



ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

JUNE 30, 2005

DATED AUGUST 9, 2005

TABLE OF CONTENTS

PART I	
Forward-Looking Disclaimer	3
Business Overview and Strategy	4
Business Environment and Outlook	6
PART II	
Summary Information and Performance for the Period ended June 30, 2005	8
Distributable Income	10
Funds From Operations	11
PART III	
Financial Condition	12
Liquidity and Commitments	13
PART IV	
Summary Information and Performance for the Quarter ended June 30, 2005	15
Part V	
Summary Quarterly Information and Performance	17
Part VI	
Critical Accounting Estimates	18
PART VII	
Related Party Transactions	19
PART VIII	
Risk and Uncertainties	20
PART IX	
Subsequent Events	22

PART I

Forward-Looking Disclaimer

Management's discussion and analysis of results of operations and financial condition ("MD&A") should be read in conjunction with the financial statements and notes thereto of Allied Properties Real Estate Investment Trust ("REIT") as at June 30, 2005, and December 31, 2004. Unless otherwise indicated, dollar amounts in this MD&A are in thousands.

This MD&A contains forward-looking statements relating to the REIT's operations and the environment in which the REIT operates, which are based on expectations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. Management believes that the expectations reflected in forward-looking statements are based on reasonable assumptions but can give no guarantees or assurances that actual results will be consistent with these forward-looking statements.

Many factors could cause actual results to differ from the forward-looking statements in this MD&A. Important factors that could cause actual results to differ include, but are not limited to, the following:

- the results of the REIT's efforts to implement its acquisition strategies;
- the effect of economic conditions, including rising interest rates;
- the REIT's ability to generate sufficient cash flow from rental properties;
- the REIT's ability to maintain occupancy and to lease or re-lease space at favourable rents on a timely basis;
- tenants' financial difficulties;
- changes in operating costs;
- the cost of the REIT's equity and debt capital;
- changes in the REIT's capital requirements and availability of financing;
- the actions of the REIT's competitors and its ability to respond to those actions; and
- environmental uncertainties and disasters and the ability to obtain adequate insurance coverage at reasonable cost.

These forward-looking statements are made as of August 9, 2005, and the REIT undertakes no obligation to update publicly any such statements to reflect new information or the occurrence of future events or circumstances.

August 9, 2005

Business Overview and Strategy

The REIT is an unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust dated October 25, 2002, as amended and restated on February 6, 2003 (“Declaration”). The REIT is governed by the laws of Ontario. The units of the REIT are publicly traded on the Toronto Stock Exchange under the symbol AP.UN. Additional information relating to the REIT is available on SEDAR at www.sedar.com.

The objectives of the REIT are to provide stable and growing cash distributions to its unitholders and to maximize unitholder value through the effective management and the accretive growth of its portfolio.

The REIT completed its Initial Public Offering (“IPO”) on February 20, 2003. The net proceeds of the IPO were used to acquire a portfolio of 14 predominantly Class I office properties in downtown Toronto with approximately 820,000 square feet of gross leasable area (“GLA”). The REIT acquired eight additional properties in 2003 and 2004, seven in downtown Toronto and one in downtown Montreal, bringing the 2004 year-end total to 22 properties with 1.64 million square feet of GLA.

The REIT has made the following acquisitions in 2005, bringing the portfolio to 26 properties with nearly two million square feet of GLA:

Class I Office Property	Acquired	Office GLA	Retail GLA	Total GLA	Occupancy
469 King Street West, Toronto	Jan 1, 2005	62,639	11,250	73,889	100.0%
3575 Saint-Laurent Boulevard, Montreal	April 18, 2005	164,344	17,464	181,808	87.6%
115 Bannatyne Avenue, Winnipeg	June 1, 2005	34,495	4,815	39,310	94.02%
602-606 King Street West	July 8, 2005	39,516	19,947	59,463	97.2%

The REIT’s portfolio of predominantly Class I office properties accommodates a diversified base of business tenants. Class I office properties are created through the adaptive re-use of light industrial structures in urban areas. They typically feature high ceilings, abundant natural light, post and beam structural frames, exposed interior brick and hardwood floors. When restored and retrofitted to the standards of the REIT’s portfolio, Class I buildings can satisfy the needs of the most demanding office and retail tenants. When operated in the coordinated manner of REIT’s portfolio, these buildings become a vital part of the urban fabric and contribute meaningfully to a sense of community.

The REIT is a leading provider of Class I office and ancillary retail space and intends to build on this advantage through ongoing consolidation of large, fragmented and growing target markets. Through this consolidation, the REIT will strive to realize ever greater operating efficiencies, to diversify further its tenant mix and to reduce further its exposure to any particular tenant.

The REIT has an option agreement (“Option Agreement”) with Allied Canadian Corporation (“Developer”), a leading developer of Class I office properties, pursuant to which the Developer must offer to sell to the REIT at fair market value all developed or redeveloped office properties upon substantial completion. Three of the properties in the REIT’s portfolio were acquired pursuant to the Option Agreement.

The REIT’s portfolio has operated stably. The chart below summarizes the levels of leased area in the portfolio since the REIT’s IPO:

	IPO	Dec 31, 2003	Dec 31, 2004	June 30, 2005
GLA (square feet)	820,120	984,856	1,636,343	1,924,997
% leased	96.9	97.5	99.2	97.3

Stable portfolio operations and manageable growth in assets have enabled the REIT to achieve its overriding objective of providing regular and growing cash distributions to unitholders. The chart below summarizes the annualized cash distribution level and the total annual return for each fiscal year since the REIT’s IPO and the total return for the half-year ended June 30, 2005:

	IPO Feb 20, 2003	Dec 31, 2003	Dec 31, 2004	June 30, 2005
Distribution level per unit annualized	\$1.10	\$1.10	\$1.14	\$1.18
Total return with reinvestment	NA	40.7%	17.6%	17.6%
Total return without reinvestment	NA	38.0%	15.2%	17.3%

The REIT measures the long-term success of its strategies through key financial and operating performance indicators.

Financial Indicators

1. Distributions

The REIT is focused on increasing distributions to its unitholders on a regular and prudent basis. During its first 12 months of operations, the REIT made regular monthly distributions of \$1.10 per unit on an annualized basis. In March of 2004, the REIT increased its monthly distributions by 3.6% to \$1.14 per unit on an annualized basis. In March of 2005, the REIT increased its monthly distributions by 3.5% to \$1.18 per unit on an annualized basis.

