



LANESBOROUGH

REAL ESTATE INVESTMENT TRUST

2600 Seven Evergreen Place
Winnipeg, Manitoba R3L 2T3
Tel. 204.475.9090
Fax. 204.475.5505

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Press Release

LANESBOROUGH REAL ESTATE INVESTMENT TRUST REPORTS FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2003

Winnipeg, November 27, 2003 – Lanesborough Real Estate Investment Trust (LREIT) is pleased to report financial results for the third quarter ended September 30, 2003. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the third quarter report and financial statements, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

DISCUSSION OF OPERATING RESULTS

Summary of Operating Results by Quarter

A quarterly summary of operating income and net income is provided below.

| <u>Three Months Ended</u> | <u>Operating Income</u> | <u>Net Income (Loss)</u> |
|---------------------------|-------------------------|--------------------------|
| March 31, 2003 | \$ 318,155 | \$ 527 |
| June 30, 2003 | 336,575 | 22,978 |
| September 30, 2003 | <u>495,772</u> | <u>128,332</u> |
| | <u>\$1,150,502</u> | <u>\$ 151,837</u> |

Given the acquisition dates of the properties, the third quarter of fiscal 2003 is the first period which includes operating income from the MAAX Warehouse and the Purolator Building. Specifically, the third quarter results include three months of operating income from the MAAX Warehouse and 28 days of operating income from the Purolator Building. All of the operating income for the first six months of fiscal 2003 pertains solely to the operations of the Kenaston Property.

Quarterly Comparison

1. *Operating Income*

The increase in operating income during the third quarter of fiscal 2003 is primarily due to the inclusion of a lease termination fee, in the amount of \$130,356, in interest and other income. The lease termination fee represents the discounted payout of the rent obligations for a 6,355 square foot unit at Kenaston Place for the period from June 1, 2003 to August 31, 2004. The fee was received on July 2, 2003.

The acquisition of the MAAX Warehouse property and the Purolator Building has also resulted in a modest increase in operating income during the third quarter of fiscal 2003.

2. *Net Income*

The increase in net income reflects the lease termination fee and the income from new acquisitions, partially offset by an increase in trust expense. During the third quarter, trust expense increased by \$32,073, primarily due to non-recurring expenses which were incurred during the process of assessing a potential property acquisition.

Pro-Forma Comparison

A summary of operating results, compared to the pro-forma projection, is provided below.

| | <u>Actual Results</u> For the Three Months Ended September 30, 2003 | <u>Pro-Forma</u> Average Amount Per Quarter |
|------------------|---|---|
| Operating income | \$495,772 | \$300,000 |
| Net income | \$128,332 | \$84,000 |

The favourable variance between actual and pro-forma operating income is mainly due to the lease termination fee, as discussed above. The acquisition of the MAAX Warehouse and the Purolator Building in the third quarter of 2003 have also contributed to the favourable variance.

The favourable variance between actual and pro-forma net income is mainly due to the lease termination fee, partially offset by an unfavourable variance in trust expense and in amortization expense related to tenant inducements and leasing commissions.

Amortization expense is higher than projected, as leasing activity at the Kenaston Property was significantly more extensive than anticipated during fiscal 2002, resulting in a higher level of tenant inducements and leasing commissions to be amortized.

The pro-forma statement did not provide for trust expense.

DISTRIBUTABLE INCOME

A quarterly summary of distributable income is provided below.

| <u>Three Months Ended</u> | <u>Distributable Income</u> |
|---------------------------|-----------------------------|
| March 31, 2003 | \$ 25,408 |
| June 30, 2003 | 47,971 |
| September 30, 2003 | <u>161,312</u> |
| | <u>\$ 234,691</u> |

The increase in distributable income in the third quarter of fiscal 2003 is almost entirely due to the inclusion of the lease termination fee in operating income, as discussed above.

CASH DISTRIBUTIONS

The distribution of LREIT for the second quarter ended June 30, 2003, in the amount of \$96,875, was paid on July 15, 2003 and is reflected in the Statement of Cash Flows for the three month period ended September 30, 2003. The cash distribution represented an amount of \$0.125 per unit, based on the 775,000 units which were outstanding as of June 30, 2003.

The distribution of LREIT for the period ended September 30, 2003, in the amount of \$161,495 per unit, was paid on October 15, 2003. The distribution represented an amount of \$0.125 per unit, based on the 1,291,963 units which were outstanding as of September 30, 2003. As the distributable income for the third quarter of fiscal 2003 was \$161,312, the cash distribution was entirely funded from operating cash flow, including the lease termination fee of \$130,356.

PROPERTY PORTFOLIO

As of September 30, 2003, the portfolio of LREIT consisted of three properties - the Kenaston Property in Winnipeg, Manitoba; the MAAX Warehouse in Airdrie, Alberta; and the Purolator Building in Burlington, Ontario.

