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LANESBOROUGH REAL ESTATE INVESTMENT TRUST
Press Release

LANESBOROUGH REIT REPORTS 2017 THIRD QUARTER RESULTS

Winnipeg, Manitoba, November 7, 2017 – Lanesborough Real Estate Investment Trust ("LREIT") (TSX: LRT.UN) today reported its operating results for the quarter ended September 30, 2017. 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, 2017, which may be obtained from the LREIT website at www.lreit.com or the SEDAR website at www.sedar.com.

Addressing the liquidity challenges of the Trust and stabilizing operations continue to be the top priorities for LREIT as management maintains its focus on the divestiture program; debt renewal/restructuring; and initiatives aimed at improving operating results.

Operating Results

LREIT completed the three and nine month periods ended September 30, 2017 with negative funds from operations ("FFO") of $1.1 million and $4.4 million, respectively, compared to negative FFO of $1.6 million and $10.2 million during the same periods in the prior year. The positive FFO variances mainly reflect decreases in interest expense as a result of the divestiture and debt restructuring activities undertaken during 2016.

The decrease in interest expense during Q3-2017 was partially offset by a modest decrease in net operating income ("NOI") as the average occupancy level of the Fort McMurray properties decreased from 76% during Q3-2016 to 73% during Q3-2017. During the nine month period ended September 30, 2017, however, the average occupancy level of the Fort McMurray properties increased to 71% compared 62% during the same period in the prior year.

Overall, LREIT completed the three and nine month periods ended September 30, 2017 with a loss and comprehensive loss of $6.8 million and $20.4 million, respectively, compared to a loss and comprehensive loss of $11.1 million and income and comprehensive income of $1.8 million during the same periods in the prior year. The decreased loss during Q3-2017 mainly reflects a favourable variance in fair value adjustments of the investment properties and a decrease in interest expense, partially offset by the above noted decrease in NOI. The decrease in operating results during the nine months ended September 30, 2017 mainly reflects an unfavourable variance in the fair value adjustments of investment properties, partially offset by the above noted decrease in interest expense and increase in NOI

Liquidity and Capital Resources

During the first nine months of 2017, cash used in operating activities, before working capital adjustments, amounted to $0.9 million, compared to $2.2 million during the same period in 2016, and the cash shortfall, after accounting for working capital adjustments, regular mortgage principal repayments, capital expenditures, and transaction costs was $6.1 million, compared to $5.4 million during the first nine months of 2016. The increase in the cash shortfall is mainly due to an increase in cash used in operations after working capital adjustments. The cash shortfalls were funded by additional advances under the revolving loan facility from 2668921 Manitoba Ltd. and by unsecured advances from Shelter Canadian Properties Limited ("Shelter").

As of September 30, 2017, LREIT was in default with respect to one mortgage loan with an expired forbearance agreement in the aggregate principal amount of $25.5 million. The mortgage loan matured in December 2015 and subsequently was the subject of a forbearance agreement, which expired on February 28, 2017, after which the loan was being over-held. Subsequent to September 30, 2017, a new forbearance agreement, expiring December 2018, was executed.

In addition, five mortgage loans on eight properties with an aggregate principal balance of $61.8 million, which were previously in default of debt service payments, continue to be presented as being in default in the Financial Statements at September 30, 2017, as the lender has indicated that there are service fees outstanding with respect to the loans and that until the fees are paid the loans will remain in default. Subsequent to September 20, 2017, a two-year forbearance agreement was executed for one of the above noted mortgage loans, in respect of one property, with an aggregate principal balance of $14.6 million. LREIT continues to meet the debt service obligations of these mortgages and the lender has taken no action to enforce the loans. In the event that full repayment is demanded LREIT would not be able to satisfy the full repayment of the loan with its current resources.

Pursuant to the terms of the Declaration of Trust, LREIT is prohibited from incurring additional mortgage loan indebtedness if such indebtedness would result in the total mortgage loan indebtedness of LREIT exceeding 75% of the appraised value of LREIT's total property portfolio. As a result of updated property appraisals, LREIT's ratio of total mortgage loan indebtedness to appraised property value was 77% as of September 30, 2017. In view of this, LREIT is unable to incur additional mortgage indebtedness; however, LREIT is permitted to continue to renew or refinance its mortgage debt at amounts, which are equal to or less than the existing balances of outstanding mortgage loan debt. In addition, LREIT may continue to obtain financing from unsecured creditors, such as the $4.5 million in unsecured advances it received from Shelter during and subsequent to Q3-2017.