2. Distributable Income

Increasing distributions can be achieved prudently by increasing Distributable Income. In 2003, the REIT forecast \$1.06 per unit in Distributable Income and achieved \$1.122 per unit. In 2004, Distributable Income was \$1.325 per unit, up 18% from the abbreviated comparable period in 2003. In the first half of 2005, Distributable Income was \$0.671 per unit, up 6.4% from the same period in 2004.

3. Pay-out Ratio

To ensure it retains sufficient cash to meet its capital improvement and leasing objectives, the REIT will strive to maintain an appropriate pay-out ratio, the ratio of actual distributions in a given period to Distributable Income in such period. In 2003, the REIT forecast a pay-out ratio of 90% and achieved a pay-out ratio of 85%. In 2004, the REIT achieved a pay-out ratio of 88.1%. In the first half of 2005, the REIT achieved a pay-out ratio of 89.6%.

4. Debt Ratio

Gross Book Value ("GBV") is defined in the Declaration as the book value of the assets of the REIT shown on the most recent balance sheet plus accumulated depreciation and amortization. A conservative ratio of debt to GBV ("Debt Ratio") mitigates unitholder risk. In 2003, the REIT forecast a 56% Debt Ratio and finished the year with a 51% Debt Ratio. As at December 31, 2004, the Debt Ratio was 56.3%. As at June 30, 2005, the Debt Ratio was 44.8%, a level that Management considers to be abnormally low. Management expects the Debt Ratio to increase to more normal levels over the balance of 2005. See "Subsequent Events".

Operating Indicators

1. Tenant Retention and Replacement

The REIT places a high value on tenant retention, as the cost of retention is typically lower than the cost of securing new tenancies. If retention is neither possible nor desirable, the REIT will strive for high-quality replacement tenants. Leases representing 207,584 square feet of GLA mature 2005. As at June 30, 2005, the REIT had renewed leases representing 47,495 square feet of this GLA and re-leased another 53,911 square feet of this GLA, representing 49% of the GLA covered by the maturing leases. It had also renewed leases representing 41,969 square feet of GLA maturing in 2006.

2. Occupancy

The REIT strives to maintain consistently high levels of occupancy. By the end of 2003, the REIT increased its leased area to 97.5%. By the end of 2004, the REIT's leased area was 99.2%. As at June 30, 2005, the REIT's leased area was 97.3%.

3. Same-Asset Net Operating Income

The REIT strives to maintain or increase same-asset net operating income over time. Same-asset refers to those properties that were owned and operated by the REIT for the entire period in question and for the same period in the prior year. Ignoring the step-rent revenue and the amortization of the fair value assigned to above-market and below-market rents with respect to acquired properties (the marked-to-market rent adjustment), the same-asset net operating income was \$8,642 in the first half of 2005, \$585 higher than the comparable period in 2004.

4. Leasing Expenditures

The REIT monitors leasing expenditures carefully. In 2004, the REIT incurred substantial leasing expenditures in connection with the leasing of space that was vacant or substantially un-renovated at the time of the IPO or significantly reconfigured to accommodate high-value new tenancies. The REIT does not anticipate similar or comparable leasing expenditures in 2005. During the first half of 2005, the REIT leased or renewed leases on 156,954 square feet of GLA. As at June 30, 2005, the REIT incurred or committed to \$1,786 in leasing expenditures in connection with this leasing activity. This represents \$11.37 per square foot of space leased in the first half of 2005.

5. Capital Expenditures

The REIT strives to maintain the properties in its portfolio in top physical condition. In 2004, the REIT incurred substantial capital expenditures in connection with base-building improvements made to space that was vacant or substantially un-renovated at the time of the IPO or significantly reconfigured to accommodate high-value new tenancies. The REIT does not anticipate similar or comparable expenditures in 2005. As at June 30, 2005, the REIT incurred \$182 in expenditures for capital improvements. This represents \$0.11 per square foot of the REIT's portfolio at the outset of 2005.

Summary

The following table summarizes the key financial and operating performance indicators for the period ended June 30, 2005, and June 30, 2004, as well as the change between the two periods.

	First Half 2005	First Half 2004	Change
Distribution level per unit annualized	\$1.18	\$1.14	\$0.04
Distributable Income per unit	\$0.671	\$0.631	\$0.040
Pay-out ratio	89.6%	94.6%	(5.0%)
Debt Ratio	44.8%	52.3%	(7.5%)
Renewal/replacement % of leases maturing in 2005/2004	49%	93%	(44%)
End of Period Occupancy	97.3%	98.5%	(1.2%)
Same-asset net operating income	\$8,642	\$8,057	\$585
Leasing costs per leased square foot	\$11.37	\$13.11	(\$1.74)
Capital expenditures per portfolio square foot	\$0.11	\$1.32	(\$1.21)

Business Environment and Outlook

The strengthening of the downtown Toronto office market continued into the first half of 2005 with the overall vacancy rate declining to 10.1% and the Class I category recording positive absorption of 121,274 square feet.¹

The downtown Montreal office market has been flat in 2005, and it remains more a tenants' than a landlords' market. While Class I office space is not tracked separately, there is data available on the Old Montreal sub-market. In the first half of 2005, there was positive absorption of 43,551 square feet in Old Montreal.²

This strengthening of the downtown Winnipeg office market continued in the first half of 2005 with the overall vacancy rate in the downtown Winnipeg office market declining to 7.5%³. Class I office space is not tracked separately in Winnipeg.

In summary, the REIT's target markets are stable, with little new supply of office space generally and Class I office space in particular. Combined with the operating advantages stemming from the size and

¹ Colliers International, *Office Quarterly Update for Greater Toronto, Second Quarter 2005*.

quality of the REIT's portfolio, the stable markets afford Management a reasonable basis for confidence in the REIT's near-term performance and in the REIT's ability to sustain a manageable rate of growth.

The REIT intends to continue the consolidation process in its Toronto target market and to expand the foothold it has established in its Montreal and Winnipeg target markets. In doing so, it will continue to focus on its competitive strengths -- convenient locations, distinctive internal and external environments and significantly lower overall occupancy costs. It will also continue to work with existing and prospective tenants to remain a preferred provider of office space in its target markets.

