LANESBOROUGH REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2008

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2008 THIRD QUARTER HIGHLIGHTS

Acquisition and Development

- During the third quarter of 2008, LREIT acquired two additional multi-family residential properties.

  - on July 2, 2008, LREIT acquired the Siena Apartments, a 66-suite luxury apartment property in Fort McMurray, Alberta, at a price of $30 Million.
  - on September 1, 2008, LREIT completed the acquisition of Parsons Landing, a 160-suite apartment property in Fort McMurray, Alberta at a cost of $63.2 Million including GST.

  As both properties were fully leased, the properties began contributing to the operating income of the Trust on the acquisition dates.

- As of September 30, 2008, the property portfolio of LREIT consists of 43 properties, comprised of 3,485 suites and 224,545 square feet of commercial leasable area.

Financial

Third quarter of 2008, compared to the third quarter of 2007:

- Rental revenues increased by $5.3 Million or 43%, with $4.8 Million derived from properties in Fort McMurray, Alberta.
- Net operating income increased by $4.0 Million or 50% in total and by $0.224 on a per unit basis.
- Operating margin for property portfolio improved from 62% in 2007 to 66% in 2008.
- For the "same property" residential portfolio, revenues increased by $1.2 Million or 12%, and net operating income increased by $0.8 Million or 13%.
- Distributable income increased by $1.42 Million ($0.075 per unit), resulting in distributable income of $0.193 per unit and a payout ratio of 72.5% for the third quarter of 2008 and $0.425 per unit and a payout ratio of 98.8% for the nine months ended September 30, 2008.
- FFO increased by $2.46 Million and to $0.200 on a per unit basis.
- AFFO increased by $2.23 Million and to $0.195 on a per unit basis.

Capital Structure

- Weighted average interest rate on the aggregate mortgage loan balance of 6.4% at September 30, 2008, compared to 6.2% at December 31, 2007.
- Mortgage loan debt to estimated current value ratio of 63% at September 30, 2008, compared to 59% at December 31, 2007.

Ongoing Investment Activities - 2008

- Acquisition of Colony Square, a 100% interest in a mixed use development in downtown Winnipeg, Manitoba, comprised of 428 suites and 83,190 square feet of leasable office/commercial space, closed on October 1, 2008 at a purchase price of $38 Million.

Estimated Current Value

- The real estate portfolio of LREIT has an estimated current market value of $780 Million, $225 Million in excess of net book value, as of September 30, 2008.

Unitholder Returns

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
Distribution per unit	$0.42	$0.56
Opening unit price	$4.99	$5.90
Closing unit price	$4.68	$4.99
Annualized yield on opening price (distribution/opening unit price)	11.2%	9.5%
Current cash distribution (per annum)	$0.56	
Closing unit price - November 12, 2008:	$2.90	
Current yield:	19.3%	

Lanesborough Real Estate Investment Trust Units are listed on the Toronto Stock Exchange under the symbol "LRT.UN". The Series F and Series G convertible debentures are listed on the Toronto Stock Exchange under the symbol "LRT.DB.F" and "LRT.DB.G", respectively.

REPORT TO UNITHOLDERS

The robust growth in operating income and cash flows which was achieved by LREIT in the second quarter of 2008 has continued in the third quarter of the year, with the Trust achieving significant increases in Net Operating Income (NOI), Funds from Operations (FFO), Adjusted Funds from Operations (AFFO) and Distributable Income, on a per unit basis. The improvement in operating results, in the third quarter of 2008 compared to the second quarter of 2008, is primarily due to new income-producing properties in Fort McMurray, Alberta, including the Siena Apartments and Parsons Landing, the two newly constructed multi-family residential properties which were acquired by LREIT on July 2, 2008 and September 1, 2008, respectively.

A summary of the operating results for the third quarter of 2008, compared to both the third quarter results for 2007 and the second quarter results for 2008, is provided in the following chart:

	Per Unit - Basic				
	2008 Q3	2008 Q2 Comparison		2007 Q3 Comparison	
	Amount	Amount	Increase	Amount	Increase
Net operating income (NOI)	$ 0.673	$ 0.520	$ 0.153	$ 0.449	$ 0.224
Funds from operations (FFO)	$ 0.200	$ 0.094	$ 0.106	$ 0.060	$ 0.140
Adjusted funds from operations (AFFO)	$ 0.195	$ 0.117	$ 0.078	$ 0.068	$ 0.127
Distributable income	$ 0.193	$ 0.147	$ 0.046	$ 0.118	$ 0.075

The improvement in the distribution payout ratio has also continued in the third quarter of 2008, with distributable income exceeding distributions declared by $923,743 or 38%. As a result of the growth in operating cash flows during the second and third quarter of 2008, the Trust has achieved full distribution coverage on a year-to-date basis, as the distributable income of LREIT is $58,498 or 1% in excess of distributions declared for the nine month period ended September 30, 2008.

Factors which will have a positive impact on the NOI of the Trust for the fourth quarter of 2008 include the following:

(i) during the fourth quarter of 2008, Parsons Landing will contribute three months of operating income to the Trust, compared to one month in the third quarter of 2008. (The NOI for Parsons Landing is estimated at $5.9 Million per annum); and

(ii) on October 1, 2008, LREIT acquired Colony Square. The property is 100% leased and will make a full contribution to the NOI of the Trust during the fourth quarter of 2008.

As discussed in the MD&A, the current level of uncertainty in global economic conditions has subjected LREIT to an increased level of risk, particularly in regard to debt financing, general economic conditions in the Canadian rental markets of the LREIT properties, and the volatility of stock markets. Notwithstanding the increased level of risk, the expectation is that the favourable operating results of LREIT will continue for the foreseeable future, although circumstances may be volatile in an environment of global uncertainty.

The Board of Trustees and the management team of Shelter Canadian Properties Limited remain fully committed to maximizing the long-term investment returns of the Unitholders.

ARNI C. THORSTEINSON, CFA
Chief Executive Officer
November 12, 2008

Property Portfolio - September 30, 2008

Property	Location	Purchase Price	Acquisition Date	Suites/ Leasable Area - Sq. Ft.	Occupancy September 30 2008
RESIDENTIAL					
Manitoba					
Highland Tower (1)	Thompson	$ 5,700,000	January 2005	77	99 %
Chancellor Gate	Winnipeg	6,750,000	August 2005	48	96 %
Willowdale Gardens	Brandon	4,326,000	January 2006	88	100 %
Saskatchewan					
Borden Estates	Prince Albert	5,315,000	February 2005	144	91 %
Cedar Village	Prince Albert	2,700,000	February 2005	72	94 %
Carlton Manor	Prince Albert	410,000	February 2005	19	84 %
Riverside Apartments	Prince Albert	265,000	February 2005	12	92 %
MGM Apartments	Prince Albert	650,000	February 2005	28	54 %
Marquis Towers	Prince Albert	6,200,000	August 2005	129	100 %
Riverside Terrace (2)	Saskatoon	24,000,000	July 2005	181	100 %
Village West	Saskatoon	5,113,800	June 2006	100	96 %
Sir Robert Borden Place	Saskatoon	5,600,000	May 2007	113	97 %
Chateau St. Michael's (2)	Moose Jaw	7,600,000	June 2006	93	100 %
Woodlily Courts	Moose Jaw	3,700,000	June 2006	102	100 %
Alberta					
Nova Villa	Edmonton	5,400,000	May 2004	61	93 %
Nova Manor	Edmonton	2,615,000	May 2004	32	88 %
Nova Ridge Estates	Spruce Grove	8,800,000	July 2004	102	95 %
Norglen Terrace	Peace River	2,500,000	October 2004	72	96 %
Broadview Meadows	Sherwood Park	6,790,000	January 2006	93	96 %
Nelson Ridge Estates	Fort McMurray	40,575,000	April 2005	225	99 %
Gannet Place	Fort McMurray	6,873,700	June 2006	37	100 %
Lunar Apartments	Fort McMurray	4,457,100	June 2006	24	100 %
Parkland Apartments	Fort McMurray	2,230,200	June 2006	12	92 %
Skyview Apartments	Fort McMurray	5,385,800	June 2006	29	97 %
Snowbird Manor	Fort McMurray	6,314,500	June 2006	34	97 %
Whimbrel Terrace	Fort McMurray	6,873,700	June 2006	37	97 %
Laird's Landing	Fort McMurray	51,350,000	August 2006	189	98 %
Woodland Park	Fort McMurray	37,865,000	March 2007	107	90 %
Lakewood Manor	Fort McMurray	59,900,000	July 2007	175	100 %
Millennium Village	Fort McMurray	24,220,000	November 2007	72	96 %
Parsons Landing	Fort McMurray	60,733,000	September 2008	160	94 %
Siena Apartments	Fort McMurray	30,000,000	July 2008	66	100 %
Westhaven Manor	Edson	4,050,000	May 2007	48	92 %
Northwest Territories					
Beck Court	Yellowknife	14,300,000	April 2004	120	96 %
Three Lakes Village	Yellowknife	10,900,000	May 2005	50	94 %
Nova Court (3)	Yellowknife	15,000,000	March 2007	106	100 %
Ontario					
Elgin Lodge (2)(4)	Port Elgin	18,122,000	June 2006	124	66 %
Clarington Seniors Residence (2)(5)	Bowmanville	22,400,000	February 2007	121	46 %
British Columbia					
Greenwood Gardens	Surrey	10,950,000	April 2004	183	94 %
Total - Residential		**$ 536,934,800**	Total suites	**3,485**	

Property Portfolio - September 30, 2008 (continued)

Property	Location	Purchase Price	Acquisition Date	Suites/ Leasable Area - Sq. Ft.	Occupancy September 30 2008
Total - Residential		**$ 536,934,800**	Total suites	**3,485**	
COMMERCIAL					
Retail and Office					
Kenaston (1)	Winnipeg, MB	12,656,200	April 2002	103,209	92 %
McIvor Mall	Winnipeg, MB	6,700,000	February 2004	65,283	97 %
		19,356,200		168,492	
Light Industrial					
405 East Lake Road NE (6)	Aidrie, AB	1,600,000	June 2003	39,936	- %
Purolator	Burlington, ON	1,200,000	September 2003	16,117	100 %
		2,800,000		56,053	
Total - Commercial		**22,156,200**	Total leasable area	**224,545**	
Total real estate portfolio		**$ 559,091,000**			

Notes to the Property Portfolio:

(1) Includes the cost of major renovations and asset additions.
(2) Seniors housing complex.
(3) Property includes 8,400 square feet of commercial space.
(4) Costs in regard to the expansion of $9,821,000 are classified as "properties under development".
(5) Properties are classified as "properties under development".
(6) Formally MAAX Warehouse.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lanesborough Real Estate Investment Trust ("LREIT") is an unincorporated closed-end real estate investment trust created by the Declaration of Trust and governed by the laws of the Province of Manitoba. The trust units of LREIT are listed on the Toronto Stock Exchange under the symbol "LRT.UN".

Management's Discussion and Analysis ("MD&A") of Lanesborough Real Estate Investment Trust ("LREIT" or the "Trust") should be read in conjunction with the financial statements of LREIT for the nine months ended September 30, 2008 and with reference to the first and second quarter reports for 2008 and the Annual Report for 2007.

Forward-Looking Information

Certain statements contained in this MD&A and in certain documents incorporated by reference herein are "forward-looking statements" that reflect the expectations of management regarding the future growth, results of operations, performance, prospects and opportunities of LREIT. Readers are cautioned not to place undue reliance on forward-looking information. All statements other than statements of historical fact contained or incorporated by reference herein are forward-looking statements including, without limitation, statements regarding the timing and amount of distributions and the future financial position, business strategy, potential acquisitions, plans and objectives of LREIT. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in forward-looking statements including risks associated with the proposed taxation of trusts, public markets, real property ownership, debt financing, concentration of portfolio in one market, future property acquisitions, availability of cash for distributions, availability of suitable investments, land leases, general uninsured losses, interest rate fluctuations, Unitholder liability, potential conflicts of interest, changes in legislation and investment eligibility, environmental risks, other tax-related risk factors, utility risk factor, government regulation, nature of Units, dilution, competition, general economic conditions, relationship with the property manager, reliance on key personnel and additional risks associated with convertible debentures. Although the forward-looking statements contained or incorporated by reference herein are based upon what management believes to be reasonable assumptions, LREIT cannot assure investors that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Forward-looking statements are made as of the date hereof, or such other date specified in such statements, and neither LREIT nor any other person assumes any obligation to update or revise such forward-looking statements to reflect new information, events or circumstances, except as expressly required by applicable securities law.

Purchase Price Information

All purchase prices set forth herein are disclosed prior to closing costs, other adjustments on closing and GST where applicable.

Estimated Current Value

In this management discussion and analysis, references are made to the estimated current value of LREIT's property portfolio, which is an estimate of the current value of LREIT's property portfolio as at September 30, 2008 made by management of LREIT.

