,337	—	13,405		—	13,405	100.0%
49 Front E	9,482	10,435	—	19,917		1,813	18,104	90.9%
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		10,108	71,299	87.6%
60 Adelaide E	106,193	4,608	—	110,801		—	110,801	100.0%
65 Front E	14,899	5,922	—	20,821		3,865	16,956	81.4%
70 Esplanade	19,590	6,109	—	25,699		—	25,699	100.0%
St. Lawrence Market	450,580	141,765	—	592,345	4.2%	31,954	560,391	94.6%
135-137 George	2,399	—	—	2,399		—	2,399	100.0%
139 George	1,545	—	—	1,545		1,545	—	—%
204-214 King E	115,087	13,837	—	128,924		—	128,924	100.0%
230 Richmond E	73,542	—	—	73,542		—	73,542	100.0%

DECEMBER 31, 2021 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
252-264 Adelaide E	44,537	2,582	—	47,119		13,550	33,569	71.2%
489 Queen E	31,737	—	—	31,737		2,159	29,578	93.2%
70 Richmond E	34,469	—	—	34,469		—	34,469	100.0%
Dominion Square - 468 Queen N	30,383	3,523	—	33,906		—	33,906	100.0%
Dominion Square - 468 Queen S	34,313	9,091	—	43,404		—	43,404	100.0%
Dominion Square - 478-496 Queen	6,552	33,526	—	40,078		—	40,078	100.0%
QRC East - 111 Queen E	190,697	20,733	—	211,430		3,032	208,398	98.6%
QRC South - 100 Lombard	44,671	—	—	44,671		7,077	37,594	84.2%
Queen Richmond	609,932	83,292	—	693,224	4.9%	27,363	665,861	96.1%
Toronto	3,655,556	594,913	—	4,250,469	29.9%	229,662	4,020,807	94.6%
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	90,010	—	—	90,010		2,056	87,954	97.7%
The Tannery - 151 Charles W	306,813	25,810	—	332,623		15,271	317,352	95.4%
Kitchener	536,485	25,810	—	562,295	4.0%	17,327	544,968	96.9%
Toronto & Kitchener	4,192,041	620,723	—	4,812,764	33.9%	246,989	4,565,775	94.9%
The Chambers - 40 Elgin	195,994	5,500	—	201,494		—	201,494	100.0%
The Chambers - 46 Elgin	28,218	1,756	—	29,974		2,430	27,544	91.9%
Ottawa	224,212	7,256	—	231,468	1.6%	2,430	229,038	99.0%
1001 Boulevard Robert- Bourassa ⁽⁴⁾	957,397	32,371	—	989,768		115,952	873,816	88.3%
3510 Saint-Laurent	85,646	15,022	—	100,668		—	100,668	100.0%
3530-3540 Saint-Laurent	47,348	4,008	—	51,356		4,780	46,576	90.7%
3575 Saint-Laurent	165,502	19,276	—	184,778		15,490	169,288	91.6%
425 Viger	311,646	4,674	—	316,320		16,097	300,223	94.9%
4396-4410 Saint-Laurent	41,799	14,147	—	55,946		5,008	50,938	91.0%
4446 Saint-Laurent	72,805	7,251	—	80,056		14,229	65,827	82.2%
451-481 Saint- Catherine W	20,879	9,983	—	30,862		2,350	28,512	92.4%
480 Saint-Laurent	53,406	6,293	—	59,699		2,649	57,050	95.6%

DECEMBER 31, 2021 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
5445 de Gaspé	483,685	896	—	484,581		5,152	479,429	98.9%
5455 de Gaspé	467,061	22,562	—	489,623		—	489,623	100.0%
5505 Saint-Laurent	243,788	2,221	—	246,009		—	246,009	100.0%
6300 Parc	184,510	3,736	—	188,246		22,947	165,299	87.8%
645 Wellington	129,017	8,115	—	137,132		6,811	130,321	95.0%
700 Saint Antoine	107,320	15,323	—	122,643		5,281	117,362	95.7%
740 Saint-Maurice	67,692	—	—	67,692		14,029	53,663	79.3%
747 Square-Victoria	530,950	37,752	—	568,702		89,736	478,966	84.2%
8 Place du Commerce	48,231	11,633	—	59,864		22,807	37,057	61.9%
810 Saint Antoine	43,500	—	—	43,500		43,500	—	—%
85 Saint-Paul W	79,483	—	—	79,483		24,078	55,405	69.7%
Cité Multimédia - 111 Boulevard Robert- Bourassa ⁽⁵⁾	358,913	12,571	—	371,484		189,471	182,013	49.0%
Cité Multimédia - 50 Queen	27,072	—	—	27,072		1,077	25,995	96.0%
Cité Multimédia - 700 Wellington	135,232	—	—	135,232		20,912	114,320	84.5%
Cité Multimédia - 75 Queen	253,311	2,513	—	255,824		3,157	252,667	98.8%
Cité Multimédia - 80 Queen	65,044	4,203	—	69,247		8,331	60,916	88.0%
Cité Multimédia - 87 Prince	100,116	1,040	—	101,156		1,040	100,116	99.0%
El Pro Lofts - 644 Courcelle	145,170	8,933	—	154,103		46,274	107,829	70.0%
Le Nordelec - 1301-1303 Montmorency	7,550	—	—	7,550		—	7,550	100.0%
Le Nordelec - 1655 Richardson	32,893	—	—	32,893		—	32,893	100.0%
Le Nordelec - 1751 Richardson & 1700 Saint-Patrick	785,836	42,003	—	827,839		60,372	767,467	92.7%
RCA Building - 1001 Lenoir	305,231	35,819	—	341,050		118,762	222,288	65.2%
Montréal	6,358,033	322,345	—	6,680,378	46.9%	860,292	5,820,086	87.1%
Montréal & Ottawa	6,582,245	329,601	—	6,911,846	48.5%	862,722	6,049,124	87.5%
613 11th SW	—	4,288	—	4,288		—	4,288	100.0%
617 11th SW	3,230	6,306	—	9,536		3,824	5,712	59.9%
Alberta Block - 805 1st SW	9,094	22,540	—	31,634		4,408	27,226	86.1%
Alberta Hotel - 808 1st SW	28,036	20,424	—	48,460		2,326	46,134	95.2%

DECEMBER 31, 2021 PROPERTIES	Urban Workspace			Total GLA	% Total GLA	Total Vacant & Unleased	Total Leased	Leased %
	Office GLA	Retail GLA	Urban Data Centres GLA					
Atrium on Eleventh - 625 11th SE	34,705	1,373	—	36,078		21,538	14,540	40.3%
Biscuit Block - 438 11th SE	51,298	—	—	51,298		—	51,298	100.0%
Burns Building - 237 8th SE	66,862	7,423	—	74,285		2,741	71,544	96.3%
Cooper Block - 809 10th SW	35,256	—	—	35,256		5,278	29,978	85.0%
Customs House - 134 11th SE	76,866	—	—	76,866		5,652	71,214	92.7%
Demcor Condo - 221 10th SE	14,253	—	—	14,253		7,218	7,035	49.4%
Demcor Tower - 239 10th SE	25,228	—	—	25,228		—	25,228	100.0%
Five Roses Building - 731-739 10th SW ⁽⁶⁾	—	20,808	—	20,808		2,495	18,313	88.0%
Glenbow - 802 11th SW ⁽⁶⁾	—	7,319	—	7,319		—	7,319	100.0%
Glenbow - 822 11th SW ⁽⁶⁾	9,697	7,838	—	17,535		8,946	8,589	49.0%
Glenbow Annex - 816 11th SW ⁽⁶⁾	—	9,021	—	9,021		—	9,021	100.0%
Glenbow Cornerblock - 838 11th SW ⁽⁶⁾	10,998	11,212	—	22,210		1,146	21,064	94.8%
Glenbow Ellison - 812 11th SW ⁽⁶⁾	13,344	—	—	13,344		—	13,344	100.0%
Kipling Square - 601 10th SW	48,502	—	—	48,502		13,709	34,793	71.7%
Leeson Lineham Building - 209 8th SW	27,821	5,420	—	33,241		—	33,241	100.0%
LocalMotive - 1240 20th SE	57,536	—	—	57,536		—	57,536	100.0%
Odd Fellows - 100 6th SW	33,474	—	—	33,474		—	33,474	100.0%
Pilkington Building - 402 11th SE	40,253	—	—	40,253		5,898	34,355	85.4%
Roberts Block - 603-605 11th SW	23,645	27,499	—	51,144		12,082	39,062	76.4%
Sherwin Block - 738 11th SW ⁽⁶⁾	18,319	8,176	—	26,495		10,372	16,123	60.9%
Telephone Building - 119 6th SW	63,063	—	—	63,063		—	63,063	100.0%
TELUS Sky - 685 Centre SW ⁽⁷⁾	144,290	3,711	—	148,001		43,620	104,381	70.5%
Theatre Grand - 608 1st Street SW	—	34,100	—	34,100		—	34,100	100.0%
Vintage Towers - 322-326 11th SW	190,219	20,418	—	210,637		17,169	193,468	91.9%
Woodstone Building - 1207-1215 13th SE	32,428	—	—	32,428		1,223	31,205	96.2%
Young Block - 129 8th SW	4,841	2,164	—	7,005		4,841	2,164	30.9%
Calgary	1,063,258	220,040	—	1,283,298	9.0%	174,486	1,108,812	86.4%

