



LANESBOROUGH

Real estate investment trust
2600 Seven Evergreen Place
Winnipeg, Manitoba
R3L 2T3
Tel. 204.475.9090
Fax. 204.475.5505

LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT REPORTS 2006 FINANCIAL RESULTS AND ACHIEVEMENTS

Winnipeg, Manitoba, March 26, 2006 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) is pleased to report the financial results for the year ended December 31, 2006. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the 2006 Annual Report and the financial statements for the year ended December 31, 2006, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

2006 HIGHLIGHTS

OBJECTIVE: CREATE A LARGE, DIVERSIFIED PORTFOLIO OF QUALITY RESIDENTIAL PROPERTIES.

RESULTS:

- Property portfolio increased by \$68 Million;
- Acquisitions encompassed 713 rental units;
- Geographic diversification expanded to include property acquisitions in Port Elgin, Ontario, Brandon, Manitoba and Moose Jaw, Saskatchewan;
- Year end portfolio consists of 29 residential properties with 2,268 rental units and four commercial properties with 224,545 square feet of leasable area;

OBJECTIVE: MAXIMIZE OPERATING RESULTS THROUGH PRO-ACTIVE MANAGEMENT AND VALUE-ADDED CAPITAL IMPROVEMENTS.

RESULTS:

- Total rental revenues increased by \$11.9 Million or 69%;
- Operating income increased by \$6.7 Million or 69%;
- Overall profit margin sustained at over 50% (51% in 2006; 52% in 2005);
- Invested over \$2.5 Million in major renovation/expansion programs at two properties.

OBJECTIVE: MAXIMIZE CASH FLOWS FROM THE PROPERTY PORTFOLIO.

RESULTS:

- Cash from operations increased by \$2.0 Million or 64%;
- Distributable income increased by \$2.6 Million or 34%;

- FFO increased by \$1.25 Million or 100%.

OBJECTIVE: MAXIMIZE UNIT VALUES.

- RESULTS:**
- Unit value increased by \$0.65 or 12.4%;
 - Cash distributions provided return of 10.7%, based on opening unit value;
 - Units provided total return of 24% to investors.

LREIT's portfolio of income-producing properties was significantly enhanced in 2006 with the acquisition of 12 additional residential properties at a cost of approximately \$68 Million, representing a total of 713 rental units. After considering the impact of the new property acquisitions, the operating income of LREIT increased by 69% in 2006, while cash from operations and funds from operations increased by 64% and 100%, respectively.

As the acquisitions of the 12 additional properties were completed throughout the first six months of 2006, the operating results for 2006 do not fully reflect the income potential of the year end property portfolio. During the second half of 2006, the 12 properties contributed to an increase in operating income of approximately \$2.2 Million, compared to the first half of the year. After providing for a full year of operations for the 2006 property acquisitions and the anticipated improvements in results for the remaining properties, the additional operating income potential of the 2006 year ending property portfolio is projected to be in excess of \$2.5 Million. The current market value of the property portfolio, as of December 31, 2006, is approximately \$299 Million or 27.9% greater than the portfolio acquisition cost.

The ongoing growth in the asset base and underlying value of the LREIT trust units is continuing at a strong pace in 2007, with over \$200 Million of new property acquisitions completed or under contract, a \$9.5 Million property expansion underway at Elgin Lodge in Port Elgin, Ontario and a two year, \$2.5 Million major renovation program nearing completion at Highland Tower in Thompson, Manitoba.

In summary, LREIT is well positioned to achieve another year of strong growth in operating cash flows and unit values in 2007, given the income potential of the existing property portfolio, the impact of value-added improvements and the extent of new property acquisitions.

RESULTS OF OPERATIONS

Summary of Operating/Cash Flow Results

	Year Ended December 31	
	2006	2005
Total revenue	\$ 30,538,848	\$ 17,792,929
Operating income	\$ 16,362,751	\$ 9,668,548
Cash from operations	\$ 5,194,987	\$ 3,161,869
Loss for the year	\$ (3,785,751)	\$ (2,135,105)
Distributable income	\$ 3,447,578	\$ 2,568,504
Funds from operations (FFO)	\$ 2,499,942	\$ 1,248,734
Adjusted Funds from Operations (AFFO)	\$ 3,071,373	\$ 1,927,398
Cash distributions – total	\$ 9,766,357	\$ 6,230,007
- per unit	\$ 0.56	\$ 0.56

Per Unit

	Basic	Diluted	Basic	Diluted
Operating income	0.953	0.882	1.035	0.552
Loss for the year	(0.221)	(0.221)	(0.229)	(0.229)
Distributable income	0.201	0.198	0.275	0.271
Funds from operations (FFO)	0.146	0.143	0.134	0.133
Adjusted funds from operations (AFFO)	0.179	0.176	0.206	0.203

At the end of 2005, the expectation for 2006 was that LREIT would achieve a significant increase in operating income, cash from operations and net income, excluding amortization expense, while continuing to incur a net loss and operate with a cash distribution payout ratio, which exceeded operating cash flows. Overall, operating results were generally in accordance with expectations, with LREIT achieving a \$6,694,203, or 69.2%, increase in operating income and a \$2,033,118, or 64.3%, increase in cash from operations. The increase in operating income is almost entirely due to an increase in the number of properties in the LREIT portfolio.

LREIT incurred a loss of \$3,785,751 during 2006, compared to a loss of \$2,135,105 during 2005. The loss reflects total amortization charges of approximately \$7.7 Million in 2006, compared to approximately \$4.2 Million in 2005.

Comparison to 2006 Third Quarter

	Three Months Ended		Increase (Decrease)
	December 31, 2006	September 30, 2006	
Operating income	\$ 4,587,426	\$ 4,702,153	\$ (114,727)
Financing expense	<u>3,380,688</u>	<u>2,998,531</u>	<u>382,157</u>
Operating income, net of financing expense	1,206,738	1,703,622	(496,884)
Trust expense	<u>518,494</u>	<u>728,057</u>	<u>(209,563)</u>
Income, before amortization, future income tax recovery and non-controlling interest	688,244	975,565	(287,321)
Amortization	1,936,904	2,255,423	(318,519)
Future income tax recovery	(455,245)	(236,454)	(218,791)
Non-controlling interest	<u>(52,898)</u>	<u>(33,419)</u>	<u>(19,479)</u>
Loss for the period	<u>\$ (740,517)</u>	<u>\$ (1,009,985)</u>	<u>\$ 269,468</u>

During the fourth quarter of 2006, income, before amortization expense, future income tax recovery and non-controlling interest, decreased by \$287,321 or 29%, compared to the third quarter of 2006. The loss during the fourth quarter decreased by \$269,468 compared to the third quarter of 2006. The decrease in the net loss is mainly due to a decrease in amortization expense of \$318,519 and an increase in income tax recovery of \$218,791.

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 17,424,874 trust units outstanding. For further information on LREIT, please visit our website at www.lreit.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

[Arni Thorsteinson](#), Chief Executive Officer, or [Gino Romagnoli](#), Investor Relations
Tel: (204) 475-9090, Fax: (204) 452-5505, Email: info@lreit.com

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.