The REIT has not established a rigid target in terms of the allocation of its portfolio between the Toronto, Montreal and Winnipeg target markets. As at June 30, 2005, the properties in the Toronto, Montreal and Winnipeg target markets represent 78.5%, 19.5% and 2%, respectively, of the total GLA in the portfolio.

² Colliers International, *Market at a Glance, Old Montreal Office Market, Second Quarter, 2005*.

³ Royal LePage, *Winnipeg Office Market Pulse, Second Quarter, 2005*.

PART II

Summary Information and Performance for the Period ended June 30, 2005

The following sets out summary information and financial results for the period ended June 30, 2005, and the comparable period in 2004 and the change between the two.

(In thousands except for per unit and percentage amounts)	First Half 2005	First Half 2004	Change	% Change
Revenue from rental properties	\$24,057	\$14,712	\$9,345	63.5%
Rental property operating cost	8,677	4,995	3,682	73.7%
Net rental income	15,380	9,717	5,663	58.3%
Financing expense				
Interest	4,690	3,151	1,539	48.8%
Amortization - Mortgage premium	(203)	(228)	25	(11.0%)
Depreciation and amortization				
Rental properties	2,830	1,840	990	53.8%
Deferred leasing costs (tenant inducements and leasing commissions)	252	52	200	384.6%
Fair value origination cost and tenant relationship for in place leases on acquisition	2,068	363	1,705	469.7%
Deferred financing cost	96	40	56	140.0%
Income from operations	5,647	4,499	1,148	25.5%
Trust expense	966	878	88	10.0%
Net income	4,681	3,621	1,060	29.3%
Amortization on rental properties	2,830	1,840	990	53.8%
Amortization on mortgage premium	(203)	(228)	25	(11.0%)
Amortization of cost of acquired leases	914	246	668	271.5%
Amortization of M-T-M acquired leases	48	(87)	135	(155.2%)
Amortization of acquired tenant relationships	1,154	117	1,037	886.3%
Step-rent adjustments	(755)	(674)	(81)	12.0%
Compensation expenses, LTIP	109	63	46	73.0%
Distributable Income ¹	\$8,778	\$4,898	\$3,880	79.2%
Weighted average units outstanding (basic)	13,082	7,767	5,315	68.4%
Weighted average units outstanding (diluted)	13,314	7,818	5,496	70.3%
Distributable Income per unit (basic)	\$0.671	\$0.631	\$0.040	6.4%
Distributable Income per unit (diluted)	\$0.659	\$0.627	\$0.033	5.2%
Distributions	7,866	4,634	3,232	69.7%
Pay-out ratio	89.6%	94.6%	(5.0%)	
Funds from operations	9,831	5,876	3,955	67.3%
Funds from operations per unit (basic)	\$0.751	\$0.757	(\$0.005)	(0.7%)
Funds from operations per unit (diluted)	\$0.738	\$0.752	(\$0.013)	(1.8%)
Net operating income	14,673	8,956	5,717	63.8%
Net income per unit (basic)	\$0.358	\$0.466	(\$0.108)	(23.2%)
Net income per unit (diluted)	\$0.352	\$0.463	(\$0.112)	(24.1%)
Total assets	309,822	236,330	73,492	31.1%
Total debt (excludes premium on assumed debt)	144,596	125,247	19,349	15.4%
Debt to GBV	44.8%	52.3%	(7.50%)	
Total GLA (square feet)	1,925	1,428	497	34.8%
Leased GLA (square feet)	1,885	1,407	478	34.0%
Leased GLA (% total GLA)	97.3%	98.5%	(1.2%)	

¹ Distributable Income, which is not defined within Canadian generally accepted accounting principles, has been calculated in accordance with the terms of the Declaration.

Net income for the period ended June 30, 2005, increased by 29.3% to \$4,681 from \$3,621 in the period ended June 30, 2004. Net income per unit (basic) for the period was \$0.358, as compared to \$0.466 in the comparable period.

Distributable Income for the period ended June 30, 2005, increased by 79.2% to \$8,778 from \$4,898 for the period ended June 30, 2004. Distributable Income per unit (basic) for the period was \$0.671, as compared to \$0.631 in the comparable period.

Net Rental Income

Net rental income for the period ended June 30, 2005, increased by 58.3% to \$15,380 from \$9,717 in the period ended June 30, 2004, as follows:

- (i) \$328 due to the increase in same-asset net rental income from properties owned for the entire period and the entire comparable period; and
- (ii) \$5,335 due to net rental income from properties acquired in 2004 and the period.

Net rental income per occupied square foot for the period ended June 30, 2005, was \$8.21, as compared to \$6.91 in the period ended June 30, 2004.

Financing Expense

Financing expense includes interest cost on mortgage debt and other credit facilities and the amortization of the premiums and discounts on assumed mortgages. The amortization of the premiums and discounts on assumed mortgages reduced financing expense by \$203 in the period ended June 30, 2005.

Financing expense for the period ended June 30, 2005, increased by 53.5% to \$4,487 from \$2,923 in the period ended June 30, 2004, due to the increase in financing expense associated with properties acquired in 2004 and in the period.

Depreciation and Amortization

Effective January 1, 2004, the REIT records depreciation on its buildings on a straight-line basis over their expected life. (In 2003, the REIT recorded depreciation on its buildings on a 5%, 40-year sinking fund basis).

Depreciation recorded on buildings for the period ended June 30, 2005, increased by 53.8% to \$2,830 from \$1,840 in the period ended June 30, 2004, due to the \$979 increase in depreciation associated with properties acquired in 2004 and in the period and the \$11 increase in same-asset depreciation associated with properties owned for the entire period and the comparable period.

The REIT records amortization of deferred leasing costs and the assigned fair value of the origination costs and tenant relationships for in-place leases acquired on acquisition of a rental property on a straight-line basis over the term of the corresponding lease. Deferred financing cost is amortized on a straight-line basis over the term of the corresponding debt.

Trust Expenses

Trust expense includes cost incurred by the REIT that is not directly attributable to rental property, such as officers' compensation, trustees' fees, professional fees for legal and audit services, trustees' and officers' insurance premiums and general administrative expenses.