DECEMBER 31, 2021 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		11,856	33,582	73.9%
1050 Homer	38,302	4,797	—	43,099		1,028	42,071	97.6%
1220 Homer	21,708	—	—	21,708		—	21,708	100.0%
1286 Homer	25,637	—	—	25,637		—	25,637	100.0%
151-155 West Hastings	38,512	—	—	38,512		—	38,512	100.0%
2233 Columbia	21,591	6,852	—	28,443		—	28,443	100.0%
342 Water	18,434	3,206	—	21,640		10,780	10,860	50.2%
365 Railway	31,528	—	—	31,528		—	31,528	100.0%
375 Water	148,889	27,149	—	176,038		15,417	160,621	91.2%
840 Cambie	89,377	—	—	89,377		—	89,377	100.0%
948-950 Homer	23,245	21,758	—	45,003		—	45,003	100.0%
Dominion Building - 207 West Hastings	59,659	12,646	—	72,305		4,461	67,844	93.8%
Sun Tower - 128 West Pender	76,162	1,693	—	77,855		21,073	56,782	72.9%
Vancouver	629,320	87,263	—	716,583	5.0%	64,615	651,968	91.0%
Calgary & Vancouver	1,692,578	307,303	—	1,999,881	14.0%	239,101	1,760,780	88.0%
Total Office and Retail	12,466,864	1,257,627	—	13,724,491	96.4%	1,348,812	12,375,679	90.2%
151 Front W	—	—	277,944	277,944		—	277,944	100.0%
250 Front W	—	—	173,000	173,000		24,452	148,548	85.9%
905 King W	—	—	59,056	59,056		—	59,056	100.0%
Urban Data Centres	—	—	510,000	510,000	3.6%	24,452	485,548	95.2%
Total Rental Portfolio	12,466,864	1,257,627	510,000	14,234,491	100%	1,373,264	12,861,227	90.4%

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) On April 22, 2021, Allied acquired the remaining 50% interest in 478 King W.

(3) Perimeter/Allied Joint Arrangement

(4) 700 De La Gauchetière was renamed to 1001 Boulevard Robert-Bourassa in Q2 2021.

(5) 111 Duke was renamed to 111 Boulevard Robert-Bourassa in Q3 2021.

(6) On October 19, 2021, Allied acquired the remaining 50% interest in these properties.

(7) Westbank/Allied/TELUS Joint Arrangement

RENTAL RESIDENTIAL UNITS

PROPERTY	OCCUPANCY AT DECEMBER 31, 2021	WEIGHTED AVERAGE OCCUPANCY FOR THE YEAR ENDED DECEMBER 31, 2021
TELUS Sky	51.9%	29.0%

PROPERTIES UNDER DEVELOPMENT	ESTIMATED GLA ON COMPLETION (SF)
The Lougheed (604-1st SW), Calgary ⁽¹⁾	88,000
College & Manning, 547-549 College, Toronto ⁽²⁾	27,000
400 Atlantic, Montréal	87,473
The Well, Toronto ⁽²⁾⁽³⁾	763,000
Breithaupt Phase III, Kitchener ⁽²⁾	147,000
Adelaide & Duncan, Toronto ⁽²⁾⁽⁴⁾	230,000
Boardwalk-Revillon Building, Edmonton ⁽⁵⁾	297,851
QRC West Phase II, Toronto ⁽⁶⁾	93,134
422-424 Wellington W, Toronto	10,000
KING Toronto, Toronto ⁽²⁾⁽⁷⁾	100,000
King & Brant, Toronto ⁽⁸⁾	130,000
Total Development Portfolio	1,973,458

- (1) While initially working toward repositioning this property for a different use, Allied is now working toward restoring and retrofitting the property to the highest possible standards for workspace in the creative economy.
- (2) These properties are co-owned, reflected in the table above at Allied's ownership interest.
- (3) Each of Allied and RioCan own an undivided 50% interest in The Well. The GLA components (in square feet) at Allied's 50% share will be as follows: approximately 586,000 of office, 177,000 of retail and the residential air rights. The Well Air Rights were sold by the co-ownership as previously announced, with the first phase closed in Q4 2020, the second and third phases closed in Q2 2021, the fourth phase closed in Q4 2021 and the last phase closed in January 2022.
- (4) The GLA components (in square feet) at our 50% share are as follows: 144,000 of residential, 77,000 of office and 9,000 of retail.
- (5) The GLA components (in square feet) are as follows: 233,559 of office and 64,292 of retail.
- (6) The GLA components (in square feet) are as follows: 77,434 of office and 15,700 of retail.
- (7) Allied entered into a joint arrangement with Westbank to develop KING Toronto. As part of the arrangement, Allied sold a 50% undivided interest to Westbank. KING Toronto is comprised of the following properties: 489 King W, 495 King W, 499 King W, 511-529 King W, 533 King W, 539 King W. The GLA components (in square feet) at our 50% share will be as follows: 60,000 of retail and 40,000 of office.
- (8) 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.

ANCILLARY PARKING FACILITIES	NUMBER OF SPACES
15 Brant, Toronto	208
78 Spadina, Toronto	39
105 George, Toronto	15
301 Markham, Toronto	47
388 Richmond, Toronto	121
464 King, Toronto	12
478 King, Toronto	131
560 King, Toronto	171
650 King, Toronto	71
Total Parking	815

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

Management's Statement of Responsibility for Financial Reporting

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

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

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

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



Michael R. Emory
President and Chief Executive Officer



Cecilia C. Williams, CPA, CA
Executive Vice President and Chief Financial Officer

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Allied Properties Real Estate Investment Trust (the “Trust”), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income and comprehensive income, unitholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

BASIS FOR OPINION

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

KEY AUDIT MATTER

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

KEY AUDIT MATTER DESCRIPTION

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

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

HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT

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

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ Deloitte LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

TORONTO, ONTARIO
FEBRUARY 1, 2022

**ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020**

(in thousands of Canadian dollars)

NOTES DECEMBER 31, 2021 DECEMBER 31, 2020

Assets			
Non-current assets			
Investment properties	5	\$9,527,105	\$8,687,375
Residential inventory	6	170,980	140,038
Investment in joint venture and loan receivable	7	124,790	117,112
Loans and notes receivable	8	223,456	322,543
Other assets	9	28,185	23,643
		10,074,516	9,290,711
Current assets			
Cash and cash equivalents	20	22,548	45,512
Loans and notes receivable	8	144,306	93
Accounts receivable, prepaid expenses and deposits	10	57,061	64,452
Investment properties held for sale	5	86,260	—
		310,175	110,057
Total assets		\$10,384,691	\$9,400,768
Liabilities			
Non-current liabilities			
Debt	11	\$3,417,138	\$2,698,794
Other liabilities	13	44,635	63,045
Lease liabilities	12	157,550	157,068
		3,619,323	2,918,907
Current liabilities			
Debt	11	36,146	26,668
Accounts payable and other liabilities	13	303,450	278,161
		339,596	304,829
Total liabilities		3,958,919	3,223,736
Unitholders' equity		6,425,772	6,177,032
Total liabilities and Unitholders' equity		\$10,384,691	\$9,400,768

Commitments and Contingencies (note 26)

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



Gordon Cunningham
Trustee



Michael R. Emory
Trustee

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(in thousands of Canadian dollars, except Unit and per Unit amounts)	NOTES	YEAR ENDED	
		DECEMBER 31, 2021	DECEMBER 31, 2020
Rental revenue	18, 22	\$568,886	\$560,327
Condominium revenue	18	—	178
Total revenue		568,886	560,505
Property operating costs	22	(239,495)	(241,490)
Operating income		329,391	319,015
Interest expense	11 (f)	(120,145)	(72,603)
General and administrative expenses	19	(25,834)	(22,215)
Condominium marketing expenses		(573)	(1,230)
Amortization of other assets	9	(1,167)	(1,467)
Interest income		28,023	19,819
Fair value gain on investment properties and investment properties held for sale	5	217,557	280,590
Fair value gain (loss) on derivative instruments	14, 25 (d)	16,350	(17,996)
Net loss from joint venture	7	(451)	(3,184)
Net income and comprehensive income		\$443,151	\$500,729
Income per Unit			
Basic		\$3.48	\$4.02
Diluted		\$3.48	\$4.02
Weighted average number of Units	17		
Basic		127,305,384	124,427,715
Diluted		127,455,829	124,536,634

