



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT REPORTS 2007 SECOND QUARTER RESULTS

Winnipeg, Manitoba, August 15, 2007 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) is pleased to report the financial results for the quarter ended June 30, 2007. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the 2007 Second Quarter Report and the financial statements for the quarter ended June 30, 2007, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

2007 SECOND QUARTER HIGHLIGHTS

Acquisition and Development

- Invested \$9.65 Million in the acquisition of two additional properties, representing 161 additional apartment units.
- Invested \$5.9 Million in construction, expansion and renovation costs.
- Quarter ending portfolio consisting of 38 properties, comprised of 2,768 suites and 232,945 square feet of commercial leasable area.

Financial

Second quarter of 2007, compared to second quarter of 2006:

- Operating income increased by \$2.49 Million or 62% in total and by \$0.139 or 59% on a per unit basis.
- "Same property" operating income increased by \$1.01 Million or 20.5%.
- Average occupancy rate for entire portfolio excluding properties under development increased from 88.6% to 96.2%.

Capital Structure

- Financed \$16.9 Million of mortgage debt.
- Weighted average interest rate on the aggregate mortgage loan balance of 6.2% at June 30, 2007.
- Mortgage loan debt to current estimated property value ratio of 56.7% at June 30, 2007.

Ongoing Investment Activities

- Closed on a 175-unit apartment complex in Fort McMurray, effective July 1, 2007, at a cost of \$59.9 Million.
- Contracted acquisitions and new properties under construction at a combined acquisition cost of approximately \$82.9 Million, encompassing 72 townhouse units and 186 apartment suites. The acquisitions are expected to be completed during the fourth quarter of 2007.
- A 59-suite expansion to a seniors' residence in Port Elgin, Ontario is in process at an estimated cost of \$9.5 Million.

During the second quarter of 2007, the favourable impact of properties that have completed the development stage started to be reflected in the operating results of LREIT. Overall, the operating results for the second quarter of 2007 were positive, with LREIT achieving an increase in operating income of \$2,493,909 or 62%, compared to the second quarter of 2006. The improvement in operating income compared to 2006 is not surprising, considering the growth in the property portfolio over the past year, however, LREIT also achieved an increase in operating income of \$1,635,033 or 33%, compared to the first quarter of 2007. The growth in operating income between the first and second quarter of 2007 is partially attributable to the acquisition of two additional properties in May 2007, however, the main factor in the equation is the inclusion of Woodland Park as an income-producing property effective April 1, 2007. Woodland Park, which was acquired in March 2007 and was classified as a property under development in the first quarter of the year, accounted for \$644,684 or 39% of the increase in operating income during the second quarter of 2007. On a per unit basis, LREIT achieved its highest level of operating income in two years, at \$0.374 per unit for the second quarter of 2007, compared to \$0.281 per unit for the first quarter of 2007 and \$0.235 per unit for the second quarter of 2006.

Cash from operations, excluding changes in non-cash operating items, also improved significantly during the second quarter of 2007, increasing by \$885,673 or 122% compared to the first quarter of 2007. Other measures of the cash generating abilities of LREIT also showed a marked improvement during the second quarter of 2007, including Funds from Operations (FFO), Adjusted Funds from Operations (AFFO) and Distributable Income. In comparison to the second quarter of 2006, cash from operations, excluding changes in non-cash operating items, decreased by \$338,713 during the second quarter of 2007, mainly due to an increase in interest expense on mortgage loans and convertible debenture debt. To a large degree, the decrease in cash flow reflects the extent of the unrealized income from non-income producing properties.

In the upcoming months, the operating income and cash flows of LREIT are expected to be impacted to a much greater degree as additional properties move to the "income-producing" stage. Effective July 1, 2007, LREIT completed the acquisition of Lakewood Manor, a 175-unit apartment complex in Fort McMurray, Alberta at a purchase price of \$59.9 Million. All of the units at the property are leased and occupied under a three-year lease agreement which will generate net operating income in excess of

\$4.7 Million per annum. After providing for debt service costs, the property is expected to result in an increase in cash flow of \$366,000 per quarter. Other properties which are in various stages of development include the Clarington Seniors Residence, Millennium Village, Park View Apartments and the 59-suite expansion of Elgin Lodge.

In terms of bottom-line results, LREIT realized net income of \$688,355 during the second quarter of 2007, compared to a net loss of \$773,043 during the second quarter of 2006. The \$688,355 of net income realized during the second quarter of 2007 was also a significant improvement compared to the net loss of \$1,706,093 during the first quarter of 2007. The improvement was largely due to a future income tax recovery recognized in the second quarter of 2006 and to the inclusion of Woodland Park as an income-producing property, effective April 1, 2007. A change in income tax legislation, which was enacted in June 2007 resulted in a significant change in the estimates used in the calculation of future tax assets and liabilities. As a result of the change, a future income tax asset of \$1,871,579 has been recognized with a corresponding credit to income tax recovery.