Trust expense for the period ended June 30, 2005, increased by 10.0% to \$966 from \$878 in the period ended June 30, 2005, due to an increase in management staff, an increase in salaries and the non-cash expense associated with the REIT's Long-Term Incentive Plan ("LTIP").

Leasing Activity

15,555 square feet of GLA were vacant at the beginning of 2005. During the period ended June 30, 2005, the REIT

- (i) acquired properties with 10,065 square feet of vacant GLA, bringing the total originally vacant GLA to 25,620 square feet, and
- (ii) leased 13,579 square feet of the 25,620 square feet of originally vacant GLA, leaving 12,041 square feet of the originally vacant GLA vacant at the end of the period.

Leases for 207,584 square feet of GLA mature in 2005. During the period ended June 30, 2005, the REIT

- (i) renewed or replaced leases for 28,181 square feet of the 68,824 square feet of GLA that matured in the period, leaving 40,643 square feet of the GLA that matured in the period vacant at the end of the period,
- (ii) renewed or replaced 73,225 square feet of GLA maturing in the third and fourth quarters of 2004 and
- (iii) renewed leases representing 41,969 square feet of GLA maturing in 2006.

On April 18, 2005, the REIT acquired 3575 Saint-Laurent Boulevard in Montreal. Immediately following this acquisition, the REIT began to rationalize the utilization of space within the building with a view to facilitating the expansion of existing larger tenants and to increasing both the net rent per occupied square foot and the total leasable area in the building. The REIT expects the temporary increase in vacancy at the building, which is reflected in the figures above, to be more than offset by the benefits sought from the rationalization.

Capital Expenditures

The REIT's portfolio requires ongoing investments for general capital improvements and tenant installation costs related to new and renewal leasing. These include the following: maintenance capital expenditures; in-suite or base-building improvements made in connection with the leasing of vacant space or the renewal or replacement of tenants occupying space covered by maturing leases; and improvement allowances, inducements and commissions paid in connection with the leasing of vacant space and the renewal or replacement of tenants occupying space covered by maturing leases. In the period ended June 30, 2005, expenditures for capital improvements were \$182 and expenditures for leasing were \$1,004. The leasing expenditures were incurred in connection with the leasing of space that was vacant as at December 31, 2004, or the renewal or replacement of tenants occupying space covered by maturing leases in 2005 and 2006.

Distributable Income

The REIT defines Distributable Income as the net income of the REIT determined in accordance with Canadian generally accepted accounting principles ("GAAP") adjusted by adding back or deducting as required:

- (i) depreciation on rental properties;
- (ii) amortization of the premiums or discounts on assumed mortgages;
- (iii) non-cash rental revenue recorded to recognize rental income rateably over the life of each lease;
- (iv) non-cash compensation expenses with respect to the long term incentive plan;
- (v) amortization of values ascribed in a building acquisition to in-place leases and customer relationships; and
- (vi) amortization of values ascribed in a building acquisition to above-market and below-market leases.

Distributable Income is a non-GAAP financial measure and should not be considered as an alternative to net income, cash flow from operations or any other measure prescribed under GAAP. The REIT

considers Distributable Income to be a measure of its overall operating performance and is one of Management's key performance indicators.

Pursuant to the Ontario Securities Commission Revised CSA Staff Notice 52-306, the Commission recommends that distributable cash (which is synonymous with Distributable Income) be reconciled to cash flows from operating activities as presented in the financial statements. Set out below is this reconciliation.

(In thousands except for unit and per unit amounts)	First Half 2005	First Half 2004
Cash from operating activities	\$6,922	\$5,283
Amortization, deferred leasing and financing cost	(348)	(92)
Change in non-cash operating items	2,204	(293)
Distributable Income¹	\$8,778	\$4,898

¹ Distributable Income, which is not defined within Canadian generally accepted accounting principles, has been calculated in accordance with the terms of the Declaration of Trust.

Distributions for the period ended June 30, 2005, were \$7,866, representing a pay-out ratio of 89.6%, as compared to distributions for the period ended June 30, 2004, of \$4,634, representing a pay-out ratio of 94.6%.

Funds From Operations

Funds From Operations ("FFO") is a non-GAAP financial measure and should not be considered as an alternative to net income, cash flow from operations or any other measure prescribed under GAAP. The REIT considers FFO to be an indicative measure of operating performance, which is widely used by the real estate industry. The following sets out FFO, calculated in accordance with recommendations of Real Property Association of Canada (formerly Canadian Institute of Public and Private Real Estate Companies) in its White Paper on Funds From Operations dated November 30, 2004.

(In thousands)	First Half 2005	First Half 2004
Net income	\$4,681	\$3,621
Amortization on rental properties	2,830	1,840
Amortization of deferred leasing expenses	252	52
Amortization of fair value of origination cost and tenant relationships for in-place leases on acquisition	2,068	363
FFO	\$9,831	\$5,876

PART III

Financial Condition

The REIT finances its operations through three sources of capital: (i) mortgage debt secured by the REIT's rental properties, (ii) secured short-term debt financing with Canadian chartered banks and (iii) equity. As at June 30, 2005, the REIT had mortgage debt of \$144,596, no outstanding bank indebtedness and unitholders' equity of \$149,204.

The Declaration provides for a maximum Debt Ratio of 60% excluding convertible debentures (or 65%, including the entire principal pursuant to any convertible debentures outstanding). GBV is defined in the Declaration to mean the book value of the assets of the REIT shown on the most recent balance sheet of the REIT plus accumulated depreciation and amortization. As at June 30, 2005, the Debt Ratio was 44.8%, compared to 56.3% as at December 31, 2004.

Unitholders' Equity

As at December 31, 2004, the REIT had a market capitalization of approximately \$143,323 based on a closing unit price of \$13.80 on the Toronto Stock Exchange. As at June 30, 2005, the REIT had a market capitalization of approximately \$229,061 based on a closing unit price of \$15.60.