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

**ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

(in thousands of Canadian dollars)	NOTES	TRUST UNITS	RETAINED EARNINGS	CONTRIBUTED SURPLUS	TOTAL
Balance at January 1, 2021	15	\$3,884,661	\$2,265,326	\$27,045	\$6,177,032
Net income and comprehensive income		—	443,151	—	443,151
Unit issuance (net of costs)	15	20,079	—	—	20,079
Distributions		—	(216,521)	—	(216,521)
Unit Option Plan – options exercised	15, 16 (a)	56	—	—	56
Contributed surplus – Unit Option Plan	16 (a)	—	—	1,740	1,740
Restricted Unit Plan (net of forfeitures)	15, 16 (b)	(2,141)	—	2,376	235
Balance at December 31, 2021		\$3,902,655	\$2,491,956	\$31,161	\$6,425,772

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

**ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(in thousands of Canadian dollars)	NOTES	YEAR ENDED	
		DECEMBER 31, 2021	DECEMBER 31, 2020
Operating activities			
Net income for the year		\$443,151	\$500,729
Fair value gain on investment properties and investment properties held for sale	5	(217,557)	(280,590)
Fair value (gain) loss on derivative instruments		(16,350)	17,996
(Payments) proceeds on settlement of derivative instruments		(3,781)	80
Interest expense (excluding capitalized interest)	11 (f)	120,145	72,603
Interest paid (excluding capitalized interest)	5, 6, 12, 20	(113,108)	(66,511)
Interest income		(28,023)	(19,819)
Interest received		18,688	13,560
Net loss from joint venture	7	451	3,184
Amortization of other assets	9	1,167	1,467
Amortization of improvement allowances	5	32,305	32,193
Amortization of straight-line rents	5	(3,682)	(7,856)
Amortization of premium on debt	11 (f)	(3,488)	(1,846)
Amortization of lease liabilities	5, 12	(428)	113
Amortization of net financing costs	11 (f)	3,604	2,081
Unit compensation expense	16	4,116	4,792
Additions to residential inventory	6	(30,942)	(25,128)
Change in other non-cash operating items	8, 10, 13, 20	34,846	109,209
Cash provided by operating activities		241,114	356,257

(in thousands of Canadian dollars)	NOTES	YEAR ENDED	
		DECEMBER 31, 2021	DECEMBER 31, 2020
Financing activities			
Repayment of mortgages payable	11 (a)	(648,699)	(25,783)
Proceeds from senior unsecured debentures (net of financing costs)	11 (d)	1,093,900	695,700
Redemption of senior unsecured debentures	11 (d)	(150,000)	—
Repayment of unsecured term loan	11 (e)	—	(200,000)
Principal payments of lease liabilities	12	(189)	(30)
Distributions paid to Unitholders		(215,918)	(204,217)
Proceeds of Unit issuance (net of issuance costs)	15	20,079	152,079
Proceeds from exercise of Unit options	15, 16 (a)	56	9,805
Restricted Unit Plan (net of forfeitures)	15, 16 (b)	(2,141)	(2,695)
Proceeds from notes receivable	8 (b)	1,927	253
Proceeds from Unsecured Revolving Operating Facilities	11 (c)	460,000	560,000
Repayments of Unsecured Revolving Operating Facilities	11 (c)	(155,000)	(500,000)
Proceeds from construction loan	11 (b)	75,592	33,894
Financing costs		(836)	(306)
Proceeds from loans receivable	8 (a)	382	252
Loans receivable issued to third-parties	7, 8 (a), 20	(47,435)	(77,927)
Cash provided by financing activities		431,718	441,025
Investing activities			
Acquisition of investment properties	4	(288,887)	(567,971)
Deposits on acquisitions		(268)	(3,550)
Additions to investment properties (including capitalized interest)	5, 11 (f)	(428,248)	(346,766)
Net proceeds on disposition of properties under development	4	71,592	24,911
Net (contributions to) distributions from equity accounted investments	7	(8,129)	(15,448)
Additions to equipment and other assets	9	(337)	(781)
Leasing commissions	5	(16,841)	(11,274)
Improvement allowances	5	(24,678)	(39,805)
Cash used in investing activities		(695,796)	(960,684)
Decrease in cash and cash equivalents		(22,964)	(163,402)
Cash and cash equivalents, beginning of year		45,512	208,914
Cash and cash equivalents, end of year		\$22,548	\$45,512

Note 20 contains supplemental cash flow information.

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

**ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(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 May 10, 2021. Allied is governed by the laws of the Province of Ontario and began operations on February 19, 2003. The Units of Allied are traded on the Toronto Stock Exchange (“TSX”) and are traded under the symbol “AP.UN”.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of compliance

The consolidated financial statements of Allied for the years ended December 31, 2021 and 2020, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies set out below were consistently applied to all the years presented unless otherwise noted.

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

The consolidated financial statements for the years ended December 31, 2021 and 2020, were approved and authorized for issue by the Board of Trustees (the “Board”) on February 1, 2022.

(B) Basis of presentation

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

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

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

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

(C) Basis of consolidation

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

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

(D) Investment properties

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

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

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

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

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

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

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

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

(E) Joint arrangements

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

Joint Operation

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

Joint Venture

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

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

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

(F) *Revenue recognition*

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

Revenue includes rents from tenants under leases, property tax and operating cost recoveries, percentage participation rents, lease cancellation fees, parking income and other income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. Typically, in ground up developments, when there are fixturing periods outside of the term of the lease, revenue is not recognized during these fixturing periods. The difference between revenue recognized and the cash received is included in investment properties as straight-line rents receivable.

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

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

(G) *Borrowing costs*

Borrowing costs directly attributable to acquiring or constructing a qualifying investment property are capitalized. Capitalization commences when the activities necessary to prepare an asset for development or redevelopment begin, and ceases once the asset is substantially complete, or is suspended if the development of the asset is suspended. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross costs incurred on those borrowings. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

(H) *Other assets*

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

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

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

(I) *Financial instruments*

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

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

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

ASSET/LIABILITY	CLASSIFICATION/MEASUREMENT
Loans and notes receivable	Amortized cost
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Debt	Amortized cost
Accounts payable and other liabilities	Amortized cost
Interest rate swaps	Fair value

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

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

Financial Assets

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

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

Impairment of Financial Assets

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

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

Financial Liabilities

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

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

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

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

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

(J) *Unitholders' equity*

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

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

(K) *Short-term employee benefits*

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

(L) *Unit-based compensation plans*

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

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

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

(M) Provisions

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

(N) Per Unit calculations

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

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

(O) Residential inventories

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

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

(P) *Leases*

Allied recognizes a right-of-use (“ROU”) asset and a lease obligation at the lease commencement date, in accordance with IFRS 16, Leases. Allied accounts for its ROU assets that do not meet the definition of investment property as fixed assets. The ROU asset is initially measured at cost and, subsequently, at cost less any accumulated depreciation and impairment and adjusted for certain remeasurements of the lease obligation. When a ROU asset meets the definition of investment property, it is initially measured at cost and subsequently measured at fair value (note 2(d)). Land held as part of the operating leases (“ground leases”) which meets the definition of investment property is classified as ROU assets within investment properties. Management office leases and leases for equipment components embedded as part of service contracts which do not meet the definitions of investment property are recognized as ROU assets within other real estate assets. Refer below to the various lease types identified and their respective financial statement classification.

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

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

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

(Q) *IAS 20, government grants*

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

(R) *Investment properties held for sale*

Investment properties are classified as held for sale when their carrying amount is to be recovered primarily through a sale transaction rather than from continuing use. An investment property held for sale is available for sale in its present condition and the sale is considered highly probable within one year. Investment properties held for sale are measured at fair value.

(S) *Comparative figures*

Certain comparative figures in the note disclosure for general and administrative expenses (note 19) have been reclassified to present share-based payment expenses related to the Trustees of Allied in professional and trustee fees, which were previously presented in salaries and benefits.

