



## LANESBOROUGH

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### LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

#### LANESBOROUGH REIT REPORTS 2006 SECOND QUARTER RESULTS

Winnipeg, Manitoba, August 29, 2006 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX Venture: LRT.UN) is pleased to report the financial results for the second quarter ended June 30, 2006. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the 2006 Second Quarter Report, including the financial statements for the quarter ended June 30, 2006, which may be obtained from the LREIT website at [www.lreit.com](http://www.lreit.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

During the second quarter of 2006, LREIT achieved the highest quarterly increase in the cost base of its property portfolio since its inception in August 2002. Specifically, LREIT acquired ten residential properties during the second quarter of 2006, at a cost of \$57 Million, resulting in a portfolio of 33 properties, with a total acquisition cost of \$234 Million. The ten property acquisitions have significantly enhanced the overall geographic diversification of LREIT, with the expansion of the residential portfolio into Ontario, and resulted in a substantial increase in LREIT’s residential portfolio in Fort McMurray, Alberta.

The second quarter property acquisitions consist of:

- a) Village West Townhouses/Saskatoon, Saskatchewan: LREIT’s second property acquisition in Saskatoon, Village West Townhouses, is a multi-family residential complex consisting of 100 three-bedroom townhouses.
- b) Chateau St. Michael’s/Moose Jaw, Saskatchewan: Chateau St. Michael’s is a seniors housing complex consisting of 93 suites, of which 43 are independent living suites and 50 are intermediate care suites.
- c) Woodlily Courts/Moose Jaw, Saskatchewan: Woodlily Courts is a multi-family residential property consisting of 102 suites in three, two and one-half storey buildings. Woodlily Courts and Chateau St. Michael’s are the first two property acquisitions for LREIT in Moose Jaw.
- d) Elgin Lodge/Port Elgin, Ontario: Elgin Lodge is a seniors housing complex consisting of 64 suites, all of which are assisted living units. Elgin Lodge is the first residential property acquisition for LREIT, east of the Manitoba border.

- e) A portfolio of six multi-family residential properties in Fort McMurray, Alberta: The six multi-family residential properties, all of which are located in the downtown or Lower Townsite area of Fort McMurray, consist of a total of 173 suites, including 93 furnished suites.

The overall operating results for the second quarter of 2006, compared to the first quarter of 2006, are very positive, in large part due to an improvement in the performance of the existing property portfolio, exclusive of the 2006 second quarter acquisitions. With all of the 2006 second quarter property acquisitions occurring in June 2006, including the acquisition of the six properties in Fort McMurray on June 30, 2006, there is a significant amount of operating income from the current property portfolio which is not reflected in the financial results for the first six months of 2006.

The general outlook for the third quarter of 2006 is for continued growth in the operating income and cash flow of LREIT. Over the longer term, LREIT has entered into development/construction agreements for three large apartment complexes in Fort McMurray, Alberta, comprising a total of 468 rental units, which are expected to significantly improve the overall profit margin of LREIT, commencing in 2007.

The trust units of LREIT are currently listed on the TSX Venture Exchange. On August 15, 2006, in recognition of the growth in its asset base and revenues, LREIT submitted an application to list its trust units on the Toronto Stock Exchange (“TSX”). LREIT will make a further announcement once a decision has been received from the TSX. In addition, the Board of Trustees of LREIT have approved the implementation of a Distribution Re-Investment Plan, whereby Unitholders may choose to have monthly cash distributions automatically reinvested in additional trust units while receiving a “bonus” distribution of trust units equal to 4% of the reinvested amount.

## FINANCIAL PERFORMANCE

### Summary of Operating/Cash Flow Results

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005 (restated)	2006	2005 (restated)
Total revenue	\$ 6,891,004	\$ 4,300,018	\$13,333,039	\$ 7,366,618
Operating income	3,821,847	2,466,218	7,073,172	4,188,974
Net income, before amortization, future income tax recovery and non-controlling interest	914,884	312,980	1,460,529	559,103
Net loss	(963,067)	(726,463)	(2,035,249)	(1,185,858)
Distributable income	1,096,784	538,246	1,755,011	985,247

Funds from Operations (FFO)	736,658	50,134	1,178,406	136,607
Adjusted Funds from Operations (AFFO)	995,148	265,581	1,583,741	532,711

