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LANESBOROUGH REAL ESTATE INVESTMENT TRUST
Press Release

LANESBOROUGH REIT REPORTS 2015 THIRD QUARTER RESULTS

Winnipeg, Manitoba, November 10, 2015 – Lanesborough Real Estate Investment Trust ("LREIT") (TSX: LRT.UN) today reported its operating results for the quarter ended September 30, 2015. The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with Management's Discussion & Analysis and the financial statements for the quarter ended September 30, 2015, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

Results of Operation

Overview

LREIT completed Q3-2015 with negative funds from operations (FFO) of $1.9 million, compared to negative FFO of $0.6 million during Q3-2014. The decrease in FFO mainly reflects a $1.8 million decrease in net operating income primarily driven by the results of the Fort McMurray portfolio, partially offset by $0.5 million decrease in interest expense.

After taking into account fair value adjustments, LREIT completed Q3-2015 with a loss and comprehensive loss of $27.3 million, compared to a loss and comprehensive loss of $0.8 million during Q3-2014.

Net Operating Income

During Q3-2015, net operating income (NOI) decreased by $1.8 million or 30%, compared to Q3-2014. The decrease in NOI is mainly attributable to the Fort McMurray property portfolio and is comprised of a $2.4 million decrease in rental revenues, partially offset by a $0.5 million decrease in operating costs.

The Fort McMurray property portfolio has continued to encounter increasingly challenging rental market conditions due to the economic downturn in the region which resulted from the decline in the price of oil during Q4-2014 and which has continued to remain at depressed levels during the first nine months of 2015. The slowdown in oil sands development activity has led to reduced activity in the Fort McMurray region. As a result, the average occupancy level for the Fort McMurray portfolio decreased by 23%, from 90% during Q3-2014 to 67% during Q3-2015. During Q3-2015, the average monthly rental rate experienced a 9% decrease, compared to Q3-2014.

Fair Value Adjustments

During Q3-2015, LREIT recorded a loss related to fair value adjustments on its investment property portfolio of $25.4 million, compared to a loss related to fair value adjustments of $0.2 million, during Q3-2014. The decrease in the fair value of investment properties is primarily due to a further reduction in the occupancy and rental rates of the Fort McMurray property portfolio and an increased level of uncertainty in regard to the timing and extent of recovery of the Fort McMurray rental market.

Cash Flow Results

During Q3-2015, the cash used in operating activities, excluding working capital adjustments, amounted to $1.6 million, compared to cash provided by operating activities of $1.1 million during Q3-2014. Including working capital adjustments, LREIT completed Q3-2015 with cash used in operating activities of $2.8 million, compared to cash provided by operating activities of $0.5 million during Q3-2014.

Key Events

Third Quarter of 2015

- **Renewal of Revolving Loan:** Effective July 1, 2015, the revolving loan facility from 2668921 Manitoba Ltd. was renewed for a three-year term at an interest rate of 12% with a maximum balance of $18.0 million.
- **Mortgage Refinancing Terms:** In August, 2015, LREIT agreed to amended refinancing terms on two first mortgage loans and one second mortgage loan. The refinancing terms required principal repayments of $1.0 million in Q2-2015 and $6.9 million in Q3-2015, which were funded by cash advances from Shelter Canadian Properties Limited.
- **Upward Refinancing of Westhaven Manor:** On August 31, 2015, the first mortgage loan of Westhaven Manor was upward refinanced with a new first mortgage loan of $3.3 million. The net proceeds from the upward refinancing of approximately $1.6 million, after transaction costs, were used for general working capital purposes.

Subsequent to September 30, 2015

- **Sale of Property:** On November 1, 2015, LREIT sold Colony Square located in Winnipeg, Manitoba for gross proceeds of $70.25 million. The net proceeds of approximately $28.1 million, after the assumption of the mortgage loan by the purchaser, selling costs, amounts held in escrow and the standard closing adjustments, were used to repay operating loans and advances. The sale of Colony Square will result in a capital gain for Canadian income tax purposes of approximately $29.8 million. In order to reduce its taxable income for the 2015 taxation year to nil, LREIT intends to declare a special non-cash distribution payable on December 31, 2015 to Unitholders of record on December 31, 2015. The special distribution will be equal to the capital gain reduced by the application of LREIT's operating losses for the 2015 taxation year and non-capital losses carried forward from the 2014 taxation year. Management has provided additional information regarding the tax implications of the special distribution in the "Taxation" section of the MD&A for the quarter ended September 30, 2015.
- **Mortgage Renewal Terms:** Subsequent to September 30, 2015, LREIT agreed to a renewal on one first mortgage loan with principal balance outstanding as of September 30, 2015 of $8.2 million. The renewal terms on the first mortgage loan required the repayment of the second mortgage loan in the principal amount of $3.0 million on October 29, 2015. The principal payment was funded by additional advances from Shelter Canadian Properties Limited.