Also, certain comparative figures in the note disclosure for fair value measurements of loans and notes receivable and loan receivable from joint venture (note 14) have been revised to reflect the immaterial correction of the calculation of fair value, primarily due to the revision of the interest component of the calculation. As a result, the fair value of loans and notes receivable has decreased to \$322,881 from \$355,819 and the fair value of loans receivable from joint venture has decreased to \$113,287 from \$117,725, both of which were previously reported as at December 31, 2020. There was no change to the fair value of loans and notes receivable and the fair value of loans receivable from joint venture as at January 1, 2020. This revision does not impact the carrying value of loans and notes receivable and loan receivable from joint venture balances as at December 31, 2020.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

Investment Properties

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

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

Joint Arrangements

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

Income Taxes

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

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

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

Impact of COVID-19

In response to the global COVID-19 pandemic, various measures have been introduced by Canadian federal and provincial governments and other authorities to mitigate the transmission of COVID-19 and its variants, including social distancing recommendations, closure of non-essential businesses, occupancy limits in enclosed spaces, quarantines, and travel bans, some of which remain in effect. The nature and extent of these measures may change depending on the efficacy of vaccination programs, the emergence of new variants of the COVID-19 virus, and any resurgence of COVID-19 positive cases. As a result of the continuously evolving circumstances surrounding COVID-19, uncertainty remains with respect to Allied's revised internal forecast, the most significant being the fact that it cannot predict how consumers will respond as the restriction measures continue or change in Canada. In addition, Allied cannot predict the extent and severity of the economic disruption flowing from the global pandemic.

In the preparation of these consolidated financial statements, Allied has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities and the reported amount of its results using the best available information as at December 31, 2021. Actual results could differ from those estimates. The estimates and assumptions that Allied considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties and investment properties held for sale, including discount rates and terminal capitalization rates, operating assumptions, the carrying amount of its investment in a joint venture, the estimate of any expected credit losses on its accounts receivable and loans and notes receivable and determining the values of financial instruments.

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

Valuation of Investment Properties

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

User Trade Receivables

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

Loans and Notes Receivable

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

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

4. ACQUISITIONS AND DISPOSITIONS

Acquisitions

During the year ended December 31, 2021, Allied acquired the following properties and air rights from third parties:

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

(1) Allied acquired the remaining 50% interest in 478 King W on April 22, 2021.

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

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

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

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

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

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

Dispositions

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

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

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

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

5. INVESTMENT PROPERTIES

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

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL	RENTAL PROPERTIES	PROPERTIES UNDER DEVELOPMENT ("PUD")	TOTAL
Balance, beginning of year	\$7,790,855	\$896,520	\$8,687,375	\$6,754,215	\$715,050	\$7,469,265
Additions:						
Acquisitions	315,973	28,648	344,621	587,160	—	587,160
Improvement allowances	22,559	2,119	24,678	32,541	7,264	39,805
Leasing commissions	15,012	1,829	16,841	8,066	3,208	11,274
Capital expenditures	123,842	304,406	428,248	80,922	265,844	346,766
Dispositions	—	(71,592)	(71,592)	—	(24,911)	(24,911)
Transfers from PUD	—	—	—	130,100	(130,100)	—
Transfers to PUD	(47,040)	47,040	—	(77,828)	77,828	—
Transfers to other assets	(6,838)	—	(6,838)	—	—	—
Transfers to investment properties held for sale	(86,260)	—	(86,260)	—	—	—
Lease liabilities	1,098	—	1,098	1,763	—	1,763
Amortization of straight- line rent and improvement allowances	(28,123)	(500)	(28,623)	(25,244)	907	(24,337)
Fair value gain (loss) on investment properties and investment properties held for sale	187,197	30,360	217,557	299,160	(18,570)	280,590
Balance, end of year	\$8,288,275	\$1,238,830	\$9,527,105	\$7,790,855	\$896,520	\$8,687,375

For the year ended December 31, 2021, Allied capitalized \$34,973 (December 31, 2020 - \$26,647) of borrowing costs to qualifying investment properties.

Included in the rental properties amounts noted above are right-of-use assets with a fair value of \$528,400 (December 31, 2020 - \$525,940) representing the fair value of Allied's interest in five investment properties with corresponding lease liabilities. The leases' maturities range from 22.8 years to 80.5 years.

As at December 31, 2021, Allied had three properties classified as investment properties held for sale.

	DECEMBER 31, 2021	DECEMBER 31, 2020
Investment properties held for sale	\$86,260	\$—

Valuation Methodology

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

- (a) Discounted cash flow method - Under this approach, discount rates are applied to the projected annual operating cash flows, generally over a ten-year period, including a terminal value of the properties based on a capitalization rate applied to the estimated net operating income (“NOI”), a non-IFRS measure, in the terminal year. This method is primarily used to value the rental portfolio.
- (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, ancillary parking facilities and investment properties held for sale.

In accordance with its policy, Allied measures and records its investment properties and investment properties held for sale using valuations under the supervision of Management with the support of an independent external appraiser. Allied’s 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 and investment property held for sale. Accordingly, all investment properties and investment properties held for sale are measured in accordance with the fair value measurement hierarchy levels and the inputs comprise Level 3 unobservable inputs, reflecting Management’s best estimate of what market participants would use in pricing the asset at the measurement date. Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted NOI. Generally, an increase in NOI will result in an increase in the fair value and an increase in capitalization rates will result in a decrease in the fair value. Below are the rates used in the modeling process for valuations of investment properties.

	WEIGHTED AVERAGE	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Discount rate	5.98%	6.35%
Terminal capitalization rate	5.03%	5.18%
Overall capitalization rate	4.68%	4.82%
Discount horizon (years)	10	10

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

CHANGE IN CAPITALIZATION RATE OF	-0.50%	-0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Investment Properties	\$1,139,606	\$537,647	\$(483,119)	\$(919,605)

6. RESIDENTIAL INVENTORY

Residential inventory is as follows:

	DECEMBER 31, 2021	DECEMBER 31, 2020
KING Toronto	\$170,980	\$140,038

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Balance, beginning of year	\$140,038	\$114,910
Development expenditures	30,942	25,128
Balance, end of year	\$170,980	\$140,038

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

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

For the year ended December 31, 2021, Allied capitalized \$4,759 (December 31, 2020 - \$4,363) of borrowing costs to qualifying residential inventory.

7. INVESTMENT IN JOINT VENTURE AND LOAN RECEIVABLE

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Investment in joint venture	\$11,503	\$3,825
Loan receivable from joint venture	113,287	113,287
	\$124,790	\$117,112

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

On October 31, 2019, Allied advanced a construction loan in the amount of \$96,142 to TELUS Sky, with the loan having a maximum limit of \$114,000. The loan matures on July 15, 2023, and bears interest at bank prime plus 45 basis points or bankers' acceptance rate plus 145 basis points. As at December 31, 2021, the loan receivable outstanding is \$113,287 (December 31, 2020 - \$113,287). Allied is providing a joint and several guarantee in the amount of \$114,000 to support the TELUS Sky facility.

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Current assets (including cash and cash equivalents)	\$8,637	\$11,664
Non-current assets	378,990	368,529
Current liabilities	(13,257)	(28,857)
Non-current liabilities	(339,861)	(339,861)
Net assets of TELUS Sky at 100%	\$34,509	\$11,475
Net assets of TELUS Sky at Allied's share	\$11,503	\$3,825

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Revenue	\$14,721	\$7,392
Expenses	(9,822)	(3,657)
Interest expense	(619)	—
General and administrative expense	(42)	(399)
Fair value loss	(5,591)	(12,888)
Net loss and total comprehensive income of TELUS Sky at 100%	\$(1,353)	\$(9,552)
Net loss and total comprehensive income at Allied's share	\$(451)	\$(3,184)

	DECEMBER 31, 2021	DECEMBER 31, 2020
Investment in joint venture, beginning of year	\$3,825	\$(8,439)
Net loss	(451)	(3,184)
Contributions	10,490	17,914
Distributions	(2,361)	(2,466)
Investment in joint venture, end of year	\$11,503	\$3,825

8. LOANS AND NOTES RECEIVABLE

Loans and notes receivable are as follows:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Loans receivable (a)	\$367,579	\$320,526
Notes and other receivables (b)	183	2,110
	\$367,762	\$322,636
Current	\$144,306	\$93
Non-current	223,456	322,543
	\$367,762	\$322,636

- (a) In February 2015, Allied entered into a joint arrangement with Westbank and completed the acquisition of an undivided 50% interest in Adelaide & Duncan. As part of the arrangement, Allied advanced \$21,173 to Westbank for its purchase of a 50% undivided interest in the property. The facility is secured by a charge on the property (subordinated to the construction lender) and assignment of rents and leases. Interest accrues and is payable monthly at a rate of 7.75% per annum. The loan is repayable when the joint arrangement obtains external permanent financing. As at December 31, 2021, the loan receivable outstanding is \$21,173 (December 31, 2020 - \$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 to the credit facility monthly at a rate of 6.75% per annum. The credit facility matures on August 31, 2022, and has a one-year extension option to August 31, 2023. As at December 31, 2021, the loan receivable outstanding is \$144,271 (December 31, 2020 - \$120,825).

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 30, 2023, or the closing of the condominium units. As at December 31, 2021, the loan receivable outstanding is \$90,586 (December 31, 2020 - \$84,566).

