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LANESBOROUGH REAL ESTATE INVESTMENT TRUST
Press Release

LANESBOROUGH REIT REPORTS 2009 THIRD QUARTER RESULTS

Winnipeg, Manitoba, November 12, 2009 – Lanesborough Real Estate Investment Trust ("LREIT") (TSX: LRT.UN) today reported its operating results for the quarter ended September 30, 2009. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the September 30, 2009 Management Discussion & Analysis and the financial statements for the quarter ended September 30, 2009, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

During the third quarter of 2009, LREIT incurred a loss from continuing operations, before taxes, of $3.63 million, compared to income from continuing operations, before taxes, of $0.87 million during the third quarter of 2008. The extent of the 2009 third quarter loss is primarily due to a reduction in operating income from the Fort McMurray properties and an increase in financing expense related to mortgage loans payable, including a large non-cash component which pertains to a change in the fair value of interest swap arrangements.

LREIT has a large number of properties in Fort McMurray and the 2009 slowdown of development activity in the oil sands industry has led to a significant decrease in the occupancy levels of the Fort McMurray properties and a corresponding decrease in operating income and operating cash flows. The decline in rental housing market conditions in Fort McMurray has also been the primary underlying factor in the delay in the acquisition of Parsons Landing. Slower oil sands construction reduced the earnings potential of the property and created difficulties in obtaining first mortgage loan financing. The reduction in cash flow from the Fort McMurray property portfolio has also created working capital constraints for LREIT and resulted in the suspension of distributions in March 2009.

After including the operating results from discontinued operations, LREIT completed the third quarter of 2009 with a loss before taxes of $3.15 million, compared to income of $0.37 million during the third quarter of 2008. The cash flow results reflect a similar trend, with LREIT completing the third quarter of 2009 with cash flow from operating activities, including both continued and discontinued operations, of $0.38 million, compared to $2.28 million in the third quarter of 2008.

For the nine months ended September 30, 2009, LREIT generated cash flow from operating activities, including both continued and discontinued operations, of $4.16 million, compared to $6.65 million for the nine months ended September 30, 2008. The cash flow results for the first nine months of 2009 are comprised of the third quarter cash flow of $0.38 million and cash flow for the six-month period ended June 30, 2009 of $3.78 million. The decrease in cash flow in the third quarter of 2009, compared to the first six months of the year, is mainly due to an increase in the vacancy loss for the Fort McMurray property portfolio during the third quarter of 2009 and a corresponding reduction in operating income.

During the first nine months of 2009, $48.6 million of mortgage loan debt matured, of which $26.2 million pertained to properties held for sale. All of the matured debt has been renewed or refinanced.

FINANCIAL AND OPERATING SUMMARY

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
DISTRIBUTIONS				
Total, including distributions on LP units	$ -	$ 2,509,938	$ 1,668,364	$ 7,513,793
Per unit	$ -	$ 0.14	$ 0.09	$ 0.42
KEY PERFORMANCE INDICATORS (1)				
Operations				
Average income property occupancy rate	76%	96%	84%	95%
Income property operating cost ratio	40%	31%	38%	35%
Operating Results				
Total revenue	$ 11,961,723	$ 14,166,763	$ 40,296,761	$ 35,396,037
Net operating income	$ 7,141,364	$ 9,827,827	$ 25,163,024	$ 23,265,126
Income (loss) from continuing operations for the period before future income tax	$(3,630,897)	$ 871,410	$(12,411,955)	$(1,337,854)
Loss for the period	$(3,146,599)	$(2,433,198)	$(15,634,045)	$(7,421,708)
Cash Flows				
Cash flow from operating activities, including discontinued operations	$ 380,597	$ 2,283,931	$ 4,159,969	$ 6,653,863
Funds from Operations (FFO)	$ (265,623)	$ 3,504,721	$ (3,062,019)	$ 5,560,608
Adjusted Funds from Operations (AFFO)	$ 179,666	$ 1,991,940	$ 1,423,025	$ 5,214,954
Distributable income	$ 638,868	$ 3,383,754	$ 3,204,333	$ 7,439,154
Financing				
Total mortgage loans to total estimated current value ratio			74%	63%
Weighted average interest rate of mortgage loans			5.3%	6.0%