Outlook

The economic downturn in the Fort McMurray region has resulted in increasingly difficult rental market conditions; however, management believes that the long-term prospects of the Fort McMurray rental market remain viable. The completion of the sale of Colony Square, as part of the continued divesture program, has served to reduce higher-cost debt and improve the working capital position of LREIT. Management will continue to actively pursue additional divestiture activities during this challenging period in order to reduce LREIT's debt burden and sustain operations into the foreseeable future.

FINANCIAL AND OPERATING SUMMARY

FINANCIAL POSITION

	September 30	December 31	
	2015	2014	2013
Total assets	$377,394,196	$442,773,600	$468,072,319
Total long-term financial liabilities [1]	$316,837,982	$327,980,499	$302,335,837
Weighted average interest rate			
- Mortgage loan debt	5.7%	5.7%	5.4%
- Total debt	6.3%	6.3%	5.9%

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
OPERATING SUMMARY				
Operating Results				
Rentals from investment properties	$ 7,568,402	$ 9,924,262	$ 24,257,892	$28,808,159
Net operating income	$ 4,266,094	$ 6,103,953	$ 13,576,020	$16,532,671
Loss before discontinued operations	$(27,333,719)	$ (820,772)	$(66,244,169)	$ (4,235,089)
Loss and comprehensive loss	$(27,276,615)	$ (795,468)	$(65,909,270)	$ (3,942,149)
Funds from Operations (FFO)	$ (1,904,147)	$ (637,581)	$ (5,384,305)	$ (3,170,905)
Cash Flows				
Cash provided by (used in) operating activities	$ (2,830,238)	$ 462,910	$ (2,611,304)	$ 920,884
Adjusted Funds from Operations (AFFO)	$ (2,135,701)	$(1,219,479)	$ (5,528,671)	$(4,287,138)

(1) Long-term financial liabilities consist of mortgage loans, debentures, a defeased liability, an interest rate swap liability and mortgage bonds. The mortgage bonds are included at face value.

Q3-2015 COMPARED TO Q3-2014

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Net operating income				
Fort McMurray properties	$ 2,865,890	$ 4,690,968	$ 9,280,071	$ 12,575,54
Other investment properties	746,778	728,736	2,152,204	1,988,132
Sub-total	3,612,668	5,419,704	11,432,275	14,563,681
Held for sale and/or sold properties	653,426	684,249	2,143,745	1,968,990
Total net operating income	4,266,094	6,103,953	13,576,020	16,532,671
Interest income	21,648	27,770	68,811	619,767
Interest expense	(5,736,630)	(6,240,075)	(18,001,130)	(18,940,300)
Trust expense	(512,363)	(554,533)	(1,362,905)	(1,774,482)
Income recovery on Parsons Landing	-	-	-	98,499
Loss before the following	(1,961,251)	(662,885)	(5,719,204)	(3,463,845)
Gain (loss) on sale of investment property	-	-	(201,215)	71,235
Fair value adjustments - Investment properties	(25,372,468)	(157,887)	(60,323,750)	(842,479)
Loss before discontinued operations	(27,333,719)	(820,772)	(66,244,169)	(4,235,089)
Income from discontinued operations	57,104	25,304	334,899	292,940
Loss and comprehensive Loss	$(27,276,615)	$ (795,468)	$(65,909,270)	$(3,942,149)

During Q3-2015, the loss before fair value adjustments and discontinued operations increased by $1.3 million compared to Q3-2014. The increase in the loss is mainly due to a decrease in operating income of $1.8 million, partially offset by a decrease in interest expense of $0.5 million.