The Kenaston Property – Winnipeg, Manitoba

The Kenaston Property consists of two buildings in a joined development, containing approximately 94,200 square feet of leasable space. Kenaston Place is a three-storey office building, with a restaurant on the main floor, comprised of approximately 42,900 square feet of leasable space. Kenaston Village Mall is a single storey retail/service centre, comprised of approximately 51,300 square feet of leasable space, featuring a number of unique speciality shops and dining establishments. As of September 30, 2003, the Kenaston Property was effectively 94% leased, including 6,355 square feet or 6.7% of the total leasable space, relating to a tenant that was permitted to buy out its lease in July 2003, with a discounted prepayment of rent to May 2004.

The Kenaston Property was acquired on April 24, 2002 at a price of \$10,650,000. The acquisition was partially funded from the proceeds of a first mortgage loan from Astra Credit Union in the amount of \$7,987,500. Subsequently, the registered amount of the loan was increased to \$9 Million in order to provide for additional funding for leasehold improvements, building exterior upgrades and the acquisition of adjoining land from CN Rail.

MAAX Warehouse - Airdrie, Alberta

The MAAX Warehouse property consists of a 39,936 square foot warehouse building situated on a 2.06 acre site, located in Airdrie, Alberta. Airdrie is located just north of Calgary on the Calgary-Edmonton corridor. The warehouse building is 100% leased to a single tenant, MAAX Inc., with the lease expiring on December 31, 2008. MAAX is the largest manufacturer of bathroom products and fixtures in Canada and the sixth largest in the United States. The property also includes a vacant adjacent site of 1.896 acres, providing the opportunity for future expansion.

The MAAX Warehouse property was acquired on June 30, 2003 at a price of \$1.575 Million, excluding acquisition costs and closing adjustments. The acquisition was partially funded from the proceeds of a first mortgage loan from Capital City Savings in the amount of \$1,120,000.

Purolator Building – Burlington, Ontario

The Purolator Building is a light industrial property consisting of 16,117 square feet, located in Burlington, Ontario. The building is 100% leased to Purolator Courier Ltd., with the lease expiring on

September 30, 2012. The building serves as the main distribution centre for Purolator for the Hamilton region of Ontario. Purolator is Canada's leading overnight courier company.

The Purolator Building was acquired on September 2, 2003 at a price of \$1.2 Million, excluding acquisition costs and closing adjustments. The acquisition was partially funded from the proceeds of a first mortgage loan from Commercial Mortgage Origination Company of Canada in the amount of \$937,500.

CAPITAL IMPROVEMENTS

Exterior Upgrades – Kenaston Property

As of September 30, 2003, the exterior improvement program for the Kenaston Village Mall was substantially complete. The improvements consist of the construction of a new exterior façade and the installation of new tenant signs. The improvements are intended to enhance the long-term marketability of the property and to improve the aesthetic appeal of the entire site.

The improvements are being funded from operating cash flow and from additional first mortgage loan advances from Astra Credit Union. As of September 30, 2003, three advances in the total amount of \$722,920 had been received. A fourth advance in the amount of \$100,000 was received on October 30, 2003.

EXPANSION PLANS FOR KENASTON VILLAGE MALL

On October 10, 2003, LREIT acquired a section of the former CN Rail right-of-way land, which is located adjacent to the east side of the Kenaston Property, at a price of \$425,000. The re-zoning of the land was approved on September 24, 2003. The land is to be used for the purpose of constructing a 9,000 square foot addition to Kenaston Village Mall.

An offer to lease for the entire amount of the new space has been accepted from Giselle's Professional Skin Care Ltd., with a lease commencement date of February 1, 2004. The anticipated cost of the building addition is \$1 Million, including a provision for leasehold improvements for the new tenant.

A proposal has been submitted to Astra Credit Union for an increase in the first mortgage loan from \$9 Million to \$10.2 Million in order to fund 75% of the projected costs of the building addition. The requested loan proceeds are also to be used to fund leasehold improvements and a portion of the CN land acquisition.

INVESTMENT FINANCING

LREIT has provided second mortgage loan financing for the Minacs Building in Oshawa, Ontario. The second mortgage loan of \$1.15 Million bears interest at a rate of 12.5% with a repayment date of December 19, 2003. The loan is repayable in full, or in part, on 30 days notice.

During fiscal 2003, principal payments in regard to the loan have amounted to \$902,022. Subsequent to the receipt of the principal payments, the loan has been reinstated at the original amount of \$1.15 Million.

OFFERING OF TRUST UNITS

On June 17, 2003, LREIT proceeded with a private placement offering of a minimum of 500,000 and a maximum of 1,250,000 Trust units at a price of \$4 per unit. The first closing of the offering occurred on August 28, 2003, resulting in 502,463 units being issued for total gross proceeds of \$2,009,852. The remaining units will continue to be offered with closing to occur on one or more future dates.

The funds raised by the offering are primarily intended for the purpose of funding additional property acquisitions.

WORKING CAPITAL

As of September 30, 2003, the working capital of LREIT was approximately \$1.76 Million. In addition to working capital, funding for the ongoing financial obligations of the Trust is available from a number of sources, including the unadvanced portion of additional first mortgage loan for the Kenaston Property, the proceeds from the offering of additional Trust units and from operating cash flow.

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 and growing cash distributions from investment in a geographically diversified Canadian portfolio of quality properties with strong tenants. For further information on LREIT, please visit our website at www.lreit.com.

The TSX Venture Exchange has not reviewed or approved the contents of this press release.

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