In summary, the total estimated current value of the property portfolio of $780,193,000 is 4.8% in excess of the total appraised value of $744,753,000. For 28 properties, representing 49.4% of total appraised value, management assumed current value was equal to the appraisal values of the applicable properties, for 14 properties, representing 39.7% of total appraised value, the total estimated current value of the applicable properties was 7.05% in excess of total appraised value of the properties and for 1 property, management estimated current value to be the total of the cost of the building expansion and the appraised value of the property before the expansion.

The appraised value of properties as contained in appraisals prepared by independent appraisers are estimates only, are made effective as at the date set forth in the appraisal and are subject to a number of assumptions, qualifications and limiting conditions, including but not limited to those described in such appraisals. Such assumptions, qualifications and limiting conditions generally include, among other things: (i) that title to the property is good and marketable; (ii) there are no encroachments, encumbrances, restrictions, leases or covenants that would in any way affect valuation, except as noted in the appraisal; (iii) the existing use of the property is legal and may be continued by any purchaser of the property; (iv) there has been no delinquency in the payment of taxes relating to the property; (v) that environmental laws have been complied with and there are no potentially hazardous materials on the property or any adjoining property; and (vi) that there are no patent or latent defects in the buildings located on the property.

There can be no assurance that appraised value of a property is an accurate reflection of the value of such property as at the effective date set forth in the appraisal or on any other date, including on September 30, 2008, the date of management's estimate of the current value of such property. In addition, there can be no assurance that the valuation method or the capitalization rate(s) used in appraising a property (and used by management of LREIT in estimating the current value of the portfolio) was appropriate for such property as at the effective date set forth in the appraisal or on any other date, including on September 30, 2008, the date of management's estimate of the current value of such property.

LREIT undertakes no obligation to update or revise its estimated current value of its portfolio from time to time.

Financial and Operating Summary

	Three Months Ended September 30 2008	Three Months Ended September 30 2007	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007
DISTRIBUTIONS				
Total	$ 2,460,011	$ 2,451,342	$ 7,380,656	$ 7,317,200
Per unit	$ 0.14	$ 0.14	$ 0.42	$ 0.42
KEY PERFORMANCE INDICATORS (1)				
Operations				
Average residential occupancy rate	96 %	96 %	95 %	95 %
Operating residential cost ratio	33 %	37 %	38 %	42 %
Operating Results				
Total revenue	$ 17,922,623	$ 12,597,091	$ 46,526,874	$ 32,776,440
Net operating income *	$ 11,796,281	$ 7,845,308	$ 28,858,222	$ 19,249,847
Income (loss) for the period, before future income tax *	$ 400,258	$ (1,188,347)	$ (2,305,288)	$ (4,391,440)
Income (loss) for the period	$ (2,433,198)	$ 725,735	$ (7,421,708)	$ (292,006)
Cash Flows				
Cash flow from operating activities	$ 2,283,931	$ 1,431,198	$ 6,653,863	$ 3,612,312
Funds from Operations (FFO) *	$ 3,504,721	$ 1,048,543	$ 5,560,608	$ 1,457,937
Adjusted Funds from Operations (AFFO) *	$ 3,418,542	$ 1,185,032	$ 6,533,000	$ 2,347,097
Distributable income *	$ 3,383,754	$ 1,968,281	$ 7,439,154	$ 4,207,209
Financing				
Mortgage loans to estimated current value ratio *			62.8 %	59.7 %
Weighted average interest rate of mortgage loans *			6.4 %	6.5 %
Per Unit				
Net operating income *				
- basic	$ 0.673	$ 0.449	$ 1.649	$ 1.104
- diluted	$ 0.463	$ 0.331	$ 1.132	$ 0.825
Income (loss) for the period, before future income tax*				
- basic	$ 0.230	$ 0.068	$ (0.132)	$ (0.252)
- diluted	$ 0.210	$ 0.068	$ (0.132)	$ (0.252)
Income (loss) for the period				
- basic	$ (0.139)	$ 0.042	$ (0.424)	$ (0.017)
- diluted	$ (0.139)	$ 0.042	$ (0.424)	$ (0.017)
Distributable income *				
- basic	$ 0.193	$ 0.118	$ 0.425	$ 0.258
- diluted	$ 0.170	$ 0.114	$ 0.395	$ 0.253
Funds from Operations (FFO) *				
- basic	$ 0.200	$ 0.060	$ 0.318	$ 0.084
- diluted	$ 0.194	$ 0.059	$ 0.308	$ 0.082
Adjusted Funds from Operations (AFFO) *				
- basic	$ 0.195	$ 0.068	$ 0.373	$ 0.135
- diluted	$ 0.172	$ 0.066	$ 0.350	$ 0.132

(1) Non-GAAP Measurements

Items marked with an asterisk represent measurements which are not calculated or presented in accordance with Canadian generally accepted accounting principles ("GAAP") or which do not have a standardized meaning as prescribed by GAAP. The non-GAAP measurements may not be comparable to the measurements which are provided by other entities and should not be used as an alternative to the measurements which are determined in accordance with GAAP for purposes of assessing the performance of LREIT. LREIT believes, however, that the non-GAAP measurements are useful in supplementing the reader's understanding of the performance of the Trust. Details regarding the calculation of the non-GAAP measurements and a reconciliation to GAAP measurements, where applicable, are provided in the report.

IMPACT OF FINANCIAL CRISIS ON RISK FACTORS AND FINANCIAL POSITION

The financial crisis in the United States and the recent turmoil in global financial markets have significantly increased the level of uncertainty in regard to general economic conditions in Canada. Although it is not possible to accurately predict the impact of the recent events on the operations of LREIT, the current level of uncertainty in the global and domestic market place has increased the level of risk associated with publicly traded investments, including investments in the units of LREIT.

On August 13, 2008, LREIT issued its second quarter report for 2008 at which time the units of the Trust were trading at a price of approximately $5.40 per unit. During the following two weeks, the trading price of the units gradually increased, reaching a high of $5.80 per unit on September 2, 2008. Throughout the months of September and October 2008, as the severity of the financial crisis in the United States began to have a more direct impact on stock markets, the trading price of LREIT units gradually declined, closing at a price of $2.90 on November 12, 2008, representing a decrease of 50% from September 2, 2008.

The volatility in global stock markets has negatively impacted the trading price of the trust units of LREIT, notwithstanding that there are a multitude of complex factors affecting the price of a publicly-traded investment. The negative impact of the financial crisis on capital markets, combined with the utilization of interim sources of mortgage financing by LREIT, has also increased the level of risk for LREIT in regard to debt financing. As disclosed in more detail in the MD&A, LREIT has $60.7 Million of mortgage loan debt maturing during 2009, representing 14.1% of its total long-term debt, as of September 30, 2008. The maturing debt includes $25 Million of interest-only mortgage loans with a term of one year. The financial crisis has resulted in a more restrictive and conservative lending market and, in the unlikely event that LREIT is unable to renew its mortgage loan debt at maturity, or obtain replacement financing, LREIT would not be in a position to repay the debt and would be in default of its debt obligations. In such event, the lenders could potentially take action against LREIT and the indebted properties. It could also be necessary for LREIT to direct funds, which would otherwise be used for distributions, to retire mortgage debt.

In summary, the increased uncertainty in the capital markets has increased the risk of potential mortgage arrears by LREIT and could potentially affect the ability of LREIT to pay distributions. As of the date of this report, renewal terms have been finalized for all mortgage loans which mature in the fourth quarter of 2008 and there is no indication from the existing lenders of LREIT that renewal terms will not be arranged for any of the maturing mortgages.

The current economic crisis has also increased the level of risk for LREIT in regard to general economic conditions in the communities where the LREIT properties are located, particularly for the property portfolio in Fort McMurray, Alberta.

As of September 30, 2008, the property portfolio of LREIT in Fort McMurray comprises 13 properties, representing 34% of the total residential suites of the Trust and 61% of the total acquisition cost of the total property portfolio. During the nine months ended September 30, 2008, approximately 58% of the operating income of LREIT was derived from property portfolio in Fort McMurray. As employees from the oil sands industry represent the primary tenant base of the Fort McMurray properties, LREIT has significant exposure to the Fort McMurray market and to the oil sands industry. LREIT also has 2 properties in Fort McMurray which are 100% leased to major oil sands companies under a single, multi-year net lease agreement. The "entire property" lease agreements encompass a total of 241 suites.

As a result of the declining price of oil, there may be a reduction in the economic growth projections in Fort McMurray and a slow down in the level of activity in the oil sands construction industry. As of the date of this report, there has not been a decline in occupancy levels for the residential properties in Fort McMurray for the fourth quarter of 2008. Nevertheless, the potential impact of future declines in oil prices remains one of the risk factors for LREIT.

The current level of uncertainty in the global market place is also expected to reduce the rate of economic growth in Canada, with some regions of the country being more susceptible to recessionary influences than others. Aside from the potential negative impact of declining oil prices on the occupancy level of properties in Fort McMurray, it is not possible to predict the impact of a recession on the operating results of the LREIT properties. For example, an increase in unemployment could potentially result in an improvement in occupancy levels to the extent that it reduces the move to home ownership by existing and potential tenants. Conversely, increased unemployment levels could potentially have a negative impact on occupancy rates to the extent that households "double-up" in rental accommodation.

There are many other risk factors associated with an investment in LREIT, many of which are not directly related to, or directly affected by, the current level of uncertainty in global economic conditions. As with previous reports, the key risk factors, including the above-noted risks regarding public market investments, general economic conditions and the concentration of properties in Fort McMurray, are also discussed in the latter sections of the MD&A. Other risks and uncertainties are more fully explained in the other regulatory filings of LREIT, including the Annual Information Form. A discussion of risk management and the management of capital is contained in the accompanying financial statements.

INVESTMENT OBJECTIVES AND STRATEGY

General

The primary objectives of the Lanesborough Real Estate Investment Trust ("LREIT") are to maximize unit values and provide stable cash distributions to the Unitholders by creating a large diversified portfolio of quality real estate investments through the ongoing acquisition of additional multi-unit residential properties. The overall investment strategy of LREIT is to focus on the acquisition of properties with stable yields, low vacancy levels and growth potential.

LREIT strives to maximize operating income through the implementation of sophisticated and prudent financial management practices, superior operating procedures, high caliber and responsive management services, proactive leasing strategies and, where appropriate, capital improvement and renovation programs. The benefits of major renovations are typically identified during the property acquisition process, with renovations commencing within a relatively short time frame after the property acquisition is complete.

For the foreseeable future, the investment strategy of LREIT will continue to focus on the acquisition of multi-family residential properties in markets across western Canada, including continued investments in smaller centres.

The investment policies and operations of LREIT are subject to the overall control and direction of the Trustees. Shelter Canadian Properties Limited ("Shelter Canadian") provides asset management services to LREIT, pursuant to the terms of a Services Agreement. Shelter Canadian is also responsible for the property management function for the Income Properties of LREIT, pursuant to the terms of a Property Management Agreement.

REAL ESTATE PORTFOLIO

Investment in Properties - September 30, 2008

Portfolio Summary - September 30, 2008

As of September 30, 2008, the property portfolio of LREIT consists of 39 multi-family residential properties and four commercial properties, with a total purchase price of approximately $559 Million, encompassing 3,485 suites and 224,545 square feet of leasable area.

Property Acquisitions

During the third quarter of 2008, LREIT acquired two new properties, both of which were classified as "income-producing" properties, as of September 30, 2008. A description of the new properties is provided below.

Siena Apartments

On July 2, 2008, LREIT acquired 66 condominium units in Fort McMurray, Alberta, known as Siena Apartments, for a purchase price of $30 Million. The units are contained on three floors and are comprised of 6 one-bedroom and 60 two-bedroom suites. All of the suites are fully furnished and the complex includes a 93 stall underground parkade. The main floor commercial condominium units are owned by a third party.

The property is 100% leased to a major oil sands operating company on a net rent basis until May 1, 2012. The lease agreement provides the tenant with an option to extend the lease in 2012 for an additional five years at the current market rents at that time.

The purchase price was funded by a new first mortgage loan in the amount of $21 Million, a vendor take-back mortgage loan of $4 Million and the balance in cash. The first mortgage loan is a five year, floating interest rate mortgage, the interest rate of which has been fixed at 5.7% through an interest rate swap arrangement. The vendor take-back mortgage loan is a 5% "interest-only" mortgage with a due date of July 2, 2010.

LREIT also has a right of first refusal to acquire Cortona Apartments (formerly known as Phase II of Siena Apartments). Cortona consists of 57 suites and is also 100% leased to the same major oil sands operating company on a net rent basis for a five-year term until 2013.

Parsons Landing

On September 1, 2008, LREIT completed the acquisition of Parsons Landing, a newly constructed apartment property in the Timberlea area of Fort McMurray, Alberta. The property consists of a four-storey apartment building, with a total of 160 suites, comprised of 32 one-bedroom, 124 two-bedroom and four three-bedroom suites. The majority of the suites are fully furnished and each suite has individual condominium title. The property also has a 219 stall parkade and 37 surface parking stalls.

The acquisition of Parsons Landing occurred in two phases upon the issuance of occupancy certificates. The acquisition of Phase I closed on May 14, 2008 and the acquisition of Phase II closed effective September 1, 2008.