After accounting for the fair value adjustments and the income from discontinued operations, LREIT completed Q3-2015 with a comprehensive loss of $27.3 million, compared to comprehensive loss of $0.8 million during Q3-2014, representing a variance of $26.5 million. In addition to the variables noted in the preceding paragraph, the increase in loss reflects an increase in loss from fair value adjustments of $25.2 million.

During the first nine months of 2015, the loss before gain/loss on sale of investment property, fair value adjustments and discontinued operations, increased by $2.3 million, compared to the first nine months of 2014. The increase in the loss is mainly due to a decrease in operating income of $3.0 million and a decrease in interest income of $0.6 million, partially offset by a decrease in interest expense of $0.9 million and a decrease in trust expense of $0.4 million.

After accounting for the gain/loss on sale of investment property, fair value adjustments, and the income from discontinued operations, LREIT completed the first nine months of 2015 with a comprehensive loss of $65.9 million, compared to comprehensive loss of $3.9 million during the first nine months of 2014, representing a variance of $62.0 million. In addition to the variables noted in the preceding paragraph, the increase in the loss reflects an increase in loss from fair value adjustments of $59.5 million and an unfavourable variance on the sale of investment property of $0.3 million.

Analysis of Rental Revenue

	Three Months Ended Sept. 30			Nine Months Ended Sept. 30		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Fort McMurray properties	$ 4,909,882	$7,174,069	$(2,264,187)	$16,013,877	$20,696,031	$(4,682,154)
Other investment properties	1,318,619	1,299,992	18,627	3,943,707	3,813,171	130,536
Sub-total	6,228,501	8,474,061	(2,245,560)	19,957,584	24,509,202	(4,551,618)
Held for sale and/or sold properties	1,339,901	1,450,201	(110,300)	4,300,308	4,298,957	1,351
Total	$ 7,568,402	$9,924,262	$(2,355,860)	$24,257,892	$28,808,159	$(4,550,267)

During the three and nine month periods ended September 30, 2015, total revenue from investment properties, excluding held for sale and/or sold properties, decreased by $2.2 million or 26% and $4.6 million or 19%, respectively, as compared to the same periods in 2014. The decreases in revenue are mainly due to unfavourable variances in revenue results for the Fort McMurray portfolio

The revenue results for the Fort McMurray property portfolio reflect increasingly competitive rental market conditions due to the economic downturn in the region which resulted from the decline in the price of oil that began in the fourth quarter of 2014, and continued into the first nine months of 2015. The slowdown in oil sands development activity has led to reduced activity in the Fort McMurray region. As a result, the average occupancy level for the Fort McMurray portfolio decreased from 90% during Q3-2014 to 67% during Q3-2015, while the average monthly rental rate has decreased by $212 per suite or 9%.

Occupancy and Rental Rate Comparisons

	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Average occupancy level				
Fort McMurray properties	67%	90%	72%	86%
Other investment properties	92%	94%	92%	91%
Total	71%	86%	75%	87%
Held for sale and/or sold properties	91%	93%	92%	92%
Average rental rate				
Fort McMurray properties	$2,139	$2,351	$2,186	$2,375
Other investment properties	$1,172	$1,117	$1,156	$1,127
Total	$1,876	$2,016	$1,906	$2,035
Held for sale and/or sold properties	$757	$732	$751	$737

Analysis of Property Operating Costs

	Three Months Ended Sept. 30			Nine Months Ended Sept. 30		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Fort McMurray properties	$ 2,043,992	$2,483,101	$(439,109)	$ 6,733,806	$ 8,120,482	$(1,386,676)
Other investment properties	571,841	571,256	585	1,791,503	1,825,039	(33,536)
Sub-total	2,615,833	3,054,357	(438,524)	8,525,309	9,945,521	(1,420,212)
Held for sale and/or sold properties	686,475	765,952	(79,477)	2,156,563	2,329,967	(173,404)
Total	$ 3,302,308	$3,820,309	$(518,001)	$10,681,872	$12,275,488	$(1,593,616)

Property operating costs decreased by $0.5 million or 14% and $1.6 million or 13% for the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014. The decreases are mainly due to decreases in maintenance, utilities, management fees, property taxes and administration costs associated with the Fort McMurray portfolio. The decrease in maintenance costs for the nine months ended September 30, 2015 was due to a decrease in repair costs related to water damage, net of insurance recoveries, a decrease in mechanical repairs, and the elimination of the Parsons Landing occupancy fee paid to the developer prior to the completion of the purchase of the property on March 6, 2014.

