



LANESBOROUGH

REAL ESTATE INVESTMENT TRUST

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LANESBOROUGH REAL ESTATE INVESTMENT TRUST Press Release

LANESBOROUGH REAL ESTATE INVESTMENT TRUST REPORTS FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2004.

Winnipeg, Manitoba, November 29, 2004 – Lanesborough Real Estate Investment Trust (“LREIT”) (TSX Venture: LRT.UN) is pleased to report the financial results for the third quarter ended September 30, 2004. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the financial statements and the third quarter report, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

The operating results for the third quarter of 2004 continue to reflect the overall objectives of LREIT of establishing a geographically diversified portfolio of quality real estate properties with strong cash flows, stable cash distributions and value growth opportunities.

During the third quarter of 2004, operating income increased by approximately \$900,000 or 180%, in comparison to the third quarter of 2003, while net income, excluding amortization charges, increased by approximately \$29,000 or 14%. The relatively modest increase in net income, before amortization expense, is mainly due to the fact that the operating income for the third quarter of 2003 includes a non-recurring revenue amount of \$130,356 in regard to a lease termination fee.

For the nine month period ended September 30, 2004, operating income increased by approximately \$2.17 Million or 190%, in comparison to the year-to-date results of the prior year, while net income, excluding amortization charges, increased by approximately \$267,000 or 70%.

The growth in the income of LREIT reflects a significant increase in the real estate portfolio of the Trust during 2004. As of September 30, 2003, and until the end of the 2003 fiscal year, the real estate portfolio of LREIT consisted of three commercial properties. During the nine month period ended September 30, 2004, LREIT acquired six additional properties, at a total cost of approximately \$49 Million, of which approximately \$42 Million was directed toward the acquisition of five multi-family residential properties. As of September 30, 2004, multi-family residential properties represent approximately 65% of the total portfolio of the Trust, based on property acquisition costs, reflecting the shift in the investment focus of LREIT toward multi-family residential product. As with the commercial properties, the multi-family residential properties are expected to produce steady income streams and value gains. The increase in operating income during the third quarter of 2004 of approximately \$900,000 reflects operating income of approximately \$700,000 from the 2004 multi-family residential property acquisitions.

A \$10 Million convertible debenture offering in January 2004 and a \$4 Million convertible debenture offering in March 2004 served as the primary source of capital for the 2004 residential property acquisitions. Although LREIT has incurred financing expense on the convertible debentures since the closing date of the offerings, the actual investment of the debenture proceeds in new properties was not substantially completed until the sixth multi-family residential property was acquired in October 2004. Accordingly, the third quarter results, and particularly the year-to-date results, reflect a lag in the returns from the full investment of the \$14 Million of new capital.

The inclusion of operating income from property acquisitions for an entire year will serve to increase the income potential of the Trust in fiscal 2005, while the financing expense on the associated convertible debentures will remain constant.

The third quarter net loss of \$444,577 and the year-to-date net loss of \$797,836, compared to the net income results in 2003 are mainly attributable to increased amortization charges, resulting from new accounting policies in accordance with a change in generally accepted accounting principles. The third quarter net loss includes amortization expense of \$679,928, including increased amortization charges of \$446,416, which are related specifically to the new accounting policies, while the year-to-date loss includes new amortization charges of \$897,217.

The distributable income of LREIT for the third quarter of 2004 was \$296,749, compared to \$161,312 for the third quarter of 2003. The increase from 2003 reflects the increased cash flow from operations due to the acquisition of additional properties

Consistent with its financial strategy of maximizing unit values by actively pursuing the acquisition of additional properties, LREIT is in the process of arranging a private placement of trust units with estimated gross proceeds of \$20 Million. The potential proceeds are to be used to acquire additional multi-family residential properties located in markets throughout Canada. Pending the successful closing of the trust unit offering, LREIT has secured conditional purchase agreements for five properties in Winnipeg, Manitoba, Windsor, Ontario and Yellowknife, Northwest Territories, with a total acquisition cost of approximately \$67.35 Million. The trust unit offering is projected to close by December 31, 2004, while the conditional property acquisitions are scheduled to close early in 2005. There is no assurance, however, that the trust unit offering or the conditional property acquisitions will close.

In summary, the financial performance of LREIT was generally in accordance with expectations during the third quarter of 2004, with the Trust achieving an improvement in operating income and operating cash flows. The financial condition of LREIT remains strong, as evidenced by the favourable working capital balance and substantial cash reserves. Overall, it is anticipated that LREIT will experience a modest increase in operating cash flows during the fourth quarter of 2004, while the general outlook for 2005 is for another year of substantial growth, based on a vastly expanded real estate portfolio.

RESULTS OF OPERATIONS

Analysis of Net Income

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
<i>Income Properties</i>				
Operating income	\$ 1,324,610	\$ 472,120	\$ 3,075,997	\$ 1,067,346
Financing expense – mortgage loans	<u>(573,205)</u>	<u>(135,102)</u>	<u>(1,116,635)</u>	<u>(356,403)</u>
Net income, excluding trust operations, financing expense on debentures and amortization	<u>751,405</u>	<u>337,018</u>	<u>1,959,362</u>	<u>710,943</u>
<i>Trust Operations</i>				
Interest income	73,846	23,652	243,631	83,156
Trust expense	<u>(28,871)</u>	<u>(53,539)</u>	<u>(107,119)</u>	<u>(112,257)</u>
	<u>44,975</u>	<u>(29,887)</u>	<u>136,512</u>	<u>(29,101)</u>
Financing expense – debentures	<u>(561,029)</u>	<u>(100,740)</u>	<u>(1,449,442)</u>	<u>(302,296)</u>
Net income, excluding amortization	235,351	206,391	646,432	379,546
<i>Amortization</i>				
Amortization of income properties	<u>(287,437)</u>	<u>(26,669)</u>	<u>(594,113)</u>	<u>(64,987)</u>
Net income, excluding amortization Of deferred charges and intangibles	(52,086)	179,722	52,319	314,559
Amortization of deferred charges	<u>(95,003)</u>	<u>(51,390)</u>	<u>(272,543)</u>	<u>(162,722)</u>
Net income (loss), excluding amortization of intangibles	(147,089)	128,332	(220,224)	151,837