PER UNIT AMOUNTS

Net operating income				
- basic	$ 0.405	$ 0.561	$ 1.440	$ 1.329
- diluted	$ 0.280	$ 0.385	$ 0.997	$ 0.911
Income (loss) from continuing operations for the period, before future income tax				
- basic	$ (0.206)	$ 0.050	$ (0.710)	$ (0.076)
- diluted	$ (0.206)	$ 0.048	$ (0.710)	$ (0.076)
Income (loss) for the period				
- basic	$ (0.179)	$ (0.139)	$ (0.895)	$ (0.424)
- diluted	$ (0.179)	$ (0.139)	$ (0.895)	$ (0.424)
Distributable income				
- basic	$ 0.036	$ 0.193	$ 0.183	$ 0.425
- diluted	$ 0.032	$ 0.170	$ 0.171	$ 0.395
FFO				
- basic	$ (0.015)	$ 0.200	$ (0.175)	$ 0.318
- diluted	$ (0.015)	$ 0.194	$ (0.175)	$ 0.308
AFFO				
- basic	$ 0.010	$ 0.114	$ 0.081	$ 0.298
- diluted	$ 0.006	$ 0.110	$ 0.071	$ 0.284

THIRD QUARTER 2009 COMPARED TO THIRD QUARTER 2008

- NOI decreased by $2.69 million or 27%, mainly due to an increase in the vacancy loss of the Fort McMurray properties.
- Loss before taxes increased by approximately $4.5 million, mainly due to the decrease in NOI and an increase in financing expense related to mortgage loans payable, including the non-cash component which pertains to a change in the value of the interest rate swap agreements.
- Cash provided by operating activities, excluding changes in non-cash operating items, decreased by $3.2 million.
- FFO decreased by $3.77 million, while AFFO decreased by $1.81 million. On a basic per unit basis, FFO decreased by $0.215 per unit, while AFFO decreased by $0.104 per unit.

COMPARISON TO PRECEDING QUARTER

Analysis of Loss - Third Quarter 2009 vs. Second Quarter 2009

	Three Months Ended		Increase (decrease)	
	September 30, 2009	June 30, 2009	Amount	%
Rental revenue	$ 11,882,501	$ 13,470,114	$ (1,587,613)	(11.8)%
Interest and other income	79,222	98,019	(18,797)	(19.2)%
Property operating costs	4,820,359	4,819,033	1,326	- %
NOI	7,141,364	8,749,100	(1,607,736)	(18.4)%
Trust expense	710,801	662,087	48,714	7.4%
Income before financing expense, amortization, and taxes	6,430,563	8,087,013	(1,656,450)	(20.5)%
Financing expense	7,441,292	9,387,906	(1,946,614)	(20.7)%
Loss before amortization, and taxes	(1,010,729)	(1,300,893)	290,164	(22.3)%
Amortization	2,620,168	2,663,511	(43,343)	(1.6)%
Loss before future income tax expense (recovery)	(3,630,897)	(3,964,404)	333,507	(8.4)%
Future income tax expense	-	258,521	(258,521)	(100.0)%
Loss from continuing operations for the period	(3,630,897)	(4,222,925)	592,028	(14.0)%
Income from discontinued operations for the period	484,298	266,198	218,100	82%
Loss for the period	$ (3,146,599)	$ (3,956,727)	$ 810,128	(20.5)%

- NOI decreased by $1.61 million or 18.4%, mainly due mainly due to the vacancy loss of the Fort McMurray properties.
- Loss before taxes increased by approximately $0.33 million. The increased loss mainly reflects a decrease in financing expense largely offset by the decline in NOI. The decrease in financing expense is mainly due to the credit of $1.61 million that was recorded in the third quarter in regard to the forgiveness of interest.