The purchase price of Parsons Landing is $63.2 Million, including GST. The purchase agreement for Parsons Landing provides for a portion of the purchase price to be paid subsequent to the property acquisition dates. After accounting for the initial deposit and a portion of the $10 Million second mortgage loan advance that was provided to the Vendor in November 2007, the balance owing subsequent to the acquisition of Phase I was approximately $25.3 Million, including GST. Upon the closing of Phase II, the balance owing increased to approximately $50.7 Million, including GST. Amounts owing bear interest at a rate of 8%.

After payment of the additional deposit of $2.5 Million on October 1, 2008, the balance owing was reduced to $48.2 Million, including GST. The payment of the balance owing is due in February 2009 and will be funded from the proceeds of new first mortgage financing.

Properties Under Development

The property portfolio of LREIT includes two properties which are classified as "Properties Under Development". The status of the properties is as follows:

- multi-level building addition at Elgin Lodge - the building addition was completed during the fourth quarter of 2007 at a cost of approximately $9.8 Million. The lease-up of the building addition (60 suites in total) is expected to be completed by the end of 2008.

- The Clarington Seniors Residence - the property was acquired by LREIT in 2007 in the lease-up stage of development. Lease-up is expected to be completed in 2009.

New Income-Producing Properties

In most cases, an existing property which is acquired by LREIT is classified as an "Income Property". Building additions and properties under development by LREIT, as well as newly constructed properties acquired by LREIT, are classified as "Properties Under Development" until the lease-up stage for the property is completed, at which time the property is reclassified as an "Income Property". As construction costs and/or carrying costs of a property under development are capitalized, a property does not contribute to the operating income of the Trust until the property is reclassified as an income property.

The date on which a property becomes an "income-producing" property is, therefore, a major factor in terms of analyzing the impact of the overall growth of the property portfolio on the operating income of the Trust. During the nine month period ended September 30, 2008, three properties were added to the "income-producing" portfolio of LREIT, including the two properties which were acquired in the third quarter of 2008 and one property which was developed by LREIT and leased up in the second quarter of 2008 (Laird's Landing). A summary of the new income-producing properties is provided in the following chart.

			Contribution to Operating Income (In Days)		
Property	Price	Classified as an income property	Q3	Q2	Q1
Laird's Landing	$ 51,350,000	June 1, 2008	92	30	-
Parsons Landing Phase I	33,054,000	July 1, 2008	92	-	-
Siena	30,000,000	July 2, 2008	91	-	-
Parsons Landing Phase II	27,679,000	September 1, 2008	30	-	-
	$ 142,083,000				

Contracted Property Acquisitions - Subsequent to September 30, 2008

Colony Square

On October 1, 2008, LREIT acquired the remaining 98.5% beneficial interest in an apartment/office complex in downtown Winnipeg, Manitoba, known as Colony Square, for a purchase price of $37.7 Million. Prior to October 1, 2008, LREIT owned a 1.5% beneficial interest in the property.

Colony Square consists of two apartment towers (one with 16 storeys and one with 17 storeys), a seven storey office building and a 270 stall underground parkade. The two apartment towers contain a total of 428 suites, while the office building contains 80,935 square feet of leasable area. An additional 2,255 square feet of leasable commercial area is available on the main floor of the apartment towers.

The acquisition of Colony Square was funded by the assumption of a $21 Million 5.5% first mortgage loan and the balance in cash. The property was classified as an "income-producing" property on the acquisition date.

Mortgage Loan Receivable

September 30, 2008	$ -
December 31, 2007	$ 10,000,000

As of December 31, 2007, "Mortgage Loan Receivable" consisted of the $10 Million second mortgage loan which was provided in regard to the construction of Parsons Landing. In May 2008, $5.25 Million of the loan was applied to the purchase price of Phase I of Parsons Landing, resulting in a balance of $4.75 Million as of June 30, 2008. On September 1, 2008, upon the acquisition of Phase II, the balance of the loan was fully applied to the purchase price of the property.

Accordingly, the Trust did not have any investments in mortgage loans, as of September 30, 2008.

CAPITAL STRUCTURE

Capital Structure - September 30, 2008

	September 30, 2008		December 31, 2007	
	Amount	%	Amount	%
Mortgage loans payable - principal amount	$ 429,818,005	76.6 %	$ 343,269,160	72.2 %
Convertible debentures - face value	51,362,000	9.2 %	52,955,000	11.1 %
Trust units (net of issue costs)	79,782,837	14.2 %	79,124,607	16.7 %
Total capitalization	$ 560,962,842	100.0 %	$ 475,348,767	100.0 %

Overall Financing Strategy

The overall strategy of LREIT is to fund the equity component of new property acquisitions through the issuance of additional trust units or convertible debentures. The upward refinancing of property debt also serves as a source of capital. LREIT will also utilize operating lines of credit, bridge financing and other short-term financing facilities as a source of interim investment capital.

Trust Units

Units Outstanding

Authorized	unlimited
Issued as of,	
- September 30, 2008	17,560,205
- November 12, 2008	17,458,029

As of September 30, 2008, LREIT had 17,560,205 units outstanding, representing an increase of 30,311 units or 0.2%, compared to the number of units outstanding as of December 31, 2007. The increase in units originated from the following transactions:

Issue Date	Units Issued	Equity Raised
Units outstanding, December 31, 2007	17,529,894	$ 65,962,557
Units issued under DRIP	213,511	1,067,030
Units purchased and cancelled under normal course issuer bid	(183,200)	(929,371)
Units outstanding, September 30, 2008	17,560,205	$ 66,100,216

Distribution Reinvestment Plan ("DRIP")

The "Distribution Reinvestment Plan" provides that Unitholders may choose to have monthly cash distributions automatically reinvested in additional units, while receiving a "bonus" distribution of units equal to 4% of the reinvested amount. Participants in the DRIP may also purchase additional units on a distribution payment date. The purchase price of the units will generally be equal to the weighted average closing price of the units for the five trading days immediately preceding the relevant distribution payment date.

As noted above, 213,511 units were issued under the Distribution Reinvestment Plan during the nine months ended September 30, 2008.

Normal Course Issuer Bid

In January 2008, the Toronto Stock Exchange (the "Exchange") approved LREIT's Notice of Intention to make a normal course issuer bid for its trust units, with the bid period being established as the 12 month period commencing January 21, 2008. During the bid period, LREIT may acquire a maximum of 876,494 units, representing 5% of the issued and outstanding units, as of January 10, 2008. Purchases will be made at market prices through the facilities of the Exchange. Any tendered units taken up and paid for by LREIT will be cancelled.

LREIT believes that the ongoing purchase of units, pursuant to the bid, is an appropriate use of LREIT's resources, given the disparity between the market price of the units and the underlying value of the units, as determined by LREIT. LREIT also believes that the purchase of units pursuant to the bid will benefit all remaining Unitholders by increasing their proportionate equity interest and voting interest in LREIT, while affording liquidity to anyone who desires to sell their units.

As of September 30, 2008, LREIT has purchased and cancelled 183,200 units under its normal course issuer bid at an weighted average price of $5.07 per unit.

Subsequent to September 30, 2008, the Trust purchased and cancelled 149,800 units at a weighted average price of $3.86, pursuant to the normal course issue bid.

Unit Options

Pursuant to the Unit Option Plan, the Trust may grant unit purchase options to the Trustees, Directors and Senior Officers of LREIT and to other individuals who are employed or retained by the Trust to perform specific duties.

On January 7, 2008, LREIT granted options to acquire a total of 370,000 units to 26 individuals, including 245,000 units which were granted to the four independent trustees, the Chief Executive Officer and the Chief Financial Officer of LREIT, and 125,000 units which were granted to 20 management and other senior employees of Shelter Canadian Properties who are engaged in LREIT related functions. The options which were issued to the four independent trustees vested immediately, while the remaining options vest equally on each of the grant date and the four subsequent anniversaries of the grant date. All of the options are exercisable at a price of $5.10.

As of September 30, 2008, LREIT had 1,452,000 units options outstanding.

In accordance with Canadian generally accepted accounting principles, the estimated fair value of the options is expensed over the vesting period of the options and the expense is recorded as "unit-based compensation". Unit-based compensation expense is included in trust expense in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). During the first nine months of 2008, unit-based compensation expense related to the unit options amounted to $273,075, including $160,905 relating to the 370,000 units which were issued in January 2008.

As unit-based compensation is a "non-cash" expense, it does not impact the operating cash flows of the Trust.

Limited Partnership Units

In June 2006, LREIT acquired the Village West Townhouses in Saskatoon, Saskatchewan. The acquisition of the property encompassed the issuance of 456,617 Class B Limited Partnership Units ("LPU's") of a wholly owned Limited Partnership which was established by the Trust (the LREIT Village West Limited Partnership). The LPU's were issued at a value of $6 per LPU, representing total consideration of $2,739,704. Each LPU is entitled to receive cash distributions equal to the cash distributions which are paid on the trust units of LREIT. The vendor has the right to exchange each LPU for LREIT trust units on a one for one basis. The LPU's are also transferable.

On November 1, 2006, 100,000 of the LPU's were exchanged for LREIT trust units.

Distribution Dates and Amounts

The distribution policy of LREIT is to pay distributions on a monthly basis. The distribution for each month, excluding December, is paid on or about the 15th day of the following month to the Unitholders of record on each month end. The distribution for December is paid on or before December 31 to the Unitholders of record on or about December 15.

During the first nine months of 2008, LREIT declared distributions of $0.42 per unit or $0.56 per unit on an annualized basis. The cash distribution for September 2008 was paid on October 15, 2008. Distributions are comprised of the following components:

	Trust Units	LP Units
Cash distributions paid for January to August, 2008	$ 5,541,452	$ 133,137
Cash distributions payable at September 30, 2008	819,476	16,642
	6,360,928	$ 149,779
Value of units issued under DRIP	1,019,728	
Distributions declared, per Statement of Equity	$ 7,380,656	

A cash distribution of $0.04667 per unit, or $0.56 on an annualized basis, was also declared for the month of October 2008 and will be paid on November 15, 2008.

Convertible Debentures

The Declaration of Trust for LREIT does not impose any limitations on the amount of convertible debt which may be issued by the Trust. The following is a summary of the debenture offerings which have been undertaken by LREIT, as of September 30, 2008.

Summary of Debenture Offerings

Issue Date/Maturity Date	Series	Interest Rate	Amount Issued	Repayments/Unit Conversions: Nine Months Ended September 30, 2008	Repayments/Unit Conversions: As of December 31, 2007	Net Amount Outstanding September 30, 2008
Aug. 30/02/Aug. 30/07	A	10.0 %	$ 3,000,000	$ -	$ (3,000,000)	$ -
Aug. 30/02/Aug. 30/05	B	8.0 %	1,000,000	-	(1,000,000)	-
Jan. 30/04/Jan. 30/06	C	8.0 %	10,131,000	-	(10,131,000)	-
Mar. 16/04/Mar. 16/08	D	8.0 %	4,000,000	(1,593,000)	(2,407,000)	-
Feb. 17/05/Feb. 17/10	E	8.0 %	12,000,000	-	(50,000)	11,950,000
Mar. 10/06/Mar. 11/11	F	7.5 %	13,680,000	-	-	13,680,000
Dec. 8/06/Dec. 31/11	G	7.5 %	25,732,000	-	-	25,732,000
Face value			$ 69,543,000	$ (1,593,000)	$ (16,588,000)	51,362,000
Net accumulated accretion						5,179,147
Unamortized transaction costs						(1,812,621)
Book value, September 30, 2008						$ 54,728,526
Allocation of book value						
Debt component						$ 43,436,510
Equity component						13,104,637
Unamortized transaction costs						(1,812,621)
						$ 54,728,526

Mortgage Loans Payable

September 30, 2008	$427,468,279
December 31, 2007	$341,334,043

Summary of Mortgage Loans Payable

Year of Maturity	Weighted Average Interest Rate	Amount September 30, 2008	Percentage of Total
Fixed rate			
2009	7.4 %	$ 60,687,440	14.1 %
2010	8.1 %	37,610,414	8.8 %
2011	8.5 %	7,244,004	1.7 %
2012	5.6 %	33,753,703	7.9 %
2013	5.8 %	46,298,683	10.8 %
2014	6.3 %	43,625,271	10.1 %
2015	5.7 %	36,476,946	8.5 %
2016	5.2 %	42,732,983	9.9 %
2017	5.7 %	5,773,368	1.3 %
2018	5.8 %	22,679,623	5.3 %
		336,882,435	78.4 %
Demand/floating rate	5.9 %	92,935,570	21.6 %
Principal amount		429,818,005	100.0 %
Difference between contractual and market interest rates on mortgage loans assumed		121,654	
Unamortized transaction costs		(2,471,380)	
		$ 427,468,279	
Principal amount:			
Income properties		$ 406,012,435	
Properties under development		23,805,570	
		$ 429,818,005	

Mortgage Loan Portfolio

The general policy of LREIT is to utilize fixed rate financing with terms which are appropriate for the nature of the properties being financed. Upward refinancing opportunities are also pursued, when appropriate, in order to provide a source of additional capital and to minimize the impact of capital expenditures on ongoing operating cash flows. The mortgage loan indebtedness of the Trust is restricted to 75% of the appraised value of the real estate portfolio.