On March 18, 2019, Allied made an amendment to the joint arrangement with Perimeter to develop Breithaupt Phase III and a loan receivable arrangement to provide 50% of the pre-development costs. The facility is secured by a charge on the property (subordinated to the construction lender). Interest accrues at a rate of 7.00% per annum and is payable on loan repayment. The loan is repayable in instalments upon completion of development and rent commencement, which is anticipated to begin in the third quarter of 2022. As at December 31, 2021, the loan receivable outstanding is \$10,256 (December 31, 2020 - \$10,637) due to repayments made earlier than anticipated.

On July 31, 2019, Allied entered into an arrangement with Westbank to provide a credit facility of up to \$185,000, plus interest, for the land acquisition and the pre-development costs of 720 Beatty Street in Vancouver. The funding will initially be secured by a first mortgage on the property for a fixed term. On placement of construction financing, the mortgage will be secured by a charge on the property (subordinated to the construction lender). Interest accrues to the credit facility monthly at a rate of 7.00% per annum. The credit facility matures on December 9, 2025. As at December 31, 2021, the loan receivable outstanding is \$101,293 (December 31, 2020 - \$83,325).

Allied has assessed the expected credit losses on an individual loan basis. Allied assesses the risk of expected credit losses, including considering the status of corporate guarantees and/or registered mortgage charges and assignment of leases, outcome of credit checks on borrowers, results of monitoring the financial and operating performance of borrowers, results of the status of development projects and status of scheduled principal and interest payments. The expected credit losses estimated by Management considering the factors described above is \$nil and \$nil as at December 31, 2021, and December 31, 2020, respectively.

- (b) As at December 31, 2021, and December 31, 2020, the balance of notes and other receivables is made up of individually insignificant notes receivable.

9. OTHER ASSETS

Other assets consist of the following:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Equipment and other assets ⁽¹⁾	\$3,565	\$4,395
Property, plant and equipment ⁽²⁾	24,620	17,782
Interest rate swap derivative assets	—	1,466
	\$28,185	\$23,643

(1) During the year ended December 31, 2021, Allied recorded amortization of equipment and other assets of \$1,167 (December 31, 2020 - \$1,467).

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

10. ACCOUNTS RECEIVABLE, PREPAID EXPENSES AND DEPOSITS

	DECEMBER 31, 2021	DECEMBER 31, 2020
User trade receivables - net of allowance (a)	\$16,659	\$16,854
Other user receivables (b)	2,092	2,991
Miscellaneous receivables (c)	13,124	15,709
Prepaid expenses and deposits (d)	25,186	28,898
	\$57,061	\$64,452

(a) *User trade receivables*

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

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

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

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Allowance for expected credit loss, beginning of year	\$6,649	\$3,899
Additional provision recorded during the period	3,024	9,112
Reversal of previous provisions	(407)	(1,172)
Receivables written off during the period	(89)	(5,190)
Allowance for expected credit loss, end of year	\$9,177	\$6,649

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

(b) *Other user receivables*

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

(c) *Miscellaneous receivables*

Miscellaneous receivables consist primarily of HST receivables from the government and management fees and interest income due from external parties. As at December 31, 2021, there are no credit risk indicators that the debtors will not meet their payment obligations.

(d) *Prepaid expenses and deposits*

Prepaid expenses and deposits primarily relate to deposits for naming rights, taxes, and insurance.

11. DEBT

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Mortgages payable (a)	\$118,057	\$716,813
Construction loans payable (b)	132,696	57,104
Unsecured revolving operating facilities (c)	365,000	60,000
Senior unsecured debentures (d)	2,587,989	1,642,119
Unsecured term loan (e)	249,542	249,426
	\$3,453,284	\$2,725,462
Current	\$36,146	\$26,668
Non-current	3,417,138	2,698,794
	\$3,453,284	\$2,725,462

(a) *Mortgages payable*

Mortgages payable have a weighted average stated interest rate of 3.39% as at December 31, 2021 (December 31, 2020 - 4.31%). The mortgages are secured by a first registered charge over specific investment properties and first general assignments of leases, insurance and registered chattel mortgages.

	PRINCIPAL REPAYMENTS	BALANCE DUE AT MATURITY	DECEMBER 31, 2021	DECEMBER 31, 2020
2022	\$3,307	\$1,798	\$5,105	
2023	3,069	12,230	15,299	
2024	2,528	46,668	49,196	
2025	6,423	—	6,423	
2026	1,391	20,443	21,834	
2027	487	—	487	
2028	293	14,457	14,750	
2030	5,000	—	5,000	
Mortgages, principal	\$22,498	\$95,596	\$118,094	\$715,043
Net premium on assumed mortgages			1,066	3,555
Net financing costs			(1,103)	(1,785)
			\$118,057	\$716,813

(b) *Construction loans payable*

As at December 31, 2021, and December 31, 2020, Allied's obligations under the construction loans are as follows:

JOINT ARRANGEMENT	OWNERSHIP	DATE OF MATURITY	DECEMBER 31, 2021	DECEMBER 31, 2020
Adelaide & Duncan	50%	August 11, 2023	\$62,048	\$44,051
Breithaupt Phase III	50%	December 2, 2022	31,041	7,406
KING Toronto	50%	December 17, 2024	39,607	5,647
			\$132,696	\$57,104

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

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

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

(c) *Unsecured revolving operating facilities*

As at December 31, 2021, and December 31, 2020, Allied's obligations under the unsecured revolving operating facilities (the "Unsecured Facilities") are as follows:

DECEMBER 31, 2021

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

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

(2) The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this unsecured facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

DECEMBER 31, 2020

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

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

(2) The interest rates on drawings for this facility are subject to certain conditions being met. In the event that these conditions are not met, this unsecured facility will bear interest at bank prime plus 45 basis points or bankers' acceptance plus 145 basis points with a standby fee of 29 basis points.

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

On January 29, 2021, Allied amended the unsecured facilities to merge the two existing facilities into one facility with a limit of \$500,000 plus a \$100,000 accordion feature and to extend the maturity to January 30, 2024.

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

(d) *Senior unsecured debentures*

As at December 31, 2021, and December 31, 2020, Allied's obligations under the senior unsecured debentures are as follows:

SERIES	INTEREST RATE	DATE OF MATURITY	INTEREST PAYMENT DATE	DECEMBER 31, 2021	DECEMBER 31, 2020
Series B	3.934%	November 14, 2022	May 14 and November 14	\$—	\$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	400,000
Series G	3.131%	May 15, 2028	May 15 and November 15	300,000	300,000
Series H	1.726%	February 12, 2026	February 12 and August 12	600,000	—
Series I	3.095%	February 6, 2032	February 6 and August 6	500,000	—
Unsecured Debentures, principal				\$2,600,000	\$1,650,000
Net financing costs				(12,011)	(7,881)
				\$2,587,989	\$1,642,119

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

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

Proceeds from the Series F Debentures were used to prepay \$200,000 aggregate principal amount of the Unsecured Term Facility defined in note 11(e) maturing March 16, 2021, repay amounts drawn on the unsecured facility in the amount of \$110,000, to fund Allied's development and value-add initiatives and for general working capital purposes.

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

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

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

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

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

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

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

(e) *Unsecured term loan*

As at December 31, 2021, and December 31, 2020, Allied’s obligation under the unsecured term loan is as follows:

	INTEREST RATE	DATE OF MATURITY	FREQUENCY OF INTEREST PAYMENT	DECEMBER 31, 2021	DECEMBER 31, 2020
Unsecured term loan	3.496%	January 14, 2031	Monthly	\$250,000	\$250,000
Net financing costs				(458)	(574)
				\$249,542	\$249,426

On February 10, 2020, Allied repaid \$100,000 of the principal amount of Tranche 1 of an unsecured term facility (the “Unsecured Term Facility”) due March 16, 2021. On March 4, 2020, Allied repaid \$100,000 of the principal amount of Tranche 2, representing the remaining balance of the Unsecured Term Facility due March 16, 2021.

On August 11, 2020, Allied amended the unsecured term loan at a fixed interest rate of 3.496% (previously 3.992%), and extended the maturity date to January 14, 2031 (previously January 14, 2026).

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

(f) *Interest expense*

Interest expense consists of the following:

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Interest on debt:		
Mortgages payable	\$16,722	\$31,141
Construction loans payable	2,983	1,351
Unsecured Facilities	2,836	2,152
Unsecured Debentures	64,940	49,455
Unsecured term loan	8,739	10,353
Interest on lease liabilities	9,184	8,926
Amortization, premium on debt	(531)	(1,846)
Amortization, net financing costs	2,394	2,081
	\$107,267	\$103,613
Less: Interest capitalized to qualifying investment properties and residential inventory	(39,732)	(31,010)
Interest expense excluding financing prepayment costs	\$67,535	\$72,603
Financing prepayment costs ⁽¹⁾	52,610	—
Interest expense	\$120,145	\$72,603

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

Borrowing costs have been capitalized to qualifying investment properties and residential inventory at a weighted average rate of 2.80% per annum (December 31, 2020 - 3.57%).

