



ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CANADA'S LEADING PROVIDER OF CLASS I OFFICE SPACE

QUARTERLY REPORT, MARCH 31, 2009

MAY 12, 2009

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LETTER TO UNITHOLDERS

Fellow Unitholders of Allied Properties REIT

With global capital markets in turmoil, the most important thing going into 2009...by far...was liquidity. Fortunately, we were and remain very well positioned in that regard. In 2008, we raised over \$120 million in equity and secured another \$60 million in first-mortgage financing, reducing our debt ratio to 49.4% at the end of the year and leaving us in a strong liquidity position for 2009 and beyond. This position is enhanced by several unencumbered properties on which we can reasonably expect to raise between \$30 and \$35 million in financing, if needed. Aside from \$13.5 million drawn on our \$70 million line of credit, we have no variable rate debt. On our mortgage debt of \$512 million, we have a weighted-average interest rate of 5.6% and a very good interest-coverage ratio. We also have \$5 million in mortgages maturing over the remainder of this year (1% of our total mortgage debt), \$7 million next year and \$15 million in 2011. In short, our liquidity is very good.

Operations

Without doubt, our biggest challenge in 2009 will be the general economic environment. Canada's clearly in recession, and there's no way of knowing how long or deep the economic contraction will be. Our overriding goal in this environment will be to take advantage of the proven durability of Class I office space. Our management team did so successfully in the early 1990s, albeit on a very limited scale, and again in the early part of this decade on a larger scale. The team is determined to repeat or improve upon past performance now that it's managing a much larger portfolio for the benefit of public investors.

Demand for office space in our target markets was encouragingly robust in the first quarter, particularly in our Toronto target market. We finalized a lease with Omnicom for 24,654 square feet at 96 Spadina Avenue in Toronto. Omnicom is one of the largest marketing organization in the world, and we now accommodate Omnicom related tenants in 150,273 square feet at five different buildings in our Toronto and Montréal target markets. We also initiated the lease-up program at 47 Fraser Avenue, a property under development, and the reconfiguration and lease-up of the second floor at 425 Adelaide Street West in Toronto, in each case with a solid lease transaction appropriate to the property. Finally, we completed an early renewal of a lease for 35,104 square feet at Cité Multimédia with Sid Lee, a leading Montréal-based advertising agency, at renewal rents equal to in-place rents.

We have a significant amount of space maturing in 2009 and subsequent years. This is both a risk and an opportunity. For the most part, the in-place rents for this space are below current market rents, which represents an opportunity to increase our same-asset net operating income as we renew or replace maturing leases. In the current economic environment, we've observed a stronger than normal preference on behalf of our tenants to renew their leases. After all, it costs anywhere from \$20 to \$80 per square foot to relocate an office, and no-one's anxious to incur such a cost in the midst of an economic contraction. As a result, we renewed 76% of the leases that matured in the first quarter, in most cases at rents above in-place rents. We expect to minimize the risk and take advantage of the opportunity represented by our maturing leases over the remainder of the year.

Acquisitions

In March, we announced agreements to acquire co-ownership interests in two underground commercial parking structures, each of which will be constructed on land adjacent to one or more of our Class I office properties in the King & Spadina area. Although small and not scheduled to close until 2011, the acquisitions will give us partial ownership and full operating control of another 163 underground commercial parking spaces in the King & Spadina area. (We currently own 208 underground commercial parking spaces at King-Brant Parking and numerous surface parking spaces adjacent to our properties in the King & Spadina area.) The value lies not only in the revenue stream, but also in the competitive advantage the parking spaces will afford to some of our best Class I office properties in Toronto.

Other opportunities worthy of consideration have arisen in our Toronto target market. We're investigating them carefully and will pursue them if, and only if, they prove to be strategically significant and financially advantageous to our business. Another possibility that we recognize, at least in theory, is establishing Vancouver as a target market. We've long considered it a very desirable venue for investment because of

the sizeable and concentrated inventory of Class I office properties in Yaletown and Gastown. However, the pricing has historically verged on the ridiculous in our view, so we stayed away. With a correction underway in Vancouver, we may just get an acceptable opportunity to enter the market before the recession is over.

While I don't expect 2009 to be a banner year for acquisitions, it may be a bit better than initially expected. And, sooner or later, the recession will bring us exceptional acquisition opportunities. When it does, we'll be ready.

Development

The recession will slow our development efforts somewhat. However, I remain convinced that there will be enduring demand for new, human-scale, green office buildings in our Toronto target market, especially in Downtown West between University Avenue and Bathurst Street. While the demand will ebb and flow with the general economy, I consider it imperative that we put ourselves at the forefront of satisfying this demand. Accordingly, we've pushed the municipal approval process for the large-scale intensification of 134 Peter and the development of 544 King West.

It took us a bit longer than expected, but we now have the necessary zoning variances for 134 Peter. And the extra time was worth it, as we received approval for an additional floor, bringing the new structure to 10 floors with approximately 220,000 square feet of leaseable area. We expect to receive the necessary zoning variances for the development at 544 King West in late May.

We haven't yet made a final decision with respect to either project, but we're likely to focus our energies and resources on the intensification of 134 Peter and defer the development of 544 King West. 134 Peter has considerably better pre-leasing prospects in this market, and 544 King West in its current form can be reworked efficiently and cost-effectively to generate a respectable interim return. We haven't committed large amounts of capital to either project, and we won't commit capital to the intensification of 134 Peter before reaching a pre-leasing threshold acceptable to our Trustees.

Outlook

Our strategy from inception has been to consolidate the ownership and operation of Class I office properties in targeted urban areas of major Canadian cities. We've executed this strategy with a lot of foresight and a lot of discipline. As a result, there's great value in our portfolio. The growing cash flow is only one component of the value. The others arise from multiple value-creation opportunities that we've identified and begun to pursue. And I'm convinced we have the vision, the platform, the operational firepower and the access to capital necessary to exploit these opportunities over time for your benefit.

Our strategy will hold us in good stead as we move forward. I'm thinking specifically of the competitive advantages that flow from our market-leading position, low operating costs and highly sought-after building attributes, as well as the stability that flows from our low pay-out ratios, strong balance sheet and limited mortgage maturities. Our management team will continue to work very hard to take advantage of the proven durability of Class I office space, with the result that our portfolio should continue to outperform the market. While we don't expect to make great strides in acquisitions, development or intensification in 2009, we aren't prepared to suspend our efforts in those areas. At the very least, we can lay the groundwork for our next phase of external growth.

* * *

If you have any questions or concerns, please don't hesitate to call me at (416) 977-0643 or e-mail me at memory@alliedpropertiesreit.com.

Yours truly,

(signed) Michael R. Emory
President and Chief Executive Officer

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION
FOR THE QUARTER ENDED MARCH 31, 2009**

PART I

Forward-Looking Disclaimer

The terms "Allied Properties", "the REIT", "we", "us" and "our" in the following Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") refer to Allied Properties Real Estate Investment Trust and its consolidated financial position and results of operations for the quarter ended March 31, 2009. This MD&A is based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A should be read in conjunction with our consolidated financial statements and notes thereto for the quarter ended March 31, 2009. Historical results and percentage relationships contained in our consolidated financial statements and MD&A, including trends that might appear, should not be taken as indicative of our future results, operations or performance. Unless otherwise indicated, all amounts in this MD&A are in thousands of Canadian dollars.

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws, including, among other things, statements concerning our objectives and our strategies to achieve those objectives, statements with respect to Management's beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not historical facts. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as "indicators", "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", "continue" or similar expressions suggesting future outcomes or events. 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 below in this MD&A under "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, unitholder liability and taxation. Material assumptions that were made in formulating the forward-looking statements in this MD&A include the following: that our current target markets remain stable, with moderating demand for office space and no material increase in supply of directly-competitive office space; that acquisition capitalization rates increase; 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 to 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 by this forward-looking disclaimer. These statements are made as of May 12, 2009, and, except as required by applicable law, we undertake no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

Business Overview and Strategy

We are 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 and May 14, 2008 ("Declaration"). We are governed by the laws of Ontario. Our units are publicly traded on the Toronto Stock Exchange under the symbol AP.UN. Additional information on us, including our annual information form, is available on SEDAR at www.sedar.com.

We are the leading owner and manager of Class I office properties in Canada, with portfolio assets in the urban areas of Toronto, Montréal, Winnipeg, Québec City and Kitchener. Our objectives are to provide stable and growing cash distributions to unitholders and to maximize unitholder value through effective management and accretive portfolio growth.

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, exposed structural frames, interior brick and hardwood floors. When restored and retrofitted to the standards of our portfolio, Class I buildings can satisfy the needs of the most demanding office and retail tenants. When operated in the coordinated manner of our portfolio, these buildings become a vital part of the urban fabric and contribute meaningfully to a sense of community.

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

Property Portfolio

We completed our Initial Public Offering (“IPO”) on February 20, 2003. We used the net proceeds of the IPO to acquire a portfolio of 14 predominantly Class I office properties in downtown Toronto with 820,000 square feet of gross leasable area (“GLA”). By the end of 2008, we had acquired another 40 office properties in downtown Toronto, 39 of them Class I office properties, bringing our total GLA in that market to nearly three million square feet. We had also acquired 15 predominantly Class I office properties in downtown Montréal, seven in downtown Winnipeg, five in Québec City and one in Kitchener-Waterloo, bringing our total portfolio at the end of 2008 to 81 properties with over 5.6 million square feet of GLA.

We announced the following acquisitions in the first quarter of 2009:

- (i) an undivided 50% interest in 92 underground commercial parking spaces to be constructed as part of the condominium project at 478 King Street West in Toronto, which is adjacent to three of our properties, 468 King Street West, 500-522 King Street West and the King-Brant underground commercial parking structure; and
- (ii) an undivided 75% interest in 71 underground commercial parking spaces to be constructed as part of the condominium project at 650 King Street West in Toronto, which is adjacent to our 662 King Street West and in close proximity to our 602-606 King Street West.

Each acquisition is conditional upon final condominium registration and is expected to close in 2011. We will manage both underground commercial parking structures on behalf of the co-owners, giving us operating control over 163 parking spaces in addition to the 208 parking spaces at our King-Brant underground commercial parking structure and the large number of surface commercial parking spaces adjacent to our many properties in the King & Spadina area.

Three Toronto properties (47 and 47A Fraser Avenue, 134 Peter Street and 544 King Street West) and one Montréal property (4450 Saint-Laurent Boulevard) are currently properties under development (“Properties Under Development” or “PUDs”). They are undergoing redevelopment, development or intensification. See “Properties Under Development” below.

Property Management

Our wholly owned subsidiary, Allied Properties Management Limited Partnership, provides property management and related services to us and to third-party property owners on a fee-for-service basis.

Sustainability

We are committed to sustainability, both as it relates to our business and to the physical environment within which we operate. Most of our buildings were created through the adaptive re-use of structures built nearly a century ago. They are recycled buildings, and the recycling has had considerably less impact on the environment than new construction of equivalent GLA would have had. To the extent we

undertake new construction through development or intensification, we are committed to obtaining LEED certification. See “*Properties Under Development*” and “*Intensification*” below. LEED certification is a program established by the U.S. Green Building Council for certifying the design, construction and operation of high-performance green buildings. The program has gained wide acceptance in North America and elsewhere.

Performance Measures

We measure the success of our strategies through key financial and operating performance measures.

Financial Measures

1. Distributions

We are focused on increasing distributions to our unitholders on a regular and prudent basis. During our first 12 months of operations, we made regular monthly distributions of \$1.10 per unit on an annualized basis. In March of each year from 2004 through to 2008, we increased our monthly distributions as set out in the table below:

| | March, 2004 | March, 2005 | March, 2006 | March, 2007 | March, 2008 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Annualized increase per unit | \$0.04 | \$0.04 | \$0.04 | \$0.04 | \$0.06 |
| % increase | 3.6% | 3.5% | 3.4% | 3.3% | 4.8% |
| Annualized distribution per unit | \$1.14 | \$1.18 | \$1.22 | \$1.26 | \$1.32 |

2. Distributable Income

Increasing distributions can be achieved prudently by increasing Distributable Income (“DI”), as defined in the Declaration. See “Distributable Income” below. In the quarter ended March 31, 2009, DI per unit (diluted) was \$0.41, down 4.7% from the comparable quarter in 2008 due to the significant de-leveraging of our business over the course of 2008.

3. DI Pay-Out Ratio

To ensure we retain sufficient cash to meet our capital improvement and leasing objectives, we strive to maintain an appropriate DI pay-out ratio, the ratio of actual distributions to DI in a given period. In the first quarter, we achieved a DI pay-out ratio of 80.2%.

4. Funds From Operations

Unlike DI, Funds From Operations (“FFO”) has a standardized definition. See “Funds From Operations” below. In the first quarter, FFO per unit (diluted) was \$0.44, up 4.8% from the comparable quarter in 2008.