Outlook

The extent of LREIT’s operating cash deficiencies continue to decline from the combined result of debt restructuring and divestiture activities and improved operating results stemming from the post-fire rental market in Fort McMurray. However, LREIT continues to face significant financing challenges and the ability of LREIT to continue operations in the near term remains contingent upon the continued financial support of Shelter and its parent company, 2668921 Manitoba Ltd., as well as LREIT’s ability to renew and/or refinance its mortgage loan debts as they become due.

Looking beyond the post fire rebuilding process in Fort McMurray, which may take several years, the long term prospects of the Fort McMurray rental market will remain closely correlated with the price of oil and oil sands development activity.

STATEMENT OF FINANCIAL POSITION

	September 30	December 31	
	2017	2016	2015
Total assets	$230,762,212	$245,402,329	$278,524,804
Total long-term financial liabilities [1]	$246,979,523	$243,501,308	$279,529,237
Weighted average interest rate			
- Mortgage loan debt	6.0%	5.8%	6.0%
- Total debt	5.8%	5.6%	6.4%

(1) Long-term financial liabilities consist of mortgage loans, debentures, defeased liability (December 2015) and the revolving loan from 2668921 Manitoba Ltd.

KEY FINANCIAL PERFORMANCE INDICATORS

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Operating Results				
Rentals from investment properties	$ 4,832,286	$ 5,096,608	$ 14,357,394	$ 13,527,722
Net operating income	$ 2,329,361	$ 2,606,793	$ 7,035,618	$ 6,090,298
Income (loss) before discontinued operations	$(6,858,839)	$(10,614,965)	$(20,450,043)	$ 2,259,269
Income (loss) and comprehensive income (loss)	$(6,842,465)	$(11,136,578)	$(20,398,122)	$ 1,752,846
Funds from Operations (FFO)	$(1,086,920)	$ (1,579,111)	$ (4,427,868)	$(10,202,991)
Cash Flows				
Cash provided by (used in) operating activities	$ (272,734)	$ 724,682	$ (2,342,678)	$ (421,852)
Adjusted Funds from Operations (AFFO)	$(1,422,348)	$(1,980,475)	$ (5,021,092)	$(11,048,335)

ANALYSIS OF OPERATING RESULTS

Analysis of Income (Loss)

	Three Months Ended Sept. 30		Increase (Decrease) in Income	
	2017	2016	Amount	%
Rentals from investment properties	$ 4,832,286	$ 5,096,608	$ (264,322)	(5)%
Property operating costs	(2,502,925)	(2,489,815)	(13,110)	(1)%
Net operating income	2,329,361	2,606,793	(277,432)	(11)%
Interest income	47,409	46,638	771	2%
Interest expense	(3,121,665)	(3,992,561)	870,896	22%
Trust expense	(358,399)	(414,325)	55,926	13%
Loss before the following	(1,103,294)	(1,753,455)	650,161	37%
Fair value adjustments - Investment properties	(5,755,545)	(8,861,510)	3,105,965	35%
Loss before discontinued operations	(6,858,839)	(10,614,965)	3,756,126	35%
Income (loss) from discontinued operations	16,374	(521,613)	537,987	103%
Loss and comprehensive loss	$ (6,842,465)	$ (11,136,578)	$ 4,294,113	39%

Analysis of Income (Loss)