In the period ended June 30, 2005, the REIT issued a total of 4,221,130 units for equity contributions of \$57,826. Costs incurred to issue the units were \$2,716. Units were issued as follows:

- (i) on January 4, 2005, the REIT issued 1.9 million units at \$13.00 per unit for gross proceeds of \$24,700;
- (ii) on April 18, 2005, the REIT issued 2.15 million units at \$14.00 per unit for gross proceeds of \$30.1 million;
- (iii) in the period ended June 30, 2005, the REIT issued 123,000 units at \$10.00 per unit for \$1,230 to certain officers and trustees who exercised options under the REIT's Unit Option Plan;
- (iv) in the period ended June 30, 2005, the REIT issued 76,224 units to certain officers and trustees under its long-term incentive plan at \$13.46 per unit for \$1,026, plus compensation costs of \$109; and
- (v) in the period ended June 30, 2005, the REIT issued 48,130 units under its distribution re-investment plan at an average price of \$13.73 per unit for \$661.

The REIT adopted a Unit Option Plan at the time of its IPO and granted at that time options to the trustees and officers of the REIT to acquire 345,000 units at an exercise price of \$10.00 per unit prior to February 19, 2008. In 2004, the maximum number of units reserved for the Unit Option Plan was reduced from 604,390 units to 345,000 units. In 2004 and in the period ended June 30, 2005, the trustees and officers of the REIT exercised 263,500 options in accordance with their terms. As at June 30, 2005, 81,500 options were outstanding, all of which had vested.

In May of 2004, the REIT adopted the LTIP whereby trustees and officers of the REIT (the "Participants") may from time to time, at the discretion of the Trustees and subject to regulatory approval, subscribe for units at a market price established in accordance with the provisions of the LTIP. The price for the units is payable as to 5% upon issuance and as to the balance (the "LTIP Loan") over 10 years with interest on the LTIP Loan at an annual rate established in accordance with the provisions of the LTIP. The units issued pursuant to the LTIP are registered in the name of a Custodian on behalf of the Participants who are the beneficial owners. The units are pledged to the REIT as security for payment of the LTIP Loan, and all distributions paid on the units are forwarded by the Custodian to the REIT and applied first on account of interest on the LTIP Loan and then to reduce the outstanding balance of the LTIP loans. The maximum number of units reserved for the LTIP is 259,390 units, of which 147,500 units were issued in 2004 and 76,224 in the period ended June 30, 2005.

Mortgages Payable

Mortgages payable as at June 30, 2005, consisted of mortgage debt of \$144,596 and premium on mortgages assumed (net of accumulated amortization) of \$846.

GAAP requires that the mortgages payable assumed on acquisition of properties be recorded at fair value. The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using market rates for debt of similar terms and credit risks.

The following sets out the maturity schedule of the REIT's mortgage debt, together with the weighted average interest on the mortgages that mature in the respective year.

	Periodic Principal Payments (\$000)	Balance Due at Maturity (\$000)	Total Principal (\$000)	% of Total Principal	Weighted Average Interest Rate of Maturing Mortgages (%)
2005	\$ 1,999	\$ -	\$ 1,999	1.4%	N/A
2006	3,977	9,931	13,908	9.6%	7.33%
2007	3,876	19,408	23,284	16.1%	6.44%
2008	3,091	14,404	17,495	12.1%	5.95%
2009	3,040	8,735	11,775	8.1%	6.84%
Thereafter	16,068	60,067	76,135	52.7%	
	\$32,051	\$ 112,545	\$ 144,596		

Interest rates on the mortgage debt are between 5.20% and 8.10% with a weighted average interest rate of 6.5%. The weighted average term of the mortgage debt is 6.2 years.

Each individual mortgage loan of the REIT is secured by a mortgage registered on title of a rental property and by security agreements covering assignment of rents and personal property with respect to such property. The mortgage debt provides the holder with recourse to the assets of the REIT.

The REIT attempts to stagger the maturity of its mortgages and to have mortgages maturing each year to be in a position to upward finance the principal amount of maturing mortgages. Additionally, the REIT attempts to maintain 15 to 20% of its rental properties free from traditional long-term mortgage financing with a view to providing these assets as security for bank credit facilities.

Bank Credit Facilities

The REIT has credit facilities with two Canadian chartered banks as follows:

- (i) a \$5 million revolving credit facility bearing interest at bank prime plus 1.0%, which matures on February 28, 2006 ("Acquisition Credit Facility"); and
- (ii) a \$25 million revolving credit facility bearing interest at bank prime plus 1.0%, which matures on May 31, 2006 ("New Credit Facility").

Subordinated mortgage charges and security agreements on three rental properties secure the Acquisition Credit Facility. First mortgage charges against four rental properties, subordinate mortgage charges against three other rental properties and security agreements on each of the seven properties secure the New Credit Facility.

In the period ended June 30, 2005, the average borrowings under the credit facilities were \$245. As at June 30, 2005, the borrowings under the credit facilities were \$nil.

Liquidity and Commitments

Net operating income generated from the rental properties is the primary source of liquidity to fund the REIT's financing expense, trust expenses and distributions to unitholders. The Declaration requires it to declare distributions each year not less than the greater of (i) 75% of its Distributable Income or (ii) an amount to ensure that the REIT will not be subject to tax on its income and capital gains. The REIT intends to pay distributions of approximately 85% to 90% of Distributable Income.

The REIT expects that increased financing on maturing mortgages will provide sufficient cash flow to fund mortgage repayments. The REIT plans to fund anticipated ongoing commitments, obligations, capital expenditures and leasing costs using cash flow from operations retained by the REIT and through available borrowing capacity under the New Credit Facility.

The Acquisition Credit Facility, the New Credit Facility, new mortgage indebtedness and the access to the public equity markets will provide the necessary capital the REIT requires for acquisitions. The REIT's acquisition capacity, meaning the ability of the REIT to acquire rental properties using un-utilized borrowing capacity while not exceeding the 60% Debt Ratio, is \$120 million.

As at June 30, 2005, the REIT had future commitments as set below.

(In thousands)	June 30, 2005
Leasing commissions	\$ 359
Tenant inducements	406
Building renovations	631
Operating costs	347
Acquisition of property management business	8,500
Acquisition of 602-606 King Street West, Toronto	11,300
	\$21,543

PART IV

Summary Information and Performance for the Quarter ended June 30, 2005

The following sets out summary information and financial results for the quarter ended June 30, 2005, and the comparable quarter in 2004 and the change between the two.