5. FFO Pay-Out Ratio

To ensure we retain sufficient cash to meet our capital improvement and leasing objectives, we strive to maintain an appropriate FFO pay-out ratio, the ratio of actual distributions to FFO in a given period. In the first quarter, we achieved an FFO pay-out ratio of 73.9%.

6. Adjusted Funds From Operations

Increasing distributions cannot be achieved prudently without reference to adjusted funds from operations (“AFFO”), as this financial measure takes account of regular maintenance capital expenditures and regular leasing expenditures while ignoring the impact of non-cash revenue. See “Adjusted Funds from Operations” below. In the first quarter, AFFO per unit (diluted) was \$0.39, down from the comparable quarter in 2008.

7. AFFO Pay-Out Ratio

To ensure we retain sufficient cash to meet our capital improvement and leasing objectives, we strive to maintain an appropriate AFFO pay-out ratio, the ratio of actual distributions to AFFO in a given period. In the first quarter, we achieved an AFFO pay-out ratio of 83.9%.

8. Debt Ratio

Gross Book Value (“GBV”) is defined as the book value of the assets shown on our most recent balance sheet plus accumulated depreciation and amortization and an amount equal to the property management internalization expense that we have recorded. A conservative ratio of debt to GBV (“Debt Ratio”)

mitigates unitholder risk. At the end of the first quarter of 2009, our Debt Ratio was 49.3%, down from 51.3% at the end of the first quarter of 2008.

Operating Measures

1. Tenant Retention and Replacement

We place 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, we strive for high-quality replacement tenants. Leases representing 755,906 square feet of GLA mature in 2009. By the end of the first quarter, we had renewed leases representing 243,366 square feet of this GLA and re-leased another 17,259 square feet of this GLA, representing 34.5% of the GLA covered by the maturing leases.

2. Occupancy

We strive to maintain consistently high levels of occupancy. At the end of the first quarter, our leased area was 97.2% (not including Properties Under Development). The chart below summarizes the year-end levels of GLA and leased area in our portfolio since the end of 2003:

| | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2005 | Dec. 31, 2006 | Dec. 31, 2007 | Dec. 31, 2008 |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| GLA (square feet) | 984,856 | 1,636,343 | 2,321,507 | 3,415,279 | 4,761,211 | 5,350,208 |
| % leased | 97.5 | 99.2 | 97.0* | 96.3* | 97.9* | 97.3* |

*not including Properties Under Development

3. Same-Asset Net Operating Income

We strive to maintain or increase same-asset net operating income (“NOI”) over time. See “Net Operating Income” below. Same-asset refers to those properties that we owned and operated 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 mark-to-market rent adjustment), same-asset NOI was \$18,988 in the first quarter, up 0.4% from the first quarter of 2008.

4. Leasing Expenditures

We monitor leasing expenditures carefully. Leases for 171,380 square feet of GLA commenced in the quarter. \$1,424 in leasing expenditures related to this space, representing \$8.30 per leased square foot, in-line with the amount per square foot in prior years.

5. Capital Expenditures

We strive to maintain our properties in top physical condition. In the first quarter, we incurred \$138 in regular maintenance capital expenditures, representing \$0.03 per square foot of our portfolio, in-line with the amount per square foot in the first quarter of prior quarters.

Summary

The following table summarizes the key financial and operating performance measures for the quarter ended March 31, 2009, and the comparable period, as well as the change between the two.

| | Q1 2009 | Q1 2008 | Change | % Change |
|--|----------|----------|----------|----------|
| Period-end distribution level per unit annualized | \$1.32 | \$1.32 | \$0.00 | 0.0% |
| DI per unit (diluted) | \$0.41 | \$0.43 | (\$0.02) | (4.7%) |
| DI pay-out ratio | 80.2% | 75.0% | 5.2% | |
| FFO per unit (diluted) | \$0.44 | \$0.42 | \$0.02 | 4.8% |
| FFO pay-out ratio | 73.9% | 75.6% | (1.7%) | |
| AFFO per unit (diluted) | \$0.39 | \$0.42 | (\$0.03) | (7.1%) |
| AFFO pay-out ratio | 83.9% | 76.5% | 7.4% | |
| Debt Ratio | 49.3% | 51.3% | (2.0%) | |
| Renewal/replacement % of leases maturing in year | 34.5% | 44.3% | (9.8%) | |
| Period-end leased area (not including PUD) | 97.2% | 97.6% | (0.4%) | |
| Same-asset NOI | \$18,988 | \$18,910 | \$78 | 0.4% |
| Leasing expenditures | \$1,424 | \$379 | \$1,045 | 275.7% |
| Leasing expenditures per square foot | \$8.30 | \$4.90 | \$3.40 | 69.4% |
| Maintenance capital expenditures | \$138 | \$288 | (\$150) | (52.1%) |
| Maintenance capital expenditures per portfolio square foot | \$0.03 | \$0.06 | (\$0.03) | (50.0%) |

Business Environment and Outlook

We operate in five target markets—downtown Toronto, downtown and midtown Montréal, downtown Winnipeg, downtown Québec City and downtown Kitchener. The following is a brief description of our target markets and current outlook:

Downtown Toronto

This target market includes 13.3 million square feet of office inventory in three sub-markets, Downtown East (2.1 million square feet), Downtown West (9.2 million square feet) and King West (2.0 million square feet). Approximately half of the office inventory in this target market falls within the Class I category. At the end of the first quarter of 2009, the overall vacancy rate for the downtown Toronto office market was 4.4%, with the Downtown East, Downtown West and King West sub-markets finishing the quarter at 7.6%, 5.0% and 10.5%, respectively.¹

Downtown and Midtown Montréal

This target market includes 17.7 million square feet of office inventory in three sub-markets, Downtown East (7.5 million square feet), Old Montréal (7.7 million square feet) and Mile End (2.5 million square feet). Approximately half of the office inventory in this target market falls within the Class I category. By the end of the first quarter of 2009, the overall vacancy rate for the downtown Montréal office market was 6.3%, with the Downtown East and Old Montréal sub-markets finishing the quarter at 3.2% and 5.2%, respectively.²

¹ Cushman & Wakefield LePage, *First Quarter 2009 Statistical Summary, Toronto Office Market*.

² Cushman & Wakefield LePage, *First Quarter 2009 Statistical Summary, Montréal Office Market*.

Downtown Winnipeg

This target market includes 1.8 million square feet of office inventory, principally in the Exchange District. Most of the office inventory in this target market falls within the Class I category. The downtown Winnipeg office market was active throughout 2008, with vacancy reaching its lowest rate in more than a decade. By the end of 2008, the overall vacancy rate was 5.7%.³

Downtown Québec City

This target market includes 1.5 million square feet of office inventory in the St. Roch office node. Most of the office inventory in this target market falls within the Class I category. The Québec City office market was strong throughout 2008, ending the year with a vacancy rate in the downtown core of 1.6%.⁴

Downtown Kitchener

This target market includes approximately 1 million square feet of existing and potential office inventory in the Warehouse District. Much of the office inventory in this target market falls within the Class I office category. The overall vacancy rate in the downtown Kitchener office market was 10.9% by the end of the quarter.⁵

Outlook

We have observed a moderate slowdown in demand for office space in our Toronto and Montréal target markets over the last six months. Despite this, we achieved good leasing results in the first quarter (see "Leasing Activity" below) and expect our portfolio to continue to perform well, due to our exceptional market penetration, significantly lower operating costs and highly sought-after building attributes.

New supply of Class A office space is slated to come to the downtown Toronto market, primarily in the Downtown Core sub-market, in late 2009 and 2010. While we do not expect this space to be directly competitive with our Toronto properties, we do expect it to put upward pressure on office vacancy rates in the Downtown Core in 2010 and beyond. New supply of Class A office space is also being created in Québec City. While we do not expect this space to be directly competitive with our Québec City properties, we do expect it put upward pressure on office vacancy rates in Québec City in 2009 and beyond.

Over the course of 2008, we bolstered our balance sheet through a series of equity and debt financings, bringing our Debt Ratio to 49.4% at the end of the year. We expect our Debt Ratio to remain close to this level throughout 2009. We also kept our pay-out ratios relatively low in 2008 and expect them to remain so in 2009. We believe that our conservative ratios put us in a good position to meet challenges and take advantage of opportunities in 2009.

We have \$27,194 in mortgages maturing over the next three years, \$5,287 this year (1.0% of our total mortgage debt), \$7,039 next year (1.4% of our total mortgage debt) and \$14,868 in 2011 (2.9% of our total mortgage debt). We believe this bolsters our financial stability in an uncertain credit environment.

³ Cushman & Wakefield LePage, *National Real Estate Market Intelligence, First Quarter 2009*.

⁴ Avison Young, *2008 Annual Review, 2009 Forecast*.

⁵ Colliers International, *First Quarter 2009*.

PART II

Summary Information and Performance for the Quarter Ended March 31, 2009

The following sets out summary information and financial results for the quarter ended March 31, 2009, and the comparable quarter and the change between the two.

| (In thousands except for per unit and % amounts) | Q1 2009 | Q1 2008 | Change | %Change |
|--|---------|---------|----------|---------|
| Revenue from rental properties | 36,975 | 31,850 | 5,125 | 16.1% |
| Rental property operating cost | 15,244 | 13,110 | 2,134 | 16.3% |
| Net rental income | 21,731 | 18,740 | 2,991 | 16.0% |
| Real estate service income | 65 | 71 | (6) | (8.5%) |
| Financing expense | | | | |
| Interest | 6,699 | 5,926 | 773 | 13.0% |
| Amortization - Mortgage premium | (8) | (60) | 52 | (86.7%) |
| Amortization – Deferred financing cost | 164 | 115 | 49 | 42.6% |
| Amortization | | | | |
| Rental properties | 4,381 | 3,777 | 604 | 16.0% |
| Deferred leasing cost and tenant improvements | 1,068 | 532 | 536 | 100.8% |
| Origination cost and acquired tenant relationships | 4,604 | 4,580 | 24 | 0.5% |
| Acquired contracts and customer relationships | 24 | 24 | - | 0.0% |
| Computer and office equipment | 67 | 56 | 11 | 19.6% |
| Income from operations | 4,797 | 3,861 | 936 | 24.3% |
| Trust expense | 921 | 916 | 5 | 0.5% |
| Net income | 3,876 | 2,945 | 931 | 31.6% |
| Amortization | | | | |
| Rental properties | 4,381 | 3,777 | 604 | 16.0% |
| Mortgage premium | (8) | (60) | 52 | (86.7%) |
| Acquired leases | 1,586 | 1,536 | 50 | 3.3% |
| M-T-M acquired leases | 118 | 783 | (665) | (84.9%) |
| Acquired tenant relationships | 3,018 | 3,044 | (26) | (0.9%) |
| Acquired contracts and customer relationships | 24 | 24 | - | 0.0% |
| Step-rent adjustments | (215) | (252) | 37 | (14.7%) |
| Compensation expenses, LTIP and stock options | 56 | 122 | (66) | (54.1%) |
| DI | 12,836 | 11,919 | 917 | 7.7% |
| Weighted average units outstanding (basic) | 30,914 | 27,616 | 3,298 | 11.9% |
| Weighted average units outstanding (diluted) | 31,302 | 28,007 | 3,295 | 11.8% |
| Distributions | 10,296 | 8,945 | 1,351 | 15.1% |
| DI per unit (basic) | \$0.42 | \$0.43 | (\$0.01) | (2.3%) |
| DI per unit (diluted) | \$0.41 | \$0.43 | (\$0.02) | (4.7%) |
| DI pay-out ratio | 80.2% | 75.0% | 5.2% | |
| FFO | 13,929 | 11,834 | 2,095 | 17.7% |
| FFO per unit (basic) | \$0.45 | \$0.43 | \$0.02 | 4.7% |
| FFO per unit (diluted) | \$0.44 | \$0.42 | \$0.02 | 4.8% |
| FFO pay-out ratio | 73.9% | 75.6% | (1.7%) | |
| AFFO | 12,270 | 11,698 | 572 | 4.9% |
| AFFO per unit (basic) | \$0.40 | \$0.42 | (\$0.02) | (4.8%) |
| AFFO per unit (diluted) | \$0.39 | \$0.42 | (\$0.03) | (7.1%) |
| AFFO pay-out ratio | 83.9% | 76.5% | 7.4% | |
| NOI | 21,634 | 19,271 | 2,363 | 12.3% |
| Same-asset net operating income | 18,988 | 18,910 | 78 | 0.4% |
| Total assets | 945,985 | 857,166 | 88,819 | 10.4% |
| Total debt (excludes premium on assumed debt) | 527,174 | 485,371 | 41,803 | 8.6% |
| Debt to GBV | 49.3% | 51.3% | (2.0%) | |
| Total GLA (s.f., excluding PUD) | 5,335 | 4,742 | 593 | 12.5% |
| Leased GLA (s.f., excluding PUD) | 5,183 | 4,625 | 558 | 12.1% |
| Leased GLA (% total GLA) | 97.2% | 97.6% | (0.4%) | |

Net Income

Net income for the quarter ended March 31, 2009 was \$3,876, as compared to \$2,945 in the quarter ended March 31, 2008. Net income per unit (diluted) for the quarter was \$0.12, as compared to \$0.11 in the comparable quarter.