	Nine Months Ended Sept. 30		Increase (Decrease) in Income	
	2017	2016	Amount	%
Rentals from investment properties	$ 14,357,394	$ 13,527,722	$ 829,672	6%
Property operating costs	(7,321,776)	(7,437,424)	115,648	2%
Net operating income	7,035,618	6,090,298	945,320	16%
Interest income	137,633	103,626	34,007	33%
Interest expense	(10,521,673)	(15,413,126)	4,891,453	32%
Trust expense	(1,131,367)	(1,529,265)	397,898	26%
Loss before the following	(4,479,789)	(10,748,467)	6,268,678	58%
Gain on sale of investment property	58,377	20,986	37,391	178%
Fair value adjustments - Investment properties	(16,028,631)	12,986,750	(29,015,381)	(223)%
Income (loss) before discontinued operations	(20,450,043)	2,259,269	(22,709,312)	(1,005)%
Income (loss) from discontinued operations	51,921	(506,423)	558,344	110%
Income (loss) and comprehensive income (loss)	$ (20,398,122)	$ 1,752,846	$(22,150,968)	(1,264)%

LREIT completed the three and nine month periods ended September 30, 2017 with a loss and comprehensive loss of $6.9 million and $20.4 million, respectively, compared to a loss and comprehensive loss of $11.1 million and income and comprehensive income of $1.8 million, respectively, during the three and nine month periods ended September 30, 2016. The decrease in the loss during Q3-2017 mainly reflects a favourable variance in the fair value adjustments of investment properties, a decrease in interest expense, and a favourable variance in the fair value adjustment of the discontinued operations, partially offset by a decrease in net operating income.

The increase in the loss during the nine month period ended September 30, 2017 mainly reflects an unfavourable variance in the fair value adjustments of the investment properties, partially offset by a decrease in interest expense, an increase in net operating income and a favourable variance in the fair value adjustments of the discontinued operations.

The decreases in interest expense during both periods mainly reflect decreases in the amortization of transaction costs and reduced levels of mortgage loan debt. The nine month comparative was also impacted by a decrease in the interest rates on the revolving loan facility from 2668921 Manitoba Ltd. and the Series G debentures.

The decrease in net operating income during Q3-2017, compared to Q3-2016, mainly reflects a decrease in rental revenue as a result of a reduction in the occupancy of the Fort McMurray portfolio from an average of 76% during Q3-2016 to an average of 73% during Q3-2017. In addition to the increased demand for rental accommodations as a result of the rebuilding efforts in Fort McMurray that also benefited the third quarter of 2017, the third quarter of 2016 benefited from the rental of units to companies involved in the post-fire restoration of LREIT's properties.

The increase in net operating income during the first nine months of 2017, compared to the first nine months of 2016, mainly reflects an increase in rental revenue as a result of an increase in the average occupancy level of the Fort McMurray properties from 62% during the first nine months of 2016 to 71% during the first nine months of 2017, partially offset by a decrease in net operating income as a result of the sales of Beck Court and Willowdale Gardens.

The increase in the occupancy level of the Fort McMurray portfolio during the nine month period ended September 30, 2017 as compared to the same period of the prior year is primarily the result of the entry of homeowners displaced by the May 2016 wildfire into the rental market and the commencement of the post-fire rebuild. The extent and duration of the impact of the rebuilding effort on future operating results is uncertain and the long term prospects of the Fort McMurray rental market remain dependent on the level of future oil sands development activity.

Analysis of Rental Revenue

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Fort McMurray properties	$ 3,846,043	$ 3,970,850	$ (124,807)	$ 11,217,079	$ 9,553,722	$ 1,663,357
Other investment properties	391,653	395,530	(3,877)	1,165,871	1,246,648	(80,777)
Sub-total	4,237,696	4,366,380	(128,684)	12,382,950	10,800,370	1,582,580
Held for sale and/or sold properties	594,590	730,228	(135,638)	1,974,444	2,727,352	(752,908)
Total	$ 4,832,286	$ 5,096,608	$ (264,322)	$ 14,357,394	$ 13,527,722	$ 829,672

Occupancy Level, by Quarter

	2017			
	Q1	Q2	Q3	9 Month Average
Fort McMurray properties	68%	71%	73%	71%
Other investment properties	71%	73%	73%	72%
Total	68%	72%	73%	71%
Held for sale and/or sold properties	79%	79%	69%	75%

	2016					
	Q1	Q2	Q3	9 Month Average	Q4	12 Month Average
Fort McMurray properties	52%	58%	76%	62%	72%	65%
Other investment properties	72%	74%	69%	72%	69%	71%
Total	54%	60%	75%	63%	72%	65%
Held for sale and/or sold properties	75%	64%	86%	74%	82%	75%

