



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT REPORTS 2008 OPERATING RESULTS AND ANNOUNCES CHANGE IN CASH DISTRIBUTION POLICY

Winnipeg, Manitoba, March 25, 2008 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) today reported its operating results for the year ended December 31, 2008. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the 2008 Management Discussion & Analysis and the financial statements for the year ended December 31, 2008, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

During 2008 the net operating income (“NOI”) increased by \$15.0 Million compared to 2007, with the Fort McMurray portfolio accounting for 86% of the increase. Overall, the Fort McMurray portfolio accounted for 60% of the LREIT’s total NOI for 2008. As a result of the growth in NOI, cash from operating activities increased by \$5.3 Million or 75% during 2008, compared to 2007. Based on distributable income, LREIT achieved full distribution coverage in 2008, with distributable income exceeding distributions paid by \$1,434,465 or 14%.

FINANCIAL AND OPERATING SUMMARY

	Year Ended December 31	
	2008	2007
DISTRIBUTIONS		
Total (including distributions on limited partnership units)	\$ 10,029,556	\$ 9,967,360
Per unit	\$ 0.56	\$ 0.56
KEY PERFORMANCE INDICATORS		
Operations		
Average residential occupancy rate	95%	95%
Operating residential cost ratio	36%	42%
Operating Results		
Total revenue	\$ 66,802,294	\$ 46,311,315
Net operating income	\$ 42,070,145	\$ 27,072,655
Income (loss) for the year before future income tax	\$ (8,341,014)	\$ (6,133,767)
Income (loss) for the year	\$ (9,607,056)	\$ (1,400,904)
Cash Flows		
Cash flow from operating activities	\$ 12,415,514	\$ 7,079,227
Funds from Operations (FFO)	\$ 3,155,394	\$ 2,000,321
Adjusted Funds from Operations (AFFO)	\$ 8,053,056	\$ 2,896,707
Distributable income	\$ 11,464,021	\$ 5,724,554
Financing		
Mortgage loans to appraised value ratio	55%	59%
Weighted average interest rate of mortgage loans	6.4%	6.2%

PER UNIT AMOUNTS

Net operating income			
- basic	\$	2.406	\$ 1.551
- diluted	\$	1.648	\$ 1.144
Income (loss) for the year, before future income tax			
- basic	\$	(0.477)	\$ (0.351)
- diluted	\$	(0.477)	\$ (0.351)
Income (loss) for the year			
- basic	\$	(0.549)	\$ (0.080)
- diluted	\$	(0.549)	\$ (0.080)
Distributable income			
- basic	\$	0.656	\$ 0.328
- diluted	\$	0.592	\$ 0.321
Funds from Operations (FFO)			
- basic	\$	0.180	\$ 0.115
- diluted	\$	0.172	\$ 0.112
Adjusted Funds from Operations (AFFO)			
- basic	\$	0.461	\$ 0.166
- diluted	\$	0.437	\$ 0.163

EXECUTIVE SUMMARY

Acquisition and Development

During 2008, LREIT completed the construction and development of Laird's Landing in Fort McMurray; acquired Siena Apartments in Fort McMurray; acquired possession under an agreement of sale of Parsons Landing in Fort McMurray; and acquired Colony Square in Winnipeg, Manitoba. As of December 31, 2008, the property portfolio of LREIT consists of 40 residential properties and four commercial properties, with a total purchase price of approximately \$597 Million, encompassing 3,913 suites and 307,735 square feet of leasable area.

Cash from Operating Activities and Net Operating Income ("NOI")

During 2008, LREIT generated cash from operating activities of \$12.4 Million, representing an increase of \$5.3 Million or 75%, compared to 2007. The increase in cash from operating activities mainly reflects an increase in the NOI of the residential property portfolio, partially offset by an increase in the cash component of financing expense.

NOI from the portfolio of residential properties increased by \$15 Million or 55%, compared to 2007, while the cash component of financing expense increased by \$8.8 Million or 46%. The increase in NOI is mainly attributable to the new income-producing properties in Fort McMurray. In total, the new income-producing properties in Fort McMurray accounted for 40.6% of increase in NOI during 2008.

The increase in the cash component of financing expense is almost entirely attributable to an increase in interest expense on mortgage loans payable. During 2008, mortgage loan debt increased by approximately \$112.6 Million, of which approximately 78% pertains to longer term financing for specific income properties and approximately 22% pertains to short-term interim mortgage financing.

The increase in cash from operating activities is also reflected in the increase in distributable income. During 2008, distributable income increased by \$5.7 Million or 100%. LREIT achieved a coverage ratio for distributable income equal to 1.14 and coverage ratio based on cash from operating activities of 1.24.

Loss for the Year

The net loss for 2008 was \$9.6 Million, compared to a loss of \$1.4 Million in 2007. The variance between the 2008 and 2007 loss, as well as the variance between the 2008 loss and the 2008 cash flow of \$12.4 Million is mainly attributable to three non-cash components of the financial results:

- LREIT recorded an unrealized book loss of \$4 Million for 2008 as a result of a change in the carrying value of the interest rate swap;
- amortization charges increased by \$3.2 Million in 2008, mainly due to the increase in the cost base of income properties; and
- the amount of the future income tax expense (recovery) changed by \$6 Million in 2008, compared to 2007. The income tax expense serves to increase the loss of the Trust.