DI for the quarter ended March 31, 2009 increased by 7.7% to \$12,836 from \$11,919 for the quarter ended March 31, 2008. DI per unit (diluted) for the quarter was \$0.41, as compared to \$0.43 in the comparable quarter.

Net Rental Income

Net rental income for the quarter ended March 31, 2009 increased by 16.0% to \$21,731 from \$18,740 in the quarter ended March 31, 2008 as follows: (i) \$65 increase in same-asset net rental income from properties owned for the entire quarter and the entire comparable quarter (which includes the quarter-over-quarter change in step-rent adjustments and mark-to-market rent adjustments); and (ii) \$2,926 due to net rental income from properties not owned for the entire quarter and the entire comparable quarter.

Of the \$184,690 of net rental income for the years ended December 31, 2006, 2007 and 2008, \$2,341 of operating cost recoveries is in dispute with a tenant. Of the \$21,731 of net rental income for the quarter ended March 31, 2009, \$148 of operating cost recoveries is in dispute with the same tenant. Based on the advice of legal counsel and an independent firm of chartered accountants, Management is of the view that there is no merit to the tenant's position and is diligently pursuing the matter.

Net rental income per occupied square foot for the quarter ended March 31, 2009 was \$16.77 annualized, as compared to \$16.21 annualized in the comparable year.

Real Estate Service Income

The Property Manager provides real estate services to third-party property owners. Real estate service income for the quarter ended March 31, 2009 was \$65, as compared to \$71 in the quarter ended March 31, 2008.

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. For the quarter ended March 31, 2009, interest increased by 13.0% to \$6,699 from \$5,926 in the quarter ended March 31, 2008, due to the increase in financing expense associated with additional properties acquired in 2008.

Amortization

We record amortization on our buildings on a straight-line basis over their expected life. Amortization recorded on buildings for the quarter ended March 31, 2009 increased by 16.0% to \$4,381 from \$3,777 in the quarter ended March 31, 2008.

We record amortization of deferred leasing cost, tenant improvements and the assigned fair value of the origination cost 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.

Trust Expense

Trust expense includes cost 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 March 31, 2009 increased by a very modest 0.5% to \$921 from \$916 in the quarter ended March 31, 2008.

Leasing Activity

Leasing activity as at March 31, 2009, is summarized in the following table:

| | GLA | Leased by March 31 | % Leased by March 31 | Vacant on March 31* |
|---------------------------------|----------------|-----------------------|-------------------------|------------------------|
| Vacancy on January 1, 2009* | 151,432 | 31,535 | 20.8% | 119,897 |
| Maturities in Q1 2009 | 154,014 | 121,764 | 79.1% | 32,250 |
| Maturities in remainder of 2009 | 601,892 | 138,861 | 23.1% | - |
| Total | 910,338 | 292,160 | 32.2% | 152,147 |

*not including Properties Under Development

151,432 square feet of GLA was vacant at the beginning of 2009. By the end of the first quarter, we leased 31,535 square feet of this GLA, leaving 119,897 square feet vacant at the end of the quarter.

Leases for 154,014 square feet of GLA matured in the first quarter. By the end of the first quarter, we renewed or replaced leases for 121,764 square feet of this GLA, leaving 32,250 square feet vacant at the end of the quarter.

With respect to the maturing leases renewed or replaced in the first quarter (121,764 square feet of GLA), we achieved rental rates (i) above in-place rental rates with respect to 84% of this GLA, (ii) equal to in-place rental rates with respect to 14% of this GLA and slightly below in-place rates with respect to 2% of this GLA.

Of the 601,892 square feet of GLA maturing in the second, third and fourth quarter of 2009, we renewed or replaced 138,861 square feet by the end of the first quarter. We are aware of two pending non-renewals in 2009. One involves a lease for 14,551 square feet at 425-439 King Street West in Toronto that matures on August 31. This lease relates to a premiere floor at one of our best brick-and-beam buildings in the King & Spadina area, and we expect to re-lease the floor expeditiously. The second is a lease for 49,994 square feet at 905 King Street West that matures on September 30. This lease covers three floors of a building that can accommodate a tenant or tenants with very specific technical requirements, and we expect the re-leasing of these floors to be slower than normal because (i) they are conventional office floors (as opposed to Class I office floors) and (ii) they face direct competition from other vacant space in the immediate area.

We monitor the level of sub-lease space in our portfolio. We are aware of 56,420 square feet being offered for sub-lease in our Toronto portfolio and 45,374 square feet in our Montréal portfolio. This level of sub-lease space is consistent with past experience and does not represent an operating or leasing challenge to us, especially in light of the fact that almost all of the sub-lease space in question has limited remaining term. In our experience, prospective sub-tenants of such space will strive to enter into a direct leasing relationship with us and thereby obtain extended term. This tends to put us in a very good bargaining position opposite both the head-tenant and the sub-tenant.

We finalized a lease in the first quarter with Omnicom for 24,654 square feet at 96 Spadina Avenue in Toronto. The lease commenced May 1, 2009, at which time 96 Spadina became a rental property for accounting purposes and was 75% leased. Omnicom is one of the largest marketing organizations in the world, and we now accommodate Omnicom related tenants in 150,273 square feet at five different buildings in our Toronto and Montréal target markets.

We also initiated in the first quarter the lease-up program at 47 Fraser Avenue, a property under development, and the reconfiguration and lease-up of the second floor at 425 Adelaide Street West in Toronto, in each case with a solid lease transaction appropriate to the property. The leases commenced on April 1, 2009, bringing the leased area at 47 Fraser to 34% and at 425 Adelaide Street West to 93.5%.

We also completed in the first quarter an early renewal of a lease for 35,104 square feet at Cité Multimédia with Sid Lee, a leading Montréal-based ad agency, at renewal rents equal to in-place rents. This is the largest renewal we've completed to date at Cité Multimédia. It further validates Management's current assessment that market rates have risen to or above the level of in-place rents at Cité Multimédia.

Following the end of the first quarter, we entered into short-term lease arrangements with respect to our two vacant retail spaces on King Street West, 14,102 square feet at 500-522 King West and 3,397 square feet at 425-439 King Street West, both of which expire in the third quarter. More importantly, we are now negotiating appropriate long-term lease arrangements for both retail spaces and expect to have them finalized before the end of the year.

Capital Expenditures

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

In the quarter ended March 31, 2009, we incurred (i) \$138 in regular maintenance capital expenditures (\$0.03 per portfolio square foot) and (ii) \$1,424 in leasing expenditures (\$8.30 per leased square foot) in connection with new leases or lease-renewals that commenced in the quarter. In addition, we incurred \$444 in revenue-enhancing capital and leasing expenditures in connection with space that was significantly reconfigured and retrofitted to accommodate high-value new tenancies and in connection with the completion of redevelopment projects.

\$138 of the salary expense incurred in the period was capitalized in connection with capital improvements to our rental properties and Properties Under Development. This amount was equivalent to approximately 9.12% of the associated development costs.

Properties Under Development

1. Completed

Our completed developments are summarized in the following table:

| Completed PUDs | GLA | Complete | Total Cost | FMV | Value Add | Debt | Equity | ROE |
|--------------------------------|----------------|----------|---------------|---------------|---------------|---------------|--------------|-----|
| Completed and Financed* | | | | | | | | |
| 145 Berkeley, Toronto | 10,625 | 1-Nov-06 | 1,725 | 2,170 | 445 | 1,630 | 95 | 77% |
| 257 Adelaide West, Toronto | 45,893 | 1-Jul-07 | 8,345 | 11,970 | 3,625 | 7,200 | 1,145 | 36% |
| Completed** | | | | | | | | |
| QRC South, Toronto | 44,600 | 1-Apr-07 | 6,750 | 10,000 | 3,250 | 6,000 | 750 | 60% |
| 1500 Notre Dame, Winnipeg | 111,400 | 1-Oct-08 | 3,920 | 5,000 | 1,080 | 3,000 | 920 | 41% |
| 96 Spadina, Toronto | 91,215 | 1-May-09 | 21,500 | 25,000 | 3,500 | 15,000 | 6,500 | 14% |
| Completed PUDs | 303,733 | | 42,240 | 54,140 | 11,900 | 32,830 | 9,410 | |

*Debt financing is in place. 145 Berkeley was appraised in February of 2007 and 257 Adelaide West in June of 2008.

**Estimated debt financing. FMV is Management's estimate based on projected NOI.

There can be no assurance with respect to any of the estimates set out in the table above. The five projects referred to in the table were very compact in scope. They should not be taken as indicative of what we can achieve with larger-scale projects. Indeed, we expect lower returns on equity from our current Properties Under Development.

2. In Progress

Our developments in progress are summarized in the following table:

| PUDs in Progress | Estimated GLA |
|-------------------------------|---------------|
| 47 and 47A Fraser, Toronto* | 30,000 |
| 4450 Saint-Laurent, Montréal* | 22,000 |
| 544 King West, Toronto** | 135,000 |
| 134 Peter, Toronto** | 300,000 |
| Total | 487,000 |

*Conditional on satisfactory pre-leasing

**Conditional on municipal approval and satisfactory pre-leasing

47 and 47A Fraser Avenue, Toronto, include two un-renovated, satellite buildings at The Castle in Liberty Village with approximately 30,000 square feet of GLA. Our plan is to renovate the two buildings on a customized basis for the ultimate tenants. We have leased 3,674 square feet in 47 Fraser Avenue, bringing the leased area of that building to 34%.

4450 Saint-Laurent Boulevard, Montréal, includes 5,500 square feet of land adjacent to our Class I office building at 4446 Saint Laurent Boulevard. Our plan is to construct on the land an office building with Class I attributes and approximately 22,000 square feet of GLA. The execution of this project, as currently

conceived, is contingent upon achieving a level of pre-leasing satisfactory to Management and the Trustees.

544 King Street West, Toronto, includes approximately 19,400 square feet of land with frontage on King and Morrison Streets. Our plan is to construct a LEED-certified, office building with Class I attributes, approximately 135,000 square feet of GLA and approximately 60 on-site parking spaces. The execution of this project is contingent upon achieving a level of pre-leasing satisfactory to Management and the Trustees. We expect to obtain the necessary zoning variances by the end of May.

134 Peter Street, Toronto, includes approximately 14,500 square feet of surplus land with frontage on Peter and Richmond Streets. Our plan is to restore the existing historic building and to construct a new, LEED-certified, office building with Class I attributes and approximately 220,000 square feet of GLA. The execution of this project is contingent upon achieving a level of pre-leasing satisfactory to Management and the Trustees. We have obtained the necessary zoning variances and are in the process of exploring pre-leasing prospects with the brokerage community.

Properties Under Development are stated at the lower of cost and net recoverable value. Cost includes the cost of acquisition, other direct cost, realty tax, other operating expense and applicable financing expense during the development period, less the amount of operating revenue during the development period. The principal factors in determining when the development-period ends are (i) the achievement of positive cash flow after applicable interest expense and (ii) the passage of a predetermined period of time. Other criteria may be considered in determining when a development-period ends if warranted by circumstances relating to the relevant Property Under Development.

As at March 31, 2009, the cost of our Properties Under Development was \$44,582, which was equivalent to 4.2% of our GBV. On May 1, 2009, 96 Spadina Avenue became a rental property, reducing the cost of our Properties Under Development by \$21,420.

Intensification

The buildings on most of our 55 Toronto properties have considerably less GLA than is permissible under the current zoning. This affords us the opportunity to create additional GLA without land cost and with correspondingly high returns on equity. The combined land area of our Toronto properties is approximately 932,000 square feet or 21.4 acres. We have evaluated the Toronto portfolio on a property-by-property basis and have estimated that it is practically possible to create between 500,000 and 750,000 square feet of additional GLA in the near term, market conditions permitting.

We have initiated the planning and approval stage of a large-scale intensification of 134 Peter Street, Toronto and 544 King Street West, Toronto (discussed above under *Properties Under Development*). We have also initiated the planning stage of a large-scale intensification of 230 Richmond Street East, Toronto. This property includes approximately 18,800 square feet of surplus land with frontage on Richmond and George Streets. Our plan is to construct on the surplus land a LEED-certified office building with Class I attributes, approximately 150,000 square feet of GLA and approximately 180 on-site parking spaces. We can execute this intensification project without interrupting the income stream from the existing building. The execution of each of these projects, as currently conceived, is contingent upon achieving a level of pre-leasing satisfactory to Management and the Trustees.

