



LANESBOROUGH

Real estate investment trust

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REIT ANNOUNCES THE ACQUISITION OF RETIREMENT HOME IN PORT ELGIN, ONTARIO

Winnipeg, Manitoba, May 8, 2006 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX Venture: LRT.UN) announced today that it has agreed to acquire a 64-suite retirement home located on Mary Street in Port Elgin, Ontario for \$8.3 Million, subject to the usual closing adjustments. The single-storey complex, known as Elgin Lodge Retirement Home, is located one block west of Highway 21, adjacent to a single-family residential development and the commercial development, which fronts on Highway 21. There are currently 35 studio suites and 29 one-bedroom suites, all of which are assisted living units.

LREIT has retained Kingsway Arms Management Services Inc. (“Kingsway”) to manage the property for a ten-year term. Kingsway is an Ontario based company, which acquires, manages and develops retirement homes catering principally to the independent and assisted living segments. Kingsway currently manages a portfolio of nine properties totalling 850 suites located across Ontario.

The purchase price of \$8.3 Million represents an estimated capitalization rate of 8.2%. The acquisition will be financed with a new first mortgage loan in the estimated amount of \$6 Million and the balance in cash. The first mortgage loan will bear interest at a rate of prime plus 1% and will be payable interest only. Kingsway will guarantee a 12% return on the equity component of LREIT’s investment for a five-year period. The acquisition is scheduled to close on May 31, 2006.

In conjunction with the purchase of the property, LREIT also plans to contract Kingsway to proceed with an expansion of the property. The expansion will consist of a multi-level extension of the existing building on excess land. Upon completion of the expansion, the property will consist of 123-suites, comprised of 47 studio suites and 76 one-bedroom suites. The expansion is estimated to cost approximately \$8.5 Million and will be financed by an increase in the first mortgage loan and the balance in cash. Kingsway will also guarantee a 12% return on the equity component of LREIT’s investment in the expansion for the balance of the original five-year period.

For a period of five years from the closing date of the acquisition, Kingsway will be entitled to an additional payment equal to 50% of the amount, if any, by which the appraised value of the expanded property exceeds the total cost to LREIT, including the expansion cost.

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.

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.