



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT ANNOUNCES FILING OF FINAL PROSPECTUS FOR PUBLIC OFFERING OF SECOND MORTGAGE BONDS AND WARRANTS

Winnipeg, Manitoba – December 17, 2010 – Lanesborough Real Estate Investment Trust (“**LREIT**”) (TSX: LRT.UN) announced today that it has filed and obtained a receipt for a final short form prospectus dated December 16, 2010 (the “**Prospectus**”) relating to the previously announced offering (the “**Offering**”) of a minimum of 7,000 and a maximum of 16,000 investment units (the “**Units**”) at a price of \$1,000 per Unit for aggregate gross proceeds to LREIT of \$7,000,000 in the event of the minimum offering (the “**Minimum Offering**”) and \$16,000,000 in the event of the maximum offering (the “**Maximum Offering**”). Each Unit is comprised of one 5 year 9% second mortgage bond (each, a “**Bond**” and collectively, the “**Bonds**”) in the principal amount of \$1,000 and 1,000 trust unit purchase warrants (each, a “**Warrant**” and, collectively, the “**Warrants**”). Each Warrant entitles the holder thereof to purchase one trust unit of LREIT (a “**Trust Unit**”) at a price of \$0.75 per Trust Unit at any time for a period of five years from the date of closing. The Offering is being made on a commercially reasonable best efforts basis by Wellington West Capital Inc.

The Bonds will mature on the date that is five years plus one day from the date of the closing of the Offering (the “**Maturity Date**”) and bear interest at an annual rate of 9% payable semi-annually in arrears on May 31 and November 30 in each year, as well as on the Maturity Date, with the first interest payment occurring on May 31, 2011. The Bonds will be secured by second mortgage security and collateral security registered against five properties of LREIT, being Beck Court, Norglen Terrace, Nova Court, Highland Tower and Westhaven Manor.

Details with respect to the Offering and the mortgaged properties are set forth in the Prospectus.

LREIT will use approximately \$2.66 million of the net proceeds of the Offering to repay the remaining principal balance of the 5 Year 9% second mortgage bond of LREIT due March 15, 2015 (TSX: LRT.NT). The balance of the net proceeds of the Offering in the approximate amount of \$3.49 million in the event of the Minimum Offering and approximately \$11.95 million in the event of the Maximum Offering will be used to repay the principal amount of the 5 Year 7.5% subordinated convertible debentures of LREIT upon maturity on March 11, 2011 (TSX: LRT.DB.F).

LREIT has received conditional approval of the TSX for the listing of the Bonds, the Warrants and the Trust Units issuable upon the exercise of the Warrants. Listing of the Bonds, the Warrants and the Trust Units is subject to LREIT meeting the requirements of the TSX.

Initial closing of the Offering is expected to occur on or about December 23, 2010.

ABOUT LREIT

LREIT is a real estate investment trust, which is listed on the Toronto Stock Exchange under the symbols LRT.UN (Trust Units), LRT.DB.F (Series F Convertible Debentures), LRT.DB.G (Series G Convertible Debentures), LRT.NT (Second Mortgage Bonds) and LRT.WT (Warrants). 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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The TSX 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.

This press release contains forward-looking statements. LREIT is subject to significant risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, the impact of general economic conditions, industry conditions, interest rate fluctuations, tax-related risk factors, governmental regulation, environmental risks, competition from other industry participants, stock market volatility, the ability to access sufficient capital from internal and external sources and the risk of fluctuation and variation in actual operating results, which variation may be material. LREIT cannot assure investors that actual results will be consistent with any forward-looking statement and does not assume any obligation to update or revise such forward-looking statements to reflect actual events or new circumstances, except as expressly required by applicable securities laws.

This press release is not an offer of securities for sale in the United States, the securities offered have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and will contain detailed information about the company and management, as well as financial statements.