Distributable Income

We define DI as the net income determined in accordance with GAAP adjusted by adding back or deducting as required:

- (i) amortization 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 expense with respect to the LTIP and Unit Option Plan;

- (v) amortization of values ascribed in a building acquisition to in-place leases and tenant relationships;
- (vi) amortization of values ascribed in a building acquisition to above-market and below-market leases;
- (vii) amortization of values ascribed in the property management internalization to acquired contracts and customer relationships; and
- (viii) property management internalization expense.

DI is a non-GAAP financial measure used by some Canadian real estate investment trusts and should not be considered as an alternative to net income, cash flow from operations or any other measure prescribed under GAAP. DI does not have any standardized meaning prescribed by GAAP. As computed by us, DI may differ from similar computations reported by other Canadian real estate investment trusts and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers DI to be a useful measure of cash available for distributions. The following reconciles cash flow from operations, as presented in the consolidated financial statements, to DI.

| (In thousands) | Quarter ended March 31, 2009 | Quarter ended March 31, 2008 |
|--|---------------------------------|---------------------------------|
| Cash flow from operations | \$13,594 | \$11,228 |
| Amortization of deferred leasing cost, tenant improvements | (1,068) | (532) |
| Amortization of deferred financing cost | (164) | (115) |
| Amortization of computer and office equipment | (67) | (56) |
| Change in non-cash operating items | 541 | 1,394 |
| DI | \$12,836 | \$11,919 |

Distributions for the quarter ended March 31, 2009, were \$10,296, representing a DI pay-out ratio of 80.2%, as compared to distributions for the quarter ended March 31, 2008, of \$8,945, representing a DI pay-out ratio of 75.0%.

Funds From Operations

FFO is a non-GAAP financial measure used by most Canadian real estate investment trusts and should not be considered as an alternative to net income, cash flow from operations or any other measure prescribed under GAAP. While FFO does not have any standardized meaning prescribed by GAAP, the Real Property Association of Canada ("REALpac") established a standardized definition of FFO in its White Paper on Funds From Operations dated November 30, 2004. Essentially, the REALpac definition is net income with most non-cash expenses added back. Management believes that this definition is followed by most Canadian real estate investment trusts and that it is a useful measure of cash available for distributions. The following reconciles net income, as presented in the consolidated financial statements, with FFO, as calculated in accordance with recommendations of the REALpac definition.

| (In thousands) | Quarter ended March 31, 2009 | Quarter ended March 31, 2008 |
|--|---------------------------------|---------------------------------|
| Net income | \$3,876 | \$2,945 |
| Amortization on rental properties | 4,381 | 3,777 |
| Amortization of deferred leasing cost and tenant improvements | 1,068 | 532 |
| Amortization of origination cost and acquired tenant relationships | 4,604 | 4,580 |
| FFO | \$13,929 | \$11,834 |

Distributions for the quarter ended March 31, 2009, represented an FFO pay-out ratio of 73.9%, as compared to distributions for the quarter ended March 31, 2008, which represented an FFO pay-out ratio of 75.6%.

Adjusted Funds From Operations

AFFO is a non-GAAP financial measure used by most Canadian real estate investment trusts and should not be considered as an alternative to net income, cash flow from operations or any other measure prescribed under GAAP. AFFO does not have any standardized meaning prescribed by GAAP. As

computed by us, AFFO may differ from similar computations reported by other Canadian real estate investment trusts and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers AFFO to be a useful measure of cash available for distributions. The principal advantage of AFFO is that it starts from the standardized definition of FFO and takes account of maintenance capital expenditures and regular leasing expenditures while ignoring the impact of non-cash revenue. Because maintenance capital expenditures and regular leasing expenditures are not incurred evenly throughout a fiscal year, there can be volatility in AFFO on a quarterly basis. The following reconciles net income, as presented in the consolidated financial statements, with AFFO, calculated in accordance with what Management believes to be industry practice.

| (In thousands) | Quarter ended March 31, 2009 | Quarter ended March 31, 2008 |
|----------------------------------|---------------------------------|---------------------------------|
| FFO | \$13,929 | \$11,834 |
| Step-rent adjustments | (215) | (252) |
| M-T-M acquired leases | 118 | 783 |
| Leasing expenditures | (1,424) | (379) |
| Maintenance capital expenditures | (138) | (288) |
| AFFO | \$12,270 | \$11,698 |

Distributions for the quarter ended March 31, 2009, represented an AFFO pay-out ratio of 83.9%, as compared to distributions for the quarter ended March 31, 2008, which represented an AFFO pay-out ratio of 76.5%.

Net Operating Income

NOI 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. NOI does not have any standardized meaning prescribed by GAAP. As computed by us, NOI may differ from similar computations reported by other Canadian real estate investment trusts and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers NOI to be a useful measure of performance for rental properties. The following reconciles net rental income, as presented in the consolidated financial statements, to NOI.

| (In thousands) | Quarter ended March 31, 2009 | Quarter ended March 31, 2008 |
|--------------------------------|---------------------------------|---------------------------------|
| Revenue from rental properties | \$36,975 | \$31,850 |
| Rental property operating cost | 15,244 | 13,110 |
| Net rental income | 21,731 | 18,740 |
| M-T-M acquired leases | 118 | 783 |
| Step-rent adjustments | (215) | (252) |
| NOI | \$21,634 | \$19,271 |

PART III

Financial Condition

We finance our operations through three sources of capital: (i) mortgage debt secured by our rental properties, (ii) secured short-term debt financing with a Canadian chartered bank and (iii) equity. As at March 31, 2009, we had mortgage debt of \$511,565, bank indebtedness of \$15,609 and unitholders' equity of \$380,613.

Unitholders' Equity

As at March 31, 2009, we had a market capitalization of approximately \$402,724 based on a closing unit price of \$12.85 on the Toronto Stock Exchange. As at March 31, 2008, we had a market capitalization of approximately \$546,727 based on a closing unit price of \$19.45 on the Toronto Stock Exchange.

In the quarter ended March 31, 2009, we issued a total of 104,712 units for equity contributions of \$1,245. Costs incurred to issue the units were \$8. These units were issued under our distribution re-investment plan at an average price of \$11.90 per unit. As of May 12, 2009, we had 31,348,460 units issued and outstanding.

We adopted a Unit Option Plan at the time of our IPO. In May of 2004, we adopted a long-term incentive plan (“LTIP”) whereby our trustees and officers (“Participants”) may from time to time, at the discretion of the trustees and subject to regulatory approval, subscribe for units at a market price established in accordance with the provisions of the LTIP. The price for the units is payable as to 5% upon issuance and as to the balance (“LTIP Loan”) over 10 years with interest on the LTIP Loan at an annual rate established in accordance with the provisions of the LTIP. The units issued pursuant to the LTIP are registered in the name of a Custodian on behalf of the Participants who are the beneficial owners. The units are pledged to us as security for payment of the LTIP Loan, and all distributions paid on the units are forwarded by the Custodian to us and applied first on account of interest on the LTIP Loan and then to reduce the outstanding balance of the LTIP Loan. In May of 2007, we amended the Unit Option Plan and the LTIP to limit the number of units authorized for issuance under the Unit Option Plan, the LTIP or any other equity compensation plan to 5% of the issued and outstanding units from time to time. As of May 12, 2009, we had options to purchase 735,417 units outstanding, of which 128,331 had vested, and 387,293 units issued under the LTIP.

Mortgages Payable

Mortgages payable as at March 31, 2009, consisted of mortgage debt of \$511,565. The following sets out the maturity schedule of our mortgage debt and the weighted average interest rate on the maturing mortgages.

| | Periodic Principal Payments | Balance Due at Maturity | Total Principal | % of Total Principal | WA Interest Rate |
|--------------|------------------------------------|--------------------------------|------------------------|-----------------------------|-------------------------|
| 2009 | 9,868 | 5,287 | 15,155 | 3.0% | 6.3% |
| 2010 | 13,464 | 7,039 | 20,503 | 4.0% | 5.3% |
| 2011 | 13,965 | 14,868 | 28,833 | 5.6% | 6.2% |
| 2012 | 13,780 | 36,805 | 50,585 | 9.9% | 5.9% |
| 2013 | 13,992 | 21,997 | 35,989 | 7.0% | 6.0% |
| Thereafter | 21,766 | 338,734 | 360,500 | 70.5% | 5.5% |
| Total | 86,835 | 424,730 | 511,565 | 100.0% | |

The principal balances due at maturity by type of lender are as follows:

| | Direct Mortgage Lender | Conduit Mortgage Lender |
|--------------|-------------------------------|--------------------------------|
| 2009 | - | 5,287 |
| 2010 | 7,039 | - |
| 2011 | 9,714 | 5,154 |
| 2012 | 24,488 | 12,317 |
| 2013 | 21,997 | - |
| Thereafter | 253,636 | 85,098 |
| Total | 316,874 | 107,856 |

Interest rates on the mortgage debt are between 2.91% and 8.10% with a weighted average interest rate of 5.55%. The weighted average term of the mortgage debt is 5.7 years. Each individual mortgage loan 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 our assets. We attempt 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 as needed. Additionally, we attempt to maintain 15 to 20% of our rental properties free from traditional long-term mortgage financing with a view to providing these assets as security for bank credit facilities.

Bank Credit Facility

As at March 31, 2009, we had a \$70,000 revolving credit facility (“Facility”) with a Canadian chartered bank bearing interest at bank prime and maturing on August 31, 2010. The credit facility is secured by a combination of mortgage charges and security agreements on certain of our rental properties. In the quarter ended March 31, 2009, the average borrowings under the Facility were \$10,825. As at March 31, 2009, the borrowings under the Facility were \$15,609.

Liquidity and Commitments

Net operating income generated from our rental properties is the primary source of liquidity to fund our financing expense, trust expense and distributions to unitholders. The Declaration requires us to declare distributions each year not less than the greater of (i) 75% of our DI or (ii) an amount to ensure that we will not be subject to tax on our income and capital gains. We intend to pay distributions of approximately 75 to 80% of DI.

We expect that increased financing on maturing mortgages will provide sufficient cash flow to fund mortgage repayments. We plan to fund anticipated ongoing commitments, obligations, capital expenditures and leasing expenditures by using retained cash flow from operations and availing ourselves of borrowing capacity under the Facility.

The Facility, new mortgage financing and the access to the public equity markets will provide the necessary capital we require for acquisitions. Our acquisition capacity, meaning our ability to use unutilized borrowing capacity while not exceeding the 60% Debt Ratio, is \$285,000.

As at March 31, 2009, we had future commitments as set out below.

| (In thousands) | March 31, 2009 |
|---|----------------|
| Leasing commissions | \$459 |
| Tenant improvements | 16 |
| Building renovations and maintenance capital expenditures | 1,363 |
| Revenue-enhancing capital and leasing expenditure | 52 |
| Expenses | 104 |
| Total | \$1,994 |

