



**ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST**

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

**JUNE 30, 2008**

**DATED AUGUST 7, 2008**

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## 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 three-month and six-month periods ended June 30, 2008. This MD&A should be read in conjunction with our consolidated financial statements and notes thereto for the three-month and six-month periods ended June 30, 2008, and the year ended December 31, 2007. 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, dollar amounts in this MD&A are in thousands.

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; and that the equity and debt markets continue to provide us with reasonable access to capital. 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 August 7, 2008, 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 (“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 is available on SEDAR at [www.sedar.com](http://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, Montreal, Winnipeg, Quebec 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 and (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 2007, we had acquired another 31 office properties in downtown Toronto, 30 of them Class I office properties, bringing our total GLA in that market to over 2.4 million square feet. We had also acquired seven predominantly Class I office properties in downtown Montréal, seven in downtown Winnipeg and five in Québec City, bringing our total portfolio at the end of 2007 to 64 properties with over 4.7 million square feet of GLA.

We made the following acquisitions in the first half of 2008, bringing our portfolio to 72 properties with over 5.1 million square feet of GLA:

Property	Acquired	Office GLA	Retail GLA	Total GLA	Parking Spaces
72 Victoria Street, Kitchener	January 9, 2008	89,875	0	89,875	228
544 King Street West, Toronto*	January 9, 2008	36,000	0	36,000	8
179 John Street, Toronto	March 4, 2008	67,393	0	67,393	14
96 Spadina Avenue, Toronto**	March 4, 2008	85,366	5,849	91,215	0
489 King Street West, Toronto	June 3, 2008	15,621	10,650	26,271	0
495 King Street West, Toronto	June 3, 2008	11,183	0	11,183	26
499 King Street West, Toronto	June 3, 2008	0	8,400	8,400	10
183 Bathurst Street, Toronto	June 3, 2008	24,879	0	24,879	0
Total		330,317	24,899	355,216	286

\*includes 1-9 Morrison Street, Toronto, with which it is treated as a single Property Under Development

\*\*Property Under Development

We also acquired the second of two parcels of land adjacent and ancillary to 425 Viger Avenue West in Montreal on February 1, 2008, the first having been acquired in late 2007. The two parcels afford the REIT the opportunity of adding up to 60,000 square feet of GLA to 425 Viger Avenue West.

Four Toronto properties (47 and 47A Fraser Avenue, 134 Peter Street, 544 King Street West and 96 Spadina Avenue), one Montréal property (4450 Saint-Laurent Boulevard) and one Winnipeg property (1500 Notre Dame Avenue) are 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:

	<b>March, 2004</b>	<b>March, 2005</b>	<b>March, 2006</b>	<b>March, 2007</b>	<b>March, 2008</b>
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 first half of 2008, DI per unit (diluted) was \$0.841, up 6.2% from the comparable period in 2007.

##### **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 half of 2008, we achieved a DI pay-out ratio of 77.1%.

##### **4. Funds From Operations**

Unlike DI, Funds From Operations (“FFO”) has a standardized definition. See “Funds From Operations” below. In the first half of 2008, FFO per unit (diluted) was \$0.832, up 1.2% from the comparable period in 2007.

##### **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 half of 2008, we achieved an FFO pay-out ratio of 77.9%.

##### **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 half of 2008, AFFO per unit (diluted) was \$0.800, up 10.5% from the comparable quarter in 2007.

## 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 half of 2008, we achieved an AFFO pay-out ratio of 81.0%.

## 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 half of 2008, our Debt Ratio was 52.7%.

### **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 585,670 square feet of GLA mature in 2008. By the end of the first half of 2008, we had renewed leases representing 253,437 square feet of this GLA and re-leased another 98,032 square feet of this GLA, representing 60.0% 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 half of 2008, our leased area was 97.3% (not including Properties Under Development). The chart below summarizes the 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	June 30, 2008
GLA (square feet)	984,856	1,636,343	2,321,507	3,415,279	4,761,211	5,130,460
% 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 \$24,109 in the first half of 2008, up 3.0% from the comparable period in 2007.

#### 4. Leasing Expenditures

We monitor leasing expenditures carefully. 261,110 square feet of the GLA leased in the first half of 2008 involved new leases or lease-renewals that commenced in the half. \$1,162 in leasing expenditures related to this space, representing \$4.45 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 half of 2008, we incurred \$920 in regular maintenance capital expenditures, representing \$0.19 per square foot of our portfolio, in-line with the amount per square foot in prior years.

### **Summary**

The following table summarizes the key financial and operating performance measures for the quarter ended June 30, 2008, and the comparable quarter, as well as the change between the two.

	H1 2008	H1 2007	Change	% Change
<b>Period-end distribution level per unit annualized</b>	\$1.32	\$1.26	\$0.06	4.8%
<b>DI per unit (diluted)</b>	\$0.841	\$0.792	\$0.049	6.2%
<b>DI pay-out ratio</b>	77.1%	79.3%	(2.2%)	
<b>FFO per unit (diluted)</b>	\$0.832	\$0.822	\$0.010	1.2%
<b>FFO pay-out ratio</b>	77.9%	76.4%	1.5%	
<b>AFFO per unit (diluted)</b>	\$0.800	\$0.724	\$0.076	10.5%
<b>AFFO pay-out ratio</b>	81.0%	86.7%	(5.7%)	
<b>Debt Ratio</b>	52.7%	53.3%	(0.6%)	
<b>Renewal/replacement % of leases maturing in year</b>	60.0%	68.7%	(8.7%)	
<b>Period-end leased area (not including PUD)</b>	97.3%	96.6%	0.7%	
<b>Same-asset NOI</b>	\$24,109	\$23,415	\$694	3.0%
<b>Leasing expenditures</b>	\$1,162	\$1,423	(261)	(18.3%)
<b>Leasing expenditures per leased square foot</b>	\$4.45	\$5.45	(1.00)	(18.3%)
<b>Maintenance capital expenditures</b>	\$920	\$1,115	(195)	17.5%
<b>Maintenance capital expenditures per portfolio square foot</b>	\$0.19	\$0.25	(\$0.06)	(24.0%)