(g) *Schedule of principal repayments*

The table below summarizes the scheduled principal maturity for Allied's mortgages payable, construction loans payable, Unsecured Facilities, Unsecured Debentures and unsecured term loan.

	2022	2023	2024	2025	2026	THEREAFTER	TOTAL
Mortgages payable, principal repayments	\$3,307	\$3,069	\$2,528	\$6,423	\$1,391	\$5,780	\$22,498
Mortgages payable, balance due at maturity	1,798	12,230	46,668	—	20,443	14,457	95,596
Construction loans payable	31,041	62,048	39,607	—	—	—	132,696
Unsecured facility	—	—	—	365,000	—	—	365,000
Unsecured Debentures	—	—	—	200,000	600,000	1,800,000	2,600,000
Unsecured term loan	—	—	—	—	—	250,000	250,000
Total	\$36,146	\$77,347	\$88,803	\$571,423	\$621,834	\$2,070,237	\$3,465,790

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:

	2022 ⁽¹⁾	2023-2026 ⁽¹⁾	THEREAFTER	DECEMBER 31, 2021	DECEMBER 31, 2020
Future minimum lease payments	\$9,749	\$41,790	\$432,213	\$483,752	\$493,501
Interest accrued (paid) on lease obligations	516	(707)	—	(191)	560
Less: amounts representing interest payments	(10,265)	(41,083)	(274,663)	(326,011)	(336,993)
Present value of lease payments	\$—	\$—	\$157,550	\$157,550	\$157,068

(1) The future minimum lease payments prior to 2025 are less than the effective interest on the lease liabilities.

Some of Allied's lease agreements contain contingent rent clauses. Contingent rental payments are recognized in the consolidated statements of income and comprehensive income as required when contingent criteria are met. The lease agreements contain renewal options, purchase options, escalation clauses, additional debt and further leasing clauses. For the year ended December 31, 2021, minimum lease payments of \$9,699 (December 31, 2020 - \$8,712) were paid by Allied.

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consists of the following:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Trade payables and other liabilities	\$180,363	\$169,434
Prepaid user rents	81,488	75,090
Accrued interest payable	23,498	16,139
Distributions payable to Unitholders	18,101	17,498
Residential deposits ⁽¹⁾	39,693	36,506
Interest rate swap derivative liabilities	4,942	26,539
	\$348,085	\$341,206
Current	\$303,450	\$278,161
Non-current ⁽²⁾	44,635	63,045
	\$348,085	\$341,206

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

(2) Non-current liabilities as at December 31, 2021, are composed of residential deposits totaling \$39,693 and interest rate swap derivative liabilities totaling \$4,942 (December 31, 2020 - \$36,506 and \$26,539, respectively).

14. FAIR VALUE MEASUREMENTS

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

		DECEMBER 31, 2021		DECEMBER 31, 2020	
	CLASSIFICATION/ MEASUREMENT	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial Assets:					
Loans and notes receivable (notes 2(s), 8)	Amortized cost	367,762	367,762	322,636	322,881
Loan receivable from joint venture (notes 2(s), 7)	Amortized cost	113,287	113,287	113,287	113,287
Cash and cash equivalents (note 20)	Amortized cost	22,548	22,548	45,512	45,512
Accounts receivable (note 10)	Amortized cost	31,875	31,875	35,554	35,554
Interest rate swap derivative assets	FVTPL	—	—	1,466	1,466
Financial Liabilities:					
Debt (note 11)					
Mortgages	Amortized cost	118,057	121,169	716,813	755,780
Construction loans payable	Amortized cost	132,696	132,696	57,104	57,104
Unsecured Facilities	Amortized cost	365,000	365,000	60,000	60,000
Unsecured Debentures	Amortized cost	2,587,989	2,608,549	1,642,119	1,754,526
Unsecured term loan	Amortized cost	249,542	255,366	249,426	277,963
Interest rate swap liabilities (note 13)	FVTPL	4,942	4,942	26,539	26,539
Accounts payable and other liabilities (note 13)	Amortized cost	343,143	343,143	314,667	314,667

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

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

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

	DECEMBER 31, 2021			DECEMBER 31, 2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial Assets:						
Loans and notes receivable (notes 2(s), 8)	—	367,762	—	—	322,881	—
Loan receivable from joint venture (notes 2(s), 7)	—	113,287	—	—	113,287	—
Cash and cash equivalents (note 20)	22,548	—	—	45,512	—	—
Accounts receivable (note 10)	—	31,875	—	—	35,554	—
Interest rate swap derivative assets	—	—	—	—	1,466	—
Financial Liabilities:						
Debt (note 11)						
Mortgages	—	121,169	—	—	755,780	—
Construction loans payable	—	132,696	—	—	57,104	—
Unsecured Facilities	—	365,000	—	—	60,000	—
Unsecured Debentures	—	2,608,549	—	—	1,754,526	—
Unsecured term loan	—	255,366	—	—	277,963	—
Interest rate swap liabilities	—	4,942	—	—	26,539	—
Accounts payable and other liabilities (note 13)	—	343,143	—	—	314,667	—

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

The following summarizes the significant methods and assumptions used in estimating the fair value of Allied's financial assets and liabilities measured at fair value:

Interest Rate Swap Derivative Contracts

The fair value of Allied's interest rate derivative contracts, which represent a net liability as at December 31, 2021, is \$4,942 (December 31, 2020 - \$25,073). The fair value of the derivative contracts is determined using forward interest rates observable in the market (Level 2).

	DECEMBER 31, 2021	DECEMBER 31, 2020
Interest rate swap derivative asset (note 9)	\$—	\$1,466
Interest rate swap derivative liabilities (note 13)	(4,942)	(26,539)
Total	\$(4,942)	\$(25,073)

Debt and loans and notes receivable

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

15. UNITHOLDERS' EQUITY

The following represents the number of Units issued and outstanding, and the related carrying value of Unitholders' equity, for the years ended December 31, 2021 and December 31, 2020.

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	UNITS	AMOUNT	UNITS	AMOUNT
Units, beginning of year	127,259,218	\$3,884,661	122,838,799	\$3,725,472
Restricted Unit Plan (net of forfeitures) (note 16(b))	—	(2,141)	—	(2,695)
Unit Option Plan - options exercised (note 16(a))	1,533	56	277,311	9,805
Unit issuance (net of costs)	477,100	20,079	4,143,108	152,079
Units, end of year	127,737,851	\$3,902,655	127,259,218	\$3,884,661

During the three months and year ended December 31, 2021, Allied issued 477,100 Units under the at-the-market program ("ATM Program") at a weighted average price of \$44.07 per Unit for gross proceeds of \$21,028, and incurred commissions of \$315, for net proceeds of \$20,713. Issuance costs on the ATM Program were \$634 for the year ended December 31, 2021. The commissions and issuance costs were applied against the gross proceeds and charged against Unitholders' equity. The ATM Program is described in note 25(a).

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

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

Distributions

On January 17, 2022, Allied declared a distribution for the month of January 2022 of \$0.1458 per Unit, representing \$1.75 per Unit on an annualized basis to Unitholders of record as at January 31, 2022.

Normal Course Issuer Bid

On February 22, 2021, 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 12,531,845 of its outstanding Units, representing approximately 10% of its public float as at February 11, 2021. The NCIB commenced February 24, 2021, and will expire on February 23, 2022, or such earlier date as Allied completes its purchases pursuant to the NCIB. All purchases under the NCIB will be made on the open market through the facilities of the TSX or alternate trading systems in Canada at market prices prevailing at the time of purchase. Any Units that are repurchased will either be cancelled or delivered to participants under Allied's Restricted Unit Plan or to employees pursuant to Allied's employee programs.

During the year ended December 31, 2021, Allied purchased 58,923 Units for \$2,169 at a weighted average price of \$36.80 per Unit under its NCIB program, of which 58,260 Units were purchased for delivery to participants under Allied's Restricted Unit Plan and 663 Units were purchased for certain employee rewards outside of Allied's Restricted Unit Plan.

16. COMPENSATION PLANS

(a) Unit Option Plan

Allied adopted a Unit Option Plan providing for the issuance, from time to time, at the discretion of the trustees, of options to purchase Units for cash. Participation in the Unit Option Plan is restricted to certain employees of Allied. The Unit Option Plan complies with the requirements of the TSX. The exercise price of any option granted will not be less than the closing market price of the Units on the day preceding the date of grant. Options granted prior to February 22, 2017, vest evenly over three years and options granted subsequently vest evenly over four years from the date of grant. All options are settled in Units. Effective December 2021, no further options will be granted under the Unit Option Plan.