PART IV

Summary Quarterly Information and Performance

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

| (In thousands except for per unit and % amounts) | Q1 2009 | Q4 2008 | Q3 2008 | Q2 2008 | Q1 2008 | Q4 2007 | Q3 2007 | Q2 2007 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue from rental properties | 36,975 | 35,202 | 33,795 | 30,961 | 31,850 | 30,310 | 27,718 | 27,424 |
| Rental property operating cost | 15,244 | 14,332 | 12,776 | 12,169 | 13,110 | 12,369 | 10,578 | 10,831 |
| Net rental income | 21,731 | 20,870 | 21,019 | 18,792 | 18,740 | 17,941 | 17,140 | 16,593 |
| Real estate service income | 65 | 73 | 95 | 88 | 71 | 69 | 106 | 137 |
| Financing expense | 6,855 | 7,018 | 6,745 | 6,422 | 5,981 | 6,523 | 6,251 | 5,914 |
| Amortization | 10,144 | 9,723 | 9,831 | 9,041 | 8,969 | 9,613 | 9,778 | 8,615 |
| Income from operations | 4,797 | 4,202 | 4,538 | 3,417 | 3,861 | 1,874 | 1,217 | 2,201 |
| Trust expense | 921 | 906 | 828 | 856 | 916 | 899 | 537 | 587 |
| Net income (loss) | 3,876 | 3,296 | 3,710 | 2,561 | 2,945 | 975 | 680 | 1,614 |
| Amortization | | | | | | | | |
| Rental properties | 4,381 | 4,284 | 4,221 | 3,853 | 3,777 | 3,677 | 3,758 | 3,280 |
| Mortgage premium | (8) | (5) | (76) | (23) | (60) | (63) | (80) | (92) |
| Acquired leases | 1,586 | 1,644 | 1,647 | 1,565 | 1,536 | 1,740 | 1,778 | 1,531 |
| M-T-M acquired leases | 118 | 195 | 265 | 817 | 783 | 1,088 | 1,188 | 907 |
| Acquired tenant relationships | 3,018 | 3,110 | 3,282 | 2,929 | 3,044 | 3,673 | 3,804 | 3,412 |
| Acquired contracts and customer relationships | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Step-rent adjustments | (215) | (341) | (244) | (155) | (252) | (525) | (218) | (465) |
| LTIP and Unit Option Plan expense | 56 | 123 | 122 | 122 | 122 | 36 | - | - |
| DI | 12,836 | 12,330 | 12,951 | 11,693 | 11,919 | 10,626 | 10,934 | 10,211 |
| Weighted average units (basic) | 30,914 | 30,796 | 30,654 | 27,757 | 27,616 | 24,722 | 24,722 | 24,087 |
| Weighted average units (diluted) | 31,302 | 31,184 | 31,042 | 28,145 | 28,007 | 25,132 | 25,132 | 24,517 |
| Distributions | 10,296 | 10,255 | 10,218 | 9,249 | 8,945 | 7,866 | 7,866 | 7,922 |
| DI per unit (basic) | \$0.42 | \$0.40 | \$0.42 | \$0.42 | \$0.43 | \$0.43 | \$0.44 | \$0.42 |
| DI per unit (diluted) | \$0.41 | \$0.40 | \$0.42 | \$0.42 | \$0.43 | \$0.42 | \$0.44 | \$0.42 |
| DI pay-out ratio | 80.2% | 83.2% | 78.9% | 79.1% | 75.0% | 74.0% | 71.9% | 77.6% |
| FFO | 13,929 | 13,023 | 13,449 | 11,512 | 11,834 | 10,551 | 10,423 | 10,192 |
| FFO per unit (basic) | \$0.45 | \$0.42 | \$0.44 | \$0.42 | \$0.43 | \$0.43 | \$0.42 | \$0.42 |
| FFO per unit (diluted) | \$0.44 | \$0.42 | \$0.43 | \$0.41 | \$0.42 | \$0.42 | \$0.42 | \$0.42 |
| FFO pay-out ratio | 73.9% | 78.7% | 76.0% | 80.3% | 75.6% | 74.6% | 75.5% | 77.7% |
| AFFO | 12,270 | 10,603 | 11,600 | 10,759 | 11,698 | 9,383 | 9,762 | 8,648 |
| AFFO per unit (basic) | \$0.40 | \$0.34 | \$0.38 | \$0.39 | \$0.42 | \$0.38 | \$0.40 | \$0.36 |
| AFFO per unit (diluted) | \$0.39 | \$0.34 | \$0.37 | \$0.38 | \$0.42 | \$0.37 | \$0.39 | \$0.35 |
| AFFO pay-out ratio | 83.9% | 96.7% | 88.1% | 86.0% | 76.5% | 83.8% | 80.6% | 91.6% |
| NOI | 21,634 | 20,724 | 21,040 | 19,454 | 19,271 | 18,505 | 18,110 | 17,035 |
| Net income per unit (basic) | \$0.13 | \$0.11 | \$0.12 | \$0.09 | \$0.11 | \$0.04 | \$0.03 | \$0.07 |
| Net income per unit (diluted) | \$0.12 | \$0.11 | \$0.12 | \$0.09 | \$0.11 | \$0.04 | \$0.03 | \$0.07 |
| Total assets | 945,985 | 949,385 | 956,344 | 884,321 | 857,166 | 808,627 | 789,876 | 771,353 |
| Total debt | 527,174 | 526,478 | 527,879 | 517,997 | 485,371 | 490,924 | 464,633 | 443,334 |
| Debt Ratio | 49.3% | 49.4% | 49.7% | 52.7% | 51.3% | 55.2% | 54.2% | 53.3% |
| Total GLA (excluding PUD) | 5,335 | 5,350 | 5,236 | 4,812 | 4,742 | 4,571 | 4,484 | 4,446 |
| Leased GLA (excluding PUD) | 5,183 | 5,204 | 5,095 | 4,684 | 4,625 | 4,476 | 4,391 | 4,295 |
| Leased Area (%GLA) | 97.2% | 97.3% | 97.3% | 97.3% | 97.6% | 97.9% | 97.9% | 96.6% |

Factors that cause variation from quarter to quarter include but are not limited to our Debt Ratio, the extent to which we have invested capital in PUDs, our same-asset NOI, our rate of property acquisition, our regular leasing expenditures and our regular maintenance capital expenditures.

PART V

Critical Accounting Estimates

The significant accounting policies used in preparing our consolidated financial statements are described in Note 3 to our consolidated financial statements for the quarter ended March 31, 2009, and for the year ended December 31, 2008. The following is a discussion of Management's estimates that are most important to the presentation of our 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 our mortgage indebtedness 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

We are required to write down to fair value any long-lived assets that are determined to have been permanently impaired. Our long-lived assets consist of rental properties. Our 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, we commission an appraisal and conduct due-diligence to satisfy ourselves that the acquisition price is representative of fair market value.

Amortization

A significant portion of the purchase price of rental properties is allocated to buildings. The amortization 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 amortization will not be appropriately recorded.

Mark-to-Market Rent Adjustment, Cité Multimédia

We completed the acquisition of Cité Multimédia on April 18, 2007, with an effective date of April 1, 2007. At the time of acquisition, based on data compiled by an independent real estate appraiser, Management estimated that the average in-place rental rates for the tenants at Cité Multimédia exceeded current market rental rates by approximately 9%. Accordingly, our financial statements for the quarter ended March 31, 2009, recognize a \$838 net mark-to-market rent adjustment in respect of Cité Multimédia. Our net income was affected by this mark-to-market rent adjustment. Our DI and AFFO were not affected, as we add non-cash items back in calculating DI and AFFO. Our FFO was affected, as we do not add mark-to-market rent adjustments back in calculating FFO.

Future Changes in Accounting Policies

The Accounting Standards Board has confirmed that the transition date to International Financial Reporting Standards ("IFRS") from current Canadian GAAP will be January 1, 2011. We will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information. The impact of IFRS on our consolidated financial statements may be significant. We commenced a conversion project in 2008, which consists of the following: (i) training and education; (ii) an assessment of the impact of IFRS on our financial statements, information technology, data systems, disclosure and control procedures and internal control processes; (iii) design and implementation of systems and process changes; and (iv) post-implementation review.

We have commenced training and education and have completed a preliminary assessment of the impact of IFRS on the REIT financial statements. We have identified the differences between current GAAP and IFRS that may impact on our financial results. These differences include accounting for investment properties, impairment testing for assets, accounting for our units, accounting for distributions and financial statement presentation and disclosure. The International Accounting Standards Board has projects underway that may change IFRS, and we will assess these new pronouncements as they are issued.

PART VI

Related Party Transactions

Allied Canadian Development Corporation (“ACDC”) is a company controlled by the President and Chief Executive Officer of the REIT and in which the Executive Vice President of the REIT has an interest. At the time of our IPO, a subsidiary of ACDC leased 29,102 square feet of office space from us pursuant to a lease expiring on September 30, 2010. Effective July 1, 2005, we 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 ACDC protecting us from any revenue shortfall (on a cash basis) from the original lease remain in full force and effect.

We have an option agreement (“Option Agreement”) with ACDC, pursuant to which it must offer to sell to us at fair market value all developed or redeveloped office properties upon substantial completion. Seven of the properties in our portfolio were acquired pursuant to the Option Agreement. ACDC has no properties under development or redevelopment at this time. While the Option Agreement permits it to engage in development and redevelopment activity on an ongoing basis, ACDC is not currently pursuing office development or redevelopment opportunities and does not expect to do so in the foreseeable future.

PART VII

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 general economic conditions have deteriorated significantly in the past year. While this has not yet had a commensurate impact on the demand for leased premises in our target markets, it is reasonable to expect that it will going forward and that it will heighten the financing and interest rate risk, credit risk, lease roll-over risk and development risk outlined below.

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

Financing and Interest Rate Risk

We are subject to risk associated with debt financing. The availability of debt to re-finance existing and maturing loans and the cost of servicing such debt will influence our success. In order to minimize risk associated with debt financing, we strive to re-finance maturing loans with long-term fixed-rate debt and to stagger the maturities over time.

Interest rates on our mortgage debt are between 2.91% and 8.10% with a weighted average interest rate of 5.55%. The weighted average term of our mortgage debt is 5.7 years. As at March 31, 2009, the borrowings under the Facility were \$15,609.

Credit Risk

We are subject to credit risk. Credit risk arises from the possibility that tenants may not be able to fulfill their lease obligations. We strive to mitigate this risk by maintaining a diversified tenant-mix and limiting exposure to any single tenant.

The following sets out our tenant-mix on the basis of percentage of rental revenue for the quarter ended March 31, 2009.

| Category | % of Rental Revenue Quarter Ended March 31, 2009 |
|---|---|
| Business service and professional | 28.9% |
| Telecommunications and information technology | 24.0% |
| Retail (head office and storefront) | 15.1% |
| Media and entertainment | 15.7% |
| Financial services | 5.9% |
| Government | 3.0% |
| Other | 7.4% |

The following sets out the percentage of rental revenue from our top-10 tenants by rental revenue for the quarter ended March 31, 2009.

| Tenant | % of Rental Revenue Quarter Ended March 31, 2009 |
|------------------------------|---|
| CGI | 5.5% |
| Ubisoft Divertissements Inc. | 4.1% |
| Desjardins | 3.7% |
| Cossette Communications | 2.3% |
| Autodesk Canada | 2.2% |
| SAP Labs | 2.0% |
| Indigo Books & Music | 1.7% |
| St. Michael's Hospital | 1.7% |
| Motorola | 1.5% |
| Publicis Toronto | 1.4% |

Lease Roll-Over Risk

We are subject to lease roll-over risk. Lease roll-over risk arises from the possibility that we may experience difficulty renewing or replacing tenants occupying space covered by leases that mature. We strive to stagger our lease maturity schedule so that we are not faced with a disproportionately large level of lease maturity in a given year.

97.2% of the GLA in our portfolio was leased as at March 31, 2009 (not including Properties Under Development). The weighted average term to maturity of our leases is four years. The following sets out the total GLA of the leases that mature during the period from April 1, 2009, to December 31, 2013, assuming tenants do not exercise renewal options, the percentage of total GLA represented by the maturing leases, the weighted average in-place net rental rate on the maturing leases and the weighted average market net rental rate on the space covered by the maturing leases. The weighted average market net rental rate is based on Management's current estimates and is supported in part by independent appraisals of certain of the 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.

| Year Ended | Square Feet | % of Total GLA | WA Rental Rate | WA Market Rate |
|-------------------|--------------------|-----------------------|-----------------------|-----------------------|
| December 31, 2009 | 512,297 | 9.6% | \$14.67 | \$14.52 |
| December 31, 2010 | 1,082,947 | 20.3% | \$15.38 | \$16.39 |
| December 31, 2011 | 870,808 | 16.3% | \$12.96 | \$16.86 |
| December 31, 2012 | 761,990 | 14.2% | \$15.78 | \$17.30 |
| December 31, 2013 | 721,048 | 13.5% | \$14.41 | \$16.13 |

The following sets out lease maturity information for each of our five target markets, with our Toronto and Kitchener target markets being combined.

1. Toronto and Kitchener

| Year Ended | Square Feet | % of Total GLA | WA Rental Rate | WA Market Rate |
|-------------------|--------------------|-----------------------|-----------------------|-----------------------|
| December 31, 2009 | 350,060 | 6.6% | \$16.83 | \$17.21 |
| December 31, 2010 | 359,472 | 6.7% | \$15.38 | \$16.39 |
| December 31, 2011 | 406,637 | 7.6% | \$14.61 | \$18.37 |
| December 31, 2012 | 388,497 | 7.3% | \$19.80 | \$19.26 |
| December 31, 2013 | 315,803 | 5.9% | \$16.56 | \$18.51 |

2. Montréal

| Year Ended | Square Feet | % of Total GLA | WA Rental Rate | WA Market Rate |
|-------------------|-------------|----------------|----------------|----------------|
| December 31, 2009 | 76,160 | 1.4% | \$12.26 | \$10.54 |
| December 31, 2010 | 643,590 | 12.1% | \$16.33 | \$16.39 |
| December 31, 2011 | 414,019 | 7.8% | \$11.91 | \$16.49 |
| December 31, 2012 | 337,213 | 6.3% | \$11.59 | \$15.97 |
| December 31, 2013 | 349,972 | 6.6% | \$13.15 | \$15.17 |

3. Winnipeg

| Year Ended | Square Feet | % of Total GLA | WA Rental Rate | WA Market Rate |
|-------------------|-------------|----------------|----------------|----------------|
| December 31, 2009 | 69,870 | 1.3% | \$7.16 | \$7.75 |
| December 31, 2010 | 45,356 | 0.9% | \$7.72 | \$8.17 |
| December 31, 2011 | 39,420 | 0.7% | \$7.14 | \$8.19 |
| December 31, 2012 | 11,815 | 0.2% | \$7.84 | \$8.12 |
| December 31, 2013 | 33,213 | 0.6% | \$7.93 | \$8.04 |

4. Québec City

| Year Ended | Square Feet | % of Total GLA | WA Rental Rate | WA Market Rate |
|-------------------|-------------|----------------|----------------|----------------|
| December 31, 2009 | 16,207 | 0.3% | \$11.03 | \$10.52 |
| December 31, 2010 | 34,529 | 0.6% | \$12.15 | \$9.62 |
| December 31, 2011 | 10,732 | 0.2% | \$13.40 | \$9.90 |
| December 31, 2012 | 24,465 | 0.5% | \$13.97 | \$9.62 |
| December 31, 2013 | 22,060 | 0.4% | \$13.49 | \$10.92 |

In evaluating our lease roll-over risk, it is informative to determine our sensitivity to a decline in occupancy. For every decline of 100 basis points in occupancy at our average rental rate per square foot, our annual AFFO would decline by approximately \$1,480 (approximately five cents per unit). The decline in AFFO per unit would be more pronounced if the decline in occupancy involved space leased above our average rental rate per square foot and less pronounced if the decline in occupancy involved space leased below our average rental rate per square foot. Management is committed to staying within our normal range of leased area of 96% to 99% in 2009.