Analysis of Net Operating Income – Three Months

	Net Operating Income						Operating Margin	
	Three Months Ended September 30		Increase (Decrease)		Percent of Total			
	2015	2014	Amount	%	2015	2014	2015	2014
Fort McMurray properties	$ 2,865,890	$ 4,690,968	$(1,825,078)	(39)%	67%	77%	58%	65%
Other investment properties	746,778	728,736	18,042	2%	18%	12%	57%	56%
Sub-total	3,612,668	5,419,704	(1,807,036)	(33)%	85%	89%	58%	64%
Held for sale and/or sold properties	653,426	684,249	(30,823)	(5)%	15%	11%		
Total	$ 4,266,094	$ 6,103,953	$(1,837,859)	(30)%	100%	100%	56%	62%

Analysis of Net Operating Income – Nine Months

	Net Operating Income						Operating Margin	
	Nine Months Ended September 30		Increase (Decrease)		Percent of Total			
	2015	2014	Amount	%	2015	2014	2015	2014
Fort McMurray properties	$ 9,280,071	$12,575,549	$(3,295,478)	(26)%	68%	76%	58%	61%
Other investment properties	2,152,204	1,988,132	164,072	8%	16%	12%	55%	52%
Sub-total	11,432,275	14,563,681	(3,131,406)	(22)%	84%	88%	57%	59%
Held for sale and/or sold properties	2,143,745	1,968,990	174,755	9%	16%	12%		
Total	$13,576,020	$16,532,671	$(2,956,651)	(18)%	100%	100%	56%	57%

After considering the decrease in rental revenue and the decrease in property operating costs, net operating income for the investment properties portfolio, excluding held for sale and/or sold properties, decreased by $1.8 million or 33% and $3.1 million or 22%, during the three and nine month periods ended September 30, 2015, respectively, compared to the same periods in 2014. As previously noted, the decreases in net operating income primarily reflect unfavourable variances in the revenue results of the Fort McMurray property portfolio, partially offset by decreases in operating costs.

The operating margin, excluding held for sale and/or sold properties, decreased from 64% during the Q3-2014 to 58% during Q3-2015 and from 59% during the nine months ended September 20, 2014 to 57% during the nine months ended September 30, 2015. The decreases in the operating margin reflect unfavourable variances in the operating results for the Fort McMurray property portfolio.

COMPARISON TO PREVIOUS QUARTER

Analysis of Loss

	Three Months Ended		Increase (Decrease) In Income
	September 30, 2015	June 30, 2015	Amount
Rentals from investment properties	$ 7,568,402	$ 7,957,771	$ (389,369)
Property operating costs	3,302,308	3,400,827	98,519
Net operating income	4,266,094	4,556,944	(290,850)
Interest income	21,648	22,271	(623)
Interest expense	(5,736,630)	(5,855,496)	118,866
Trust expense	(512,363)	(458,683)	(53,680)
Loss before the following	(1,961,251)	(1,734,964)	(226,287)
Gain (loss) on sale of investment property	-	(201,215)	201,215
Fair value adjustments	(25,372,468)	(33,054,460)	7,681,992
Loss for the period before discontinued operations	(27,333,719)	(34,990,639)	7,656,920
Income (loss) from discontinued operations	57,104	170,030	(112,926)
Comprehensive loss	$ (27,276,615)	$ (34,820,609)	$ 7,543,994

During Q3-2015, the loss, before gain/loss on sale of investment property, fair value adjustments and discontinued operations, increased by $0.2 million, or 13%, in comparison to Q2-2015. The increase in the loss mainly reflects a decrease in net operating income of $0.3 million and an increase in trust expense of $0.1 million, partially offset by a decrease in interest expense of $0.1 million. The decrease in net operating income is mainly due to a decrease in revenue of the Fort McMurray portfolio.

After accounting for the variance in fair value adjustments in the amount of $7.7 million and a decrease in loss on sale of investment property of $0.2 million, the loss before discontinued operations decreased by $7.7 million during Q3-2015, compared to Q2-2015.

Including discontinued operations, LREIT completed Q3-2015 with a comprehensive loss of $27.3 million, compared to a comprehensive loss of $34.8 million during Q2-2015.

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.G (Series G Debentures) and LRT.WT.A (Warrants expiring December 23, 2015). 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.