During the first nine months of 2008, the balance of mortgage loans payable increased by $86,134,236, comprised of the following amounts:

	Three Months Ended September 30, 2008	Three Months Ended June 30, 2008	Three Months Ended March 31, 2008	Nine Months Ended September 30, 2008
Mortgage loans on existing properties (1)	$ 80,539,062	$ 24,131,500	$ -	$ 104,670,562
Mortgage repayments on refinancing	(38,066,147)	-	-	(38,066,147)
Increase in mortgage loans for properties under development	-	820,208	6,494,520	7,314,728
Interim financing	-	12,000,000	5,400,000	17,400,000
	$ 42,472,915	$ 36,951,708	$ 11,894,520	91,319,143
Principal repayments				(4,770,298)
Change in the difference between contractual and market interest rates on mortgage loans assumed				(179,406)
Change in the unamortized component of transaction costs				(235,203)
				$ 86,134,236

(1) Included in mortgage loans on existing properties are floating interest rate mortgages of $22,679,623 and $20,905,985, with interest rates fixed at 5.82% and 5.74% respectively by use of interest rate swap arrangements.

A summary of interest rates and debt ratios for the mortgage loan portfolio is provided in the following chart.

Mortgage Loan Debt Summary

	2008			2007	
	September 30	June 30	March 31	December 31	September 30
Weighted average interest rate					
Fixed rate mortgage loans	6.4%	6.4%	6.2%	6.0%	6.3%
Floating rate mortgage loans	5.9%	5.9%	6.4%	7.1%	7.4%
Ratio of mortgage loans payable, compared to:					
Total purchase price of income-producing properties	77%	78%	81%	80%	82%
Estimated current value of entire property portfolio	63%	59%	60%	59%	60%
Ratio of mortgage loans payable and convertible debenture debt (at face value), compared to total acquisition cost of income-producing properties	86%	96%	90%	89%	96%

Interim Mortgage Loan Financing

As of September 30, 2008, the mortgage loans payable of LREIT includes $45.9 Million of interim mortgage loan financing, comprised of the following:

Amount	Maturity Date
$4.5 Million	January 1, 2009
$5.4 Million	January 1, 2009
$4.0 Million	April 1, 2009
$2.0 Million	September 1, 2009
$12.0 Million	October 30, 2010
$18.0 Million	October 31, 2010
$45.9 Million	

LREIT expects to renew the interim mortgage loans maturing on January,1, 2009 for an additional one year term.

The interim mortgage loans are secured by charges registered against two or more income properties, aside from the $2.0 Million loan which is registered against one income property. The loans bear interest at a weighted average rate of 9.2% and require payments of interest only.

On October 6, 2008, the initial advance of $3.0 Million, in regard to a $7.5 Million interim mortgage loan, bearing interest at 11.75% and due November 1, 2009, was received. The second advance of $3.5 Million was received on November 5, 2008 and the final $1.0 Million advance will be drawn in December.

Vendor Take-Back Mortgages

Mortgage loans payable include $5.6 Million of vendor take-back mortgage loans, as follows:

- a $1,600,000 vendor take-back mortgage, bearing interest at a rate of 6.25%, obtained upon the purchase of Westhaven Manor in May 2007. The loan is repayable on demand.
- a $4,000,000 interest only vendor take-back mortgage, bearing interest at a rate of 5%, obtained upon the acquisition of Siena Apartments in July 2008. The loan matures on July 1, 2010.

Revolving Line of Credit

The Trust utilizes a revolving line of credit with an authorized limit of $5 Million. The line of credit bears interest at the Royal Bank prime rate. As of September 30, 2008, the amount available on the line of credit was $4.875 Million.

Mortgage Loan Financing for New Properties

Millennium Village

Millennium Village was acquired in four phases during 2007 with the final closing date for the entire property occurring in November 2007. In accordance with the terms of the purchase agreement, the balance owing on the purchase price of Millennium Village was paid in May 2008.

The payment was funded by a new floating interest rate mortgage of $22,781,500. The interest rate of the mortgage was fixed at 5.82% with the use of an interest rate swap arrangement.

Laird's Landing

The development agreement for Laird's Landing, encompassed a commitment by Shelter Canadian Properties Limited to arrange permanent financing for the property, subsequent to the completion of construction.

At the substantial completion of construction in May 2008, the balance of the construction financing loan was approximately $38 Million. In September, 2008, the construction financing loan was replaced with a first mortgage loan of $55 Million.

Parsons Landing

As previously disclosed in this report, the purchase agreement for Parsons Landing also provides for a portion of the purchase price to be paid subsequent to the acquisition date of the property. As of September 30, 2008, the balance owing was approximately $50.7 Million, including the GST payable of approximately $2.5 Million.

The balance owing, after payment of the additional deposit of $2.5 Million on October 1, 2008, will be paid in February 2009 from the proceeds of a new first mortgage loan of $50 Million.

Interest Charges on Unpaid Purchase Price

As noted above, a portion of the purchase price of Millennium Village and Parsons Landing was paid subsequent to the acquisition date of the properties and both properties were acquired in phases. Interest on the balance owing is capitalized until the property achieves the level of occupancy required to be classified as an income property. Subsequent to the classification as an income property, interest on the balance owing is charged to mortgage loan interest expense.

ANALYSIS OF INCOME/LOSS

General

Changes in Property Portfolio

The ongoing growth in the portfolio of income-producing properties of LREIT is one of the main factors affecting the comparability of financial results in different reporting periods. A summary of the change in the cost base of the portfolio of income-producing properties is provided below.

Q3 2008 vs. Q3 2007

During the third quarter of 2008, the cost base of the portfolio of income-producing properties of LREIT was approximately $125 Million greater in comparison to the cost base for the third quarter of 2007, based on purchase price, pro-rated for the month of acquisition. Properties in Fort McMurray which were added to the income-producing portfolio subsequent to September 30, 2007 are as follows:

- Millennium Village - effective November 1, 2007
- Laird's Landing - effective June 1, 2008
- Siena Apartments - effective July 2, 2008
- Parsons Landing - effective September 1, 2008

Nine Months Ended September 30, 2008 vs. Nine Months Ended September 30, 2007

During the nine month period ended September 30, 2008, the cost base of the income-producing properties of LREIT was approximately $148 Million greater in comparison to the cost base for the first nine months of 2007, based on property purchase price, pro-rated for the month of acquisition. The increase in the cost base reflects properties which were added to the portfolio subsequent to September 30, 2007, as well as properties which were added during the first nine months of 2007, namely Nova Court, Woodland Park, Borden Place, Westhaven Manor and Lakewood Manor.

Q3 2008 vs. Q2 2008

After pro-rating the purchase price of Laird's Landing, Siena Apartments and Parsons Landing to reflect the number of months of rental operations in the second and/or third quarter of 2008, the cost base of the income-producing portfolio was approximately $84 Million greater than the third quarter of 2008, compared to the second quarter of 2008.

Overall Results

A comparison of the 2008 and 2007 financial results of LREIT, for the three and nine month periods ended September 30th, is provided in the following chart. Excluding future income tax, LREIT generated income of $400,258 during the third quarter of 2008, compared to a loss of $1,188,347 during the third quarter of 2007. For the nine month period ended September 30, 2008, LREIT incurred a loss of $2,305,288, compared to a loss of $4,391,440 for the nine month period ended September 30, 2007. The improvement in both the three and nine month periods mainly reflects an increase in net operating income, partially offset by an increase in financing expense, amortization charges and trust expense.

The increase in net operating income mainly reflects an increase in rental revenue, partially offset by an increase in property operating costs.

Analysis of Income (Loss)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Rental revenue	$ 17,817,076	$ 12,484,344	$ 45,862,726	$ 31,842,131
Interest and other income	105,547	112,747	664,148	934,309
Property operating costs	6,126,342	4,751,783	17,668,652	13,526,593
Net operating income (NOI) *	11,796,281	7,845,308	28,858,222	19,249,847
Trust expense	580,409	465,499	1,867,312	1,457,558
Income before financing expense, amortization, non-controlling interest and taxes (EBITDA) *	11,215,872	7,379,809	26,990,910	17,792,289
Financing expense	7,711,151	6,331,266	21,430,302	16,334,352
Income (loss) before amortization, non-controlling interest and taxes *	3,504,721	1,048,543	5,560,608	1,457,937
Amortization	3,085,470	2,245,918	7,808,398	5,897,389
Non-controlling interest	(18,993)	9,028	(57,498)	48,012
Income (loss) before future income tax *	400,258	(1,188,347)	(2,305,288)	(4,391,440)
Future income tax (expense) recovery	(2,833,456)	1,914,082	(5,116,420)	4,099,434
Income (loss) for the period	$ (2,433,198)	$ 725,735	$ (7,421,708)	$ (292,006)

The analysis of income (loss) for the period represents the re-formatting of balances from the Consolidated Statements of Operations in order to provide a summarized analysis of the financial performance of the Trust. All of the lines in the analysis agree to amounts in the financial statements. Accordingly, the analysis consists entirely of GAAP measurements, aside from the four sub-totals (see asterisks).

Revenue

Total Revenue

Operating Segments

The operations of LREIT encompass the acquisition and management of a growing portfolio of income-producing properties located in rental markets across western Canada and in Ontario and the Northwest Territories. Aside from four commercial properties which were acquired in the initial years of operation, all of the properties in the LREIT portfolio are residential properties.

For financial reporting purposes, the operating results of LREIT, are segmented geographically and between "residential", "commercial", "light industrial" and "Trust" components. The "Trust" component reflects amounts pertaining to the overall asset management and administrative activities of LREIT.

The percentage of revenue generated by each operating segment for the nine month period ended September 30, 2008, as well as a comparison of the 2008 and 2007 revenue results for the nine month period ended September 30th, is disclosed in the following charts.

Analysis of Total Revenue

	Nine Months Ended September 30, 2008		
	Income Properties		
	Residential	Commercial	Trust
Rental revenue	93%	7%	n/a
Interest and other income	47%	4%	49%
Total revenue	92%	7%	1%

Increase in Total Revenue

	Total Revenues			
	Nine Months Ended September 30		Increase (Decrease)	
	2008	2007	Amount	% of Total
Residential	$ 43,079,686	$ 28,786,176	$ 14,293,510	104 %
Commercial	3,121,751	3,366,546	(244,795)	(2)%
Trust	325,437	623,718	(298,281)	(2)%
Total	$ 46,526,874	$ 32,776,440	$ 13,750,434	100 %

Residential Properties

The revenue of LREIT is primarily generated from the portfolio of residential properties. During the nine month period ended September 30, 2008, the portfolio of residential properties accounted for 93% of total revenues of the Trust.

The growth in the revenue of LREIT is also primarily attributable to the portfolio of residential properties. During the nine month period ended September 30, 2008, the total revenue of LREIT increased by approximately $13.8 Million, compared to the first nine months of 2007, with the residential property portfolio accounting for all of the increase.

Commercial Properties

Total Revenues

During the nine month period ended September 30, 2008, the portfolio of four commercial properties accounted for 7% of total revenue of LREIT. In comparison to the first nine months of 2007, the revenue of the commercial portfolio decreased by $244,795 during the first nine months of 2008, primarily due to the increase in vacancy loss at the Kenaston Property, as well as the loss of revenue from the MAAX Warehouse, effective July 1, 2008.

MAAX Warehouse (405 East Lake Road NE)

The four commercial properties in the real estate portfolio of LREIT include the MAAX Warehouse building, a 39,936 square foot building in Airdrie, Alberta. Since the acquisition of the property in June 2003, the MAAX Warehouse building has been 100% leased to MAAX Inc. In June 2008, MAAX Inc. successfully filed for creditor protection and discontinued rent payments for the MAAX Warehouse building, effective July 1, 2008. Pending the releasing of the space, the reduction in revenue from the loss of the MAAX Warehouse lease will have a minimal impact on the overall financial position and results of operation of the Trust.

Trust Operations

Revenue from Trust operations is comprised almost exclusively of interest income on mortgage loans receivable and cash. The revenue is classified as "interest and other income" and represents a minor component of the overall revenues of the Trust.

As disclosed on the preceding chart, revenue from Trust operations accounted for 1% of the total revenue of LREIT during the nine month period ended September 30, 2008. In comparison to the first nine months of 2007, revenue from Trust operations decreased by $298,281 during the the first nine months of 2008. The decrease mainly reflects a reduction in interest income on mortgage loans receivable.

Rental Revenue from Residential Properties

Overall Increase

As noted above, revenue from residential properties increased by $14,293,510 during the first nine months of 2008. The increase is comprised of a $14,266,669 increase in rental revenue and a $26,841 increase in interest and other income.

The increase in residential rental revenue is mainly attributable to the acquisition of additional residential properties, as well as an improvement in the operating results of the residential properties which have been in the LREIT portfolio since January 1, 2007.