Environmental Risk

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

Development Risk

As an owner of Properties Under Development, we are subject to development risks, such as construction delays, cost over-runs and the failure of tenants to take occupancy and pay rent in accordance with lease arrangements. In connection with all Properties Under Development, we incur 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 by not commencing construction until a satisfactory level of pre-leasing is achieved. Overall, these risks are managed by ensuring that Properties Under Development do not represent a large component of our GBV. As at March 31, 2009, the cost of Properties Under Development was equivalent to 4.2% of our GBV.

Taxation Risk

On June 22, 2007, rules changing the manner in which trusts are taxed were proclaimed into force. Trusts that meet the REIT exemption are not subject to these rules. The determination as to whether we qualify for the REIT exemption in a particular taxation year can only be made with certainty at the end of that taxation year. While there can be no assurance in this regard, due to uncertainty surrounding the interpretation of the relevant provisions of the REIT exemption, we expect that we will qualify for the REIT exemption in 2009 and beyond.

PART VIII

Disclosure Controls and Internal Controls

Management maintains information systems, procedures and controls designed reasonably to ensure that publicly discussed information is complete, reliable and timely. The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to provide reasonable assurance that material information about our business is made known to them in a timely way. They have also designed 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 GAAP.

There was no change in the design of internal controls over financial reporting in the first quarter of 2009 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance of control issues, including 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.

PART IV

Subsequent Event

On May 6, 2009, we closed the acquisition of 860 Richmond Street West, Toronto, following the rectification by the vendor of a minor title issue. The acquisition was the final component of a portfolio acquisition announced and otherwise completed in the second quarter of 2008.

PART X

Property Table

| March 31, 2009 | Office | Retail | Total | % Total | Office | Retail | Total | Leased % |
|-------------------------------|------------------|----------------|------------------|--------------|---------------|---------------|------------------|---------------|
| Properties | GLA | GLA | GLA | GLA | Vacant | Vacant | Leased | |
| 555 College | 41,023 | 19,145 | 60,168 | | - | - | 60,168 | 100.0% |
| 905 King W | 103,105 | 8,991 | 112,096 | | - | - | 112,096 | 100.0% |
| The Castle | 106,393 | 34,323 | 140,716 | | - | - | 140,716 | 100.0% |
| King West | 250,521 | 62,459 | 312,980 | 5.9% | - | - | 312,980 | 100.0% |
| 141 Bathurst (+ land) | 10,521 | - | 10,521 | | 5,105 | - | 5,416 | 51.5% |
| 183 Bathurst | 24,879 | - | 24,879 | | - | - | 24,879 | 100.0% |
| 420 Wellington W | 33,813 | 3,137 | 36,950 | | - | - | 36,950 | 100.0% |
| 425 Adelaide W | 75,347 | 4,104 | 79,451 | | 5,207 | - | 74,244 | 93.4% |
| 425-439 King W | 75,333 | 17,297 | 92,630 | | - | 3,397 | 89,233 | 96.3% |
| 441-443 King W | 6,820 | 3,065 | 9,885 | | - | - | 9,885 | 100.0% |
| 445-455 King W | 27,640 | 23,048 | 50,688 | | - | - | 50,688 | 100.0% |
| 468 King W | 65,027 | - | 65,027 | | - | - | 65,027 | 100.0% |
| 469 King W | 62,596 | 11,250 | 73,846 | | - | - | 73,846 | 100.0% |
| 489 King W | 15,621 | 10,650 | 26,271 | | - | - | 26,271 | 100.0% |
| 495 King W | 11,183 | - | 11,183 | | - | - | 11,183 | 100.0% |
| 499 King W | - | 8,400 | 8,400 | | - | - | 8,400 | 100.0% |
| 500-522 King W | 94,892 | 33,513 | 128,405 | | - | - | 128,405 | 100.0% |
| 579 Richmond W | 29,043 | - | 29,043 | | - | - | 29,043 | 100.0% |
| 602-606 King W | 39,727 | 24,320 | 64,047 | | - | - | 64,047 | 100.0% |
| 662 King W | 30,774 | 2,126 | 32,900 | | - | - | 32,900 | 100.0% |
| King-Brant Parking | - | - | - | 0.0% | - | - | - | 0.0% |
| King West Central | 603,216 | 140,910 | 744,126 | 13.9% | 10,312 | 3,397 | 730,417 | 98.2% |
| 116 Simcoe | 14,989 | - | 14,989 | | - | - | 14,989 | 100.0% |
| 179 John St | 67,331 | - | 67,331 | | - | - | 67,331 | 100.0% |
| 185 Spadina | 55,814 | - | 55,814 | | - | - | 55,814 | 100.0% |
| 200 Adelaide W | 28,024 | - | 28,024 | | - | - | 28,024 | 100.0% |
| 208-210 Adelaide W | 12,423 | - | 12,423 | | - | - | 12,423 | 100.0% |
| 217-225 Richmond W | 35,453 | 18,350 | 53,803 | | - | - | 53,803 | 100.0% |
| 257 Adelaide W | 46,914 | - | 46,914 | | - | - | 46,914 | 100.0% |
| 312 Adelaide W | 66,043 | 5,752 | 71,795 | | - | 4,402 | 67,393 | 93.9% |
| 331-333 Adelaide W | 21,089 | 3,210 | 24,299 | | 4,222 | - | 20,077 | 82.6% |
| 358-360 Adelaide W | 54,250 | - | 54,250 | | 8,948 | - | 45,302 | 83.5% |
| 364 Richmond W | 22,018 | 17,300 | 39,318 | | - | - | 39,318 | 100.0% |
| 388 King W | 32,529 | 11,765 | 44,294 | | - | - | 44,294 | 100.0% |
| 82 Peter | 38,864 | 8,287 | 47,151 | | - | - | 47,151 | 100.0% |
| 99 Spadina | 39,327 | 11,392 | 50,719 | | 8,061 | - | 42,658 | 84.1% |
| Entertainment District | 535,068 | 76,056 | 611,124 | 11.5% | 21,231 | 4,402 | 585,491 | 95.8% |
| 67 Richmond W | 44,702 | 5,804 | 50,506 | | - | 2,790 | 47,716 | 94.5% |
| 193 Yonge | 34,836 | 16,318 | 51,154 | | - | - | 51,154 | 100.0% |
| Downtown | 79,538 | 22,122 | 101,660 | 1.9% | - | 2,790 | 98,870 | 97.3% |
| 106 Front E | 24,386 | 10,109 | 34,495 | | - | - | 34,495 | 100.0% |
| 35-39 Front E | 34,858 | 17,850 | 52,708 | | - | - | 52,708 | 100.0% |
| 36-40 Wellington E | 12,630 | 11,550 | 24,180 | | - | - | 24,180 | 100.0% |
| 41-45 Front E | 20,024 | 19,811 | 39,835 | | 3,334 | - | 36,501 | 91.6% |
| 45-55 Colborne | 27,815 | 12,526 | 40,341 | | 1,000 | - | 39,341 | 97.5% |
| 50 Wellington E | 21,937 | 11,049 | 32,986 | | - | - | 32,986 | 100.0% |
| St. Lawrence Market | 141,650 | 82,895 | 224,545 | 4.2% | 4,334 | - | 220,211 | 98.1% |
| 145 Berkeley | 8,124 | 2,687 | 10,811 | | - | - | 10,811 | 100.0% |
| 230 Richmond E | 73,667 | - | 73,667 | | - | - | 73,667 | 100.0% |
| 489 Queen E | 25,242 | - | 25,242 | | 2,663 | - | 22,579 | 89.5% |
| Dominion Square | 63,027 | 48,832 | 111,859 | | 4,079 | - | 107,780 | 96.4% |
| QRC South | 37,784 | - | 37,784 | | 7,719 | - | 30,065 | 79.6% |
| Queen Richmond Centre | 155,481 | 67,487 | 222,968 | | - | - | 222,968 | 100.0% |
| 70 Richmond E | 34,414 | - | 34,414 | | - | - | 34,414 | 100.0% |
| 204-214 King E | 128,970 | 5,460 | 134,430 | | - | - | 134,430 | 100.0% |
| Queen Richmond | 526,709 | 124,466 | 651,175 | 12.2% | 14,461 | - | 636,714 | 97.8% |
| Total Toronto | 2,136,702 | 508,908 | 2,645,610 | 49.6% | 50,338 | 10,589 | 2,584,683 | 97.7% |

| March 31, 2009 Properties | Office GLA | Retail GLA | Total GLA | % Total GLA | Office Vacant | Retail Vacant | Total Leased | Leased % |
|---------------------------------|------------------|----------------|------------------|----------------|------------------|------------------|------------------|---------------|
| 3575 Saint-Laurent | 167,963 | 17,464 | 185,427 | | 13,934 | - | 171,493 | 92.5% |
| 400 Atlantic | 86,034 | - | 86,034 | | 5,246 | - | 80,788 | 93.9% |
| 425 Viger W (+ land) | 205,193 | 820 | 206,013 | | - | - | 206,013 | 100.0% |
| 4446 Saint-Laurent | 74,961 | 7,667 | 82,628 | | 8,019 | - | 74,609 | 90.3% |
| 5505 Saint Laurent Blvd | 252,452 | 2,524 | 254,976 | | - | - | 254,976 | 100.0% |
| 451-481 Saint Catherine | 20,899 | 9,757 | 30,656 | | - | - | 30,656 | 100.0% |
| 6300 Avenue du Parc | 207,853 | 10,450 | 218,303 | | 22,696 | - | 195,607 | 89.6% |
| 111 Duke | 374,760 | - | 374,760 | | - | - | 374,760 | 100.0% |
| 50 Queen | 30,550 | - | 30,550 | | - | - | 30,550 | 100.0% |
| 700 Wellington | 128,152 | 1,925 | 130,077 | | - | - | 130,077 | 100.0% |
| 75 Queen | 249,450 | 2,128 | 251,578 | | - | - | 251,578 | 100.0% |
| 80 Queen | 70,263 | - | 70,263 | | - | - | 70,263 | 100.0% |
| 87 Prince | 106,628 | 1,065 | 107,693 | | - | - | 107,693 | 100.0% |
| Total Montréal | 1,975,158 | 53,800 | 2,028,958 | 38.0% | 49,895 | - | 1,979,063 | 97.5% |
| 115 Bannatyne | 34,591 | 4,029 | 38,620 | | - | - | 38,620 | 100.0% |
| 138 Portage E | 39,465 | - | 39,465 | | 8,401 | - | 31,064 | 78.7% |
| 165 Garry | 9,000 | 5,800 | 14,800 | | 1,800 | - | 13,000 | 87.8% |
| 250 McDermot | 34,946 | 10,040 | 44,986 | | 3,844 | - | 41,142 | 91.5% |
| 309 Hargrave | 19,070 | 1,400 | 20,470 | | 4,771 | - | 15,699 | 76.7% |
| 50-70 Arthur | 101,943 | 15,380 | 117,323 | | 17,409 | - | 99,914 | 85.2% |
| 1500 Notre Dame | 111,400 | - | 111,400 | | 3,300 | - | 108,100 | 97.0% |
| Total Winnipeg | 350,415 | 36,649 | 387,064 | 7.3% | 39,525 | - | 347,539 | 89.8% |
| 390 Charest | 66,751 | 6,348 | 73,099 | | - | - | 73,099 | 100.0% |
| 410 Charest | - | 24,937 | 24,937 | | - | 1,300 | 23,637 | 94.8% |
| 420 Charest | 43,551 | 13,285 | 56,836 | | 500 | - | 56,336 | 99.1% |
| 622 Saint Joseph | 3,620 | 3,300 | 6,920 | | - | - | 6,920 | 100.0% |
| 633 Saint Joseph | 15,655 | 6,000 | 21,655 | | - | - | 21,655 | 100.0% |
| Total Québec City | 129,577 | 53,870 | 183,447 | 3.4% | 500 | 1,300 | 181,647 | 99.0% |
| 72 Victoria | 89,634 | - | 89,634 | | - | - | 89,634 | 100.0% |
| Total Kitchener-Waterloo | 89,634 | - | 89,634 | 1.7% | - | - | 89,634 | 100.0% |
| Total Rental Portfolio | 4,681,486 | 653,227 | 5,334,713 | 100.0% | 140,258 | 11,889 | 5,182,566 | 97.2% |
| 47 Fraser, Toronto | 11,772 | - | 11,772 | | | | | |
| 47A Fraser, Toronto | 20,000 | - | 20,000 | | | | | |
| 96 Spadina, Toronto | 85,091 | 6,320 | 91,411 | | | | | |
| 134 Peter, Toronto | 30,151 | 19,518 | 49,669 | | | | | |
| 544 King, Toronto | 36,000 | - | 36,000 | | | | | |
| Adjacent Land, Montréal | | | | | | | | |
| Total PUD | 183,014 | 25,838 | 208,852 | | | | | |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009