(In thousands except for per unit and percentage amounts)	Q2 2005	Q2 2004	Change	% Change
Revenue from rental properties	\$12,260	\$7,933	\$4,327	54.9%
Rental property operating cost	4,480	2,656	1,824	68.7%
Net rental income	7,780	5,277	2,503	47.4%
Financing expense				
Interest	2,317	1,738	579	33.3%
Amortization - Mortgage premium	(99)	(120)	21	(17.5%)
Depreciation and amortization				
Rental properties	1,461	1,001	460	46.01%
Deferred leasing costs (tenant inducements and leasing commissions)	139	35	104	297.1%
Fair value origination cost and tenant relationship for in place leases on acquisition	1,262	289	973	336.7%
Deferred financing cost	48	29	19	65.6%
Income from operations	2,652	2,305	347	15.1%
Trust expense	469	527	(58)	(11.0%)
Net income	2,183	1,778	405	22.8%
Amortization on rental properties	1,461	1,001	460	46.0%
Amortization on mortgage premium	(99)	(120)	21	(17.5%)
Amortization of cost of acquired leases	501	172	329	191.3%
Amortization of M-T-M acquired leases	24	(34)	58	(170.6%)
Amortization of acquired tenant relationships	761	117	644	550.4%
Step-rent adjustments	(350)	(361)	11	12.0%
Compensation expenses, LTIP	-	63	(63)	(100.0%)
Distributable Income ¹	\$4,481	\$2,616	\$1,865	71.3%
Weighted average units outstanding (basic)	14,036	8,396	5,640	67.2%
Weighted average units outstanding (diluted)	14,289	8,427	5,862	69.6%
Distributable Income per unit (basic)	\$0.319	\$0.312	\$0.008	2.5%
Distributable Income per unit (diluted)	\$0.314	\$0.310	\$0.003	1.0%
Distributions	4,295	2,638	1,657	62.8%
Pay-out ratio	95.8%	100.8%	(5.0%)	
Funds from operations	5,045	3,103	1,942	62.6%
Funds from operations per unit (basic)	\$0.359	\$0.370	(\$0.010)	(2.7%)
Funds from operations per unit (diluted)	\$0.353	\$0.368	(\$0.015)	(4.1%)
Net operating income	7,454	4,882	2,572	52.7%
Net income per unit (basic)	\$0.156	\$0.212	(\$0.056)	(26.6%)
Net income per unit (diluted)	\$0.153	\$0.211	(\$0.028)	(27.6%)
Total assets	309,822	236,330	73,450	31.1%
Total debt (excludes premium on assumed debt)	144,596	125,247	19,349	15.4%
Debt to GBV	44.8%	52.3%	(7.5%)	
Total GLA (square feet)	1,925	1,428	497	34.8%
Leased GLA (square feet)	1,885	1,407	478	34.0%
Leased GLA (% total GLA)	97.3%	98.5%	(1.2%)	

¹ Distributable Income, which is not defined within Canadian generally accepted accounting principles, has been calculated in accordance with the terms of the Declaration.

Net income for the quarter ended June 30, 2005, increased by 22.8% to \$2,183 from \$1,778 in the quarter ended June 30, 2004. Net income per unit (basic) for the quarter was \$0.156, as compared to \$0.212 in the comparable quarter.

Distributable Income for the quarter ended June 30, 2005, increased by 71.3% to \$4,481 from \$2,616 for the quarter ended June 30, 2004. Distributable Income per unit (basic) for the quarter was \$0.319, as compared to \$0.312 in the comparable quarter.

Net Rental Income

Net rental income for the quarter ended June 30, 2005, increased by 47.4% to \$7,780 from \$5,277 in the quarter ended June 30, 2004, as follows:

- (iii) \$87 due to the increase in same-asset net rental income from properties owned for the entire quarter and the entire comparable quarter; and
- (iv) \$2,416 due to net rental income from properties acquired not owned for the entire quarter and the entire comparable quarter.

Net rental income per occupied square foot for the quarter ended June 30, 2005, was \$4.13, as compared to \$3.75 in the quarter ended June 30, 2004.

Financing Expense

Financing expense includes interest cost on mortgage debt and other credit facilities and the amortization of the premiums and discounts on assumed mortgages. The amortization of the premiums and discounts on assumed mortgages reduced financing expense by \$99 in the quarter ended June 30, 2005.

Financing expense for the quarter ended June 30, 2005, increased by 37.1% to \$2,218 from \$1,618 in the quarter ended June 30, 2004, due to the increase in financing expense associated with additional properties acquired in 2004 and in the period ended June 30, 2005.

Depreciation and Amortization

Effective January 1, 2004, the REIT records depreciation on its buildings on a straight-line basis over their expected life. (In 2003, the REIT recorded depreciation on its buildings on a 5%, 40-year sinking fund basis).

Depreciation recorded on buildings for the quarter ended June 30, 2005, increased by 46.0% to \$1,461 from \$1,001 in the quarter ended June 30, 2004, due to the \$458 increase in depreciation associated with additional properties acquired and the \$2 increase in same-asset depreciation associated with properties owned for the entire quarter and the comparable quarter.

The REIT records amortization of deferred leasing costs and the assigned fair value of the origination costs and tenant relationships for in-place leases acquired on acquisition of a rental property on a straight-line basis over the term of the corresponding lease. Deferred financing cost is amortized on a straight-line basis over the term of the corresponding debt.

Trust Expenses

Trust expense includes cost incurred by the REIT that is not directly attributable to rental property, such as officers' compensation, trustees' fees, professional fees for legal and audit services, trustees' and officers' insurance premiums and general administrative expenses.

Trust expense for the quarter ended June 30, 2005, decreased by 11.0% to \$469 from \$527 in the quarter ended June 30, 2004, mainly due to no non-cash expense associated with the REIT's Long-Term Incentive Plan ("LTIP") offset by an increase in management staff and an increase in salaries.