## 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. The downtown Toronto office market is strong, with the overall vacancy rate having declined to 3.7% by the end of the first half, and the vacancy rate in the Downtown East, Downtown West and King West sub-markets having declined to 4.3%, 3.7% and 13.2%, respectively.<sup>1</sup>

Our assessment of our Toronto target market has traditionally been based on the high-quality data published by Cushman & Wakefield LePage, which divides the downtown Toronto office market into five distinct and clearly delineated sub-markets. In an effort to understand how this target market might evolve over time, we retained Real Estate Search Corporation (“ReSearch”) (i) to identify a larger area that might in time be suitable for us and (ii) to develop an inventory of Class I office space within that larger area. According to ReSearch, the larger area includes approximately 18.5 million square feet of Class I office space and extends from University Avenue as far west as Jane Street (12.5 million square feet) and from Yonge Street as far east as Victoria Park Avenue (6 million square feet), in both cases between Lakeshore Boulevard and Eglinton Avenue for the most part.

While we will continue to regard our Toronto target market as consisting of the Downtown East, Downtown West and King West sub-markets, as defined by Cushman Wakefield LePage, we consider ReSearch’s delineation and data as indicative of the extent to which our Toronto target might evolve over time. It is also worthy of note that ReSearch reports a 6.3% vacancy rate as at June 30, 2008, in the Class I office space within the geographic area delineated above (7.1% in the western portion and 4.5% in the eastern portion).

<sup>1</sup> Cushman & Wakefield LePage, *Second Quarter 2008 Statistical Summary, Toronto Office Market*.

### ***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. The downtown Montréal office is strong, with the overall vacancy rate having declined to 5.7% by the end of the first half, and the vacancy rate in the Downtown East and Old Montréal sub-markets having declined to 2.1% and 5.9%, respectively.<sup>2</sup>

### ***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 is strong, with the overall vacancy rate having declined to 6.1% by the end of the first half.<sup>3</sup>

### ***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 is strong and started the year with an overall vacancy rate of 2.9%.<sup>4</sup>

### ***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 Kitchener office market is stable and started the year with an overall vacancy rate of 8.1%.

### ***Outlook—Continued Consolidation, Intensification and Development***

Demand for office space in our target markets is strong. While some expect the demand for office space in Canadian cities to decline over the remainder of 2008 and into 2009, we have not observed any indications of such a decline in our target markets.

The supply of office space in our target markets is currently limited, as reflected in the very low vacancy rates in most of our target markets at the end of the second quarter. However, significant new supply of Class A office space is being created in Downtown Toronto, primarily the Downtown Core sub-market. 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. Significant new supply of Class A office space is also being created in Quebec City. While we do not expect this space to be directly competitive with our Quebec City properties, we do expect it put upward pressure on office vacancy rates in the Quebec City in 2009 and beyond.

The state of our target markets, the quality of our portfolio and the capabilities of our personnel afford us a reasonable basis for continued confidence in our performance outlook. We also believe that acquisition opportunities within our specific investment focus will continue to be attractive in terms of yield for the remainder of 2008 and into 2009. Accordingly, we intend to continue the systematic consolidation of Class I and other office properties in our target markets. As well, we intend to pursue development and intensification opportunities within our sphere of operating expertise.

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<sup>2</sup> Cushman & Wakefield LePage, *Second Quarter 2008 Statistical Summary, Montréal Office Market*.

<sup>3</sup> Cushman & Wakefield LePage, *National Real Estate Market Intelligence, Second Quarter 2008*.

<sup>4</sup> Avison Young, *2007 Annual Review, 2008 Forecast*.

<sup>5</sup> Cushman & Wakefield LePage.

## PART II

### Summary Information and Performance for the Six-Month Period ended June 30, 2008

The following sets out summary information and financial results for the six-month period ended June 30, 2008, and the comparable period and the change between the two.

(In thousands except for per unit and % amounts)	H1 2008	H1 2007	Change	%Change
Revenue from rental properties	62,811	47,970	14,841	30.9%
Rental property operating cost	25,279	18,830	6,449	34.2%
Net rental income	37,532	29,140	8,392	28.8%
Real estate service income	159	224	(65)	(29.0%)
Financing expense				
Interest	12,244	9,637	2,607	27.1%
Amortization - Mortgage premium	(83)	(184)	101	(54.9%)
Amortization – Deferred financing cost	242	187	55	29.4%
Amortization				
Rental properties	7,630	5,591	2,039	36.5%
Deferred leasing cost and tenant improvements	1,136	888	248	27.9%
Origination cost and acquired tenant relationships	9,074	7,742	1,332	17.2%
Acquired contracts and customer relationships	48	48	-	0.0%
Computer and office equipment	122	23	99	430.4%
Income from operations	7,278	5,432	1,846	34.0%
Trust expense	1,772	1,277	495	38.8%
Net income	5,506	4,155	1,351	32.5%
Amortization				
Rental properties	7,630	5,591	2,039	36.5%
Mortgage premium	(83)	(184)	101	(54.9%)
Acquired leases	3,101	2,331	770	33.0%
M-T-M acquired leases	1,600	930	670	72.0%
Acquired tenant relationships	5,973	5,411	562	10.4%
Acquired contracts and customer relationships	48	48	-	0.0%
Step-rent adjustments	(407)	(590)	183	(31.0%)
LTIP and Unit Option Plan expense	244	6	238	3966.7%
DI	23,612	17,698	5,914	33.4%
Weighted average units outstanding (basic)	27,687	21,952	5,735	26.1%
Weighted average units outstanding (diluted)	28,076	22,358	5,718	25.6%
Distributions	18,194	14,031	4,163	29.7%
DI per unit (basic)	\$0.853	\$0.806	\$0.047	5.8%
DI per unit (diluted)	\$0.841	\$0.792	\$0.049	6.2%
DI pay-out ratio	77.1%	79.3%	(2.2%)	
FFO	23,346	18,376	4,970	27.0%
FFO per unit (basic)	\$0.843	\$0.837	\$0.006	0.7%
FFO per unit (diluted)	\$0.832	\$0.822	\$0.010	1.2%
FFO pay-out ratio	77.9%	76.4%	1.5%	
AFFO	22,457	16,178	6,279	38.8%
AFFO per unit (basic)	\$0.811	\$0.737	\$0.074	10.0%
AFFO per unit (diluted)	\$0.800	\$0.724	\$0.076	10.5%
AFFO pay-out ratio	81.0%	86.7%	(5.7%)	
NOI	38,725	29,480	9,245	31.4%
Same-asset net operating income	24,109	23,415	694	3.0%
Total assets	\$884,321	\$771,353	\$112,968	14.6%
Total debt (excludes premium on assumed debt)	\$517,997	\$443,334	\$74,663	16.8%
Debt to GBV	52.7%	53.3%	(0.6%)	
Total GLA (s.f., excluding PUD)	4,812	4,446	366	8.2%
Leased GLA (s.f., excluding PUD)	4,684	4,295	389	9.1%
Leased GLA (% total GLA)	97.3%	96.6%	0.7%	