Analysis of Residential Rental Revenue by Geographic Segment

Analysis of Residential Rental Revenue

	Residential Rental Revenue					
	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)
Alberta						
Fort McMurray	$ 9,948,355	$ 5,116,568	$ 4,831,787	$ 22,702,528	$ 10,967,392	$ 11,735,136
Other Alberta	1,091,568	976,312	115,256	3,197,672	2,722,629	475,043
Total - Alberta	11,039,923	6,092,880	4,947,043	25,900,200	13,690,021	12,210,179
Saskatchewan	2,947,168	2,728,746	218,422	8,702,359	7,752,625	949,734
Northwest Territories	1,487,213	1,365,061	122,152	4,495,785	3,578,753	917,032
Manitoba	535,860	422,461	113,399	1,546,034	1,201,078	344,956
British Columbia	366,904	360,329	6,575	1,097,024	1,080,701	16,323
Ontario	410,506	402,418	8,088	1,024,655	1,196,210	(171,555)
Total Residential Portfolio	$ 16,787,574	$ 11,371,895	$ 5,415,679	$ 42,766,057	$ 28,499,388	$ 14,266,669

Analysis of Rental Revenue by Geographic Market Segment - Residential Properties

	Percentage of Total Rental Revenue			
	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Alberta				
Fort McMurray	59 %	45 %	53 %	38 %
Other Alberta	7 %	9 %	7 %	10 %
Total - Alberta	66 %	54 %	60 %	48 %
Saskatchewan	18 %	24 %	20 %	27 %
Northwest Territories	9 %	12 %	11 %	13 %
Manitoba	3 %	4 %	4 %	4 %
British Columbia	2 %	3 %	3 %	4 %
Ontario	2 %	3 %	2 %	4 %
	100 %	100 %	100 %	100 %

The investment strategy of LREIT is to focus on the acquisition of multi-family residential properties primarily in markets across western and northern Canada. During the past two fiscal years however, the majority of new property acquisitions by LREIT have been located in Fort McMurray, Alberta, due to the favourable rental market conditions and the high operating margins which are being achieved in that city. In regard to the 21-month period between January 1, 2007 and September 30, 2008, LREIT expended approximately $244 Million on property acquisitions and construction and development projects, of which approximately 79% pertains to new properties in Fort McMurray.

The acquisition of additional properties in Fort McMurray has resulted in a significant increase in the percentage of revenues contributed by the Fort McMurray property portfolio. During the third quarter of 2008, revenues from residential properties in Fort McMurray increased by $4,831,787, compared to the third quarter 2007, representing 90% of the total increase in residential rental revenue (please refer to first chart, above). As a percentage of total rental revenues, the contribution by the Fort McMurray portfolio increased from 45% during the third quarter of 2007 to 59% during the third quarter of 2008 (please refer to second chart, above).

During the first nine months of 2008, residential rental revenues increased by $14,266,669 or 50%, compared to the first nine months of 2007, primarily due to the same factors which contributed to the increase in residential rental revenue during the third quarter of 2008 and, in particular, the acquisition of additional properties in Fort McMurray. Overall, the Fort McMurray portfolio accounted for 53% of the total residential rental revenues for the nine months ended September 30, 2008, compared to 38% for the first nine months of 2007. The Fort McMurray portfolio also accounted for 82% of the total increase in residential rental revenues during the first nine months of 2008.

Vacancy Loss

Analysis of Vacancy by Geographic Market Segment

	Percentage of Vacancy Loss			
	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Alberta				
Fort McMurray	3 %	2 %	4 %	4 %
Other Alberta	2 %	2 %	2 %	2 %
Total - Alberta	3 %	2 %	4 %	3 %
Saskatchewan	3 %	8 %	3 %	9 %
Northwest Territories	- %	1 %	- %	- %
Manitoba	2 %	13 %	4 %	18 %
British Columbia	6 %	3 %	5 %	3 %
Ontario	34 %	7 %	34 %	7 %
Total Residential Portfolio	4 %	4 %	5 %	5 %

As disclosed in the chart above, the overall vacancy loss of the property portfolio was 4% during the third quarter of 2007 and the third quarter of 2008. Similarly, the overall vacancy loss of the property portfolio was 5% during the first nine months of 2007 and the first nine months of 2008.

The vacancy loss for the property portfolio with the highest percentage of revenues (ie. the Fort McMurray portfolio) remained constant at 4% for the first nine months of the year in both 2007 and 2008. Although the overall vacancy loss for property portfolios in other regions also remained constant, the property portfolio in Ontario experienced a significant increase in the vacancy loss, while the property portfolios in Manitoba and Saskatchewan achieved an offsetting decrease in the vacancy loss.

The improvement for the Saskatchewan portfolio reflects a significant reduction in the overall vacancy loss for all three of the rental markets where LREIT properties are located (Prince Albert, Moose Jaw and Saskatoon), while the improvement for the Manitoba portfolio is mainly due to the completion of the major renovation program at Highland Towers. The increase in the vacancy loss for the Ontario portfolio is associated with the new 60-suite addition at Elgin Lodge.

In the second quarter of 2008, the vacancy loss for the residential portfolio was also 4% and the vacancy loss for the Fort McMurray portfolio was also 3%.

Operating Costs

Analysis of Operating Costs

	Property Operating Costs					
	Three Months Ended September 30		Increase	Nine Months Ended September 30		Increase
	2008	2007	(Decrease)	2008	2007	(Decrease)
Alberta						
Fort McMurray	$ 2,363,574	$ 1,147,304	$ 1,216,270	$ 6,162,939	$ 2,905,398	$ 3,257,541
Other Alberta	421,643	395,087	26,556	1,339,962	1,307,510	32,452
Total - Alberta	2,785,217	1,542,391	1,242,826	7,502,901	4,212,908	3,289,993
Saskatchewan	1,539,198	1,536,043	3,155	4,752,458	4,452,480	299,978
NWT	564,508	501,352	63,156	1,773,268	1,391,602	381,666
Manitoba	228,959	224,882	4,077	719,915	639,935	79,980
British Columbia	229,979	198,035	31,944	665,355	629,508	35,847
Ontario	320,596	262,920	57,676	713,521	782,854	(69,333)
Total Residential Portfolio	5,668,457	4,265,623	1,402,834	16,127,418	12,109,287	4,018,131
Total Commercial Portfolio	457,885	486,160	(28,275)	1,541,234	1,417,306	123,928
Total	$ 6,126,342	$ 4,751,783	$ 1,374,559	$ 17,668,652	$ 13,526,593	$ 4,142,059

During the third quarter of 2008, property operating costs for the residential portfolio increased by $1,402,834 or 33%, compared to the third quarter of 2007, with the Fort McMurray portfolio accounting for the majority of the increase. As disclosed in the chart above, operating costs for the Fort McMurray portfolio increased by $1,216,270 during the third quarter of 2008, representing 87% of the total increase in property operating costs for the residential portfolio. As with the third quarter revenue increase, the increase in operating costs in the Fort McMurray portfolio reflects the acquisition of additional properties in Fort McMurray subsequent to September 30, 2007.

For the nine month period ended September 30, 2008, property operating for the residential portfolio increased by $4,018,131 or 33%, compared to the first nine months of 2007, with the Fort McMurray portfolio accounting for the majority of the increase due to the additional property acquisitions in Fort McMurray, subsequent to January 1, 2007. The property portfolio in the Northwest Territories and in Saskatchewan account for the majority of the remaining increase in property operating costs. For the Northwest Territories portfolio, the increase in property operating costs is mainly due to the acquisition of Nova Court on March 22, 2007. Similarly, for the Saskatchewan portfolio, the increase in property operating costs is mainly due to the acquisition of Sir Robert Borden Place on May 1, 2007.

The decrease in operating costs for the Ontario portfolio for the nine month period ended September 30, 2008, is mainly due to to the temporary increase in vacancy associated with the expansion of Elgin Lodge.

Net Operating Income and Operating Margin

Overall

Summary Analysis of Net Operating Income

	Net Operating Income For the Three Months Ended September 30			Operating Margin	
	Amount		Increase		
	2008	2007	(Decrease)	2008	2007
Residential	$ 11,202,013	$ 7,191,040	$ 4,010,973	67 %	63 %
Commercial	578,219	634,443	(56,224)	56 %	57 %
Trust	16,049	19,825	(3,776)	n/a	n/a
Total	$ 11,796,281	$ 7,845,308	$ 3,950,973	66 %	62 %

	Net Operating Income For the Nine Months Ended September 30			Operating Margin	
	Amount		Increase		
	2008	2007	(Decrease)	2008	2007
Residential	$ 26,952,268	$ 16,676,889	$ 10,275,379	63 %	58 %
Commercial	1,580,517	1,949,240	(368,723)	51 %	58 %
Trust	325,437	623,718	(298,281)	n/a	n/a
Total	$ 28,858,222	$ 19,249,847	$ 9,608,375	62 %	59 %

After reflecting "interest and other income" from Trust operations, the net operating income ("NOI") of the Trust increased by $3,950,973 during the third quarter of 2008, compared to the third quarter of 2007. For the nine month period ended September 30, 2008, the NOI of the Trust increased by $9,608,375, compared to the first nine months of 2007.

Residential Properties

During the third quarter of 2008, the NOI for the residential portfolio increased by $4,010,973 or 56%, compared to the third quarter of 2007. The increase in NOI for the residential property portfolio mainly reflects the new income-producing properties in Fort McMurray and the fact that the operating margin for the Fort McMurray portfolio continues to be significantly higher in comparison to properties in other locations. Please refer to the following chart.

Analysis of Net Operating Income - Residential Properties

	Net Operating Income Amount				Operating Margin			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	2008	2007	2008	2007	2008	2007	2008	2007
Alberta								
Fort McMurray	$ 7,627,447	$ 4,000,088	$ 16,712,324	$ 8,185,958	77 %	78 %	74 %	74 %
Other Alberta	682,749	596,831	1,916,911	1,488,710	62 %	60 %	59 %	53 %
Total - Alberta	8,310,196	4,596,919	18,629,235	9,674,668	75 %	75 %	71 %	70 %
Saskatchewan	1,422,959	1,204,745	3,991,241	3,340,830	48 %	44 %	46 %	43 %
Northwest Territories	931,152	874,361	2,749,821	2,207,670	62 %	64 %	61 %	61 %
Manitoba	309,024	207,691	832,554	577,799	57 %	48 %	54 %	47 %
British Columbia	138,773	167,826	438,261	462,549	38 %	46 %	40 %	42 %
Ontario	89,909	139,498	311,156	413,373	22 %	35 %	30 %	35 %
Total Residential	$ 11,202,013	$ 7,191,040	$ 26,952,268	$ 16,676,889	67 %	63 %	63 %	58 %

During the third quarter of 2008, the NOI from the Fort McMurray portfolio increased by $3.6 Million, representing 90% of the total increase in the NOI from the residential property portfolio. The operating margin for the Fort McMurray portfolio remained high at 77% during the third quarter of 2008, compared to an average of 52% for the remainder of the residential property portfolio.

The most significant change in the operating margin occurred in the Ontario portfolio, with the margin decreasing from 35% in 2007 to 22% in 2008.

Overall, the operating margin for the property portfolio increased to 67% for the the three month period ended September 30, 2008 compared to 63% for the same period in 2007.

During the nine month period ended September 30, 2008, the NOI of the residential portfolio increased by $10,275,379 or 62%, compared to the nine month period ended September 30, 2007, with the Fort McMurray portfolio accounting for 83% of the increase.

Same Property Analysis - Residential Properties

The same property analysis for the first nine months of 2008 encompasses the 29 income-producing residential properties which were in the LREIT portfolio, as of January 1, 2008. (Highland Tower is excluded from the same property analysis for the nine month period as a major in-suite renovation program was in process during the first six months of 2007 and a significant number of suites were not available to the rental market.)

For the third quarter comparison, the same property analysis encompasses 35 residential properties, as a result of the addition of five residential properties to the income-producing portfolio between January 1, 2007 and July 31, 2007. (Nova Court and Woodland Park in March 2007, Sir Robert Borden Place and Westhaven Manor in May 2007 and Lakewood Manor and Highland Tower on July 1, 2007.)

As disclosed in the following analysis, for the nine month comparison, the revenue of the same properties increased by 9.7%, while net operating income increased by 10.4%. For the third quarter comparison, the revenue and NOI increase in 2008 was 11.5% and 13.4%, respectively, compared to 2007.

The improvement in net operating income is mainly attributable to the improvement in the operating margins, as discussed above. Specifically, the improvement in same property NOI reflects rental rate increases and an improvement in occupancy levels at the majority of the "same" properties.

	Nine Months Ended September 30		Increase (Decrease)	
	2008	2007	Amount	%
Total revenue	$ 25,628,460	$ 23,368,854	$ 2,259,606	9.7 %
Net operating income	$ 14,180,372	$ 12,840,412	$ 1,339,960	10.4 %

	Three Months Ended September 30		Increase (Decrease)	
	2008	2007	Amount	%
Total revenue	$ 11,184,825	$ 10,028,597	$ 1,156,228	11.5 %
Net operating income	$ 6,796,142	$ 5,993,502	$ 802,640	13.4 %

Trust Expense

Trust expense increased by $114,910 during the third quarter of 2008, compared to the third quarter of 2007. The increase mainly reflects an increase of $112,180 in the service fee of Shelter Canadian in regard to administrative and asset management services due to the increased size of the Trust's assets. The fee is equal to 0.3% of the net book value of the assets of LREIT, excluding cash and accumulated amortization, as of the date of the most recently issued financial statements.

