



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT REPORTS 2008 SECOND QUARTER RESULTS

Winnipeg, Manitoba, August 13, 2008 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) is pleased to report the operating results for the quarter ended June 30, 2008. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the 2008 Second Quarter Report and the financial statements for the quarter ended June 30, 2008, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

2008 SECOND QUARTER HIGHLIGHTS

Acquisition and Development

- During the second quarter of 2008, LREIT completed the construction and lease-up of Laird's Landing and the property began contributing to operating income, effective June 1, 2008.
- Property portfolio as of June 30, 2008 consists of 42 properties, comprised of 3,343 suites and 224,545 square feet of commercial leasable area.

Financial

Second quarter of 2008 compared to the second quarter of 2007.

- Rental revenues increased by \$4 Million or 38%, with \$3.5 Million derived from properties in Fort McMurray.
- Net operating income increased by \$2.6 Million or 40% (\$0.146 per unit).
- Operating margin for property portfolio improved from 59% in 2007 to 61% in 2008.
- "Same property" revenues increased by \$1.1 Million or 12%, while "same property" net operating income increased by \$0.7 Million or 13%.
- FFO increased by \$1.15 Million (\$0.065 per unit).
- AFFO increased by \$1.24 Million (\$0.070 per unit).

Capital Structure

- Weighted average interest rate on the aggregate mortgage loan balance of 6.3% at June 30, 2008.
- Mortgage loan debt to estimated current property value ratio of 59.4% at June 30, 2008.

Ongoing Investment Activities – 2008

- On July 2, 2008, LREIT acquired Siena Apartments, a 66-suite luxury apartment property in Fort McMurray, Alberta, at a price of \$30 Million.

- Acquisition of Phase II of Parsons Landing, a 160-suite apartment property in Fort McMurray, Alberta is scheduled to close in September 2008. The total acquisition cost of Parsons Landing is \$60.7 Million, plus GST.
- Acquisition of an 89.4% interest in Colony Square, a mixed-use development in downtown Winnipeg, Manitoba, comprised of 428 suites and 83,190 square feet of leasable office/commercial space, is scheduled to close on October 1, 2008 at a purchase price of \$34.2 Million.

Estimated Current Value

- Estimated current market value of the real estate portfolio of \$655 Million as of June 30, 2008.

RESULTS OF OPERATIONS

Financial and Operating Summary

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
DISTRIBUTIONS				
Total	\$ 2,463,744	\$ 2,439,035	\$ 4,920,645	\$ 4,865,858
Per unit	\$ 0.14	\$ 0.14	\$ 0.28	\$ 0.28
KEY PERFORMANCE INDICATORS (1)				
Operations				
Average residential occupancy rate	96.0%	94.3%	95.0%	93.7%
Operating residential cost ratio	39.0%	43.0%	41.0%	45.0%
Operating Results				
Total revenue	\$ 14,975,258	\$ 11,127,584	\$ 28,604,251	\$ 20,179,348
Net operating income	\$ 9,111,999	\$ 6,519,763	\$ 17,061,941	\$ 11,404,540
Loss for the period, before future income tax	\$ (752,648)	\$ (1,417,123)	\$ (2,705,546)	\$ (3,203,090)
Income (loss) for the period	\$ (4,988,811)	\$ 688,355	\$ (4,988,510)	\$ (1,017,738)
Cash Flows				
Cash flow from operating activities	\$ 3,037,717	\$ 1,044,668	\$ 4,369,932	\$ 2,181,114
Funds from Operations (FFO)	\$ 1,655,318	\$ 504,160	\$ 2,055,887	\$ 409,396
Adjusted Funds from Operations (AFFO)	\$ 2,054,414	\$ 814,053	\$ 3,114,458	\$ 1,162,078
Distributable income	\$ 2,567,347	\$ 1,456,792	\$ 4,055,399	\$ 2,238,941
Financing				
Mortgage loans to estimated current value ratio			59.4%	56.7%
Weighted average interest rate of mortgage loans			6.3%	6.2%

Per Unit

Net operating income					
- basic	\$	0.520	\$	0.374	\$ 0.975 \$ 0.654
- diluted	\$	0.357	\$	0.295	\$ 0.670 \$ 0.516
Loss for the period, before future income tax					
- basic	\$	(0.043)	\$	(0.081)	\$ (0.155) \$ (0.184)
- diluted	\$	(0.043)	\$	(0.081)	\$ (0.155) \$ (0.184)
Income (loss) for the period					
- basic	\$	(0.284)	\$	0.039	\$ (0.285) \$ (0.058)
- diluted	\$	(0.284)	\$	0.039	\$ (0.285) \$ (0.058)
Distributable income					
- basic	\$	0.147	\$	0.084	\$ 0.232 \$ 0.128
- diluted	\$	0.139	\$	0.082	\$ 0.219 \$ 0.126
FFO					
- basic	\$	0.094	\$	0.029	\$ 0.118 \$ 0.023
- diluted	\$	0.094	\$	0.028	\$ 0.116 \$ 0.023
AFFO					
- basic	\$	0.117	\$	0.047	\$ 0.178 \$ 0.067
- diluted	\$	0.117	\$	0.046	\$ 0.172 \$ 0.065

