ALLIED PROPERTIES

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST ANNOUNCES $51.1 MILLION IN CLASS I OFFICE PROPERTY ACQUISITIONS IN TORONTO AND APPROXIMATELY $32.2 MILLION PUBLIC EQUITY OFFERING

Toronto, May 6, 2004 -- Allied Properties REIT (TSX:AP.UN) announced today that it has entered into agreements to purchase The Queen Richmond Centre and Phase I of The Castle, Class I office complexes located in the REIT's target market in downtown Toronto, for combined consideration of $51.1 million. The Queen Richmond Centre (99-123 Queen Street East and 92-114 Richmond Street East) is comprised of 223,588 square feet of gross leasable area (GLA) and is fully leased to tenants consistent in character and quality with the REIT's existing tenant base, including Publicis Canada and St. Joseph Media. Phase I of The Castle (41 and 53 Fraser Avenue and 8 Pardee Avenue) is comprised of 75,564 square feet of GLA and is fully leased to tenants with similar attributes, including Nelvana. The acquisitions are expected to close in June 2004, subject to customary conditions.

The REIT also announced today that it has entered into an agreement with a syndicate of underwriters led by Scotia Capital Inc., to issue to the public, on a bought deal basis, 2,900,000 units from treasury at a price of $11.10 per unit for gross proceeds of approximately $32.2 million. The issue will be offered in all provinces of Canada. Closing of the offering is expected to occur on May 27, 2004, and is subject to regulatory approvals.

The REIT intends to use the proceeds of the offering to finance the acquisition of the two properties identified above, to repay its acquisition facility utilized in connection with previously announced acquisitions and for general corporate purposes. The units being offered have not been, and will not be, registered under the U.S. Securities Act of 1933 and state securities laws. Accordingly, the Units may not be offered or sold to U.S. persons except pursuant to applicable exemptions from registration.

"The Queen Richmond Centre will be an excellent addition to our portfolio, giving us critical mass in the Downtown East sub-market. Phase I of The Castle will constitute a solid foothold in Liberty Village, a vibrant community within the King West sub-market and will be the first acquisition through our development pipeline", said Michael Emory, President and CEO. "These acquisitions will further improve our key portfolio attributes and are expected to be accretive to Distributable Income per unit".

The purchase price for The Queen Richmond Centre of $39.5 million will be funded through the placement of mortgage financing in the approximate principal amount of $24.4 million and the public offering. The interest rate on the mortgage financing will be approximately 6.25%. The purchase price is based on a 9.8% capitalization rate, and the going-in yield on the acquisition is expected to be approximately 14.8% on a levered basis.

Pursuant to the Option Agreement that constitutes the REIT's development pipeline, the purchase price for Phase I of The Castle was established by an independent appraiser at $11.6 million. The purchase price will be funded through the placement of mortgage financing in the approximate principal amount of $7.54 million and the public offering. The interest rate on the mortgage financing will be approximately 6.25%. The purchase price is based on a 9.5% capitalization rate, and the going-in yield on the acquisition is expected to be approximately 14.7% on a levered basis.

Allied Properties REIT is a leading office property owner in the areas immediately to the east and west of Toronto's downtown core. With over 1.1 million square feet of space, the REIT's portfolio of 19 predominantly Class I buildings accommodates a diversified base of business tenants. The objectives of the REIT are to provide *stable and growing cash distributions to its unitholders and to maximize unitholder value through the effective management and accretive growth of its portfolio.*

This press release may contain forward-looking statements with respect to the REIT, its operations, strategy, financial performance and condition. These statements generally can be identified by use of forward looking words such as "may", "will", "expect", "estimate", "anticipate", intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of the REIT discussed herein could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including that the transaction contemplated herein is completed. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulations and the factors described under "Risk Factors" in the Annual Information Form of the REIT which is available at www.sedar.com. The cautionary statements qualify all forward-looking statements attributable to the REIT and persons acting on their behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release and the parties have no obligation to update such statements.

Distributable Income, "going-in yield" and "capitalization rate" are not measures recognized under Canadian generally accepted accounting principles ("GAAP") and do not have a standardized meanings prescribed by GAAP. Distributable income and "going-in yield" are presented in this press release because management of the REIT believes that these non-GAAP measures are relevant, in the case of distributable income, in measuring the ability of the combined entity to earn and distribute cash returns to Unitholders and, in the case of going-in-yield and capitalization rate, in interpreting the purchase price of the properties being acquired. Distributable income, going-in yield and capitalization rate as computed by the REIT may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to distributable income, going-in yield and capitalization rate reported by such organizations. Distributable income is calculated by the REIT by reference to the net income of the REIT on a consolidated basis, as determined in accordance with GAAP, subject to certain adjustments set out in the REIT's declaration of trust. See "Declaration of Trust and Description of Units – Distribution Policy" contained in the REIT's Annual Information Form available on www.sedar.com."

FOR FURTHER INFORMATION, PLEASE CONTACT:

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