



**ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST ANNOUNCES
AGREEMENT TO ACQUIRE \$56 MILLION CLASS I OFFICE PORTFOLIO IN TORONTO
AND \$20.2 MILLION PUBLIC EQUITY OFFERING**

Toronto, October 17, 2005 -- Allied Properties REIT (TSX:AP.UN) announced today that it has entered into an agreement with Camwood Properties Ltd. to purchase a Class I office portfolio in downtown Toronto for a purchase price of \$56 million. On completion, this acquisition will significantly bolster the REIT's position as the leading provider of Class I office space in Toronto, increasing the size of its portfolio in King West Central by 12%, in the Entertainment District by 33% and in Downtown East by 22%.

The REIT also announced 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, 1.3 million units from treasury at a price of \$15.50 per unit for gross proceeds of \$20.15 million. The issue will be offered in all provinces of Canada. The units being offered have not been, and will not be, registered under the U.S. Securities Act of 1933 and state securities laws. Closing of the offering is expected to occur on or about November 1, 2005, and is subject to regulatory approvals. The REIT intends to use the net proceeds of the offering to fund a portion of the purchase price of the portfolio.

The portfolio is comprised of eight redeveloped Class I office buildings, two Class I office buildings in redevelopment, 51 surface parking spaces and two pieces of adjacent land. The redeveloped Class I office buildings are comprised of 230,209 square feet of gross leasable area (GLA) and 48 surface parking spaces. They are briefly described below:

Property	GLA	Parking	Vacant GLA	%Vacant
King West Central				
579 Richmond Street West	29,311		2,568	8.8
141 Bathurst Street	10,521	13		
662 King Street West	31,817	15	2,900	9.1
Entertainment District				
312 Adelaide Street West	71,795		12,554	17.5
208-210 Adelaide Street West	12,330			
200 Adelaide Street West	28,024			
116 Simcoe Street	13,819			
Downtown East				
489 Queen Street East	32,592	20		
Total	230,209	48	18,022	7.8

92.2% of the GLA in these eight buildings is leased to tenants consistent in character and quality with the REIT's existing tenant base. With \$49 million of the purchase price allocated to these eight buildings, the initial capitalization rate is 8% after deducting the operating costs associated with the vacant space.

The Class I office buildings in redevelopment are comprised of 55,225 square feet of GLA and three surface parking spaces. They are briefly described below:

Property	GLA	Parking	Vacant GLA	%Vacant
Downtown East				
100 Lombard Street	44,804		14,171	31.6
145 Berkeley Street	10,625	3	8,575	80.7
Total	55,225	3	22,746	41.2

The REIT intends to complete the redevelopment of these two buildings with a view to maximizing their net operating income and creating value. With \$5.5 million of the purchase price allocated to these two buildings, the cost per square foot of GLA is \$100.

"This is a very important and strategic acquisition for Allied Properties REIT, one that will further a number of important objectives," said Michael Emory, President and CEO. "It will augment our ability to meet the growing demand for Class I space in Toronto, boost the GLA in the Toronto component of our portfolio to nearly two million square feet and add to our Distributable Income per unit going forward. The vacant space and surplus land in the portfolio will also provide us with opportunities to create additional value for our unitholders over time."

The acquisition is expected to close on or about November 1, 2005, subject to customary conditions. Nine of the 12 properties in the portfolio will be free and clear on closing. 662 King Street West will be subject to a first mortgage in the approximate principal amount of \$3.7 million and bearing interest at the rate of 5.92% for a term expiring in March of 2015. 312 Adelaide Street West will be subject to a first mortgage in the approximate principal amount of \$6.4 million and bearing interest at the rate of 6.95% for a term expiring in November of 2006. 489 Queen Street East will be subject to a first mortgage in the approximate principal amount of \$2.3 million and bearing interest at the rate of 5.26% for a term expiring in January of 2010. The REIT intends to place additional mortgage financing on the portfolio in the approximate principal amount of \$22 million with a view to taking advantage of current favourable interest rates.

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, 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.

"Capitalization rate" is not a measure recognized under Canadian generally accepted accounting principles ("GAAP") and does not have standardized meanings prescribed by GAAP. Capitalization rate is presented in this press release because management of the REIT believes that this non-GAAP measure is relevant in interpreting the purchase price of the property being acquired. 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 capitalization rate reported by such organizations.

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