SUMMARY OF UNIT OPTION GRANTS:

Date granted	Expiry date	Unit options granted	Exercise price	Exercised - life to date	Forfeited - life to date	Net outstanding	Vested
March 1, 2016	March 1, 2026	540,480	\$31.56	(344,499)	(19,132)	176,849	176,849
February 22, 2017	February 22, 2027	279,654	\$35.34	(23,576)	—	256,078	256,078
February 14, 2018	February 14, 2028	198,807	\$40.30	(14,685)	—	184,122	134,999
February 13, 2019	February 13, 2029	323,497	\$47.53	(2,717)	(3,219)	317,561	167,007
February 5, 2020	February 5, 2030	352,230	\$54.59	—	(1,159)	351,071	99,849
February 3, 2021	February 3, 2031	442,233	\$36.55	(1,533)	—	440,700	7,890
		2,136,901		(387,010)	(23,510)	1,726,381	842,672

YEAR ENDED

	DECEMBER 31, 2021		DECEMBER 31, 2020	
	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	7.13	\$31.56-54.59	7.45

	YEAR ENDED			
	DECEMBER 31, 2021		DECEMBER 31, 2020	
	Number of Units	Weighted average exercise price	Number of Units	Weighted average exercise price
Balance, beginning of year	1,288,229	\$43.81	1,213,310	\$38.75
Granted	442,233	36.55	352,230	54.59
Forfeited during the year	(2,548)	50.92	—	—
Exercised	(1,533)	36.55	(277,311)	35.35
Balance, end of year	1,726,381	\$41.95	1,288,229	\$43.81
Units exercisable at the end of the year	842,672	\$40.05	548,396	\$37.25

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

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

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

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Unit options granted	442,233	352,230
Unit option holding period (years)	10	10
Volatility rate	21.38%	17.04%
Distribution yield	4.65%	3.00%
Risk-free interest rate	0.84%	1.36%
Value of options granted	\$1,441	\$2,187

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

For the year ended December 31, 2021, Allied recorded a share-based payment expense of \$1,740 (December 31, 2020 - \$1,988) in general and administrative expense in the consolidated statements of income and comprehensive income.

(b) *Restricted Unit Plan*

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

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Restricted Units, beginning of year	288,135	287,023
Granted	58,260	48,148
Expired	(49,585)	(45,640)
Forfeited	—	(1,396)
Restricted Units, end of year	296,810	288,135

For the year ended December 31, 2021, Allied recorded a share-based payment expense of \$2,376 (December 31, 2020 - \$2,804) in general and administrative expense in the consolidated statements of income and comprehensive income.

(c) *Restricted Trust Unit and Performance Trust Unit Plans*

In December 2021, Allied adopted a cash settled restricted and performance trust unit plan (the "RTU/PTU Plan") whereby performance trust units and/or restricted trust units (together, "Plan Units") are granted to certain employees at the discretion of the Board. Plan Units are subject to such vesting, settlement, performance criteria and adjustment factors as are established by the Board at the time of the grant and accumulate distribution equivalents in the form of additional Plan Units. The RTU/PTU Plan contains provisions providing for the vesting or forfeiture of unvested Plan Units within specified time periods in the event the employee's employment is terminated, and authorizes the Chief Executive Officer, in their discretion, to amend the vesting and settlement of Plan Units in certain circumstances where an employee's employment is terminated. At December 31, 2021, there were no Plan Units granted or outstanding.

17. WEIGHTED AVERAGE NUMBER OF UNITS

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

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Basic	127,305,384	124,427,715
Unit Option Plan	150,445	108,919
Fully diluted	127,455,829	124,536,634

18. TOTAL REVENUE

Total revenue includes the following:

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Rental revenue ⁽¹⁾	\$267,577	\$263,184
Tax and insurance recoveries	99,058	98,649
Miscellaneous revenue ⁽²⁾	26,221	23,801
Operating cost recoveries	176,030	174,693
Total rental revenue	\$568,886	\$560,327
Condominium revenue	—	178
Total revenue	\$568,886	\$560,505

(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:

	2022	2023	2024	2025	2026	THEREAFTER	TOTAL
Future minimum rental income	\$302,492	\$285,037	\$263,846	\$236,482	\$207,146	\$1,012,818	\$2,307,821

19. GENERAL AND ADMINISTRATIVE EXPENSES

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Salaries and benefits	\$21,683	\$18,080
Professional and trustee fees	4,481	4,319
Office and general expenses	5,816	4,628
	\$31,980	\$27,027
Capitalized to qualifying investment properties	(6,146)	(4,812)
Total general and administrative expenses	\$25,834	\$22,215

20. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents include the following components:

	DECEMBER 31, 2021	DECEMBER 31, 2020
Cash	\$22,548	\$45,012
Short-term deposits	—	500
Total cash and cash equivalents	\$22,548	\$45,512

The following summarizes supplemental cash flow information in operating activities:

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Supplemental		
Interest paid on debt (including capitalized interest and financing prepayment costs (note 11))	\$152,840	\$97,521

The following summarizes supplemental cash flow information in investing activities:

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Supplemental		
Mortgages assumed (note 4)	\$51,750	\$10,000

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

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Net change in accounts receivable, prepaid expenses and deposits	\$7,391	\$65,492
Add back: Prepaid expenses and deposits	—	13,202
Add back: Deposits on acquisitions	268	3,550
Net change in loans and notes receivable	(45,126)	(84,322)
Less: Proceeds from notes receivable	(1,927)	(253)
Less: Proceeds from loans receivable	(382)	—
Add back: Loan receivable issued to third-party	47,435	77,927
Add back: Non-cash interest income	9,335	6,259
Net change in accounts payable and other liabilities	6,879	59,614
Less: Non-cash interest expense	(7,037)	(6,092)
Less: Distributions payable to Unitholders	(603)	(1,160)
Add back (less): Interest rate swap liabilities	21,597	(15,819)
Less: Accrued amounts from acquired properties (net of assumed mortgage premiums)	(2,984)	(9,189)
Change in non-cash operating items	\$34,846	\$109,209

21. JOINT OPERATIONS

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

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

PROPERTIES	LOCATION	CURRENT STATUS	OWNERSHIP	
			DECEMBER 31, 2021	DECEMBER 31, 2020
478 King W ⁽¹⁾	Toronto, ON	Rental Property	100%	50%
642 King W	Toronto, ON	Rental Property	50%	50%
731-10th SW ⁽³⁾	Calgary, AB	Rental Property	100%	50%
802-838 11th SW, Glenbow Assembly ⁽³⁾	Calgary, AB	Rental Property	100%	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 ⁽³⁾	Calgary, AB	Rental Property	100%	50%
The Well ⁽²⁾	Toronto, ON	Property Under Development	50%	50%

(1) Allied acquired the remaining 50% interest in 478 King W on April 22, 2021.

(2) 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 parking and transfer floor slab developments along with air rights, which were sold by the co-ownership in 2016, with the first, second, third and fourth phases closed on December 23, 2020, April 7, 2021, June 11, 2021, and December 20, 2021, respectively, and the last phase is expected to close by the end of the first quarter of 2022 when certain specified conditions are met. The commercial component is comprised of the office and retail components of the property under development.

(3) Allied acquired the remaining 50% interest in 731-10th SW, 802-838 11th SW, and Sherwin Block on October 19, 2021.

	DECEMBER 31, 2021	DECEMBER 31, 2020
Total assets	\$1,502,233	\$1,258,241
Total liabilities	\$444,135	\$340,930

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Revenue	\$16,072	\$18,267
Expenses	(8,199)	(10,088)
Income before fair value adjustment on investment properties	7,873	8,179
Fair value gain on investment properties	82,050	18,066
Net income	\$89,923	\$26,245

22. SEGMENTED INFORMATION

IFRS 8, *Operating Segments*, requires reportable segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and assessing its performance. Allied has determined that its CODM is the President and Chief Executive Officer. Allied’s operating segments are managed by use of properties and geographical locations. Urban Data Centres are comprised of properties operating similar to data centres and colocation facilities. The urban office properties are managed by geographic location consisting of three areas.

The CODM measures and evaluates the performance of Allied’s operating segments based on net rental income and condominium profits. Condominium profits during the year ended December 31, 2021, were \$nil (December 31, 2020 - \$178).

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

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

The following summary tables present a reconciliation of operating income to net income for the years ended December 31, 2021 and 2020.