OUTLOOK

In March of 2009, LREIT commenced a divestiture program, with the objective of generating minimum gross proceeds of $250 Million from the sale of selected properties in order to create funds for the repayment of debt and to restore working capital. Subsequent to September 30, 2009, four of the "held for sale" properties were sold, resulting in gross sale proceeds of $43.47 million and net sale proceeds of approximately $3.5 million, after discharging approximately $25.7 million in mortgage loan debt and repaying $12.5 million of interim mortgage loan debt.

LREIT has also recently entered into unconditional sale agreements for nine additional properties, one of which was classified as "held for sale" as of September 30, 2009. Four of the properties are scheduled to close on November 30, 2009, two of the properties are to close on December 1, 2009, one property is to close on January 4, 2010, and two properties are to close by February 15, 2010. The sales are expected to generate proceeds of approximately $46.9 million. Net of $6.5 million of second mortgage financing provided to the purchasers by LREIT, the sales are expected to result in net sale proceeds of $13.2 million, after discharging approximately $25.3 million of mortgage loan debt.

The sale of properties in 2009 is expected to result in total taxable capital gains of $9.2 million.

The closing of Parsons Landing continues to be delayed, pending the completion of permanent financing arrangements for the property. The closing for the payment of the balance owing on Parsons Landing of approximately $45 million has been extended until December 15, 2009. The vendor has agreed to provide a $15 million second mortgage loan, in addition to the $30 million first mortgage loan being arranged. The vendor has also forgiven interest in excess of $300,000 per month to September 30, 2009 in the amount of $4.09 million. The vendor is permitted to sell the property and LREIT may list the property for sale. Depending on the sale price, a sale may result in the full or partial loss of the cumulative amount paid to the vendor by LREIT. In addition, LREIT would be liable to the vendor for any shortfall between the net proceeds of the sale and the acquisition cost payable of $45.2 million, plus interest.

As of September 30, 2009, mortgage loan debt included $140.5 million of mortgage loans that mature during the fourth quarter of 2009. After excluding $78.3 million of demand loans with terms that extend beyond December 31, 2009, and $46.4 million of mortgages in breach of debt service coverage requirements, the amount of debt maturing during the fourth quarter of 2009 is $14.6 million. Renewal terms have been finalized for all of the debt that is maturing prior to December 1, 2009.

As disclosed in the financial statements and MD&A, LREIT sustained net losses in the first nine months of 2009, has a working capital deficit as of September 30, 2009 and is in breach of the debt service covenant on two mortgage loans totalling approximately $46.5 million. The covenant breach could potentially result in the lender demanding repayment of the mortgage loans and also potentially result in $25.6 million of convertible debenture debt becoming due and payable. LREIT has requested the lender waive or modify the existing debt service coverage requirements as a result of the decline in market conditions. If agreed to, the violation of the debt service covenant and the risk of the mortgage loans and debentures becoming payable on demand would be eliminated. There is no assurance, however, that the lender will not accelerate payment of the mortgage loans. LREIT has also implemented a divestiture program to reduce debt and suspended cash distribution. LREIT has been able to refinance all of the mortgage loans maturing during 2009. As a result of the steps that have been taken to reduce debt and improve liquidity, management believes that LREIT has the ability to continue operations.

The decline in the rental housing market in Fort McMurray has negatively impacted the operations of LREIT, however, the efforts, which have been undertaken by management to generate funds from the divestiture program, are yielding positive results and leading to an improvement in the cash position of LREIT. Following the sale of the six additional properties by December 1, 2009 and the expected sale of other properties in the upcoming months, it is anticipated that LREIT will have sufficient cash resources to sustain operations until the expected recovery of the Fort McMurray economy in 2010. The improved liquidity and debt position is also expected to lead to the resolution of mortgage loan issues, including the finalization of the Parsons Landing financing and the modification of debt service covenant requirements during 2010.

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.