ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST ANNOUNCES AGREEMENT TO INTERNALIZE PROPERTY MANAGEMENT

Toronto, June 9, 2005 -- Allied Properties REIT (TSX:AP.UN) today announced that it has entered into an agreement with Allied Canadian Corporation to acquire Allied Canadian's property management business, which involves the provision of property management and related services to the REIT and to third-party owners of commercial real estate in Toronto.

Allied Canadian was appointed by the REIT as its property manager at the time of the REIT's IPO. The principal reason for the external arrangement was the fact that the REIT's initial portfolio was not large enough on its own for the property management function to be undertaken profitably.

Recognizing the very substantial growth in the size of the REIT's portfolio over the past two years, the Trustees of the REIT established an Independent Committee comprised of Robert Martin (Chairman), Iain Ronald and Dan Sullivan to consider the possibility of internalizing the property management function. The Independent Committee retained Desjardins Securities Inc. to act as its financial advisor.

On completion of the evaluation process by the Independent Committee and Desjardins Securities Inc., the independent Trustees of the REIT approved the acquisition for a base price of $8.5 million and an additional payment on March 31, 2007, equal to the lesser of $0.9 million and the amount, if any, by which a five-times multiple of actual EBITDA from the business in 2006 exceeds the base price.

Desjardins Securities Inc. has delivered its opinion that the acquisition is fair, from a financial point of view, to the REIT's unitholders. The REIT expects the acquisition to increase its net operating income by approximately $1.9 million in 2006 and to increase its Distributable Income per unit by approximately five cents in 2006.

"This is an important step in the evolution of Allied Properties REIT," said Michael R. Emory, President and CEO. "Not only will it internalize an important operating function at a time when appropriate economies of scale are in place, it will enable the REIT to develop additional service-based sources of income as it continues to grow."

The REIT expects the acquisition to close on or about July 1, 2005, subject to customary conditions. The REIT will finance the acquisition with available cash and a portion of the proceeds from a concurrent long-term mortgage financing on one of its properties.

Allied Canadian has 44 employees engaged in its property management business, all of whom will become employees of the REIT on closing. Following closing, Allied Canadian and its operating principals will not engage in the third-party property management business and will not be entitled to use the name "Allied Properties" or the logo associated with the name “Allied Properties”, which name and logo will become the sole and exclusive property of the REIT. Allied Canadian will continue to engage in the business of real estate development, subject to the Option Agreement between it and the REIT that was entered into at the time of the REIT’s IPO.

Allied Properties REIT owns a portfolio of predominantly Class I office properties in downtown Toronto, downtown Montreal and downtown Winnipeg. 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. 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 is not a measure recognized under Canadian generally accepted accounting principles (“GAAP”) and does not have a standardized meaning prescribed by GAAP. Distributable Income is presented in this press release because management of the REIT believes that this non-GAAP measure is relevant in measuring the ability of the REIT to earn and distribute cash returns to Unitholders. Distributable Income 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 reported by such organizations. Distributable Income is calculated by the REIT by reference to the net income of the REIT, 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.”

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