**Net Income**

Net income for the period was \$5,506, as compared to \$4,155 in the comparable period. Net income per unit (diluted) for the period was \$0.196, as compared to \$0.186 in the comparable period.

DI for the period increased by 33.4% to \$23,612 from \$17,698 for the comparable period. DI per unit (diluted) for the period was \$0.841, as compared to \$0.792 in the comparable period.

**Net Rental Income**

Net rental income for the period increased by 28.8% to \$37,532 from \$29,140 in the comparable period as follows: (i) \$135 due to the increase in same-asset net rental income from properties owned for the entire period and the entire comparable period (which includes the year-over-year change in step-rent adjustments and market to market rent adjustments); and (ii) \$8,257 due to net rental income from properties not owned for the entire period and the entire comparable period.

Of the \$105,269 of net rental income for the years ended December 31, 2006, and December 31, 2007, \$1,382 of operating cost recoveries is in dispute with a tenant. Of the \$37,532 of net rental income for the period, \$515 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 period was \$16.02 annualized, as compared to \$13.56 annualized in the comparable period.

**Real Estate Service Income**

The Property Manager provides real estate services to third-party property owners. Real estate service income for the period was \$159, as compared to \$224 in the comparable period.

**Financing Expense**

Financing expense includes interest cost on mortgage debt and other credit facilities and the amortization of the premiums and discounts on assumed mortgages. The amortization of the premiums and discounts on assumed mortgages reduced financing expense by \$83 in the period.

Financing expense for the period increased by 28.7% to \$12,403 from \$9,640 in the comparable period due to the increase in financing expense associated with additional properties acquired in 2007 and 2008.

**Amortization**

We record amortization on our buildings on a straight-line basis over their expected life. Amortization recorded on buildings for the period increased by 36.5% to \$7,630 from \$5,591 in the comparable period.

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 period increased by 38.8% to \$1,772 from \$1,277 in the comparable period as a result of increased salary and occupancy costs. \$238 of the period-over-period increase involved a non-cash expense associated with the issuance of options in December 2007 under our Unit Option Plan.

**Leasing Activity**

Leasing activity as at June 30, 2008, is summarized in the following table:

	GLA	Leased by June 30	% Leased by June 30	Vacant on June 30*
Vacancy on January 1, 2008*	94,711	39,744	42.0%	54,967
Vacancy acquired in H1 2008	1,600	1,600	100%	-
Vacancy arranged in H1 2008	34,510	-	-	34,510
Maturities in H1 2008	282,138	243,598	86.3%	38,540
Month-to-month maturities in H1 2008	19,518	19,518	100.0%	-
Maturities in remainder of 2008	303,532	107,871	35.5%	-
<b>Total</b>	<b>736,009</b>	<b>412,331</b>	<b>56.0%</b>	<b>128,017</b>

\*not including Properties Under Development

94,711 square feet of GLA was vacant at the beginning of 2008. By the end of the period, we leased 39,744 square feet of this GLA, leaving 54,967 square feet vacant. We acquired 1,600 square feet of vacant GLA with our 2008 acquisitions, all of which we leased by the end of the period. We also gained access to 34,510 square feet of GLA for repositioning from light-industrial to office use, none of which we leased by the end of the period.

Leases for 585,670 square feet of GLA mature in 2008, of which 282,138 matured in the period. By the end of the period, we renewed or replaced (i) leases for 243,598 square feet of the GLA that matured in the period, leaving 38,540 square feet vacant at the end of the period and (ii) leases for 107,871 square feet of the GLA maturing in the remainder of 2008.

We also had 19,518 square feet of GLA maturing in connection with month-to-month leases, primarily in our Winnipeg target market. By the end of the first period, we renewed leases for all of this GLA.

With respect to the maturing leases renewed or replaced in the period (351,469 square feet of GLA), we achieved rental rates (i) above in-place rental rates with respect to 84% of this GLA and (ii) equal to in-place rental rates with respect to 16% of this GLA.

### **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 period, we incurred or committed to (i) \$920 in regular maintenance capital expenditures (\$0.19 per portfolio square foot) and (ii) \$1,162 in leasing expenditures (\$4.45 per leased square foot) in connection with new leases or lease-renewals that commenced in the period. In addition, we incurred \$5,313 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.

\$335 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 5.3% of the associated development costs.

### **Properties Under Development**

Our recently completed developments are summarized in the following table:

Completed PUDs	GLA	Complete	Total Cost	FMV	Value Add	Debt	Equity	ROE
<b>Completed and Financed</b>				<b>Appraised*</b>				
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%
<b>Completed with Financing Pending</b>				<b>Estimated**</b>				
QRC South, Toronto	44,600	1-Apr-07	6,750	10,000	3,250	6,000	750	60%
<b>Completed PUDs</b>	<b>56,518</b>		<b>10,070</b>	<b>24,140</b>	<b>7,320</b>	<b>14,830</b>	<b>1,990</b>	

\*145 Berkeley was appraised in February of 2007 and 257 Adelaide West was appraised in June of 2008.