Average Monthly Rents, by Quarter

	2017			
	Q1	Q2	Q3	9 Month Average
Fort McMurray properties	$1,684	$1,707	$1,711	$1,701
Other investment properties	$909	$909	$903	$907
Total	$1,554	$1,573	$1,575	$1,567
Held for sale and/or sold properties	$2,593	$2,611	$2,597	$2,600

	2016					
	Q1	Q2	Q3	9 Month Average	Q4	12 Month Average
Fort McMurray properties	$1,699	$1,599	$1,700	$1,666	$1,669	$1,667
Other investment properties	$969	$960	$945	$958	$919	$948
Total	$1,576	$1,491	$1,573	$1,547	$1,543	$1,546
Held for sale and/or sold properties	$1,783	$2,036	$2,546	$1,997	$2,581	$2,088

During Q3-2017, total revenue from LREIT's investment properties, excluding held for sale and/or sold properties, decreased by $0.1 million or 3%. The decrease is mainly due to reduced average occupancy levels of the Fort McMurray properties from 76% during Q3-2016 to 73% during Q3-2017. In addition to the increased demand for rental accommodations as a result of the rebuilding efforts in Fort McMurray, that also benefited Q3-2017, Q3-2016 benefited from the rental of units to companies involved in the post-fire restoration of LREIT's properties.

During the nine months ended September 30, 2017, total investment property revenue, excluding held for sale and/or sold properties, increased by $1.6 million or 15%, compared to the same period in the prior year. The increase mainly reflects an increase in the average occupancy level of the Fort McMurray properties, as well as an increase in the average monthly rental rate. The average occupancy level for the Fort McMurray portfolio increased from 62% during the first nine months of 2016 to 71% during the first nine months of 2017, driving the increase in revenue. The average monthly rental rate increased by $35 per suite or 2% during the nine months ended September 30, 2017, compared to the same period in the prior year.

Notwithstanding the positive revenue results during the first nine months of 2017, the revenue results of the Fort McMurray property portfolio continue to reflect challenging rental market conditions as a result of the low level of oil sands development activity in the region, with rental rates that continue to be depressed relative to historical levels. The impact of the low level of oil sands development activity has been tempered by the entry of homeowners displaced by the wildfire into the rental market and continues to be mitigated by the migration of workers involved in the rebuilding effort.

The depressed level of rental rates, together with the uncertainty regarding the extent and/or duration of the post-fire rental market recovery, are key factors that continue to cast significant doubt as to the ability of LREIT to sustain operations into the foreseeable future. Measures being taken by management in order to address the liquidity challenges facing LREIT and improve operating performance are discussed in the "Liquidity and Capital Resources" section of the 2017 third quarter MD&A.

During the three and nine month periods ended September 30, 2017, revenue from the held for sale and/or sold properties decreased by $0.1 million or 19% and $0.8 million or 28%, respectively, compared to the same periods in the prior year. The decrease in revenue from held for sale and/or sold properties for the three month period ended September 30, 2017 was due to a reduction in the revenue of Woodland Park, the property classified as held for sale. The decrease in revenue from held for sale and/or sold properties for the nine month period was primarily due to the sales of Beck Court and Willowdale Gardens on May 1, 2016, partially offset by an increase in the revenue of Woodland Park.

Analysis of Property Operating Costs

	Three Months Ended September 30			Nine Months Ended September 30		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Fort McMurray properties	$ 2,022,164	$ 2,008,924	$ 13,240	$ 5,765,782	$ 5,514,627	$ 251,155
Other investment properties	292,522	259,489	33,033	897,477	789,087	108,390
Sub-total	2,314,686	2,268,413	46,273	6,663,259	6,303,714	359,545
Held for sale and/or sold properties	188,239	221,402	(33,163)	658,517	1,133,710	(475,193)
Total	$ 2,502,925	$ 2,489,815	$ 13,110	$ 7,321,776	$ 7,437,424	$ (115,648)

During the three and nine month periods ended September 30, 2017, property operating costs, excluding the held for sale and/or sold properties, increased by $0.05 million and $0.4 million, respectively, compared to the same periods in the prior year. The increase in operating costs, excluding held for sale and/or sold properties during the nine month period, was the result of the operating costs for the Fort McMurray properties being abnormally low in the comparative period due to the wildfire evacuation that occurred in the second quarter of 2016. The increase is reflective of property operating costs returning to normal levels in 2017, partially offset by a decrease in property taxes due to reductions in the 2017 assessment values for the Fort McMurray properties and a decrease in maintenance costs as a result of renovation expenditures made during Q3-2016 to prepare suites to more aptly meet tenants' needs in the post-fire environment.