Management previously projected that significant improvements in operating income and cash flows would occur throughout 2008, as additional properties in Fort McMurray moved from the development stage to the income-producing stage. As anticipated, the operating results for the second quarter of 2008 have improved significantly in comparison to both the second quarter results for 2007 and the first quarter results for 2008, as summarized in the following chart:

	Per Unit – Basic				
	2008 Q2	2008 Q1	Comparison	2007 Q2	Comparison
	Amount	Amount	Increase	Amount	Increase
Net operating income (NOI)	\$ 0.520	\$ 0.455	\$ 0.065	\$ 0.374	\$ 0.146
FFO	\$ 0.094	\$ 0.023	\$ 0.071	\$ 0.029	\$ 0.065
AFFO	\$ 0.117	\$ 0.061	\$ 0.056	\$ 0.047	\$ 0.070
Distributable income	\$ 0.147	\$ 0.085	\$ 0.062	\$ 0.084	\$ 0.063

In addition to the growth in the per unit amounts for Distributable Income, FFO and AFFO, the 2008 second quarter results are highlighted by the improvement in the distribution payout ratio. During the second quarter of 2008, distributable income exceeded distributions declared by \$103,603 or 4.2%, while cash flow from operating activities exceeded distributions declared by \$573,973 or 23.3%.

The improvement in operating results for the second quarter of 2008 reflect the impact of property acquisitions in 2007; an improvement in the operating results of properties which were acquired prior to 2007; and the inclusion of Laird's Landing as an income-producing property, effective June 1, 2008. In particular, the portfolio of income-producing properties in Fort McMurray, Alberta has continued to achieve favourable operating margins (73% for the second quarter of 2008) and has accounted for approximately 84% of the total increase in NOI in the second quarter of 2008, compared to the second quarter of 2007.

The favourable operating results for the second quarter of 2008 are a positive indicator for ongoing improvements in the second half of the year, after considering the following variables:

- during the third quarter of 2008, Laird's Landing will contribute three months of operating income, compared to one month in the second quarter of 2008. The NOI for Laird's Landing was \$436,991 for the month of June 2008;
- on July 2, 2008, LREIT acquired Siena Apartments, a 66-suite luxury apartment property in Fort McMurray, Alberta. The property is 100% leased on a net basis for four years and will essentially make a full contribution to the NOI during the third quarter of 2008;
- on May 14, 2008, LREIT acquired Phase I of Parsons Landing Apartments and it is anticipated that the remaining portion (Phase II) will be acquired in September 2008. The lease-up of the property is expected to be completed in October 2008, at which time the property will begin contributing to operating income;
- the \$34 Million acquisition of Colony Square is scheduled to close on October 1, 2008. The property is located near the centre of the Winnipeg business district, is 100% leased and will add 428 residential suites and 83,190 square feet of leasable commercial area to the property portfolio of LREIT; and
- additional properties to be added to the portfolio of income-producing properties include the 60-suite expansion of Elgin Lodge (Q4 2008) and the 126-suite Clarington Seniors Residence (2009).

In summary, LREIT is well-positioned to achieve additional growth in operating income and cash flows in the second half of 2008, especially given the favourable returns from the new Fort McMurray properties.

Comparison to 2008 First Quarter

	Three Months Ended			Increase (Decrease)
	June 30, 2008	March 31, 2008		
Rental revenue	\$ 14,768,829	\$ 13,276,821	\$ 1,492,008	11.2%
Interest and other income	206,429	352,172	(145,743)	(41.4)%
Property operating costs	5,863,259	5,679,051	184,208	3.2%
Net Operating Income (NOI)	9,111,999	7,949,942	1,162,057	14.6%
Trust expense	551,996	734,907	(182,911)	(24.9)%
Income before financing expense, amortization, non-controlling interest and taxes (EBITDA)	8,560,003	7,215,035	1,344,968	18.6%
Financing expense	6,904,685	6,814,465	90,220	1.3%
Income before amortization, non-controlling interest and taxes	1,655,318	400,570	1,254,748	313.2%
Amortization	2,390,830	2,332,098	58,732	2.5%
Non-controlling interest	17,136	21,370	(4,234)	(19.8)%
Loss before future income tax recoveries	(752,648)	(1,952,898)	1,200,250	(61.5)%
Future income tax (expense) recovery	(4,236,163)	1,953,199	(6,189,362)	(316.9)%
Income (loss) for the period	\$ (4,988,811)	\$ 301	\$(4,989,112)	

LREIT is a real estate investment trust, which is listed on the Toronto Stock 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. There are currently 17,578,829 trust units outstanding. For further information on LREIT, please visit our website at www.lreit.com.

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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 Toronto Stock 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.