\*\*Management's estimate based on projected stabilized NOI and projected capitalization rate.

While there can be no assurance with respect to any of the estimates set out in the table above, our estimates with respect to QRC South, involve a relatively short period of time and are not conditional upon pre-leasing or municipal approvals. The three projects referred to in the table were compact in scope, as they involve the completion of redevelopment underway when we acquired the properties. 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.

257 Adelaide West is now fully leased. It was appraised in June of 2008 at nearly \$12 million. We have arranged \$7.2 million in first mortgage financing on the property for a term of five years at an interest rate of approximately 5.7% per year and payable in blended monthly instalments of principal and interest based on a 25-year amortization.

QRC South is now nearly 90% leased. We have elected not to renew two leases expiring at the end of 2008, as the current tenants are not consistent in character and quality with our tenant base. We expect to replace the two tenants at considerably higher levels of net rent, at which time we will place first mortgage financing on the property.

1500 Notre Dame Avenue, Winnipeg, includes a building that was historically used for the garment trade. Our plan is to reposition the property for office and ancillary industrial use. Since acquiring the building, we have leased 65,000 square feet to an office/industrial tenant for occupancy on October 1, 2008, bringing the leased area to 97%. We expect to have this project completed on October 1, 2008.

96 Spadina Avenue, Toronto, includes a partially renovated building with approximately 91,000 square feet of GLA. Our plan is to complete the renovation and lease the vacant space in the building. The renovation and leasing efforts are underway. Since acquiring the building, we have leased 15,000 square feet to a new tenant, bringing the leased area approximately 60%. We expect to have this project completed on January 1, 2009.

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. The leasing effort is underway.

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 150,000 square feet of GLA and approximately 60 on-site parking spaces. The execution of this project is contingent upon obtaining municipal approvals and achieving a level of pre-leasing satisfactory to Management and the Trustees. We intend to proceed to the Committee of Adjustment for the necessary zoning variances and to initiate pre-leasing in October of this year.

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 200,000 square feet of GLA. The execution of this project is contingent upon obtaining municipal approvals and achieving a level of pre-leasing satisfactory to Management and the Trustees. We intend to proceed to the Committee of Adjustment for the necessary zoning variances and to initiate pre-leasing in October of this year.

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 June 30, 2008, the cost of our Properties Under Development was \$42,434, which was equivalent to 4.3% of our GBV.

### **Intensification**

The buildings on most of our 52 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 897,000 square feet or 21.6 acres. The GLA of the buildings on these properties is nearly 2.7 million square feet, just over three times coverage of the land area. Based on the current zoning, we could, **in theory**, create approximately 2.7 million square feet of additional GLA. Because of structural limitations and existing lease commitments, the amount of additional GLA that we could, **in practice**, create in the near-term is considerably less. 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 (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 this project, as currently conceived, is contingent upon obtaining municipal approvals and 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 Canadian generally accepted accounting principles (“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)	H1 2008	H1 2007
Cash flow from operations	\$18,743	\$(3,733)
Amortization of deferred leasing cost, tenant improvements	(1,136)	(898)
Amortization of deferred financing cost	(242)	(187)
Amortization of computer and office equipment	(122)	(23)
Change in non-cash operating items	6,369	22,539
DI	\$23,612	\$17,698

Distributions for the period ended June 30, 2008, were \$18,194, representing a DI pay-out ratio of 77.1%, as compared to distributions for the period ended June 30, 2007, of \$14,031, representing a DI pay-out ratio of 79.3%.

### 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)	H1 2008	H1 2007
Net income	\$5,506	\$4,155
Amortization on rental properties	7,630	5,591
Amortization of deferred leasing cost and tenant improvements	1,136	888
Amortization of origination cost and acquired tenant relationships	9,074	7,742
<b>FFO</b>	<b>23,346</b>	<b>\$18,376</b>

Distributions for the period ended June 30, 2008, represented an FFO pay-out ratio of 77.9%, as compared to distributions for the period ended June 30, 2007, which represented an FFO pay-out ratio of 76.4%.

### 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)	H1 2008	H1 2007
FFO	\$23,346	\$18,376
Step-rent adjustments	(407)	(590)
M-T-M acquired leases	1,600	930
Leasing expenditures	(1,162)	(1,423)
Maintenance capital expenditures	(920)	(1,115)
<b>AFFO</b>	<b>\$22,457</b>	<b>\$16,178</b>

Distributions for the period ended June 30, 2008, represented an AFFO pay-out ratio of 81.0%, as compared to distributions for the period ended June 30, 2007, which represented an AFFO pay-out ratio of 86.7%.

## 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)	H1 2008	H1 2007
Revenue from rental properties	\$62,811	\$47,970
Rental property operating cost	25,279	18,830
Net rental income	37,532	29,140
M-T-M acquired leases	1,600	930
Step-rent adjustments	(407)	(590)
NOI	\$38,725	\$29,480

## 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 June 30, 2008, we had mortgage debt of \$473,861, bank indebtedness of \$44,136 and unitholders' equity of \$337,879.

#### **Unitholders' Equity**

As at June 30, 2008, we had a market capitalization of approximately \$569,226 based on a closing unit price of \$20.20 on the Toronto Stock Exchange. As at June 30, 2007, we had a market capitalization of approximately \$541,114 based on a closing unit price of \$21.55 on the Toronto Stock Exchange.

In the period ended June 30, 2008, we issued a total of 3,069,809 units for equity contributions of \$63,007. Costs incurred to issue the units were \$2,715. Units were issued as follows: (i) 2,900,000 units at \$20.75 per unit for gross proceeds of \$60,175, pursuant to a bought deal that closed on January 3, 2008; (ii) 127,309 units under our distribution re-investment plan at an average price of \$18.91 per unit for \$2,407 and (iii) 42,500 units at \$10 per unit for \$425 to certain officers who exercised their options under the Unit Option Plan. As of June 30, 2008, we had 28,179,517 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.

#### **Mortgages Payable**

Mortgages payable as at June 30, 2008, consisted of mortgage debt of \$473,861. The following sets out the maturity schedule of our mortgage debt, together with the weighted average interest on the mortgages that mature in the respective year.