Please refer to "Related Party Transactions" for additional information in regard to the administrative, asset management and property management services which are provided to LREIT by Shelter Canadian Properties Limited and the associated remuneration.

For the nine month period ended September 30, 2008, Trust expense increased by $409,754, mainly due to an increase of $388,706 in the service fee of Shelter Canadian.

Financing Expense

Financing expense increased by $1,379,885 or 22% during the third quarter of 2008, compared to the third quarter of 2007, comprised of a $1,389,211 increase in mortgage loan financing expense and $9,326 decrease in convertible debenture financing expense. For the nine month period ended September 30, 2008, financing expense increased by $5,095,950 or 31%, comprised of a $5,103,635 increase in mortgage loan financing expense and $7,685 decrease in convertible debenture financing expense.

Financing expense encompasses mortgage loan and convertible debenture interest, as well as a number of "non-cash" expenses, including amortization charges for transaction costs, accretion and the change in fair value of interest rate swap. For the three and nine month period ended September 30, 2008, the "non-cash" expenses represented (1)% and 9% of the total financing expenses, respectively.

Analysis of Financing Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Mortgage Loans				
Mortgage loan interest	$ 6,821,734	$ 4,353,369	$ 16,636,909	$ 10,401,223
Amortization of transaction costs	295,726	221,907	776,071	704,120
Change in value - swap asset	(1,152,973)	-	(1,204,002)	-
Total - mortgage loans	5,964,487	4,575,276	16,208,978	11,105,343
Debentures				
Interest on convertible debentures	977,975	1,011,399	2,965,785	3,119,769
Accretion of debt component	623,514	605,779	1,815,815	1,699,790
Amortization of transaction costs	145,175	138,812	439,724	409,450
Total - debentures	1,746,664	1,755,990	5,221,324	5,229,009
Total - financing expense	$ 7,711,151	$ 6,331,266	$ 21,430,302	$ 16,334,352

Interest Expense - Mortgage Loans

Mortgage loan interest increased by $2,468,365 or 57% during the third quarter of 2008, compared to the third quarter of 2007 and by $6,235,686 or 60% for the comparative nine month periods. The increase reflects the increase in mortgage loan debt, as discussed in the "Mortgage Loans Payable" section of this report and interest on the acquisition payable relating to Parsons Landing.

Interest Expense - Debentures

During the three and nine month period ended September 30, 2008, interest on convertible debentures decreased by $33,424 or 3% and by $153,984 or 5% , respectively, compared to the same period in 2007. The decrease mainly reflects the retirement of $1.6 Million of Series D Convertible Debentures in March 2008.

Total Interest Expense

As a percentage of operating income, total interest for mortgage loans and convertible debentures decreased from 68% during the third quarter of 2007, to 66% during the same period in 2008 and from 70% to 68% for the comparable nine month periods. The decrease in the ratio of interest, relative to operating income, reflects the extent to which the increase in net operating income has exceeded the increase in interest expense during the first nine months of the year, due to the following inter-related factors:

(i) an improvement in NOI returns from the asset base of the Trust, particularly in regard to properties which progressed from the development stage to the income-producing stage; and

(ii) a decrease in the amount of convertible debenture debt; partially offset by

(iii) an increase in the mortgage loan debt ratio of income-producing properties.

The percentage of total interest expense to operating income of 68% for the first nine months of 2008 reflects a percentage of 73%, 65% and 66% for the first, second and third quarters of 2008, respectively. The change in the quarterly percentage mainly reflects an ongoing improvement in operating income, net of interest expense, throughout the first nine months of 2008.

Amortization Expense

During the three and nine month period ended September 30, 2008, amortization expense increased by $839,552 or 37% and by $1,911,009 or 32%, respectively, compared to the same period in 2007. The increase is mainly due to amortization charges for the income-producing properties which have been added in the LREIT property portfolio during 2008. Amortization expense on the Consolidated Statement of Income (Loss) excludes amortization charges for transaction costs.

Comparison to Preceding Quarter

Analysis of Income (Loss) - Third Quarter 2008 vs. Second Quarter 2008

	Three Months Ended		Increase (Decrease)	
	September 30, 2008	June 30, 2008		
Rental revenue	$ 17,817,076	$ 14,768,829	$ 3,048,247	20.6 %
Interest and other income	105,547	206,429	(100,882)	(48.9)%
Property operating costs	6,126,342	5,863,259	263,083	4.5 %
Net Operating Income (NOI)	11,796,281	9,111,999	2,684,282	29.5 %
Trust expense	580,409	551,996	28,413	5.1 %
Income before financing expense, amortization, non-controlling interest and taxes (EBITDA)	11,215,872	8,560,003	2,655,869	31.0 %
Financing expense	7,711,151	6,904,685	806,466	11.7 %
Income before amortization, non-controlling interest and taxes	3,504,721	1,655,318	1,849,403	111.7 %
Amortization	3,085,470	2,390,830	694,640	29.1 %
Non-controlling interest	18,993	17,136	1,857	10.8 %
Income (loss) before future income tax expense	400,258	(752,648)	1,152,906	(153.1)%
Future income tax expense	(2,833,456)	(4,236,163)	1,402,707	(33.1)%
Income (loss) for the period	$ (2,433,198)	$ (4,988,811)	$ 2,555,613	(51.2)%

Excluding future income tax recoveries, LREIT generated income of $400,258 during the third quarter of 2008, compared to a loss of $752,648 during the second quarter of 2008. The improvement mainly reflects an increase in net operating income of $2,684,282 due to the addition of Siena Apartments and Parsons Landing to the income-producing portfolio, effective July 2, 2008 and September 1, 2008, respectively, and the inclusion of Laird's Landing as an income-producing property for the entire third quarter.

Other factors which affected the comparative results for the second and third quarter of 2008 are as follows:

- financing expense increased by $806,466 or 11.7%. The increase mainly reflects incremental interest on the mortgage loan financing for the Laird's Landing and Siena Apartments, as well as one month of interest on the balance owing in regard to the acquisition of Parsons Landing, net of the change in value of the swap asset.

- trust expense increased by $28,413 or 5.1%. The increase mainly reflects an increase in the service fee of Shelter Canadian.

- amortization expense increased by $694,640 or 29.1%, mainly due to the incremental amortization charges for the Siena Apartments, Laird's Landing and Parsons Landing.

After providing for future income tax expense, LREIT completed the three month period ended September 30, 2008 with a loss of $2,433,198, compared to a loss of $4,988,811 during the second quarter of 2008. The third quarter results for 2008 reflect a future income tax expense of $2,833,456, compared to a future income tax expense of $4,236,163 in the third quarter of 2007. The significant change in the provision for future income taxes mainly reflects an adjustment to the future projected taxable income of the Trust, as a result of the favourable results of new property acquisitions.

Summary of Quarterly Results

Quarterly Analysis	2008 Q3	2008 Q2	2008 Q1	2007 Q4
Total revenue	$ 17,922,623	$ 14,975,258	$ 13,628,993	$ 13,534,875
Net operating income	$ 11,796,281	$ 9,111,999	$ 7,949,942	$ 7,822,808
Income (loss) for the period	$ (2,433,198)	$ (4,988,811)	$ 301	$ (1,108,898)
Gain (loss) for the period, before future income tax	$ 400,258	$ (752,648)	$ (1,952,898)	$ (1,742,327)
PER UNIT				
Net operating income				
- basic	$ 0.673	$ 0.520	$ 0.455	$ 0.447
- diluted	$ 0.463	$ 0.357	$ 0.312	$ 0.330
Income (loss) for the period				
- basic	$ (0.139)	$ (0.284)	$ -	$ (0.064)
- diluted	$ (0.139)	$ (0.284)	$ -	$ (0.064)
Loss for the period, before future income tax				
- basic	$ 0.023	$ (0.043)	$ (0.112)	$ (0.100)
- diluted	$ 0.023	$ (0.043)	$ (0.112)	$ (0.100)

Quarterly Analysis	2007 Q3	2007 Q2	2007 Q1	2006 Q4 (restated)
Total revenue	$ 12,597,091	$ 11,127,584	$ 9,051,765	$ 8,835,557
Net operating income	$ 7,845,308	$ 6,519,763	$ 4,884,730	$ 4,796,613
Income (loss) for the period	$ 725,735	$ 688,355	$ (1,706,093)	$ (563,581)
Loss for the period, before future income tax	$ (1,188,347)	$ (1,417,123)	$ (1,032,626)	$ (1,066,410)
PER UNIT				
Net operating income				
- basic	$ 0.449	$ 0.374	$ 0.281	$ 0.278
- diluted	$ 0.331	$ 0.295	$ 0.255	$ 0.267
Income (loss) for the period				
- basic	$ 0.042	$ 0.039	$ (0.033)	$ (0.048)
- diluted	$ 0.042	$ 0.039	$ (0.033)	$ (0.048)
Loss for the period, before future income tax				
- basic	$ (0.068)	$ (0.081)	$ (0.060)	$ (0.062)
- diluted	$ (0.068)	$ (0.081)	$ (0.060)	$ (0.062)

Loss Per Unit

Analysis of Loss per Unit	Nine Months Ended September 30 2008	Nine Months Ended September 30 2007	Change	
Income (loss) for the period				
- basic	$ (0.424)	$ (0.017)	$ (0.407)	(2,394)%
- diluted	$ (0.424)	$ (0.017)	$ (0.407)	(2,394)%
Loss for the period, before future income tax				
- basic	$ (0.132)	$ (0.252)	$ 0.120	48 %
- diluted	$ (0.132)	$ (0.252)	$ 0.120	48 %

Excluding future income tax recoveries, LREIT incurred a loss of $0.132 per unit during the nine months ended September 30, 2008, compared to a loss of $0.252 per unit during the same period in 2007. As the weighted average number of units only increased by 0.5% during the nine months ended September 30, 2008 compared to the same period in 2007, the decrease in the loss per unit mainly reflects the decrease in the overall loss of the trust before future tax recoveries.

ANALYSIS OF CASH FLOWS

Operating

Cash from Operating Activities

Third Quarter Comparatives

	Three Months Ended September 30 2008	Three Months Ended September 30 2007	Increase (Decrease)
Rental revenue	$ 17,817,076	$ 12,484,344	$ 5,332,732
Interest and other income	105,547	112,747	(7,200)
Property operating costs	6,126,342	4,751,783	1,374,559
Net operating income (NOI)	11,796,281	7,845,308	3,950,973
Non-cash components of revenue	4,815	9,673	(4,858)
	11,791,466	7,835,635	3,955,831
Financing expense	7,711,151	6,331,266	1,379,885
Non-cash component of financing expense	(88,558)	966,499	(1,055,057)
	7,799,709	5,364,767	2,434,942
Trust expense	580,409	465,499	114,910
Non-cash component of trust expense	45,138	55,839	(10,701)
	535,271	409,660	125,611
Cash provided by operating activities, before changes in non-cash operating activities, tenant inducements and leasing expenses	3,456,486	2,061,208	1,395,278
Tenant inducements and leasing expenses	283,329	4,356	278,973
	3,173,157	2,056,852	1,116,305
Changes in non-cash operating items	(889,226)	(625,654)	(263,572)
Cash provided by operating activities	$ 2,283,931	$ 1,431,198	$ 852,733

During the third quarter of 2008, LREIT generated cash from operating activities of $2,283,931. After excluding changes in non-cash operating items, cash from operating activities increased by $1,116,305 or 54% during the third quarter of 2008, compared to the third quarter of 2007. The increase mainly reflects an increase in net operating income, partially offset by an increase in the cash component of financing expense and an increase in tenant inducement and leasing expense. Specifically, net operating income increased by $3,950,973, while the cash component of financing expense increased by $2,434,942. The cash component of financing expense reflects mortgage loan interest and convertible debenture interest and is calculated by excluding amortization of transaction costs, the change in the fair value of the swap asset and the accretive portion of the debt component of convertible debentures.

The increase in mortgage loan interest accounts for the majority of the increase in the cash component of financing expense. Specifically, mortgage loan interest increased by $2,468,365 during the third quarter of 2008, representing 101% of the increase in the cash component of financing expense. The increase in mortgage loan interest is mainly attributable to the mortgage financing for new property acquisitions, and the interim financing which has been arranged since September 30, 2007 and the interest in the acquisition payable relating to Parsons Landing.

The cash component of trust expense increased by $125,611 during the third quarter of 2008, mainly due to an increase in the service fee of Shelter Canadian. The cash component of trust expense excludes unit compensation expense.

During the third quarter of 2008, the cash outflow in regard to tenant inducements and leasing expenses amounted to $283,329. The tenant inducements and leasing expenses are mainly in regard to new tenancies at Kenaston.

