



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT REPORTS 2005 RESULTS AND ACHIEVEMENTS

Winnipeg, Manitoba, April 27, 2006 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX Venture: LRT.UN) is pleased to report the financial results for the year ended December 31, 2005. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the 2005 Annual Report, including the audited financial statements for the year ended December 31, 2005, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

In 2005, LREIT achieved another year of exceptional growth, increasing its property portfolio by \$99.1 Million or 150%, compared to the prior year. The \$99.1 Million increase in the portfolio reflects the acquisition of 11 additional properties in 2005, with two of the properties accounting for 65% of the increase. The largest of two properties, Nelson Ridge Estates, is a 225 suite multi-family residential property in Fort McMurray, Alberta, with an acquisition cost of \$40.6 Million, while the other property, Luther Riverside Terrace, is a 181 suite senior’s housing complex in Saskatoon, Saskatchewan, with an acquisition cost of \$24 Million. Both of the properties generated exceptional returns in 2005 and are expected to contribute over \$2.5 Million of additional operating income in 2006, based on the annualization of 2005 operating results, adjusted for increased rental rates. In particular, the investment in Nelson Ridge Estates is expected to provide an excellent opportunity for accretive gains as the demand for housing in Fort McMurray is expected to continue to exceed supply for the foreseeable future, with the ongoing expansion of the oil sands industry and the local economy. In 2006, the overall quality of the LREIT portfolio is expected to be further solidified, with the acquisition of Lakewood Manor, another large property in Fort McMurray. At a cost of \$56.6 Million, Lakewood Manor is expected to become part of the LREIT portfolio on the estimated construction completion date in December 2006. All of the suites at Lakewood Manor have been pre-leased to a major oil sands operating company, which will ensure that the property has a 100% occupancy level for a minimum of three years, with guaranteed absolute net operating income of \$4.7 Million per annum.

The increase in the cost base of the LREIT property portfolio in 2005 also reflects the acquisition of Three Lakes Village, a newly constructed residential property in Yellowknife, Northwest Territories, consisting of 50 townhouses, with a total acquisition cost of \$10.9 Million. With the lease-up completed, the operating results of LREIT will

be significantly enhanced as the operating income potential of the property is estimated to be approximately \$600,000, after debt service.

Similarly, Highland Tower, a 95-suite high-rise apartment complex in Thompson, Manitoba, which was acquired by LREIT in 2005, is undergoing a major renovation program, involving the temporary removal of suites from the rental market. Once the renovations are completed, the operating income potential of the property is estimated to be in the range of \$250,000 to \$300,000 per annum. As the \$1.35 Million purchase price of the property represented an estimated capitalization rate of 16.3%, the property is expected to generate a favourable return, after considering the total costs of the upgrade program.

Although the rental market for multi-family residential properties remained highly competitive throughout 2005, due to low interest rates and continued affordability of single family homes, there was a distinct shift in market fundamentals at the end of the year, mainly due to an increase in interest rates. The increase in interest rates, combined with other factors such as rising home prices and declining housing starts, is contributing to a gradual improvement in rental market conditions. Provided that rental markets continue to strengthen, there is an opportunity for LREIT to achieve a significant improvement in rental rates and in the overall occupancy level of its portfolio of multi-family residential properties and a corresponding improvement in operating income, in addition to the increases in income which are projected for the 2005 property acquisitions, based on a full year of operations.

It is also anticipated that substantial gains in operating income and cash flows will be derived from ongoing property acquisitions in 2006 as LREIT has sufficient cash reserves and borrowing capacity to support another year of strong growth in its property portfolio. Based on property acquisitions that are completed or under contract, the cost base of the LREIT portfolio has increased to \$246 Million and is expected to surpass the \$350 Million level by the end of the year.

FINANCIAL PERFORMANCE

Financial Highlights

	Year Ended December 31	
	2005	2004 (restated)
Total assets	\$201,013,351	\$90,779,084
Mortgage loans payable	\$116,827,895	\$49,091,108
Convertible debentures (face value)	<u>17,622,000</u>	<u>18,073,000</u>
	<u>\$134,449,895</u>	<u>\$67,164,108</u>
Total revenue	\$17,792,929	\$7,743,244
Operating income	9,688,548	4,616,038
Net loss	(2,135,105)	(1,946,902)
Distributable income	2,611,954	1,016,314
Funds from operations (FFO)	2,013,254	581,621
Adjusted Funds from Operations (AFFO)	1,927,398	62,108

Per Unit

	2005 Basic	2005 Diluted	2004 Basic	2004 Diluted
Operating income	\$1.04	\$0.81	\$1.74	\$0.80
Net loss	(0.229)	(0.229)	(0.735)	(0.735)
Distributable income	0.280	0.279	0.384	0.373
Funds from operations (FFO)	0.216	0.216	0.220	0.209
Adjusted Funds from operations (FFO)	0.206	0.206	0.023	0.023

Operating Results

At the end of 2004, the expectation was that LREIT would achieve a favourable growth rate in operating income and operating cash flows during 2005 in proportion to the growth in revenues from new property acquisitions. It was also anticipated that the relative growth in net income would be limited during 2005, as a result of the lag between the receipt of new capital and the investment of the capital in income-producing properties and the associated capital “carrying” costs.

Overall, operating results were generally in accordance with expectations. Although the acquisition of new properties occurred gradually throughout the year, the expanded property portfolio resulted in an increase in rental revenues of \$9.8 Million or 137% and an increase in operating income of \$5 Million or 109%, compared to 2004. Distributable income increased by \$1.6 Million or 157%, FFO increased by \$1.4 Million or 246% and AFFO increases by \$1.9 Million. On a per unit basis, FFO remained relatively constant

at approximately \$0.216 per unit in 2005, compared to approximately \$0.220 per unit in 2004, while AFFO increased from \$0.023 per unit in 2004 to \$0.206 per unit in 2005.

In terms of its bottom line results, LREIT incurred a net loss due to high amortization charges, however, the net loss of \$2,135,105 Million was only marginally higher than in 2004, increasing by \$188,203 or 9.7%, compared to the 2004 net loss of \$1,946,902 Million. On a per unit basis, the bottom line results improved significantly, moving from a net loss of \$0.735 in 2004 to a net loss of \$0.229 in 2005.

LREIT is a real estate investment trust, which is listed on the TSX Venture Exchange under the symbol "LRT.UN". The objective of LREIT is to provide Unitholders with stable cash distributions from investment in a geographically diversified Canadian portfolio of quality real estate properties. For further information on LREIT, please visit our website at www.lreit.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

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This press release contains certain statements that could be considered as forward-looking information. The forward-looking information is subject to certain risks and uncertainties, which could result in actual results differing materially from the forward-looking statements.

The TSX Venture Exchange has not reviewed or approved the contents of this press release and does not accept responsibility for the adequacy or accuracy of this press release.