**Consolidated Balance Sheets
(Unaudited)**

| (in thousands) | Note | March 31, 2009 | December 31, 2008 |
|--|----------|------------------|-------------------|
| Assets | | | |
| Rental properties | 4 | \$803,488 | \$807,270 |
| Properties under development | | 44,582 | 42,463 |
| Deferred expenses | 5 | 51,136 | 55,645 |
| Other assets | 6 | 44,734 | 43,223 |
| Cash | | 2,045 | 784 |
| | | \$945,985 | \$949,385 |
| Liabilities | | | |
| Mortgages payable | 7 | \$508,469 | \$520,308 |
| Bank indebtedness | 7 | 15,609 | 2,922 |
| Accounts payable and other liabilities | 8 | 37,847 | 37,068 |
| Distributions payable | | 3,447 | 3,436 |
| | | 565,372 | 563,734 |
| Unitholders' Equity | 9 | 380,613 | 385,651 |
| | | \$945,985 | \$949,385 |

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

"Gordon Cunningham" _____

Gordon Cunningham
Trustee

"Michael R. Emory" _____

Michael R. Emory
Trustee

**Consolidated Statements of Unitholders' Equity
(Unaudited)**

(in thousands)

| | Notes | Cumulative Capital | Cumulative Issue Costs | Cumulative Net Income | Cumulative Distributions | Contributed Surplus | Total |
|--|-----------|-----------------------|------------------------------|-----------------------------|-----------------------------|------------------------|------------------|
| Unitholders' equity, December 31, 2007 | | \$362,524 | (\$18,560) | \$29,220 | (\$83,355) | \$36 | \$289,865 |
| Year ended December 31, 2008 | | | | | | | |
| Net income | | - | - | 12,512 | - | - | \$12,512 |
| Distributions | | - | - | - | (38,667) | - | (38,667) |
| Public offering | | 120,738 | (5,562) | - | - | - | 115,176 |
| Distribution reinvestment plan | | 5,512 | - | - | - | - | 5,512 |
| Unit option plan – options exercised | 11 | 425 | - | - | - | - | 425 |
| Contributed surplus unit option plan | 11 | - | - | - | - | 489 | 489 |
| Long-Term incentive plan | 12 | 339 | - | - | - | - | 339 |
| Unitholders' equity, December 31, 2008 | | \$489,538 | (\$24,122) | \$41,732 | (\$122,022) | \$525 | \$385,651 |
| Three Months Ended March 31, 2009 | | | | | | | |
| Net income | | - | - | \$3,876 | - | - | \$3,876 |
| Distributions | | - | - | - | (10,296) | - | (10,296) |
| Distribution reinvestment plan | | 1,245 | - | - | - | - | 1,245 |
| Contributed surplus, unit option plan | | - | - | - | - | 56 | 56 |
| Long-Term Incentive plan | 12 | 89 | (8) | - | - | - | 81 |
| Unitholders' equity, March 31, 2009 | | \$490,872 | (\$24,130) | \$45,608 | (\$132,318) | \$581 | \$380,613 |

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

**Consolidated Statements of Earnings and Comprehensive Income
(Unaudited)**

(in thousands, except unit and per unit amounts)

| | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 |
|---|---|---|
| Revenues | | |
| Rental properties | \$36,975 | \$31,850 |
| Real estate services | 154 | 153 |
| | 37,129 | 32,003 |
| Expenses | | |
| Rental property operating | 15,244 | 13,110 |
| Real estate services | 89 | 82 |
| Financing | 6,855 | 5,981 |
| Trust | 921 | 916 |
| Amortization of rental properties | 4,381 | 3,777 |
| Amortization of deferred expenses | 5,109 | 4,850 |
| Amortization of other assets | 654 | 342 |
| | 33,253 | 29,058 |
| Net income and comprehensive income for the year | \$3,876 | \$2,945 |
| Net income per unit | | |
| Basic | \$0.13 | \$0.11 |
| Fully diluted | \$0.12 | \$0.11 |
| Weighted average number of units (Note 10) | | |
| Basic | 30,913,909 | 27,615,954 |
| Fully diluted | 31,301,821 | 28,006,842 |

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

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

| | Notes | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 |
|--|-------|---|---|
| CASH PROVIDED BY (USED IN): | | | |
| Operating activities | | | |
| Net income | | \$3,876 | \$ 2,945 |
| Items not affecting cash | | | |
| Amortization of rental properties | | 4,381 | 3,777 |
| Amortization of office equipment | | 67 | 56 |
| Amortization of deferred expenses | | 5,109 | 4,850 |
| Amortization of tenant improvements | | 587 | 285 |
| Step rent adjustments (revenue) | | (301) | (294) |
| Step rent adjustments (expenses) | | 86 | 42 |
| Mark to market rent adjustments | | 118 | 783 |
| Amortization, premium on assumed mortgages | | (8) | (59) |
| Changes in other non-cash financing expenses | | 164 | 115 |
| Compensation expense, unit option plan | | 56 | 122 |
| | | 14,135 | 12,622 |
| Change in other non-cash operating items | | (541) | (1,394) |
| Cash from operating activities | | 13,594 | 11,228 |
| Investing activities | | | |
| Rental properties acquired, net of non-cash consideration | 2 | - | (16,394) |
| Properties under development acquired | 2 | - | (24,153) |
| Capital expenditures, rental properties and other assets | | (599) | (3,805) |
| Capital expenditures, properties under development | | (2,015) | (647) |
| Tenant improvements and leasing cost | | (1,275) | (728) |
| Tenant inducements | | (178) | (44) |
| Cash used in investing activities | | (4,067) | (45,771) |
| Financing Activities | | | |
| Repayment of mortgages payable | | (12,904) | (3,015) |
| Proceeds from new mortgages payable | | 911 | - |
| Distributions | | (9,040) | (7,479) |
| Proceeds of public offering (net of issue costs) | | - | 57,468 |
| Proceeds from exercise of unit options | | - | 425 |
| Proceeds from units issued under the LTIP (net of issue costs) | 12 | 80 | 77 |
| Net increase (decrease) in bank indebtedness | | 12,687 | (13,079) |
| Cash provided by (used in) financing activities | | (8,266) | 34,397 |
| Increase (decrease) in cash and cash equivalents | | 1,261 | (146) |
| Cash and cash equivalents, beginning of period | | 784 | 1,179 |
| Cash and cash equivalents, end of period | | 2,045 | \$ 1,033 |
| Other cash flow information | | | |
| Interest paid | | \$7,190 | \$6,493 |
| Supplemental cash flow information | | | |
| Units issued | | \$1,245 | \$1,011 |

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

Notes To Consolidated Financial Statements
(In thousands of dollars except per unit and unit amounts)
(Unaudited)
March 31, 2009 and March 31, 2008

1. The REIT

Allied Properties Real Estate Investment Trust (the "REIT") is an unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust dated October 25, 2002, subsequently amended and restated on February 6, 2003 and on May 14, 2008. The REIT is governed by the laws of the Province of Ontario and began operations on February 19, 2003. The units of the Trust are traded on the Toronto Stock Exchange.

2. Acquisitions

Net assets with respect to rental properties and properties under development acquired were as follows (using the purchase method of accounting):

| | For the Period Ended March 31, 2009 | For the Year Ended December 31, 2008 |
|--|--|---|
| Rental properties | - | \$116,323 |
| Properties under development | - | 24,153 |
| Other assets | - | 86 |
| Fair value of in-place leases and tenant relationships | - | 20,877 |
| Fair value of above-market leases | - | 771 |
| Fair value of below-market leases | - | (10,224) |
| Mortgages payable | - | (22,741) |
| Accounts payable and accrued liabilities | - | (1,698) |
| Cash consideration paid for the net assets acquired | - | \$127,547 |

The REIT allocates the purchase price of an acquisition on a preliminary basis, to the identified assets and liabilities acquired based on their estimated fair values at the time of acquisition. The purchase-price allocations are considered preliminary until the REIT has obtained the necessary information to complete its allocations.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The REIT's unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are consistent with the accounting policies used in the REIT's audited consolidated financial statements for the year ended December 31, 2008, except as described in Note 3(b) below. The interim consolidated financial statements do not include all the information and disclosures required for annual financial statements and therefore consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements. Certain comparative figures have been reclassified to conform to these financial statements.

(b) Change in Accounting Policies

Effective January 1, 2009, the REIT adopted Section 3064, Goodwill and Intangible Assets, which was issued by the Canadian Institute of Chartered Accountants ("CICA"). This Section replaced the existing Section 3062, Goodwill and Intangible Assets and Section 3450, Research and Development Costs, respectively. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset.

The impact of this change on the REIT's financial statements is that certain expenditures previously capitalized as recoverable expenditures have been reclassified as building improvements and included in rental properties. These adjustments have been adopted on a retrospective basis and have resulted in the restatement of certain financial statement comparative amounts.

Recoverable expenditures at December 31, 2008 having a net book value of \$181 were reclassified as building improvements and included in rental properties. There was no impact to net income per unit for the quarter ended March 31, 2009.

(c) Future Changes to Accounting Policies

In February 2008, the Accounting Standards Board ("AcSB") of the CICA confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in the calendar year 2011. The conversion to IFRS will be required for the REIT for interim and annual financial statements beginning on January 1, 2011, with comparative IFRS information. The REIT continues to assess the potential impact of IFRS to its consolidated financial statements.

4. Rental Properties and Properties Under Development

| As at March 31, 2009 | Cost | Accumulated Amortization | Net Carrying Amount |
|---|------------------|---------------------------------|----------------------------|
| Buildings, improvements and other costs | \$691,348 | \$52,239 | \$639,109 |
| Land | 164,379 | - | 164,379 |
| | \$855,727 | \$52,239 | \$803,488 |
| <hr/> | | | |
| As at December 31, 2008 | Cost | Accumulated Amortization | Net Carrying Amount |
| Buildings, improvements and other costs | \$690,749 | \$47,858 | \$642,891 |
| Land | 164,379 | - | 164,379 |
| | \$855,128 | \$47,858 | \$807,270 |

Included in properties under development is interest capitalized during the quarter ended March 31, 2009 of \$344 and during the year ended December 31, 2008 of \$1,858.

5. Deferred Expenses

Deferred expenses consist of costs incurred by the REIT, net of accumulated amortization of \$60,347 (December 31, 2008 - \$55,384), with respect to leasing costs incurred, the fair value attributed to in-place leases acquired, the fair value attributed to customer relationships with respect to rental property acquisitions and amounts recorded on the acquisition of the property manager – contracts and customer relationships. Amortization is recorded on a straight-line basis over the remaining term of the respective leases to which the costs or fair value relate.

| As at March 31, 2009 | Cost | Accumulated Amortization | Net Carrying Amount |
|--|------------------|---------------------------------|----------------------------|
| Leasing costs | \$8,463 | \$2,300 | \$6,163 |
| Tenant inducements | 918 | 274 | 644 |
| Leasing costs and tenant relationships on rental properties acquired | 101,143 | 57,413 | 43,730 |
| Amounts recorded on the acquisition of the property manager – contracts and customer relationships | 959 | 360 | 599 |
| | \$111,483 | \$60,347 | \$51,136 |
| <hr/> | | | |
| As at December 31, 2008 | Cost | Accumulated Amortization | Net Carrying Amount |
| Leasing costs | \$8,184 | \$2,083 | \$6,101 |
| Tenant inducements | 742 | 246 | 496 |
| Leasing costs and tenant relationships on rental properties acquired | 101,144 | 52,719 | 48,425 |
| Amounts recorded on the acquisition of the property manager – contracts and customer relationships | 959 | 336 | 623 |
| | \$111,029 | \$55,384 | \$55,645 |

6. Other Assets

Other assets consist of:

| | March 31, 2009 | December 31, 2008 |
|---|-------------------|----------------------|
| Above-market rents of leases acquired through rental property acquisitions net of accumulated amortization of \$13,965 (December 31, 2008 - \$12,760) | \$11,399 | \$12,604 |
| Accounts receivable and deposits for property acquisitions | 17,287 | 16,376 |
| Tenant improvements, net of accumulated amortization of \$2,637 (December 31, 2008 - \$2,439) | 5,986 | 5,854 |
| Prepaid expenses | 4,162 | 605 |
| Escrow accounts held by mortgagees | 5,221 | 7,051 |
| Computer and office equipment, net of accumulated amortization of \$310 (December 31, 2008 - \$243) | 603 | 656 |
| Leasehold improvements, net of accumulated amortization of \$6 (December 31, 2008 - \$5) | 76 | 77 |
| | \$44,734 | \$43,223 |

7. Mortgages Payable and Bank Indebtedness

Substantially all of the REIT's assets have been pledged as security under the related mortgages and other security agreements. Effective interest rates on the mortgages payable are between 2.91% and 8.1% (contractual 2.91% and 8.10%).