	Periodic Principal Payments	Balance Due at Maturity	Total Principal	% of Total Principal	WA Interest Rate of Maturing Mortgages
2008	6,847	5,439	12,286	2.6%	6.4%
2009	10,984	14,938	25,922	5.4%	6.3%
2010	12,259	4,478	16,737	3.6%	5.4%
2011	12,727	8,496	21,223	4.4%	6.6%
2012	12,897	18,615	31,512	6.7%	6.6%
Thereafter	33,850	332,331	366,181	77.3%	5.5%
Total	89,564	384,297	473,861	100.0%	

Interest rates on the mortgage debt are between 4.94% and 8.10% with a weighted average interest rate of 5.6%. The weighted average term of the mortgage debt is 6.5 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 of June 30, 2008 we had a \$50,000 (increased to \$70,000 on July 7, 2008) 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 period ended June 30, 2008, the average borrowings under the Facility were \$15,218. As at June 30, 2008, the borrowings under the Facility were \$44,136.

**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 \$180,000.

As at June 30, 2008, we had future commitments as set out below.

(In thousands)	June 30, 2008
Leasing commissions	\$643
Tenant improvements	588
Building renovations and maintenance capital expenditures	1,287
Revenue-enhancing capital and leasing expenditure	440
Expenses	598
<b>Total</b>	<b>\$3,556</b>

## PART IV

### Summary Information and Performance for the Quarter ended June 30, 2008

The following sets out summary information and financial results for the quarter ended June 30, 2008, and the comparable quarter and the change between the two.

(In thousands except for per unit and % amounts)	Q2 2008	Q2 2007	Change	%Change
Revenue from rental properties	30,961	27,424	3,537	12.9%
Rental property operating cost	12,169	10,831	1,338	12.4%
Net rental income	18,792	16,593	2,199	13.3%
Real estate service income	88	137	(49)	-35.8%
Financing expense				
Interest	6,318	5,896	422	7.2%
Amortization - Mortgage premium	(23)	(92)	69	(75.0%)
Amortization – Deferred financing cost	127	110	17	15.5%
Amortization				
Rental properties	3,853	3,280	573	17.5%
Deferred leasing cost and tenant improvements	604	355	249	70.1%
Origination cost and acquired tenant relationships	4,494	4,943	(449)	(9.1%)
Acquired contracts and customer relationships	24	24	-	0.0%
Computer and office equipment	66	13	53	407.7%
Income from operations	3,417	2,201	1,216	55.2%
Trust expense	856	587	269	45.8%
Net income	2,561	1,614	947	58.7%
Amortization				
Rental properties	3,853	3,280	573	17.5%
Mortgage premium	(23)	(92)	69	(75.0%)
Acquired leases	1,565	1,531	34	2.2%
M-T-M acquired leases	817	907	(90)	(9.9%)
Acquired tenant relationships	2,929	3,412	(483)	(14.2%)
Acquired contracts and customer relationships	24	24	-	0.0%
Step-rent adjustments	(155)	(465)	310	(66.7%)
LTIP and Unit Option Plan expense	122	-	122	-
DI	11,693	10,211	1,482	14.5%
Weighted average units outstanding (basic)	27,757	24,087	3,670	15.2%
Weighted average units outstanding (diluted)	28,145	24,517	3,628	14.8%
Distributions	9,249	7,922	1,327	16.8%
DI per unit (basic)	\$0.421	\$0.424	(\$0.003)	(0.7%)
DI per unit (diluted)	\$0.415	\$0.416	(\$0.001)	(0.2%)
DI pay-out ratio	79.1%	77.6%	1.5%	
FFO	11,512	10,192	1,320	13.0%
FFO per unit (basic)	\$0.415	\$0.423	(\$0.008)	(1.9%)
FFO per unit (diluted)	\$0.409	\$0.416	(\$0.007)	(1.7%)
FFO pay-out ratio	80.3%	77.7%	2.6%	
AFFO	10,759	8,648	2,111	24.4%
AFFO per unit (basic)	\$0.388	\$0.359	\$0.029	8.1%
AFFO per unit (diluted)	\$0.382	\$0.353	\$0.029	8.2%
AFFO pay-out ratio	86.0%	91.6%	(5.6%)	
NOI	19,454	17,035	2,419	14.2%
Same-asset net operating income	17,424	16,586	838	5.1%
Total assets	884,321	\$771,353	112,968	14.6%
Total debt (excludes premium on assumed debt)	517,997	\$443,334	74,663	16.8%
Debt to GBV	52.7%	53.3%	(0.6%)	
Total GLA (s.f., excluding PUD)	4,812	4,446	366	8.2%
Leased GLA (s.f., excluding PUD)	4,684	4,295	389	9.1%
Leased GLA (% total GLA)	97.3%	96.6%	0.7%	

**Net Income**

Net income for the quarter was \$2,561, as compared to \$1,614 in the comparable quarter. Net income per unit (diluted) for the quarter was \$0.091, as compared to \$0.066 in the comparable quarter.

DI for the quarter increased by 14.5% to \$11,693 from \$10,211 for the comparable quarter. DI per unit (diluted) for the quarter was \$0.415, as compared to \$0.416 in the comparable quarter.

**Net Rental Income**

Net rental income for the quarter increased by 13.3% to \$18,792 from \$16,593 in the comparable quarter as follows: (i) \$287 due to the increase in same-asset net rental income from properties owned for the entire quarter and the entire comparable quarter (which includes the year-over-year change in step-rent adjustments and market to market rent adjustments); and (ii) \$1,912 due to net rental income from properties not owned for the entire quarter and the entire comparable quarter.

Of the \$105,269 of net rental income for the years ended December 31, 2006, and December 31, 2007, \$1,382 of operating cost recoveries is in dispute with a tenant. Of the \$18,792 of net rental income for the quarter, \$183 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 was \$16.05 annualized, as compared to \$15.44 annualized in the comparable quarter.