PART V

Summary Quarterly Information and Performance

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

(In thousands except for per unit and percentage amounts)	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Revenue from rental properties	\$12,260	\$11,797	\$10,119	\$9,734	\$7,933	\$6,779	\$5,541	\$5,057
Rental property operating cost	4,480	4,197	3,664	3,369	2,656	2,339	1,776	1,610
Net rental income	7,780	7,600	6,455	6,365	5,277	4,440	3,765	3,447
Financing expense	2,218	2,269	2,117	1,957	1,618	1,305	1,200	1,086
Depreciation and amortization	2,910	2,336	1,958	1,855	1,354	941	263	241
Income from operations	2,652	2,995	2,380	2,553	2,305	2,194	2,302	2,120
Trust expense	469	497	382	305	527	351	303	282
Net income	2,183	2,498	1,998	2,248	1,778	1,843	1,999	1,838
Amortization on rental properties	1,461	1,369	1,194	1,175	1,001	839	246	220
Amortization on mortgage premium	(99)	(104)	(103)	(113)	(120)	(108)	(94)	(74)
Amortization of cost of acquired leases	501	413	308	267	172	73	-	-
Amortization of M-T-M acquired leases	24	24	31	38	(34)	(53)	-	-
Amortization of acquired tenant relationships	761	393	317	291	117	-	-	-
Step-rent adjustments	(350)	(405)	(276)	(375)	(361)	(313)	-	-
Compensation expense, LTIP	-	109	26	-	63	-	-	-
Distributable Income ¹	\$4,481	\$4,297	\$3,495	3,531	\$2,616	\$2,281	\$2,151	\$1,984
Weighted average units outstanding (basic)	14,036	12,118	10,226	10,200	8,396	7,138	6,352	6,087
Weighted average units outstanding (diluted)	14,289	12,329	10,389	10,348	8,427	7,174	6,365	6,087
Distributable Income per unit (basic)	\$0.319	\$0.355	\$0.342	\$0.346	\$0.312	\$0.320	\$0.338	\$0.326
Distributable Income per unit (diluted)	\$0.314	\$0.348	\$0.336	\$0.341	\$0.310	\$0.318	\$0.338	\$0.326
Distributions	4,295	3,557	2,939	2,933	2,638	1,996	1,675	1,675
Pay-out ratio	95.8%	82.7%	84.1%	83.1%	100.8%	87.5%	77.9%	84.4%
Funds from operations	5,045	4,786	3,912	4,062	3,103	2,772	2,225	2,068
Funds from operations per unit (basic)	\$0.359	\$0.395	\$0.383	\$0.398	\$0.370	\$0.388	\$0.247	\$0.341
Funds from operations per unit (diluted)	\$0.353	\$0.388	\$0.377	\$0.393	\$0.368	\$0.386	\$0.244	\$0.341
Net operating income	7,454	7,219	6,210	6,028	4,882	4,074	3,765	3,447
Net income per unit (basic)	\$0.156	\$0.206	\$0.195	\$0.220	\$0.212	\$0.258	\$0.222	\$0.303
Net income per unit (diluted)	\$0.153	\$0.203	\$0.192	\$0.217	\$0.211	\$0.257	\$0.220	\$0.303
Total assets	309,822	284,741	266,835	237,786	236,330	165,809	157,069	128,402
Total debt	144,596	147,418	154,273	125,514	125,247	87,207	80,891	66,827
Total debt to GBV	44.8%	50.0%	56.3%	52.1%	52.3%	52.7%	51.2%	51.8%
Total GLA (sq. ft)	1,925	1,703	1,641	1,430	1,428	1,042	984	820
Leased GLA (sq. ft.)	1,885	1,687	1,627	1,410	1,407	1,017	960	804
Leased Area (%GLA)	97.3%	99.1%	99.2%	98.6%	98.5%	97.6%	97.5%	98.0%

¹ Distributable Income, which is not defined within Canadian generally accepted accounting principles, has been calculated in accordance with the terms of the Declaration.

PART VI

Critical Accounting Estimates

The significant accounting policies used in preparing the REIT's financial statements are described in Note 3 to those statements. The following is a discussion of Management's estimates that are most important to the presentation of the REIT's results of operations and financial condition and are most subjective as a result of matters that are inherently uncertain.

Fair Value of Assumed Mortgages Payable and Fair Value of Mortgages Payable

Most of the mortgage indebtedness of the REIT was assumed in conjunction with rental property acquisitions. GAAP requires that the mortgages payable assumed on acquisition of properties be recorded at fair value. The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using market rates for debt of similar terms and credit risks. Market rates for debt are based on the yield of Canadian government bonds with similar maturity dates plus a credit spread based on Management's experience in obtaining financing and the current market conditions.

Impairment of Assets

The REIT is required to write down to fair value any long-life assets that are determined to have been permanently impaired. The REIT's long-life assets consist of rental properties. The REIT's policy is to assess any potential impairment by making a comparison of the current and projected operating cash flow of a rental property over its remaining useful life, on an un-discounted basis, to the carrying amount of the rental property. If such carrying amount was in excess of the projected operating cash flow of the rental property, impairment in value would be recognized to adjust the carrying amount to its estimated fair market value. Current operating cash flows are based on leases in place and projected operating cash flows are based on Management's estimates of future rental rates. Prior to acquiring a rental property, the REIT commissions an appraisal and conducts due-diligence to satisfy itself that the acquisition price is representative of fair market value.

Depreciation

A significant portion of the purchase price of rental properties is allocated to buildings. The depreciation recorded on buildings is based on the straight-line basis over their expected useful life. The allocation of purchase price to buildings and the estimated useful life are based on Management's estimates and, if these estimates prove incorrect, the depreciation will not be appropriately recorded.

PART VII

Related Party Transactions

The REIT has entered into an agreement (“Property Management Agreement”) with Allied Canadian Corporation (“Property Manager”), a company controlled by the President and CEO of the REIT. The Executive Vice President of the REIT owns a significant interest in the Property Manager.

Pursuant to the Property Management Agreement, the Property Manager is responsible for the overall management and operations of the REIT’s rental properties, all aspects of the leasing of the rental properties owned by the REIT and the provision of fully equipped office and support staff. The initial term of the Property Management Agreement is five years to February 19, 2008, and renewable by the REIT for successive two year terms. Should the REIT decide not to renew the Property Management Agreement after the initial five term, it is liable for the severance costs relating to the employees of the Property Manager dedicated to servicing any rental properties owned by the REIT.