COMPARISON TO PRECEDING QUARTER

	Three months ended		Increase (decrease)	
	December 31, 2008	September 30, 2008	Amount	%
Rental revenue	\$ 19,984,545	\$ 17,817,076	\$ 2,167,469	12.2%
Interest and other income	290,875	105,547	185,328	175.6%
Property operating costs	<u>7,063,497</u>	<u>6,126,342</u>	<u>937,155</u>	<u>15.3%</u>
Net Operating Income (NOI)	13,211,923	11,796,281	1,415,642	12.0%
Trust expense	<u>755,661</u>	<u>580,409</u>	<u>175,252</u>	<u>30.2%</u>
Income before financing expense, amortization, non-controlling interest and taxes (EBITDA)	12,456,262	11,215,872	1,240,390	11.1%
Financing expense	<u>14,861,476</u>	<u>7,711,151</u>	<u>7,150,325</u>	<u>92.7%</u>
Income (loss) before amortization, non-controlling interest and taxes	(2,405,214)	3,504,721	(5,909,935)	(168.6)%
Amortization	3,600,150	3,085,470	514,680	16.7%
Non-controlling interest	<u>30,362</u>	<u>18,993</u>	<u>11,369</u>	<u>59.9%</u>
Income (loss) before future income tax expense (recovery)	(6,035,726)	400,258	(6,435,984)	(1,608.0)%
Future income tax expense (recovery)	<u>(3,850,378)</u>	<u>2,833,456</u>	<u>(6,683,834)</u>	<u>(235.9)%</u>
Loss for the year	<u>\$ (2,185,348)</u>	<u>\$ (2,433,198)</u>	<u>\$ 247,850</u>	<u>(10.2)%</u>

During the fourth quarter of 2008, LREIT incurred a loss of \$2,405,214 before amortization, non-controlling interest and future income tax recovery compared to income of \$3,504,721 during the third quarter of 2008.

The fourth quarter results reflect a decrease in the fair value of the interest rate swap and corresponding increase in financing expense of \$5,216,405. In the absence of the change in fair value of the interest rate swap, LREIT generated income, before amortization, non-controlling interest and taxes of \$2,811,191 in the fourth quarter of 2008, compared to income of \$2,300,719 in the third quarter of 2008, representing an increase of approximately \$500,000.

The increase mainly reflects an increase in net operating income of approximately \$1.4 Million, partially offset by an 800,000 increase in financing expense, net of the amount pertaining to the interest rate swap.

The increase in operating income and financing expense, as adjusted, mainly reflects the incremental income and financing expenses related to the acquisition of Colony Square on October 1, 2008 and the operations of Phase II of Parsons Landing for an entire quarter.

After providing for amortization charges, non-controlling interest and future income tax expense/recoveries, LREIT completed the three month period ended December 31, 2008 with a loss of \$2,185,348, compared to a loss of \$2,433,198 during the third quarter of 2008.

OUTLOOK FOR 2009 AND CHANGE IN CASH DISTRIBUTION POLICY

The decline in oil prices is having a negative impact on the multi-family residential rental market in Fort McMurray. As a result of the sudden weakness in rental market conditions, it is expected that LREIT may experience a reduction in cash from operating activities in 2009.

The economic uncertainty has also resulted in a more restrictive lending market. As a result of the projected reduction in operating cash flow, LREIT believes that it is prudent to reduce the amount of its annual distributions in order to lower its borrowing needs. Specifically, LREIT has established a total distribution policy of \$0.27 per unit for 2009, compared to a total of \$0.56 per unit for 2008.

The reduction in the total distribution policy for 2009 is being implemented in conjunction with a change in the distribution frequency from monthly to quarterly distributions, effective immediately. In this regard, the distribution policy of LREIT is being reduced from monthly payments of \$0.04667 per unit (\$0.56 annualized) to quarterly payments of \$0.06 per unit (\$0.24 annualized). Cash distributions during the balance of 2009, in the quarterly amount of \$0.06 would be payable on each of July 15, October 15 and December 31 to the Unitholders of record as of June 30, September 30 and December 15, respectively. The three quarterly distributions in the combined amount of \$0.18 per unit, plus the distributions of \$0.04667 per unit for January 2009 and February 2009 comprise the total projected annual distribution of \$0.27 per unit for 2009. A distribution will not be declared for March 2009. The reduced distribution provides Unitholders with a reasonable return and upside potential when there is a turnaround in rental market conditions in Fort McMurray.

During 2009, the focus of LREIT will be to maximize the operating income of its through tenant retention initiatives, value-added capital expenditures and the reduction of operating costs. LREIT will also undertake a divestiture program, for \$150 Million of assets at appraised values. The proceeds of sale will be used for the repayment of higher cost and shorter-term debt. The objective of the divestiture program is to reduce total debt, including convertible debenture debt, by a minimum of 25%, and to reduce the total debt to appraised value ratio to approximately 60%.

The consumption and price of oil will likely recover over time, leading to an eventual turnaround in the rental market in Fort McMurray. Given the relative strength and diversification of the properties that are located outside of Fort McMurray, we remain optimistic regarding the future prospects of LREIT.

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) and LRT.DB.G (Series G Convertible Debentures). 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.

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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.