**Real Estate Service Income**

The Property Manager provides real estate services to third-party property owners. Real estate service income for the quarter was \$88, as compared to \$137 in the comparable quarter.

**Financing Expense**

Financing expense includes interest cost on mortgage debt and other credit facilities and the amortization of the premiums and discounts on assumed mortgages. The amortization of the premiums and discounts on assumed mortgages reduced financing expense by \$23 in the quarter.

Financing expense for the quarter increased by 8.6% to \$6,422 from \$5,914 in the comparable quarter due to the increase in financing expense associated with additional properties acquired in 2007 and 2008.

**Amortization**

We record amortization on our buildings on a straight-line basis over their expected life. Amortization recorded on buildings for the quarter increased by 17.5% to \$3,853 from \$3,280 in the comparable quarter.

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 increased by 45.8% to \$856 from \$587 in the comparable quarter as a result of increased salary and occupancy costs. \$122 of the quarter-over-quarter increase involved a non-cash expense associated with the issuance of options in December 2007 under our Unit Option Plan.

## PART V

### 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)	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Revenue from rental properties	30,961	31,850	30,310	27,718	27,424	20,546	17,871	15,948
Rental property operating cost	12,169	13,110	12,369	10,578	10,831	7,999	6,775	5,478
Net rental income	18,792	18,740	17,941	17,140	16,593	12,547	11,096	10,470
Real estate service income	88	71	69	106	137	87	113	110
Financing expense	6,422	5,981	6,523	6,251	5,914	3,726	3,395	3,262
Amortization	9,041	8,969	9,613	9,778	8,615	5,677	5,264	4,366
Income from operations	3,417	3,861	1,874	1,217	2,201	3,231	2,550	2,952
Trust expense	856	916	899	537	587	690	597	495
PM internalization expense	-	-	-	-	-	-	900	-
Net income (loss)	2,561	2,945	975	680	1,614	2,541	1,053	2,457
Amortization								
Rental properties	3,853	3,777	3,677	3,758	3,280	2,311	2,107	1,908
Mortgage premium	(23)	(60)	(63)	(80)	(92)	(92)	(98)	(89)
Acquired leases	1,565	1,536	1,740	1,778	1,531	800	770	678
M-T-M acquired leases	817	783	1,088	1,188	907	23	67	(61)
Acquired tenant relationships	2,929	3,044	3,673	3,804	3,412	1,999	1,904	1,355
Acquired contracts and customer relationships	24	24	24	24	24	24	24	24
Step-rent adjustments	(155)	(252)	(525)	(218)	(465)	(125)	(165)	(192)
PM internalization expense	-	-	-	-	-	-	900	-
LTIP and Unit Option Plan expense	122	122	36	-	-	6	-	-
DI	11,693	11,919	10,626	10,934	10,211	7,487	6,562	6,080
Weighted average units (basic)	27,757	27,616	24,722	24,722	24,087	19,793	18,445	16,397
Weighted average units (diluted)	28,145	28,007	25,132	25,132	24,517	20,176	18,824	16,772
Distributions	9,249	8,945	7,866	7,866	7,922	6,109	5,696	5,102
DI per unit (basic)	\$0.421	\$0.432	\$0.430	\$0.442	\$0.424	\$0.378	\$0.356	\$0.371
DI per unit (diluted)	\$0.415	\$0.426	\$0.423	\$0.435	\$0.416	\$0.371	\$0.349	\$0.363
DI pay-out ratio	79.1%	75.0%	74.0%	71.9%	77.6%	81.6%	86.8%	83.9%
FFO	11,512	11,834	10,551	10,423	10,192	8,184	7,125	6,734
FFO per unit (basic)	\$0.415	\$0.429	\$0.427	\$0.422	\$0.423	\$0.413	\$0.386	\$0.411
FFO per unit (diluted)	\$0.409	\$0.423	\$0.420	\$0.415	\$0.416	\$0.406	\$0.379	\$0.402
FFO pay-out ratio	80.3%	75.6%	74.6%	75.5%	77.7%	74.6%	79.9%	75.8%
AFFO	10,759	11,698	9,383	9,762	8,648	7,530	5,928	5,004
AFFO per unit (basic)	\$0.388	\$0.424	\$0.380	\$0.395	\$0.359	\$0.380	\$0.321	\$0.305
AFFO per unit (diluted)	\$0.382	\$0.418	\$0.373	\$0.388	\$0.353	\$0.373	\$0.315	\$0.298
AFFO pay-out ratio	86.0%	76.5%	83.8%	80.6%	91.6%	81.1%	96.1%	102.0%
NOI	19,454	19,271	18,505	18,110	17,035	12,445	10,998	10,217
Net income per unit (basic)	\$0.092	\$0.107	\$0.039	\$0.028	\$0.067	\$0.128	\$0.057	\$0.147
Net income per unit (diluted)	\$0.091	\$0.105	\$0.039	\$0.027	\$0.066	\$0.126	\$0.056	\$0.144
Total assets	884,321	857,166	808,627	789,876	771,353	532,302	502,906	443,945
Total debt	517,997	485,371	490,924	464,633	443,334	295,776	263,464	241,765
Debt Ratio	52.7%	51.3%	55.2%	54.2%	53.3%	50.7%	48.20%	50.2%
Total GLA (excluding PUD)	4,812	4,742	4,571	4,484	4,446	3,409	3,321	2,657
Leased GLA (excluding PUD)	4,684	4,625	4,476	4,391	4,295	3,272	3,197	2,599
Leased Area (%GLA)	97.3%	97.6%	97.9%	97.9%	96.6%	96.0%	96.3%	97.8%

## PART VI

### **Critical Accounting Estimates**

The significant accounting policies used in preparing our consolidated financial statements are described in Note 3 to those statements. The following is a discussion of Management's estimates that are most important to the presentation of 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-life assets that are determined to have been permanently impaired. Our long-life 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 itself 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 June 30, 2008, recognize a \$944 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 Canadian Institute of Chartered Accountants has confirmed that the adoption of International Financial Reporting Standards ( "IFRS" ) will be required for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011. Comparative IFRS information for the previous fiscal years will also need to be reported. These new standards will be effective for the REIT in the first quarter of 2011. We are reviewing the new standards to determine the potential impact on our consolidated financial statements.

