



LANESBOROUGH

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT REPORTS 2007 FIRST QUARTER RESULTS

Winnipeg, Manitoba, May 10, 2007 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX: LRT.UN) is pleased to report the financial results for the quarter ended March 31, 2007. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the 2007 First Quarter Report and the financial statements for the quarter ended March 31, 2007, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

2007 FIRST QUARTER HIGHLIGHTS

Acquisition and Development

- Invested \$75.2 Million in the acquisition of three additional properties, representing 339 additional apartment units
- Invested \$7.3 Million in construction, expansion and renovation costs.
- Quarter ending portfolio consists of 36 properties, comprised of 2,607 suites and 232,945 square feet of leasable area.

Financial

First quarter of 2007, compared to first quarter of 2006:

- Operating income increased by \$1.5 Million or 45% in total and by \$0.081 or 40.5% on a per unit basis.
- "Same property" operating income increased by \$506,075 or 17%.
- Cash from operating activities increased by \$605,308 or 114%.
- Average occupancy rate for entire portfolio excluding properties under development increased from 90% to 93%.

Capital Structure

- Financed \$72 Million of mortgage debt.
- Weighted average interest rate on the aggregate mortgage loan balance of 6.3% at March 31, 2007.
- Mortgage loan debt to current value ratio of 60.0% at March 31, 2007.

Ongoing Investment Activities

- Acquired a 113-suite apartment complex on May 1, 2007 at a cost of \$5.6 Million.
- Contracted acquisitions and new properties under construction at a combined acquisition cost of approximately \$118 Million, encompassing 136 townhouse units and 297 apartment suites. The acquisitions are expected to be completed during the third and 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.

2007 is expected to be another period of exceptional growth, with over \$200 Million of new properties targeted for closing by year end. The first quarter results for 2007 are reflective of projected growth trend for the year, as LREIT completed three property acquisitions at a total cost of \$75.2 Million and incurred approximately \$7.3 Million in construction, expansion and renovation costs for real estate development projects in Manitoba, Alberta and Ontario.

The operating results for the first quarter of 2007, reflect an insignificant amount of operating income from the three new property acquisitions, as one of the property acquisitions was not completed until the end of the first quarter, on March 23, 2007, while the other two properties were in the lease-up stage of development and, as such, all costs and any revenues were capitalized. Conversely, the cost of the capital which was used to fund the cash component of the first quarter property acquisitions, and the properties under construction or expansion, is fully reflected in the operating results. Specifically, the equity component for new properties and for properties under construction or development, was primarily funded from the proceeds of the December 2006 Series G debenture offering, with the financing costs thereon comprising approximately \$700,000 or 45% of the first quarter debenture financing expense. In summary, the high level of ongoing investment activity by LREIT is continuing to result in a lag between the cost of capital and the return on capital, with the first quarter operating results reflecting a nominal amount of operating income from new property acquisitions and a very substantial increase in financing expense in regard to the investment capital which was used to fund the equity component of the acquisitions.

Notwithstanding the lag in investment returns, the operating results of LREIT are quite favourable, with operating income for the first quarter of 2007 increasing by \$1.52 Million or 45%, compared to the first quarter of 2006. On a per unit basis, operating income increased from \$0.200 per unit during the first quarter of 2006 to \$0.281 per unit during the first quarter of 2007. The improvement in operating income reflects the incremental income from properties which were acquired between April 1, 2006 and December 31, 2006, as well as a significant improvement in the operating income of the 22 properties which have been in the LREIT portfolio since January 1, 2006.

Cash from operating activities and distributable income also improved significantly during the first quarter of 2007, increasing by 114% and 4%, respectively, compared to the first quarter of 2006.

In terms of bottom-line results, the net loss increased by \$797,249 during the first quarter of 2007, compared to the first quarter of 2006, largely due to the increase in debenture financing expense and the lag in operating income from new investment activity.

While the rental properties recently developed or under construction have not contributed to earnings in a meaningful way to date, the portfolio of real estate assets has substantially increased in value since acquisition. The estimated current value of these assets is \$80 Million in excess of net book value at March 31, 2007. This estimated gain creates a net asset value increment of \$4.59 per unit outstanding.

