ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST ANNOUNCES EXPANSION INTO QUEBEC CITY AND $32 MILLION PUBLIC EQUITY OFFERING

Toronto, July 26, 2006 -- Allied Properties REIT (TSX:AP.UN) announced today that it has entered into an agreement to purchase a portfolio of predominantly Class I office properties in Quebec City's burgeoning Saint Roch office node for $32.5 million. The acquisition is expected to close on or about September 5, 2006, subject to customary conditions.

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, 1.9 million units from treasury at a price of $17.00 per unit for gross proceeds of $32.3 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 September 5, 2006, and is subject to regulatory approvals. The REIT intends to use the net proceeds of the offering to fund the cash portion of the purchase price of the portfolio, to repay the amount drawn on its acquisition lines of credit and for general corporate purposes.

"This is a promising expansion for us," said Michael Emory, President and CEO. "Quebec City is a strong office market with a significant concentration of Class I properties. Saint Roch is one of the finest urban neighbourhoods in Canada, in large part because of the character, consistency and quality of its buildings. The portfolio we've agreed to acquire is comprised largely of Class I properties and represents a strategic foothold in Quebec City. And the vendor, GM Development, is a like-minded organization with which we hope to develop a long-term, mutually beneficial relationship."

Saint Roch
A downtown neighbourhood that has undergone extensive revitalization in the past five years, Saint Roch is anchored by a concentration of restored historic buildings and new buildings along Charest Boulevard and Saint Joseph Street, just to the north of Parliament Hill. Like the other urban neighbourhoods in which the REIT has portfolio assets, Saint Roch has attracted high-quality office and retail users, as well as a growing number of residential users. The different users are mutually reinforcing and provide vitality and stability to the neighbourhood.

GM Development
GM Development has been, and continues to be, a driving force in the revitalization of Saint Roch. It is the developer and current owner of the portfolio. It also owns a number of other properties in Saint Roch at various stages of development or redevelopment. The REIT has agreed to retain GM Development to manage the portfolio jointly with its

property management subsidiary, Allied Properties Management Limited Partnership.

The Porfolio
The portfolio is comprised of 183,870 square feet of gross leasable area ("GLA") and is 98.6% leased to tenants consistent in character and quality with the REIT's tenant base. The major tenants of the portfolio include Ubisoft, Promutuel, Desjardins, Mountain Equipment Co-Op and the Province of Quebec.

One of the buildings in the portfolio was constructed recently, and the other four are historic structures that were thoroughly renovated and retrofitted for office and ancillary retail use, making them Class I buildings. The following is a brief summary of the buildings comprising the portfolio:

Address	GLA	Occupancy	Built	Renovated
390 Charest Boulevard	73,119	99.0%	2002	NA
410 Charest Boulevard	24,937	94.8%	1933	2004
420 Charest Boulevard	57,336	99.1%	1880s and 1930	1999 and 2003
622 Saint Joseph Street	6,920	100%	1880	2003
633 Saint Joseph Street	21,558	100%	1890	2002
Total	183,870	98.6%		

The Acquisition
The purchase price of $32.5 million represents a capitalization rate of 7.7% and a cost of $177 per square foot of GLA. On closing, each property in the portfolio will be subject to an existing first mortgage. The weighted average interest rate on the existing first mortgages is 6.2% per year. The REIT intends to work with the existing mortgage holders to fix the aggregate amount of first mortgage financing on the portfolio at approximately $20 million.

Cautionary Statements
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 transactions contemplated herein are 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.

Allied Properties REIT is a leading owner and manager of Class I office properties in Canada, with portfolio assets in the urban areas of Montreal, Toronto and Winnipeg. The objectives of the REIT are to provide stable and growing cash distributions to unitholders and to maximize unitholder value through effective management and accretive portfolio growth.

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