Nine Month Comparatives

	Nine Months Ended September 30		Increase
	2008	2007	(Decrease)
Rental revenue	$ 45,862,726	$ 31,842,131	$ 14,020,595
Interest and other income	664,148	934,309	(270,161)
Property operating costs	17,668,652	13,526,593	4,142,059
Net operating income (NOI)	28,858,222	19,249,847	9,608,375
Non-cash components of revenue	6,069	41,753	(35,684)
	28,852,153	19,208,094	9,644,059
Financing expense	21,430,302	16,334,352	5,095,950
Non-cash component of financing expense	1,827,608	2,813,360	(985,752)
	19,602,694	13,520,992	6,081,702
Trust expense	1,867,312	1,457,558	409,754
Non-cash component of trust expense	273,075	268,239	4,836
	1,594,237	1,189,319	404,918
Cash provided by operating activities, before changes in non-cash operating activities, tenant inducements and leasing expenses	7,655,222	4,497,783	3,157,439
Tenant inducements and leasing expenses	285,507	100,209	185,298
	7,369,715	4,397,574	2,972,141
Changes in non-cash operating items	(715,852)	(785,262)	69,410
Cash provided by operating activities	$ 6,653,863	$ 3,612,312	$ 3,041,551

During the nine month period ended September 30, 2008, cash from operating activities, excluding changes to non-cash operating items, increased by $2,972,141 or 67%, compared to the first nine months of 2007. The increase is mainly due to the same factors which contributed to the increase for the third quarter of 2008, namely an increase in net operating income, partially offset by an increase in the cash component of financing expense expense and to a lesser extent, by an increase in Trust expense on tenant inducements and leasing expenses.

Overall, the increase in cash from operating activities for the first nine months of 2008 is comprised of an increase of $195,769 in the first quarter of 2008; an increase of $1,993,049 in the second quarter of 2008; and an increase of $852,733 in the third quarter of 2008. The significantly higher increase in the second and third quarter of 2008 reflects an ongoing improvement in the NOI return on the total asset base of the Trust, net of the cash component of financing expense.

Funds from Operations ("FFO") & Adjusted Funds from Operations ("AFFO")

LREIT considers "Funds from Operations" ("FFO") and "Adjusted Funds from Operations" ("AFFO") to be meaningful additional measures of operating performance. FFO measures the cash generating abilities of LREIT, while AFFO is indicative of available cash flow after capital reinvestment transactions.

During the three months ended September 30, 2008, FFO increased by $2,456,178, compared to the same period in 2007, while AFFO increased by $2,233,510. On a basic per unit basis, FFO increased by $0.140 per unit, while AFFO increased by $0.127 per unit. For the nine month comparative figures, FFO and AFFO increased by $4,102,671 and $4,185,903, respectively, in 2008, representing an increase of $0.234 per unit for FFO and $0.238 per unit for AFFO.

Funds from Operations/Adjusted Funds from Operations *

	Three Months Ended September 30		Nine Month Ended September 30	
	2008	2007	2008	2007
Income (loss) for the year	$ (2,433,198)	$ 725,735	$ (7,421,708)	$ (292,006)
Add (deduct):				
Amortization expense	3,085,470	2,245,918	7,808,398	5,897,389
Future income tax	2,833,456	(1,914,082)	5,116,420	(4,099,434)
Non-controlling interest	18,993	(9,028)	57,498	(48,012)
Funds from operations	3,504,721	1,048,543	5,560,608	1,457,937
Add (deduct):				
Straight-line rent adjustment	(5,259)	(10,072)	(7,400)	(42,952)
Net amortization of above/below market in-place leases	444	399	1,331	1,199
Accretion of debt component of convertible debentures	623,514	605,779	1,815,815	1,699,790
Unit-based compensation	45,138	55,839	273,075	268,239
Tenant inducement and leasing expenses	(283,329)	(4,356)	(285,507)	(100,209)
Ongoing improvements to income properties	(466,687)	(511,100)	(824,922)	(936,907)
Adjusted funds from operations	$ 3,418,542	$ 1,185,032	$ 6,533,000	$ 2,347,097
FFO per unit				
- basic	$ 0.200	$ 0.060	$ 0.318	$ 0.084
- diluted	$ 0.194	$ 0.059	$ 0.308	$ 0.082
AFFO per unit				
- basic	$ 0.195	$ 0.068	$ 0.373	$ 0.135
- diluted	$ 0.172	$ 0.066	$ 0.350	$ 0.132

* FFO and AFFO are non-GAAP financial measures of operating performance widely used by the real estate industry. Accordingly, FFO and AFFO should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

FFO and AFFO have been calculated in accordance with the recommendations of RealPac, however, the method that is used by LREIT for calculating FFO and AFFO may differ from other issuers' methods and accordingly, may not be comparable with measures used by other issuers. The FFO and AFFO per unit amounts have been calculated on a basis consistent with that prescribed by GAAP for calculating earnings per unit.

Distributable Income

General

The stated policy of LREIT is to distribute cash to the Unitholders, on a monthly basis, in an amount which is approximately equal to 90% of the annual "Distributable income" of the Trust. Cash distributions may also be established at a specific level, as determined by the Trust and, as such, may exceed distributable income.

Distributable income is a financial measurement which is commonly used to assess the cash distribution capabilities and cash flows of investment trusts and, as such, management believes that the disclosure of distributable income provides useful information to investors. Distributable income does not have any standardized meaning prescribed by GAAP and, therefore, the method that is used by LREIT for calculating distributable income may not be comparable to similar measures presented by other issuers. The most directly comparable GAAP measurement of the cash flows of LREIT is "cash from operating activities", as disclosed in the Consolidated Statement of Cash Flows in the financial statements. Accordingly, a reconciliation between cash from operating activities and distributable income is provided in the chart below.

Reconciliation Between Cash from Operating Activities and Distributable Income

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Cash provided by operating activities, per Statement of Cash Flows	$ 2,283,931	$ 1,431,198	$ 6,653,863	$ 3,612,312
Changes in non-cash operating items	889,226	625,654	715,852	785,262
	3,173,157	2,056,852	7,369,715	4,397,574
Add (deduct):				
Tenant inducement and leasing expenses	283,329	4,356	285,507	100,209
Amortization of tenant inducement and leasing expenses	(72,732)	(92,927)	(216,068)	(290,574)
Distributable income	$ 3,383,754	$ 1,968,281	$ 7,439,154	$ 4,207,209
Per unit				
- Basic	$ 0.193	$ 0.118	$ 0.425	$ 0.258
- Diluted	$ 0.170	$ 0.114	$ 0.395	$ 0.253

Changes in non-cash operating items are excluded from the calculations of distributable income as non-cash operating items are subject to significant temporary fluctuations which are typically reversed over time, mainly due to timing differences in accounts receivable and accounts payable.

Tenant inducements and leasing expense fluctuate significantly throughout the year. Accordingly, the cash outlay for tenant inducements and leasing expenses is added-back for purposes of calculating distributable income, while amortization charges for cumulative tenant inducements and leasing expenses are deducted, as the amortization charges are considered to provide a more even distribution of leasing expenditures.

Distribution Variances

Comparison to Distributable Income

As disclosed in the following chart, distributable income exceeded total distributions by $923,743 or 38% for the three months ended September 30, 2008. For the nine month period ended September 30, 2008, distributable income exceeded total distributions by $58,498 or 1%.

In comparison, for the three and nine months ended September 30, 2007, the shortfall in distributable income was 20% and 43%, respectively.

The favourable variance between distributable income and distributions for the nine month period ended September 30, 2008 of 1%, is comprised of a 39% unfavourable variance in the first quarter of 2008; a 4% favourable variance in the second quarter of 2008; and a 38% favourable variance in the third quarter of 2008. The favourable variance in the second and third quarters of 2008 reflect an ongoing improvement in NOI returns of the Trust.

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Total distributions	$ 2,460,011	$ 2,451,342	$ 7,380,656	$ 7,317,200
Distributable income	$ 3,383,754	$ 1,968,281	$ 7,439,154	$ 4,207,209
Excess (shortfall) of distributable income over distributions	$ 923,743	$ (483,061)	$ 58,498	$ (3,109,991)
Cash provided by operating activities	$ 2,283,931	$ 1,431,198	$ 6,653,863	$ 3,612,312
Shortfall of cash provided by operating activities over distributions	$ (176,080)	$ (1,020,144)	$ (726,793)	$ (3,704,888)

Comparison to Cash From Operating Activities

During the second quarter of 2008, cash from operating activities exceeded distributions by $573,973. For the six month period ended June 30, 2008, distributions exceeded cash from operating activities by $550,713.

As disclosed in the preceding table, distributions exceeded cash from operating activities by $176,080 during the third quarter of 2008, while the shortfall for the first nine months of 2008 is $726,793. The unfavourable variance between cash from operating activities and distributions for the three and nine month periods ended September 30, 2008 is mainly attributable to a net increase in cash outflow for non-cash operating items of approximately $1.3 Million and $.9 Million compared to the three and six month periods ended June 30, 2008, respectively.

The increase in cash outflow pertaining to changes in non-cash operating items reflects the cyclical nature of working capital transactions or, more specifically, the extent to which the reduction in accounts payable exceeded the increase in accounts receivable during the third quarter of 2008. Excluding changes in non-cash operating activities, operating cash flow for the first nine months of 2008 was $7,369,715, comprised of $1,561,503 in the first quarter, $2,635,234 in the second quarter and $3,172,978 in the third quarter. The second and third quarter amounts are well in excess of the quarterly distributions declared, while the nine month total of $7,369,715 is only marginally lower than the nine month total for distributions declared of $7,380,656.

In summary, after excluding changes in non-cash operating items, the operating cash flow of the Trust is currently at a level which is in excess of distributions declared and, as such, the cash flow is serving to improve working capital and reduce the borrowing needs of the Trust. Conversely, to the extent that the cash outflow from distributions exceeded the cash inflow from operating activities in 2007, the difference was effectively funded from financing activities, or more specifically, from mortgage loan proceeds.

As a result of the acquisition of Colony Square and, as Parsons Landing will contribute three months of operating income to the Trust in the fourth quarter of 2008, it is anticipated that the variance between the total distributions and operating cash flows will continue to improve during the fourth quarter of 2008, although there is no assurance that this will be the case.

Financing/Investment Activities

The chart at the end of this section of the report provides a summary of the cash flow activities of the Trust.

As disclosed in the chart, the net cash provided by financing activities, excluding distributions, exceeded the net cash used in investment activities by $15,027,909 during the first nine months of 2008. Financing activities consisted primarily of transactions related to mortgage loan financing, as well as the repayment of the outstanding principal balance of the Series D debentures and the purchase of units under the normal course issue bid. Investment activities consisted primarily of cash outflows associated with property acquisitions, the development of new properties and the funding for new deposits on potential acquisitions.

An analysis of the components of mortgage loan financing transactions is also provided in the section of this Report entitled "Mortgage Loans Payable".

After providing for the cash inflows from operating activities and the cash outflow in regard to distributions, the net cash increase for the first nine months of 2008 was $16,007,183. After accounting for the opening bank indebtedness of $1,623,651, LREIT completed the nine month period ended September 30, 2008 with a cash balance of $14,383,532.

Cash Flow Analysis (Note 1)

	Three Months Ended September 30, 2008	Three Months Ended June 30, 2008	Three Months Ended March 31, 2008	Nine Months Ended September 30, 2008
Financing Activities:				
Mortgage proceeds	$ 76,539,062	$ 36,951,706	$ 11,894,520	$ 125,385,288
Mortgage principal payments	(1,673,935)	(1,675,160)	(1,421,203)	(4,770,298)
Repayment of Series D debentures	-	-	(1,593,000)	(1,593,000)
Repayment of mortgage loans on refinancing	(38,066,146)	-	-	(38,066,146)
Normal course issuer bid	(729,395)	(188,120)	(11,856)	(929,371)
Transaction costs	(217,964)	(450,987)	(221,020)	(889,971)
Total financing	35,851,622	34,637,439	8,647,441	79,136,502
Investing Activities:				
Property acquisitions	(25,500,000)	(21,720,000)	-	(47,220,000)
Improvements to income properties	(690,111)	(227,063)	(131,172)	(1,048,346)
Construction of income properties	(3,236,907)	(417,154)	-	(3,654,061)
Properties under development	(467,974)	(2,739,676)	(6,290,300)	(9,497,950)
Deposits	(1,150,000)	(860,000)	-	(2,010,000)
Restricted cash	(258,895)	(267,655)	(151,686)	(678,236)
Total investing	(31,303,887)	(26,231,548)	(6,573,158)	(64,108,593)
Net cash inflow of investment capital	4,547,735	8,405,891	2,074,283	15,027,909
Operating activities	2,283,931	3,037,717	1,332,215	6,653,863
Cash before distributions	6,831,666	11,443,608	3,406,498	21,681,772
Cash distributions	(2,032,110)	(2,161,895)	(1,480,584)	(5,674,589)
Cash increase	4,799,556	9,281,713	1,925,914	16,007,183
Cash (bank indebtedness), beginning of period	9,583,976	302,263	(1,623,651)	(1,623,651)
Cash, end of period	$ 14,383,532	$ 9,583,976	$ 302,263	$ 14,383,532

Note 1 - GAAP Measurements

The preceding cash flow analysis represents the re-formatting of balances from the Consolidated Statement of Cash Flows in the financial statements in order to provide Unitholders with a direct depiction of the net inflow/outflow of investment capital, before considering the impact of operating activities and cash distributions. The components of financing activities, investing activities and operating activities, as disclosed in the analysis, agree to the Consolidated Statement of Cash Flows, with the exception of cash distributions which are excluded from financing activities and disclosed as a separate line item. The order of presentation of financing, investing and operating activities also differs from the Consolidated Statement of Cash Flows, in order to derive the sub-total entitled "net cash outflow of investment capital". Aside from the exclusion of cash distributions from financing activities and the subtotal entitled "net cash outflow of investment capital", the analysis consists entirely of GAAP measurements.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital Requirements

On an annual basis, LREIT is generating sufficient cash from operating activities to fully fund monthly mortgage loan principal payments and ongoing improvements to income properties. After deducting mortgage loan principal payments of $4,770,298 and improvement costs for income properties of $1,048,346 from the cash provided by operating activities of $1,379,885, the cash surplus was $(4,438,759) for the nine months ended September 30, 2008.