Under the Property Management Agreement the REIT pays the following:

- (i) a management fee of 4% of rental revenue;
- (ii) a leasing fee of 15% of a third-party broker’s fees if a broker originates a lease transaction;
- (iii) a leasing fee of 50% of the customary market brokerage fees if a third-party broker has not originated the lease transaction;
- (iv) a project management fee based on customary market fees for project management services for renovations, construction and reconstruction work on the rental properties;
- (v) the costs, plus applicable administrative charges, of staff supplied by the Property Manager to perform day-to-day maintenance and security functions for the rental properties;
- (vi) the costs, plus applicable administrative charges, of staff supplied by the Property Manager to perform duties that would typically be performed by on-site personnel;
- (vii) disbursements and out-of-pocket expenses related to services provided; and
- (viii) the costs incurred by the Property Manager to provide the REIT a fully equipped office and support staff.

Set out below are the fees paid or payable by the REIT to the Property Manager in connection with the provisions of its services for the period ended June 30, 2005.

(in thousands)	Recoverable Operating Expenses	Trust Expenses	Deferred Expenses	Rental Properties	Commit- ments	Total
Management fee	\$ 895	\$ -	\$ -	\$ -	\$ -	\$ 895
Maintenance	510	-	-	-	-	510
On-site personnel	153	-	-	-	-	153
Disbursements	13	4	-	-	-	17
Leasing fees	-	-	46	-	72	118
Project management fees	-	-	-	11	-	11
Office and support staff	-	30	-	-	-	30
	\$1,571	\$34	\$46	\$11	\$72	\$1,734

At the time of the REIT’s IPO, a subsidiary of the Property Manager leased 29,102 square feet of office space from the REIT pursuant to a lease expiring on September 30, 2010. Effective July 1, 2005, the REIT entered into a direct lease of this space with Loblaws Properties Limited for a term ending October 31, 2010, on the condition that the original indemnity of the Property Manager protecting the REIT from any revenue shortfall (on a cash basis) from the original lease remain in full force and effect.

PART VIII

Risk 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.

The REIT's portfolio is focused on a particular asset class in the two largest metropolitan real estate markets in Canada. This concentration enables management to capitalize on certain economies of scale and competitive advantages that would not otherwise be available and contributes to mitigating the risk associated with real estate ownership.

Financing and Interest Rate Risk

The REIT 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 the success of the REIT. In order to minimize risk associated with debt financing, the REIT will attempt to re-finance maturing loans with long-term fixed-rate debt and to stagger the maturities over time.

Interest rates on the REIT's mortgage debt are between 5.20% and 8.10% with a weighted average interest rate of 6.5%. The weighted average term of the REIT's mortgage debt is 6.2 years. As at June 30, 2005, the borrowings under the REIT's credit facilities were \$nil.

Credit Risk

The REIT is subject to credit risk. Credit risk arises from the possibility that tenants may not be able to fulfill their lease obligations. The REIT will strive to mitigate this risk by maintaining a diversified tenant-mix and limiting exposure to any single tenant. As at June 30, 2005, there were 260 tenants in the REIT's portfolio.

The following sets out the REIT's tenant-mix on the basis of percentage of rental revenue for the quarter ended June 30, 2005, and the year ended December 31, 2004.

Category	% of Rental Revenue Q2 2005	% of Rental Revenue 2004
Service and professional	39	39
Retail (head office and storefront)	19	21
Telecommunications and information technology	11	16
Media and film	11	14
Financial services	11	4
Government	3	3
Other	6	3

The following sets out the percentage of rental revenue from the REIT's top-10 tenants by rental revenue for the quarter ended June 30, 2005, and the year ended December 31, 2004.

Tenant	% of Rental Revenue Q2 2005	% of Rental Revenue 2004
Desjardins	8.2	0.9
Cossette Communications	6.4	9.1
MTS Allstream	4.2	5.3
Publicis Toronto	4.2	3.1
St. Joseph Media	3.5	2.6
Algorithmics	3.0	3.2
Nelvana	2.6	1.9
Indigo Books & Music	2.6	4.3
Blast Radius	2.6	3.4
Redwood Communications	2.4	2.4

Lease Roll-Over Risk

The REIT is subject to lease roll-over risk. Lease roll-over risk arises from the possibility that the REIT may experience difficulty renewing or replacing tenants occupying space covered by leases that mature. The REIT strives to stagger its lease maturity schedule so that it is not faced with a disproportionately large level of lease maturity in a given year.

97.3% of the GLA in the REIT's portfolio was leased as at June 30, 2005. The following sets out the total GLA of the leases that have expired or expire during the period from January 1, 2005, to December 31, 2009, assuming tenants do not exercise renewal options, and the percentage of total GLA represented by the expiring leases.

Year Ended	Square Feet	% of Total GLA
December 31, 2005	106,178	5.5
December 31, 2006	152,664	7.9
December 31, 2007	255,978	13.3
December 31, 2008	111,160	5.8
December 31, 2009	285,318	14.8

The weighted average term to maturity of the REIT's leases is 5.2 years.

Environmental Risk

As an owner of real property, the REIT is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT 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 the REIT's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the REIT. The REIT is not aware of any material non-compliance with environmental laws at any of the properties in its portfolio. The REIT is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the properties in its portfolio or any pending or threatened claims relating to environmental conditions at the properties in its portfolio.

PART IX

Subsequent Events

On July 4, 2005, the REIT's wholly owned subsidiary, Allied Properties Management Limited Partnership, completed the acquisition of the property management business of the Property Manager for a base price of \$8.5 million and an additional payment on March 31, 2007, equal to the lesser of \$0.9 million and the amount, if any, by which a five-times multiple of actual EBITDA from the business in 2006 exceeds the base price.

On July 8, 2005, the REIT acquired 602-606 King Street West, Toronto, from the Developer for \$11.27 million. The property is currently free and clear.

On July 8, 2005, the REIT placed a first mortgage on 3575 Saint-Laurent Boulevard, Montreal, in the principal amount of \$17 million for a term of 10 years at an annual interest rate of 4.94%.

On July 18, 2005, the REIT completed an early renewal and upward refinancing of the existing first mortgage on 230 Richmond Street East, Toronto, to a principal amount of \$9.75 million, affording the REIT approximately \$2.6 million in upward refinancing proceeds. The modified first mortgage has a term of 10 years and bears interest at the annual rate of 5.4%.