During the three and nine month periods ended September 30, 2017, property operating costs from the held for sale and/or sold properties decreased by $0.03 million and $0.5 million, respectively, compared to the same periods in the prior year. The decrease during the nine month period was primarily due to the sales of Beck Court and Willowdale Gardens on May 1, 2016, partially offset by an increase in the property operating costs of Woodland Park, the property classified as held for sale.

Analysis of Net Operating Income and Operating Margins

	Net Operating Income							
	Three Months Ended September 30		Increase (Decrease)		Percent of Total		Operating Margin	
	2017	2016	Amount	%	2017	2016	2017	2016
Fort McMurray properties	$ 1,823,879	$ 1,961,926	$ (138,047)	(7)%	78%	75%	47%	49%
Other investment properties	99,131	136,041	(36,910)	(27)%	4%	5%	25%	34%
Sub-total	1,923,010	2,097,967	(174,957)	(8)%	82%	80%	45%	48%
Held for sale and/or sold properties	406,351	508,826	(102,475)	(20)%	17%	20%	68%	70%
Total	$ 2,329,361	$ 2,606,793	$ (277,432)	(11)%	100%	100%	48%	51%

Analysis of Net Operating Income and Operating Margins

	Net Operating Income							
	Nine Months Ended September 30		Increase (Decrease)		Percent of Total		Operating Margin	
	2017	2016	Amount	%	2017	2016	2017	2016
Fort McMurray properties	$ 5,451,297	$ 4,039,095	$ 1,412,202	35%	77%	66%	49%	42%
Other investment properties	268,394	457,561	(189,167)	(41)%	4%	8%	23%	37%
Sub-total	5,719,691	4,496,656	1,223,035	27%	81%	74%	46%	42%
Held for sale and/or sold properties	1,315,927	1,593,642	(277,715)	(17)%	19%	26%	67%	58%
Total	$ 7,035,618	$ 6,090,298	$ 945,320	16%	100%	100%	49%	45%

During Q3-2017, the net operating income from the investment properties portfolio, excluding held for sale and/or sold properties, decreased by $0.2 million or 8%, compared to the same period in the prior year. The operating margin, excluding held for sale and/or sold properties, decreased from 48% during Q3-2016 to 45% during Q3-2017. After accounting for held for sale and/or sold properties, the total net operating income of LREIT during Q3-2017, decreased by $0.3 million or 11%, compared to the same period in the prior year.

The decreases in the net operating income and operating margin during the three month period were primarily the result of a decrease in the average occupancy of the Fort McMurray portfolio.

During the nine month period ended September 30, 2017, the net operating income from the investment properties portfolio, excluding held for sale and/or sold properties, increased by $1.2 million or 27%, compared to the same period in the prior year. The operating margin, excluding held for sale and/or sold properties, increased from 42% during the first nine months of 2016 to 46% during the first nine months of 2017. The increases in net operating income and operating margin, excluding held for sale and/or sold properties, are primarily due to the increase in the revenue results of the Fort McMurray property portfolio offset by an increase in property operating costs.

After accounting for the decrease in net operating income of held for sale and/or sold properties, the total net operating income of LREIT during the nine month ended September 30, 2017, increased by $0.9 million or 16%, compared to the same period in the prior year. The decrease in net operating income from held for sale and/or sold properties is primarily due to the sales of Beck Court and Willowdale Gardens on May 1, 2016, partially offset by an increase in the net operating income of Woodland Park, the property classified as held-for-sale

ABOUT LREIT

LREIT is a real estate investment trust, which is listed on the Toronto Stock Exchange under the symbols LRT.UN (Trust Units) and LRT.DB.G (Series G Debentures). 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.