## PART VII

### 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 VIII

### Risk and Uncertainties

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

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 4.94% and 8.10% with a weighted average interest rate of 5.6%. The weighted average term of our mortgage debt is 6.5 years. As at June 30, 2008, the borrowings under the Facility were \$44,136.

#### **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 period ended June 30, 2008.

<b>Category</b>	<b>% of Rental Revenue H1 2008</b>
Business service and professional	32.8%
Telecommunications and information technology	24.2%
Retail (head office and storefront)	15.8%
Media and entertainment	12.7%
Financial services	6.0%
Government	1.5%
Other	7.0%

The following sets out the percentage of rental revenue from our top-10 tenants by rental revenue for the quarter ended June 30, 2008.

<b>Tenant</b>	<b>% of Rental Revenue H1 2008</b>
CGI	6.3%
Desjardins	4.2%
Cossette Communications	2.7%
SAP Labs	2.0%
Motorola	1.7%
Publicis Toronto	1.6%
MTS Allstream	1.6%
Compuware	1.4%
St. Joseph Media	1.3%
Algorithmics	1.2%

#### **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 its lease maturity schedule so that it is not faced with a disproportionately large level of lease maturity in a given year.

97.3% of the GLA in our portfolio was leased as at June 30, 2008 (not including Properties Under Development). The following sets out the total GLA of the leases that mature during the period from January 1, 2008, to December 31, 2012, assuming tenants do not exercise renewal options, and the percentage of total GLA represented by the maturing leases.

<b>Year Ended</b>	<b>Square Feet</b>	<b>% of Total GLA</b>
December 31, 2008	585,670	12.2%
December 31, 2009	551,144	11.5%
December 31, 2010	1,072,887	22.2%
December 31, 2011	758,247	15.8%
December 31, 2012	625,755	13.0%

We have renewed or replaced leases for 351,469 square feet of the GLA covered by maturing leases in 2008. The weighted average term to maturity of our leases is four years.

#### ***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 June 30, 2008, the cost of Properties Under Development was equivalent to 4.3% 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 2008 and beyond.

## PART IX

### Subsequent Events

On July 2, 2008, we completed the offering of 2,850,000 units at \$21.25 per unit for gross proceeds of \$60,563.

On July 2, 2008, we completed the acquisition of 204-214 King Street East and 70 Richmond Street East in Toronto for \$38,000.

On July 7, 2008, we completed transactions with a Canadian chartered bank (i) increasing our Facility from \$50,000 to \$70,000 and (ii) placing a three-year bridge loan (with a one-year extension option) of \$6,372 on 495 King Street West and 499 King Street West in Toronto at 5.75%.

On July 17, 2008, we obtained a commitment for first mortgage financing on 257 Adelaide Street West in Toronto in the principal amount of \$7,200 for a term of five years, bearing interest at approximately 5.7% per year and payable in blended monthly installments of principal and interest based on a 25-year amortization.

On August 1, 2008, we completed the acquisition of 5505 Saint-Laurent Boulevard in Montréal for \$33,725.

On August 1, 2008, we completed the upward refinancing of 390 Charest Avenue East in Quebec City in the aggregate principal amount of \$9,375, \$7,875 for a term of five years, bearing interest at 5.93% and payable in blended monthly instalments of principal and interest based on a 25-year amortization and \$1,500 for a term of 22 months bearing interest at 5.23% and payable during the term on an interest-only basis.

## PART X

### Disclosure Controls and Internal Controls

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer and Chief Financial Officer evaluated the design of the REIT's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at June 30, 2008 and have concluded that such disclosure controls and procedures were appropriately designed.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer assessed the design of the REIT's internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at June 30, 2008 and, based on that assessment, determined that the REIT's internal controls over financial reporting were appropriately designed.

There has been no change in internal controls over financial reporting in the second quarter of 2008 that has materially affected, or is reasonably likely to materially affect the REIT's internal controls over financial reporting.

## PART XI

### Property Table

June 30, 2008 Properties	Office GLA	Retail GLA	Total GLA	% Total GLA	Office Vacant	Retail Vacant	Total Leased	Leased %
555 College	40,913	19,145	60,058		-	-	60,058	100.0%
905 King W	103,105	9,094	112,199		-	-	112,199	100.0%
The Castle	106,393	34,323	140,716		-	-	140,716	100.0%
<b>King West</b>	<b>250,411</b>	<b>62,562</b>	<b>312,973</b>	<b>6.50%</b>	-	-	<b>312,973</b>	<b>100.0%</b>
141 Bathurst (+land)	10,521	-	10,521		-	-	10,521	100.0%
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	74,927	4,104	79,031		8,835	-	70,196	88.8%
425-439 King W	75,333	17,274	92,607		-	3,397	89,210	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	27,763	122,655		-	14,102	108,553	88.5%
579 Richmond W (+land)	29,043	-	29,043		940	-	28,103	96.8%
602-606 King W	38,559	24,320	62,879		-	-	62,879	100.0%
662 King West	30,774	2,126	32,900		-	-	32,900	100.0%
King-Brant Parking	-	-	-		-	-	-	
<b>King West Central</b>	<b>601,628</b>	<b>135,137</b>	<b>736,765</b>	<b>15.31%</b>	<b>9,775</b>	<b>17,499</b>	<b>709,491</b>	<b>96.3%</b>
116 Simcoe	14,953	-	14,953		-	-	14,953	100.0%
179 John	67,393	-	67,393		-	-	67,393	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	12,422	-	12,422		-	-	12,422	100.0%
217-225 Richmond W	35,393	21,444	56,837		-	-	56,837	100.0%
257 Adelaide W	46,253	-	46,253		-	-	46,253	100.0%
312 Adelaide W	63,693	8,102	71,795		-	2,350	69,445	96.7%
331-333 Adelaide W	21,112	3,210	24,322		-	-	24,322	100.0%
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	38,623	8,287	46,910		-	-	46,910	100.0%
99 Spadina	39,267	12,613	51,880		-	-	51,880	100.0%
<b>Entertainment District</b>	<b>531,744</b>	<b>82,721</b>	<b>614,465</b>	<b>12.77%</b>	<b>8,948</b>	<b>2,350</b>	<b>603,167</b>	<b>98.2%</b>
67 Richmond W	44,785	5,794	50,579		-	-	50,579	100.0%
193 Yonge	32,966	16,318	49,284		-	-	49,284	100.0%
<b>Downtown</b>	<b>77,751</b>	<b>22,112</b>	<b>99,863</b>	<b>2.08%</b>	-	-	<b>99,863</b>	<b>100.0%</b>
106 Front E	24,388	10,109	34,497		-	-	34,497	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		-	-	39,835	100.0%
45-55 Colborne	27,834	12,526	40,360		-	-	40,360	100.0%
50 Wellington E	21,937	11,049	32,986		-	-	32,986	100.0%
<b>St. Lawrence Market</b>	<b>141,671</b>	<b>82,895</b>	<b>224,566</b>	<b>4.67%</b>	-	-	<b>224,566</b>	<b>100.0%</b>
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	32,905	-	32,905		7,663	-	25,242	76.7%
Dominion Square	42,923	68,936	111,859		-	-	111,859	100.0%
QRC South	40,017	-	40,017		4,571	-	35,446	88.6%
Queen Richmond Centre	174,727	48,728	223,455		-	-	223,455	100.0%
<b>Queen Richmond</b>	<b>372,363</b>	<b>120,351</b>	<b>492,714</b>	<b>10.24%</b>	<b>12,234</b>	-	<b>480,480</b>	<b>97.5%</b>
<b>Total Toronto</b>	<b>1,975,568</b>	<b>505,778</b>	<b>2,481,346</b>	<b>51.56%</b>	<b>30,957</b>	<b>19,849</b>	<b>2,430,540</b>	<b>98.0%</b>