### Per Unit

Operating income				
- basic	\$0.223	\$0.304	\$0.416	\$0.537
- diluted	0.211	0.211	0.392	0.365
Net loss				
- basic	(0.056)	(0.090)	(0.120)	(0.152)
- diluted	(0.056)	(0.090)	(0.120)	(0.152)
Distributable income				
- basic	0.064	0.066	0.103	0.126
- diluted	0.063	0.066	0.103	0.126
Funds from Operations (FFO)				
- basic	0.043	0.006	0.069	0.017
- diluted	0.043	0.006	0.069	0.017
Adjusted Funds from Operations (AFFO)				
- basic	0.058	0.033	0.093	0.068
- diluted	0.058	0.033	0.093	0.068

### COMPARISON TO PREVIOUS YEAR

Total revenue for the quarter and six months ended June 30, 2006 increased by \$2.59 Million (60%) and \$5.97 Million (81%), respectively, compared to the quarter and six months ended June 30, 2005. Operating income for the quarter and six months ended June 30, 2006 increased by \$1.36 Million (55%) and \$2.88 Million (69%), respectively, compared to same periods in 2005. The increases in both revenue and operating income were mainly due to the increase in the number of properties in the portfolio of LREIT. During the second quarter of 2005, 18 properties, with a total acquisition cost of \$129 Million, contributed to revenue and operating income, while 27 properties, with a combined acquisition cost of \$202 Million, contributed to revenue and operating income during the second quarter of 2006. (The six properties in Fort McMurray, which were acquired on June 30, 2006, did not contribute to revenue or operating income during the second quarter of 2006.)

Net income, before amortization expense, future income tax recovery and non-controlling interest for the quarter and six months ended June 30, 2006 increased by \$601,904 (192%) and \$901,426 (161%), respectively, compared to the same periods in 2005. The increase reflects an increase in operating income, partially offset by increases in financing expense and trust expense.

The net loss, after considering amortization expense, future income tax recovery and non-controlling interest, for the quarter and six months ended June 30, 2006 increased by \$236,604 and \$849,391, respectively, compared to the same periods in 2005. The increase in the net loss reflects an increase in amortization expense of \$871,536 during the quarter ended June 30, 2006 and an increase of \$901,426 for the six months ended June 30, 2006, compared to same periods in 2005. The increase in amortization expense mainly reflects the growth in the property portfolio since June 30, 2005.

## COMPARISON TO PRIOR QUARTER

	Three Months Ended		Increase (Decrease)
	June 30, 2006	March 31, 2006	
Operating income	<u>3,821,847</u>	<u>3,251,325</u>	<u>570,522</u>
Financing expense			
Mortgage loans	1,758,129	1,689,472	68,657
Debentures	<u>864,846</u>	<u>813,823</u>	<u>51,023</u>
	<u>2,622,975</u>	<u>2,503,295</u>	<u>119,680</u>
Operating income, net of financing expense	1,198,872	748,030	450,842
Trust expense	<u>283,988</u>	<u>202,385</u>	<u>81,603</u>
Net income, before amortization, future income tax recovery and non-controlling interest	914,884	545,645	369,239
Amortization	1,910,979	1,626,503	284,476
Future income tax recovery	(34,874)	(8,676)	(26,198)
Non-controlling interest	<u>1,846</u>	<u>-</u>	<u>1,846</u>
Net loss	<u>\$ (963,067)</u>	<u>\$ (1,072,182)</u>	<u>\$ 109,115</u>

During the second quarter of 2006, net income, excluding amortization expense, future income tax recovery and non-controlling interest, increased by \$369,239 or 68%, compared to the first quarter of 2006, mainly due to the following factors:

- an increase in operating income from rental properties of \$548,023 or 19%. The increase reflects the incremental operating income, which was derived from new property acquisitions during the second quarter of 2006 and an increase in operating income from the existing portfolio. The increase in operating income from the existing portfolio is largely attributable to a decrease in the operating cost ratio for the portfolio of residential properties, particularly for Greenwood Gardens;
- a proportional decrease in mortgage loan financing expense. As a percentage of net operating income, mortgage loan financing expense decreased from 52% during the first quarter of 2006 to 46% during the second quarter of 2006. The decrease mainly reflects a comparatively lower debt to value ratio for the second quarter property acquisitions, as Elgin Lodge was acquired temporarily on a 100% cash basis and the Village West Townhouses were acquired using a combination of mortgage and equity

financing. A mortgage loan in the amount of \$5.9 Million was obtained on Elgin Lodge subsequent to June 30, 2006; and

- an increase in trust expense of \$81,603.

Net loss, including amortization expense, future income tax recovery and non-controlling interest, decreased by \$109,115 during the second quarter of 2006, compared to the first quarter of 2006. The decrease in the net loss reflects the increase in income, as explained above, partially offset by an increase in amortization expense of \$284,476.

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](http://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.*