Mortgages payable at March 31, 2009 are due as follows:

| | Principal Repayments | Balance due at Maturity | Total |
|--|-------------------------|----------------------------|------------------|
| Year ended December 31, 2009 | \$9,868 | \$5,287 | \$15,155 |
| Year ended December 31, 2010 | 13,464 | 7,039 | 20,503 |
| Year ended December 31, 2011 | 13,965 | 14,868 | 28,833 |
| Year ended December 31, 2012 | 13,780 | 36,805 | 50,585 |
| Year ended December 31, 2013 | 13,992 | 21,997 | 35,989 |
| Thereafter | 21,766 | 338,734 | 360,500 |
| | \$86,835 | \$424,730 | \$511,565 |
| Net discount on assumed mortgages (net of accumulated amortization of \$1,313) | | | (203) |
| Deferred financing costs (net of accumulated amortization of \$1,360) | | | (2,893) |
| | | | \$508,469 |

Mortgages payable at December 31, 2008 are due as follows:

| | Principal Repayments | Balance due at Maturity | Total |
|---|-------------------------|----------------------------|------------------|
| Year ended December 31, 2009 | \$13,029 | \$15,209 | \$28,238 |
| Year ended December 31, 2010 | 13,433 | 5,978 | 19,411 |
| Year ended December 31, 2011 | 13,965 | 14,868 | 28,833 |
| Year ended December 31, 2012 | 13,780 | 36,805 | 50,585 |
| Year ended December 31, 2013 | 13,992 | 21,997 | 35,989 |
| Thereafter | 21,766 | 338,734 | 360,500 |
| | \$89,965 | \$433,591 | \$523,556 |
| Net premium on assumed mortgages (net of accumulated amortization of \$1,305) | | | (196) |
| Deferred financing costs (net of accumulated amortization of \$1,199) | | | (3,052) |
| | | | \$520,308 |

The REIT has a \$70,000 revolving credit facility with a Canadian chartered bank, which matures August 31, 2010 and bears interest at bank prime rate. Security for the facility consists of first and second mortgage charges on seven rental properties and security agreements covering assignment of rents and personal property with respect to the seven properties. The credit facility has a number of covenants which were met as at March 31, 2009.

At March 31, 2009 the amount outstanding under the credit facility was \$15,609 (December 31, 2008 \$2,922).

8. *Accounts Payable and Other Liabilities*

Accounts payable and other liabilities consist of:

| | March 31, 2009 | December 31, 2008 |
|--|-------------------|----------------------|
| General operating payables and tenant deposits | \$23,360 | \$21,314 |
| Below market rents of leases acquired through rental property acquisition – net of accumulated amortization of \$8,243 (December 31, 2008 - \$7,121) | 12,241 | 13,363 |
| Accrued interest | 2,246 | 2,391 |
| | \$37,847 | \$37,068 |

9. *Unitholders' Equity*

The REIT is authorized to issue an unlimited number of trust units, each of which represents a unitholder's proportionate undivided beneficial interest in the REIT. No unitholder has or is deemed to have any right of ownership in any of the assets of the REIT.

The number of units issued and outstanding are as follows:

| | Units |
|---|-------------------|
| Units outstanding, December 31, 2007 | 25,109,708 |
| Units issued pursuant to offering on January 3, 2008 | 2,900,000 |
| Units issued pursuant to offering on July 2, 2008 | 2,850,000 |
| Units issued under the Distribution Reinvestment Plan | 333,462 |
| Units issued under the Unit Option Plan (Note 11) | 42,500 |
| | 31,235,670 |
| Units outstanding, December 31, 2008 | 31,235,670 |
| Units issued under the Distribution Reinvestment Plan | 104,712 |
| | 31,340,382 |
| Units outstanding, March 31, 2009 | 31,340,382 |

10. *Weighted Average Units*

The weighted average units outstanding for the purposes of calculating net income per unit are as follows:

| | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 |
|--------------------------|---|---|
| Basic | 30,913,909 | 27,615,954 |
| Unit option plan | 619 | 3,595 |
| Long-term incentive plan | 387,293 | 387,293 |
| Fully diluted | 31,301,821 | 28,006,842 |

11. *Unit Option Plan*

The REIT 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 the trustees and the officers of the REIT. The Unit Option Plan complies with the requirements of the Toronto Stock Exchange. The exercise price of any option granted will not be less than the closing market price of the units on the day preceding the date of grant. The options may have a maximum term of ten years from the date of grant.

On December 17, 2007, 710,000 options were granted to trustees and officers with an exercise price of \$21.13 and expiring on December 17, 2012. 128,331 options vested on December 17, 2008 and 128,338

options will vest on each of December 17, 2009 and December 17, 2010. 108,333 options will vest on each of December 17, 2009 and December 17, 2010, provided that certain performance achievements are met. 108,333 options expired in 2008 as certain performance achievements were not met.

On December 15, 2008, 3,750 options were granted to trustees and employees with an exercise price of \$10.87 and expiring on December 15, 2013. 1,250 options will vest on each of December 15, 2009, December 15, 2010 and December 15, 2011.

On January 15, 2009 130,000 options were granted to employees and officers with an exercise price of \$12.34 and expiring on January 15, 2014. 43,333, 43,333 and 43,334 options will vest on each of January 15, 2010, January 15, 2011 and January 15, 2012, provided that certain performance achievements are met.

The REIT 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.

Compensation expense for the quarters ended March 31, 2009 and 2008 were \$56 and \$122, respectively. The Unit Option Plan and assumptions utilized in the calculation thereof using the Black-Scholes Model for option valuation are as follows:

| | January 2009 | December 2008 | December 2007 |
|------------------------------------|-----------------|------------------|------------------|
| Unit options granted | 130,000 | 3,750 | 710,000 |
| Unit option holding period (years) | 5 | 5 | 5 |
| Volatility rate | 24.0% | 24.1% | 19.8% |
| Distribution yield | 10.6% | 11.1% | 6.0% |
| Risk free interest rate | 1.6% | 2.1% | 3.9% |
| Value of options granted | \$70 | \$3 | \$1,504 |

A summary of the status of the Unit Option Plan is as follows:

| | Units/ Options | Weighted Average Exercise Price |
|---|-------------------|------------------------------------|
| Options outstanding as at December 31, 2007 | 752,500 | \$20.50 |
| Options exercised in the year ended December 31, 2008 | (42,500) | \$10.00 |
| Options granted in the year ended December 31, 2008 | 3,750 | \$10.87 |
| Options expired in the year ended December 31, 2008 | (108,333) | \$21.13 |
| Options outstanding as at December 31, 2008 | 605,417 | \$21.06 |
| Options granted in the quarter ended March 31, 2009 | 130,000 | \$12.34 |
| Options outstanding as at March 31, 2009 | 735,417 | \$19.52 |
| Options exercisable as at March 31, 2009 | 128,331 | \$21.13 |

12. Long-Term Incentive Plan

Officers and trustees of the REIT have been granted the right to participate in a LTIP, whereby the participants may subscribe for units for a purchase price equal to the weighted average trading price of the units for five trading days preceding the date of the grant. The purchase price is payable as to 5% upon issuance and as to the balance ("installment loan receivable") over a term not exceeding 10 years. The installment loan receivable bears interest at rates of 3% or 5% per annum on any outstanding balance and is a direct, personal obligation of the participant. The units issued under the LTIP are held by a custodian for the benefit of the participants until the installment loan receivable has been paid in full. The value of these units held by the Custodian as at March 31, 2009 and December 31, 2008 were \$4,977 and \$4,822, respectively. Cash distributions paid in respect of the units issued under the LTIP are applied first to the interest and then to reduce the balance of the installment loan receivable.

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

| Units issued under the LTIP | Cumulative as at March 31, 2009 | Three Months Ended March 31, 2009 | Cumulative as at December 31, 2008 |
|--|------------------------------------|--------------------------------------|---------------------------------------|
| Number of units issued | 412,293 | - | 412,293 |
| Units issued | \$6,282 | - | \$6,282 |
| Compensation cost | 474 | - | 474 |
| | 6,756 | - | 6,756 |
| LTIP installment loans receivable | (5,852) | - | (5,852) |
| Interest on installment loans receivable | (591) | (39) | (552) |
| Distributions applied against installment loans receivable | 1,765 | 128 | 1,637 |
| Repayments of installment loans | 145 | - | 145 |
| | (4,533) | 89 | (4,622) |
| | \$2,223 | \$89 | \$2,134 |

| Units issued under the LTIP | Cumulative as at December 31, 2008 | Year Ended December 31, 2008 | Cumulative as at December 31, 2007 |
|---|---------------------------------------|---------------------------------|---------------------------------------|
| Number of units issued | 412,293 | - | 412,293 |
| Units issued | \$6,282 | - | \$6,282 |
| Compensation cost | 474 | - | 474 |
| | 6,756 | - | 6,756 |
| LTIP installment loans receivable | (5,852) | - | (5,852) |
| Interest on installment loan receivable | (552) | (166) | (386) |
| Distributions applied against installment loan receivable | 1,637 | 505 | 1,132 |
| Repayments of installment loans | 145 | - | 145 |
| | (4,622) | 339 | (4,961) |
| | \$2,134 | \$339 | \$1,795 |

13. *Segmented Disclosure*

The REIT's assets are in, and its revenue is derived from, the downtown office markets in five major Canadian cities.

14. *Commitments and Contingencies*

The REIT has entered into commitments for acquisitions, building renovations, leasing commissions and tenant inducements with respect to leasing activities and for repairs and operating costs. The commitments as at March 31, 2009 and December 31, 2008 were \$1,994 and \$2,500, respectively.

The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

15. *Related Party Transactions*

(a) Real Estate Services

The REIT engages in third-party property management business, including the provision of services for properties in which certain trustees of the REIT have an ownership interest. For the three months ended March 31, 2009 and 2008 real estate service revenue earned from these properties was \$53 and \$50, respectively (December 31, 2008 - \$224), which was fully paid in the period. These transactions are in the normal course of operations and were measured at the exchange amount set out in agreement between the respective property owners.

(b) Rental Revenues

Rental revenues included amounts received from related parties as follows:

| Related Party | Nature of Revenue | For the Quarters Ended March 31 | 2009 | 2008 |
|-----------------------|-------------------|---------------------------------|-------------|-------------|
| Vendors of properties | Head Lease | | - | \$6 |
| TechSpaceCanada Inc. | Guarantee | | \$24 | \$27 |
| | | | \$24 | \$33 |

Head Lease:

Certain vendors entered into a lease dated February 20, 2003 for 16,686 square feet of office space for a five year term, expiring on February 19, 2008 (the "Head Lease"). The vendors, which are under common control of certain trustees of the REIT, honoured all of their obligations under the Head Lease and were released from the balance of their obligations thereunder when the REIT entered into direct lease arrangements with acceptable replacement tenants on acceptable terms.

Guarantee:

TechSpace Canada Inc. ("TechSpace"), a subsidiary of Allied Canadian Development Corporation (the "Developer") leased 29,102 square feet of office space from the REIT on commercial terms. The lease was to expire on December 31, 2010. The Developer indemnified the REIT in respect of all of TechSpace's obligations under the lease. 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 Developer remain in place to protect the REIT from any revenue shortfall (on a cash basis) from the original TechSpace lease.

16. Subsequent Event

On May 6, 2009, we closed the acquisition of 860 Richmond Street West, Toronto, following the rectification by the vendor of a minor title issue. The acquisition was the final component of a portfolio acquisition announced and otherwise completed in the second quarter of 2008. The acquisition price was \$4,250 and was financed by drawing on the REIT's revolving credit facility.