Overall, the first quarter operating results are generally in accordance with expectations and LREIT remains well positioned to achieve significant growth in operating income and cash flows as the new properties complete the development phase and begin to contribute to the investment returns of LREIT.

RESULTS OF OPERATIONS

Financial and Operating Summary

	Three Months Ended March 31	
	2007	2006
CASH DISTRIBUTIONS		
Amount – total	2,476,749	2,364,800
- per unit	0.14	0.14
KEY PERFORMANCE INDICATORS		
Operations		
Average residential occupancy rate	93.0%	90.0%
Operating residential cost ratio	48.0%	53.0%
Operating Results		
Total revenue	9,051,765	6,442,035
Operating income	4,884,730	3,362,387
Loss for the period	(1,769,235)	(971,986)
Cash Flows		
Cash flow from operating activities	1,136,446	531,138
Funds from Operations (FFO)	(157,869)	552,810
Adjusted Funds from Operations (AFFO)	284,919	588,593
Distributable income	882,564	850,174
Financing		
Mortgage loan debt to current value ratio	60.0%	61.8%
Weighted average interest rate of long-term debt	6.34	5.63

PER UNIT AMOUNTS

	Basic	Diluted	Basic	Diluted
Operating income	0.281	0.255	0.200	0.187
Loss for the period	(0.102)	(0.102)	(0.058)	(0.058)
Distributable income	0.051	0.050	0.050	0.050
Funds from operations (FFO)	(0.009)	(0.009)	0.033	0.033
Adjusted funds from operations (AFFO)	0.016	0.016	0.035	0.035

Overall, operating results for the first quarter of 2007 were generally in accordance with expectations, with LREIT achieving a 45.3% increase in operating income, compared to the first quarter of 2006 and a 114% increase in cash from operating activities. The first quarter loss of LREIT increased by 82% in 2007, compared to 2006.

Total revenues increased by approximately \$2.6 Million or 40.5%, compared to the first quarter of 2006. The increase is mainly due to an increase in the number of properties in the LREIT portfolio, subsequent to March 31, 2006, combined with an increase in “same property” revenue of approximately \$600,000.

Operating income increased by approximately \$1.5 Million or 45%, compared to the first quarter of 2006. The increase in the operating income is also mainly due to the increase in the number of properties, combined with an increase in “same property” operating income of approximately \$500,000. The three properties which were acquired during the first quarter of 2007 did not have any meaningful impact on operating income, as two of the properties were under development (Woodland Park and The Clarington) and the third property (Nova Court) was acquired near the end of the quarter.

LREIT incurred a loss of \$1,769,235 during the first quarter of 2007, compared to a loss of \$971,986 in the first quarter of 2006. The loss reflects total amortization charges of approximately \$2.2 Million, compared to approximately \$1.6 Million in the first quarter of 2006.

Comparison to 2006 Fourth Quarter

	Three Months Ended		Increase (Decrease)
	<u>March 31, 2007</u>	<u>December 31, 2006</u> (restated)	
Operating income	4,884,730	4,796,614	88,116
Financing expense	<u>4,143,407</u>	<u>3,380,688</u>	<u>762,719</u>
Operating income, net of financing expense	741,323	1,415,926	(674,603)
Trust expense	<u>458,323</u>	<u>518,494</u>	<u>(60,171)</u>
Income, before amortization, future income tax recovery and non-controlling interest	283,000	897,432	(614,432)
Amortization	2,156,036	1,969,156	186,880
Future income tax recovery	(79,874)	(455,245)	375,371
Non-controlling interest	<u>(23,927)</u>	<u>(52,898)</u>	<u>28,971</u>
Loss for the period	<u>\$ (1,769,235)</u>	<u>\$ (563,581)</u>	<u>\$ (1,205,654)</u>

During the first quarter of 2007, LREIT incurred a loss of \$1,769,235, compared to a loss of \$563,581 during the fourth quarter of 2006. The increase in the loss is primarily due to the following factors:

- an increase in financing expense of \$762,719, comprised of a \$230,257 increase in mortgage interest as a result of additional mortgage financing which was obtained for pre-2007 property acquisitions and an increase in debenture financing expenses of \$532,462 due to fourth quarter issuance of the Series G debentures;

- an increase in amortization expense of \$186,880; and
- a decrease in income tax recovery of \$375,371

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 17,436,905 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.