As a result of the acquisition of very large and profitable income-producing properties, such as Woodland Park and Lakewood Manor, the outlook for the third quarter of 2007 is positive in terms of the anticipated growth in operating income and cash flows.

RESULTS OF OPERATIONS

Financial and Operating Summary

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006 (restated)	2007	2006 (restated)
DISTRIBUTIONS				
Total	\$ 2,439,035	\$ 2,404,110	\$ 4,865,858	\$ 4,768,910
Per unit	\$ 0.14	\$ 0.14	\$ 0.28	\$ 0.28
KEY PERFORMANCE INDICATORS				
Operations				
Average residential occupancy rate	94.3%	91.7%	93.7%	90.9%
Operating residential cost ratio	43.0%	45.0%	45.0%	49.0%
Operating Results				
Total revenue	\$ 11,127,584	\$ 6,891,004	\$ 20,179,348	\$ 13,333,039
Operating income	\$ 6,519,763	\$ 4,025,854	\$ 11,404,540	\$ 7,388,241
Income (loss) for the period	\$ 688,355	\$ (773,043)	\$ (1,017,738)	\$ (1,745,029)
Cash Flows				
Cash flow from operating activities	\$ 1,044,668	\$ 1,993,186	\$ 2,181,114	\$ 2,524,324
Funds from Operations (FFO)	\$ 504,160	\$ 944,357	\$ 409,396	\$ 1,497,167
Adjusted Funds from Operations (AFFO)	\$ 814,043	\$ 998,840	\$ 1,162,068	\$ 1,587,433
Distributable income	\$ 1,553,966	\$ 1,389,807	\$ 2,436,579	\$ 2,239,981
Financing				
Mortgage loans to current value ratio			56.7%	63.2%
Weighted average interest rate of mortgage loans			6.2%	5.6%

Per Unit Amounts

Operating income								
- basic	\$	0.374	\$	0.235	\$	0.654	\$	0.434
- diluted	\$	0.295	\$	0.222	\$	0.516	\$	0.410
Income (loss) for the period								
- basic	\$	0.039	\$	(0.045)	\$	(0.058)	\$	(0.103)
- diluted	\$	0.039	\$	(0.045)	\$	(0.058)	\$	(0.103)
Distributable income								
- basic	\$	0.089	\$	0.081	\$	0.140	\$	0.132
- diluted	\$	0.087	\$	0.080	\$	0.137	\$	0.131
Funds from Operations (FFO)								
- basic	\$	0.029	\$	0.055	\$	0.023	\$	0.088
- diluted	\$	0.028	\$	0.055	\$	0.023	\$	0.088
Adjusted Funds from Operations (AFFO)								
- basic	\$	0.047	\$	0.058	\$	0.067	\$	0.093
- diluted	\$	0.046	\$	0.058	\$	0.065	\$	0.093

Comparison to Preceding Quarter

Comparison to 2007 First Quarter

	Three Months Ended		Increase (Decrease)
	June 30, 2007	March 31, 2007 (restated)	
Operating income - rental properties	\$ 6,230,562	\$ 4,570,037	\$ 1,660,525
Interest income - Trust	289,201	314,693	(25,492)
Operating income	6,519,763	4,884,730	1,635,033
Financing expense			
Mortgage loans	3,496,451	2,551,404	945,047
Debentures	1,610,378	1,592,003	18,375
Transaction costs	375,038	377,727	(2,689)
	5,481,867	4,521,134	960,733
Operating income, net of financing expense	1,037,896	363,596	674,300
Trust expense	533,736	458,323	75,413
Income (loss), before amortization, future income tax recovery and non-controlling interest	504,160	(94,727)	598,887
Amortization	1,936,304	1,715,167	221,137
Future income tax recovery	(2,105,478)	(79,874)	(2,025,604)
Non-controlling interest	15,021	23,927	(8,906)
Income (loss) for the period	\$ 688,355	\$ (1,706,093)	\$ 2,394,448

During the second quarter of 2007, LREIT realized an income of \$688,355, compared to a loss of \$1,706,093 during the first quarter of 2007. The improvement mainly reflects the following factors:

- an increase in operating income of \$1,635,033, mainly reflecting the inclusion of Woodland Park as an income-producing property, effective April 1, 2007, as well as the contribution of a full quarter of operating income for first quarter acquisitions, along with the contribution of two additional properties acquired in May 2007.
- an increase in mortgage loan financing expense of \$945,047 or 37%. The increase reflects the additional mortgage financing which was obtained for the four properties which were added to the portfolio of income-producing during the second quarter of 2007, as well the incremental interest on the interim mortgage loan financing and upward refinanced loans that were arranged during the second quarter of 2007.
- a increase in trust expense of \$75,413.
- an increase in amortization expense of \$221,137 due to the increase in the portfolio of income-producing properties in the second quarter of 2007.
- a increase in income tax recovery of \$2,025,604 as a result of new legislation relating to the taxation of publicly traded income trusts.

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 17,470,947 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.