<b>June 30, 2008</b>	<b>Office</b>	<b>Retail</b>	<b>Total</b>	<b>% Total</b>	<b>Office</b>	<b>Retail</b>	<b>Total</b>	<b>Leased %</b>
<b>Properties</b>	<b>GLA</b>	<b>GLA</b>	<b>GLA</b>	<b>GLA</b>	<b>Vacant</b>	<b>Vacant</b>	<b>Leased</b>	
<i>3575 Saint-Laurent</i>	167,842	17,464	185,306		6,959	-	178,347	96.2%
<i>400 Atlantic</i>	86,034	-	86,034		8,527	-	77,507	90.1%
<i>425 Viger W (+land)</i>	205,193	820	206,013		-	-	206,013	100.0%
<i>4446 Saint-Laurent</i>	74,961	7,667	82,628		-	-	82,628	100.0%
<i>451-481 Saint Catherine</i>	20,830	9,634	30,464		-	-	30,464	100.0%
<i>6300 Avenue du Parc</i>	217,406	950	218,356		30,680	-	187,676	85.9%
<i>Cite Multimedia</i>	953,502	5,118	958,620		-	-	958,620	100.0%
<b>Total Montreal</b>	<b>1,725,768</b>	<b>41,653</b>	<b>1,767,421</b>	<b>36.73%</b>	<b>46,166</b>	<b>-</b>	<b>1,721,255</b>	<b>97.4%</b>
<i>115 Bannatyne</i>	34,495	4,029	38,524		-	-	38,524	100.0%
<i>138 Portage East</i>	45,645	-	45,645		15,662	-	29,983	65.7%
<i>165 Garry</i>	9,000	5,800	14,800		-	-	14,800	100.0%
<i>250 McDermot</i>	34,946	16,540	51,486		3,844	-	47,642	92.5%
<i>309 Hargrave</i>	21,470	1,400	22,870		3,134	-	19,736	86.3%
<i>50-70 Arthur</i>	105,422	11,680	117,102		6,605	-	110,497	94.4%
<b>Total Winnipeg</b>	<b>250,978</b>	<b>39,449</b>	<b>290,427</b>	<b>6.03%</b>	<b>29,245</b>	<b>-</b>	<b>261,182</b>	<b>89.9%</b>
<i>390 Charest</i>	66,771	6,348	73,119		-	-	73,119	100.0%
<i>410 Charest</i>	-	24,937	24,937		-	1,300	23,637	94.8%
<i>420 Charest</i>	43,551	13,285	56,836		500	-	56,336	99.1%
<i>622 Saint Joseph</i>	3,620	3,300	6,920		-	-	6,920	100.0%
<i>633 Saint Joseph</i>	15,558	6,000	21,558		-	-	21,558	100.0%
<b>Total Quebec City</b>	<b>129,500</b>	<b>53,870</b>	<b>183,370</b>	<b>3.81%</b>	<b>500</b>	<b>1,300</b>	<b>181,570</b>	<b>99.0%</b>
<i>72 Victoria</i>	89,875	-	89,875		-	-	89,875	100.0%
<b>Total Kitchener-Waterloo</b>	<b>89,875</b>	<b>-</b>	<b>89,875</b>	<b>1.87%</b>	<b>-</b>	<b>-</b>	<b>89,875</b>	<b>100.0%</b>
<b>Total Rental Portfolio</b>	<b>4,171,689</b>	<b>640,750</b>	<b>4,812,439</b>	<b>100.00%</b>	<b>106,868</b>	<b>21,149</b>	<b>4,684,422</b>	<b>97.3%</b>
<i>47 and 47A Fraser, Toronto</i>	29,737	-	29,737					
<i>96 Spadina</i>	85,366	5,849	91,215					
<i>134 Peter, Toronto</i>	29,865	19,804	49,669					
<i>544 King West, Toronto</i>	36,000	-	36,000					
<i>1500 Notre Dame, Winnipeg</i>	111,400	-	111,400					
<i>Adjacent Land, Montreal</i>	-	-	-					
<b>Total PUD</b>	<b>292,368</b>	<b>25,653</b>	<b>318,021</b>					