Amortization of intangibles	<u>(297,488)</u>	<u>-</u>	<u>(577,612)</u>	<u>-</u>
Net income (loss)	<u>\$ (444,577)</u>	<u>\$ 128,332</u>	<u>\$ (797,836)</u>	<u>\$ 151,837</u>
Operating income per Statement of Income (Loss)	<u>\$ 1,398,456</u>	<u>\$ 495,772</u>	<u>\$ 3,319,628</u>	<u>\$ 1,150,502</u>
Cash from operations per Statement of Cash Flows	<u>\$ 394,599</u>	<u>\$ 215,548</u>	<u>\$ 1,168,907</u>	<u>\$ 405,953</u>

Comparison to Previous Third Quarter

Three Months Ended September 30

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
Revenue:			
Rentals from Income Properties	\$ 2,093,178	\$ 558,665	\$ 1,534,513
Interest and Other Income	<u>216,061</u>	<u>160,751</u>	<u>55,310</u>
Total revenue	2,309,239	719,416	1,589,823
Operating income	1,398,456	495,772	902,684
Net income, excluding amortization	235,351	206,391	28,960
Net income (loss)	(444,577)	128,332	(572,909)

The change in bottom line results, from the third quarter of 2003 to the third quarter of 2004, is primarily due to the implementation of new accounting policies for recording property acquisitions and for amortizing income properties, in accordance with a change in generally accepted accounting principles. The change in accounting policies accounts for \$417,159 of the total reduction in net income. In addition, the third quarter results for fiscal 2003 are comparatively higher due to the inclusion of a non-recurring revenue amount of \$130,356 in regard to a lease termination fee. The relatively modest increase in net income, before amortization expense, is also mainly due to the inclusion of the lease termination fee in the 2003 income results.

Operating income increased by \$902,684 or 182% during the third quarter of fiscal 2004, compared to the third quarter of 2003, primarily due to an increase in the number of properties in the real estate portfolio of LREIT.

Comparison to Preceding Quarter

Three Months Ended

	<u>September 30, 2004</u>	<u>June 30, 2004</u>	<u>Increase (Decrease)</u>
Revenue:			
Rentals from Income Properties	\$ 2,093,178	\$ 1,880,361	\$ 212,817
Interest and Other Income	<u>216,061</u>	<u>80,978</u>	<u>135,083</u>
Total revenue	2,309,239	1,961,339	347,900
Operating income	1,398,456	1,319,195	79,261
Net income, excluding amortization	235,351	324,236	(88,885)
Net income (loss)	(444,577)	(214,017)	(230,560)

The increase in operating income mainly reflects the acquisition of Nova Ridge during the third quarter of 2004, as well as the inclusion of the operating results of other residential properties for the entire third quarter, largely offset by a reduction of approximately \$128,000 in the operating income of Beck Court, as well as a reduction of approximately \$31,500 in the operating income of Greenwood Gardens. The reduction in the operating income of Beck Court is mainly due to the under accrual of utility expenses during the second quarter of 2004. The under accrual reflects typical administrative difficulties which may be encountered upon the acquisition of a new property in terms of systemizing financial information. The reduction in the operating income of Greenwood Gardens reflects an increase in the vacancy loss during the third quarter of 2004, as well as an increase in operating costs or, in particular, maintenance costs and advertising and leasing costs. In order to improve the quality of the tenant base and to maximize the long-term revenue generating capability of the Project, an extensive in-suite and building upgrade program is planned for Greenwood Gardens, combined with a marketing strategy which has a greater

focus on 12-month lease terms, as opposed to month-to-month leases. In the short-term, it is anticipated that the Project will incur vacancy and tenant turnover rates which are higher than the portfolio average and that cost of the upgrade program will exceed the cash flow from operations.

The decrease in net income, before amortization expense, is mainly due to a reduction of approximately \$76,000 in the income of the Mclvor Mall. The reduction in the income of the Mclvor Mall reflects an increase in debt service costs related to the procurement of first mortgage loan financing for the mall, effective June 22, 2004. As the acquisition of the Mclvor Mall was initially funded entirely by a cash payment, there were not any debt service costs allocated to the property during the second quarter of 2004, aside from an interest charge of \$8,700 for the last nine days of June 2004.

Year-to-Date Comparison

Nine Months Ended September 30

	2004	2003	Increase (Decrease)
Revenue:			
Rentals from Income Properties	\$ 4,813,011	\$ 1,586,345	\$ 3,226,666
Interest and Other Income	401,805	225,561	176,244
Total revenue	5,214,816	1,811,906	3,402,910
Operating income	3,319,628	1,150,502	2,169,126
Net income, excluding amortization	646,432	379,546	266,886
Net income (loss)	(797,836)	151,837	(949,673)

The change in operating results for the nine month period ended September 30, 2004, compared to the nine month period ended September 30, 2003, is primarily attributable to the same factors which caused the change in the operating results for the comparative three month periods. The higher percentage increase in net income, excluding amortization charges, for the comparative nine month period versus the comparative three month periods, primarily reflects the "levelling out" of quarterly variations in operating income and financing expense. The percentage increase in operating income during the second quarter of 2004 was greater than the percentage increase during the third quarter as a greater number of new acquisitions occurred during the second quarter.

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.

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