SEGMENTED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2021	MONTREAL TORONTO & & OTTAWA KITCHENER	CALGARY, EDMONTON & VANCOUVER ⁽¹⁾	URBAN DATA CENTRES MINIMUMS	CONDO-	JOINT VENTURE (TELUS SKY) ⁽²⁾	TOTAL
Rental revenue	\$201,222	\$209,095	\$67,389	\$96,087	\$—	\$568,886
Property operating costs	(99,074)	(79,318)	(29,674)	(34,703)	—	(239,495)
Net rental income	\$102,148	\$129,777	\$37,715	\$61,384	\$—	\$—
Condominium revenue	—	—	—	—	—	—
Operating income	\$102,148	\$129,777	\$37,715	\$61,384	\$—	\$329,391
Interest expense						(120,145)
General and administrative expenses						(25,834)
Condominium marketing expenses						(573)
Amortization of other assets						(1,167)
Interest income						28,023
Fair value gain on investment properties and investment properties held for sale						217,557
Fair value gain on derivative instruments						16,350
Net loss from joint venture						(451)
Net income and comprehensive income						\$443,151

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

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

SEGMENTED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

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

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

23. INCOME TAXES

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

24. RELATED PARTY TRANSACTIONS

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

Allied engages in third-party property management business, including the provision of services for properties in which a trustee of Allied has an ownership interest. For the year ended December 31, 2021, real estate service revenue earned from these properties was \$413 (December 31, 2020 - \$368).

As at December 31, 2021, the loan to the TELUS Sky joint venture has a balance outstanding of \$113,287 (December 31, 2020 - \$113,287) (see note 7).

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

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

	YEAR ENDED	
	DECEMBER 31, 2021	DECEMBER 31, 2020
Salary, bonus and other short-term employee benefits	\$4,906	\$3,816
Unit-based compensation	3,177	3,849
Total	\$8,083	\$7,665

25. RISK MANAGEMENT

(a) *Capital management*

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

Various debt, equity and earnings distributions ratios are used to monitor capital adequacy requirements. For debt management, debt to gross book value and fair value, debt average term to maturity, and variable debt as a percentage of debt are the primary ratios used in capital management. The Declaration of Trust requires Allied to maintain debt to gross book value, as defined by the Declaration of Trust, of less than 60% (65% including convertible debentures, if any) and the variable rate debt and debt having maturities of less than one year to not exceed 15% of gross book value. As at December 31, 2021, the debt to gross book value ratio was 33.5% (December 31, 2020 - 29.2%) and debts having variable interest rates or maturities of less than one year aggregated to 4.2% of gross book value (December 31, 2020 - 0.9%).

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

Allied has certain key financial covenants in its Unsecured Debentures, Unsecured Facilities and unsecured term loan. The key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are evaluated by Allied on an ongoing basis to ensure compliance with the agreements. Allied was in compliance with each of the key financial covenants under these agreements as at December 31, 2021.

(b) *Market risk*

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in market prices. Allied is exposed to interest rate risk on its borrowings. All of Allied's mortgages payable as at December 31, 2021 are at fixed interest rates and are not exposed to changes in interest rates during the term of the debt. However, there is interest rate risk associated with Allied's fixed interest rate term debt due to the expected requirement to refinance such debts upon maturity. As fixed rate debt matures and as Allied utilizes additional floating rate debt under the Unsecured Facilities, Allied will be further exposed to changes in interest rates. As at December 31, 2021, the Unsecured Facilities, which are at floating interest rates and are exposed to changes in interest rates, had a balance outstanding of \$365,000 (December 31, 2020 - \$60,000). Also, Allied has construction loans payable, of which \$70,648 are subject to floating interest rates and are exposed to changes in interest rates (December 31, 2020 - \$13,053). In addition, there is a risk that interest rates will fluctuate from the date Allied commits to a debt to the date the interest rate is set with the lender. As part of its risk management program, Allied endeavours to maintain an appropriate mix of fixed rate and floating rate debt, to stagger the maturities of its debt and to minimize the time between committing to a debt and the date the interest rate is set with the lender.

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

AS AT DECEMBER 31, 2021	-1.0%		+1.0%
	CARRYING AMOUNT	INCOME IMPACT	INCOME IMPACT
Unsecured facility	\$365,000	\$3,650	\$(3,650)
Construction loans payable	\$70,648	\$706	\$(706)
Mortgages payable due within one year	\$5,105	\$51	\$(51)

(c) *Credit risk*

As Allied has provided loans and advances to facilitate property development, further credit risks arise in the event that borrowers default on the repayment of their amounts owing to Allied. Allied's loans and advances will be subordinate to prior ranking mortgages or charges. As at December 31, 2021, Allied had \$367,579 outstanding in loans receivable (December 31, 2020 - \$320,526) and \$113,287 outstanding in joint venture loan receivable (December 31, 2020 - \$113,287). In the event of a large commercial real estate market correction, the fair market value of an underlying property may be unable to support the loan value. Allied mitigates this risk by obtaining corporate guarantees and/or registered mortgage charges and assignment of leases, performing credit checks on potential borrowers, monitoring the financial and operating performance of borrowers, monitoring the status of development projects and ensuring interest payments are made on time. The expected credit losses estimated by Management, giving consideration to the factors above, as at December 31, 2021, are \$nil (December 31, 2020 - \$nil) (note 8).

Credit risk from user receivables arises from the possibility that users may experience financial difficulty and be unable to fulfill their lease commitments, resulting in Allied incurring a financial loss. Allied manages credit risk to mitigate exposure to financial loss by staggering lease maturities, diversifying revenue sources over a large user base, ensuring no individual user contributes a significant portion of Allied's revenues and conducting credit reviews of new users. The expected credit losses estimated by Management at December 31, 2021, are \$9,177 (December 31, 2020 - \$6,649) (note 10 (a)).

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

	DECEMBER 31, 2021	DECEMBER 31, 2020
Less than 30 days	\$4,204	\$3,632
30 to 60 days	2,190	2,591
More than 60 days	10,265	10,631
Total	\$16,659	\$16,854

As at December 31, 2021, accounts receivable includes \$1,533 which is expected to be collected pursuant to the CERS and other government subsidies. As at December 31, 2020, accounts receivable includes \$2,000, which was collected pursuant to the CERS.

(d) *Liquidity risk*

Liquidity risk arises from the possibility of not having sufficient capital available to fund ongoing operations or the ability to refinance or meet obligations as they come due. Mitigation of liquidity risk is also managed through credit risk as discussed above. A portion of Allied's assets have been pledged as security under the related mortgages and other security agreements. Interest rates on the mortgages payable are between 2.77% and 4.30% for December 31, 2021 (December 31, 2020 - 3.59% and 4.80%).

Allied entered into interest rate derivative contracts to limit its exposure to fluctuations in interest rates on \$250,000 of its variable rate unsecured term loan and \$62,048 of its construction loans (December 31, 2020 - \$250,000 and \$37,881, respectively). As at December 31, 2021, Allied repaid all of its variable rate mortgages payable (December 31, 2020 - \$81,682) and exited its associated interest rate derivative contracts on these mortgages payable with a cash settlement of \$3,781. Gains or losses arising from the change in fair values of the interest rate derivative contracts are recognized in the consolidated statements of income and comprehensive income. For the year ended December 31, 2021, Allied recognized as part of the change in fair value adjustment on derivative instruments a fair value gain of \$16,350 (December 31, 2020 - a fair value loss of \$17,996).

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:

	2022	2023	2024	2025	2026	THEREAFTER	TOTAL
Mortgages payable	\$8,970	\$18,589	\$51,753	\$7,842	\$23,199	\$21,179	\$131,532
Construction loans payable	33,394	63,553	40,328	—	—	—	137,275
Unsecured facility	9,673	9,673	9,673	365,806	—	—	394,825
Unsecured Debentures	74,485	74,485	74,485	270,849	662,035	1,978,057	3,134,396
Unsecured term loan	8,740	8,740	8,740	8,740	8,740	285,295	328,995
Total	\$135,262	\$175,040	\$184,979	\$653,237	\$693,974	\$2,284,531	\$4,127,023

26. COMMITMENTS AND CONTINGENCIES

Allied has entered into commitments for acquisitions, development activity and building renovations from leasing activity. The commitments as at December 31, 2021 were \$473,779 (December 31, 2020 - \$335,344).

Commitments as at December 31, 2021 of \$354 (December 31, 2020 - \$551) were held within equity accounted investments.

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

Allied, through a financial intermediary, has issued letters of credit in the amount of \$28,256 as at December 31, 2021 (December 31, 2020 - \$24,578).

27. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, Allied issued 211,800 Units under the ATM Program at a weighted average price of \$44.02 per Unit for gross proceeds of \$9,324, and incurred commissions of \$140, for net proceeds of \$9,184.

On January 24, 2022, Allied and its partners closed on the fifth and final phase of The Well air rights, the associated underground parking and transfer floor slab developments for net cash consideration of \$14,841 (at Allied's share), which represented the fair value at the time of disposition so there is no gain or loss on disposition.

ALLIED PROPERTIES REIT

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