LREIT requires other sources of capital in order to fund the equity component of property acquisitions, major renovations and expansion projects and lump-sum convertible debenture repayments. Prior to the second quarter of 2008, LREIT also required additional sources of capital to fund a portion of the monthly distributions.

Contractual Obligations

Property Acquisitions

The following chart provides a summary of the approximate amount of the capital commitments of LREIT in regard to property acquisitions subsequent to September 30, 2008.

Property	Approximate Amount	Description
Parsons Landing		
(additional deposit paid on October 1, 2008)	$2.5 Million	- represents the total purchase price of $60.7 Million plus GST and estimated closing costs, less the projected mortgage loan financing of $50.0 Million, the $10.0 Million mortgage loan receivable, payment of $2.5 Million and the $2.5 Million additional deposit
(mortgage proceeds, net of acquisition payable in February 2009)	(1.8 Million)	
Colony Square		
(closed, October 1, 2008)	15.8 Million	- represents the purchase price of $37.7 Million for a 98.5% interest and estimated closing costs, less assumed mortgage financing of $21 Million and deposits paid of $1 Million
	$16.5 Million	

Mortgage Loan Debt

A summary of the debt obligations of LREIT for the fourth quarter of 2008 and for each of the next five years and thereafter, is provided in the following chart:

Summary of Contractual Obligations - Long-term Debt

Payments Due by Period	Total	1 Year	2 - 3 Years	4 - 5 Years	> 5 Years
Mortgage loans	$ 378,318,005	$ 79,187,895	$ 52,379,301	$ 19,056,040	$ 227,694,769
Interim mortgage loans	45,900,000	15,900,000	30,000,000	-	-
Vendor take-back mortgage loans	5,600,000	1,600,000	4,000,000	-	-
Total	$ 429,818,005	$ 96,687,895	$ 86,379,301	$ 19,056,040	$ 227,694,769

To the extent that the amount due for mortgage loans includes the balance due on maturity, management intends to renew or refinance the amounts due effective on the maturity date of the loans.

Convertible Debentures

Since the inception as a real estate investment trust, LREIT has issued seven series of convertible debentures, of which four have matured and been retired through conversion prior to maturity or repayment upon maturity, including the Series D debentures which were retired on March 16, 2008 with an outstanding balance of $1,593,000. A summary of the net amount outstanding in regard to the three remaining series of convertible debentures is provided in the following chart.

Issue Date/Maturity Date	Series	Amount Issued	Net Amount Outstanding September 30, 2008
Feb. 17/05/Feb. 17/10	E	$ 12,000,000	$ 11,950,000
Mar. 10/06/Mar. 11/11	F	13,680,000	13,680,000
Dec. 8/06/Dec. 31/11	G	25,732,000	25,732,000
Face Value		$ 51,412,000	$ 51,362,000

Improvements to Existing Properties

As noted above, the cash outflow for property improvement costs was $1,048,346 for the nine months ended September 30, 2008. For the fourth quarter of 2008, property improvement costs are projected to be approximately $600,000. The cash flow for the fourth quarter of 2008 is expected to be sufficient to fully fund the fourth quarter property improvement costs.

Operating Line of Credit

As previously disclosed, $4,875,000 is available to the Trust under the terms of the line of credit.

Normal Course Issuer Bid

As previously noted in this report, LREIT may acquire a maximum of 876,944 units during the 12 month period commencing January 21, 2008, pursuant to its normal course issuer bid. The Trust is not required to purchase any units under the normal course issuer bid.

Sources of Capital

Short-term

As of September 30, 2008, the total cash balance of LREIT was $14,383,532, while the working capital balance, excluding mortgage loans receivable and accrued liabilities for property acquisitions or properties under development, was approximately $9.4 Million. At September 30, 2008, the amount available on the line of credit is $4,875,000.

After accounting for the cash component on the acquisition of Colony Square of $15.8 Million and the payment of the $2.5 Million additional deposit relating to Parson Landing, net of the proceeds of the interim second mortgage loans received in October of $3 Million, and the withdrawl of $4,875,000 on the line of credit the cash resources of the Trust were fully utilized in October 2008.

The additional advances of interim second mortgage loans of $4.5 Million, combined with the cash flow from operating activities, are sufficient to meet the short term capital requirements of the Trust. Any deficiencies of working capital are expected to be funded by the upward refinancing of existing properties in the form of additional interim second mortgage loans.

Longer Term

Until such time as LREIT proceeds with another offering of trust units or convertible debentures, the refinancing of under-leveraged properties is expected to serve as the primary source of equity capital. LREIT may also issue trust units to vendors as consideration for real property acquisitions.

The ability of LREIT to raise additional capital and, in turn, proceed with the acquisition of the properties which are under contract or development is subject to uncertainty. Factors which could impair the ability of LREIT to raise additional capital include a continued downturn in general economic conditions, a more restrictive capital market, a change in legislation and numerous other factors beyond the control of LREIT.

TRENDS

During the fourth quarter of 2008, the operating income and cash flows of the Trust are expected to continue to improve, primarily due to the acquisition of Colony Square and the inclusion of Parsons Landing as an income-producing property for the entire quarter.

RELATED PARTY TRANSACTIONS

Shelter Canadian Properties Limited ("Shelter Canadian")

Shelter Canadian provides administrative and asset management services to LREIT, pursuant to the terms of a Services Agreement. The Services Agreement provides for the remuneration of Shelter Canadian to be established at a level which is commensurate with customary comparable market asset management fees, subject to the discretion of the Governance, Compensation and Nominating Committee of the Board of Trustees.

Commencing January 1, 2006, the Committee approved a service fee equal to 0.3% of the gross book value of the total assets of the Trust. The gross book value of the total assets of the Trust is defined as the total assets, as disclosed on the most recently issued financial statements, excluding cash and accumulated amortization. Payment of the fee occurs on a monthly basis, on the last day of each month. The current term of the Services Agreement expires on December 31, 2008.

Mr. Arni Thorsteinson, Chief Executive Officer of LREIT and a Trustee, is a Director and President of Shelter Canadian and the President of the parent corporation of Shelter Canadian, 2668921 Manitoba Ltd. As of February 2007, the Governance, Compensation and Nominating Committee is comprised of all of the independent Trustees of LREIT. Prior to February 2007, Mr. Thorsteinson was a member of the Governance and Compensation Committee and, as such, Mr. Thorsteinson abstained from all discussions and voting in regard to the approval of the service fee.

Shelter Canadian is also the Property Manager for LREIT, pursuant to the Property Management Agreement. Shelter Canadian has a direct involvement in the management of all of the income properties in the portfolio of LREIT and acts as the Property Manager for all of the properties, except for Siena Apartments and the seniors' housing complexes, which are managed by third party managers who specialize in seniors' housing. The current term of the Management Agreement expires on August 30, 2012.

Development Agreement for Laird's Landing

The construction and lease-up of the Laird's Landing apartment complex was substantially completed as of June 1, 2008. The construction of the property was completed pursuant to a development agreement with Shelter Canadian. Pursuant to the development agreement, Shelter Canadian agreed to:

(i) develop the Project for a total cost not to exceed $57.75 Million, inclusive of the purchase price of the land. (The total cost of the project was $53.6 Million, including land costs.)

(ii) arrange and guarantee construction financing in the approximate amount of $45 Million and permanent financing after completion of construction (a first mortgage loan of $55 Million was arranged in September, 2008); and

(iii) provide all development and construction supervision services for the Project.

The agreement provided for Shelter Canadian to earn a development fee from LREIT in the maximum amount of $1,000,000, in consideration for its services under the development agreement, representing approximately 1.73% of the total estimated Project cost. The fee of $1,000,000 was fully paid as of June 30, 2008.

The development agreement was approved by the independent trustees of LREIT and Mr. Thorsteinson abstained from voting on the resolution approving the transaction.

REVENUE/INCOME AND OTHER COMMITMENTS

Lakewood Manor

The acquisition of Lakewood Manor was completed by LREIT, effective July 1, 2007. All of the units at the property are leased and occupied by a major oil sands company, pursuant to a three year lease agreement, under which the lessee is also responsible for all property operating costs. The net operating income of the property is approximately $4.8 Million per annum, representing the amount of gross rental revenue.

The agreement also provides the oil sands company with an option to extend the lease for an additional two years, at a 10% increase in the annual absolute net operating income. In addition, the agreement provides the lessee with a three year purchase option to acquire all of the 64 townhouse units at a price of $26,873,600 to June 30, 2009 and $27,667,200 to June 30, 2010.

Siena Apartments

The acquisition of Siena Apartments was completed by LREIT, effective July 2, 2008. All of the units at the property are leased and occupied by a major oil sands company, pursuant to a lease agreement expiring May 1, 2012, under which the lessee is also responsible for all property operating costs. The net operating income of the property is approximately $2.2 Million per annum, representing the amount of gross rental revenue.

The agreement also provides the oil sands company with an option to extend the lease for an additional five years at current market rates at that time.

Elgin Lodge

In conjunction with the acquisition of Elgin Lodge in June 2006, LREIT retained Kingsway Arms Management Services Inc. ("Kingsway") to manage the property for a ten year term, expiring on May 31, 2016. Kingsway is an Ontario-based company, which acquires, manages and develops retirement homes, catering principally to the independent and assisted living segments. Kingsway currently manages a portfolio of nine properties, totaling 850 suites located across Ontario.

As previously disclosed in this report, a 60 suite expansion was completed at Elgin Lodge during 2007. During the five year period from June 1, 2006, Kingsway is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the expanded property exceeds the total of the cost of the property to LREIT, including the cost of the expansion and the unpaid portion of a 12% annual return on the LREIT equity investment. Consideration recorded at September 30, 2008, of $284,840, which increases the cost of the building, is included in accounts payable and accrued liabilities.

The Clarington Seniors Residence

LREIT has also retained Kingsway to manage The Clarington Seniors Residence for a ten-year term, expiring on February 12, 2017. During the five year period after the "lease-up" date, Kingsway is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the property exceeds the total of the original acquisition cost to LREIT and the unpaid portion of a 8% annual return on the LREIT equity investment. Consideration recorded at September 30, 2008, of $272,964, which increases the cost of the building, is included in accounts payable and accrued liabilities.

CHANGES IN ACCOUNTING POLICIES

New Accounting Standards - Adopted January 1, 2008

On January 1, 2008, the Trust adopted CICA Handbook Section 1535 - Capital Disclosures, Section 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation. Section 1535 requires the Trust to disclose information that enables users of its financial statements to evaluate the Trust's objectives, policies and processes for managing capital. Sections 3862 and 3863 replace the existing Section 3861, Financial Instruments - Disclosure and Presentation. These new sections revise and enhance disclosure requirements and carry forward unchanged existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards do not have any impact on the classification or measurement of financial instruments.

Future changes to significant accounting policies

CICA Handbook Section 3064 - Goodwill and Intangibles will be effective for interim and annual financial statements of the Trust for periods beginning after January 1, 2009. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and intangible assets by profit-oriented enterprises.

In 2008, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). The AcSB has confirmed the effective date for reporting under IFRS will be January 1, 2011, with appropriate comparative data from the prior year.

The Trust is currently considering the effect on the financial statements of the new standards.

OPERATING RISKS AND UNCERTAINTIES

An investment in units of LREIT encompasses the risks which are inherent in the ownership and operation of a portfolio of residential and commercial properties, as well as the normal risks which are associated with an investment in a real estate investment trust.

The key risks include the following:

Real Property Ownership

The properties of LREIT are subject to the normal risks common to real property ownership and operation, including the risk of a reduced demand due to changes in general economic conditions, local real estate markets, competition from other available premises and various other factors.

The properties of LREIT generate income through rent payments made by the tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable than the existing lease. Leasing results are affected by a number of factors, including location of the property and, in particular, the level of supply and demand in the local rental market.

Certain significant expenditures, including property taxes, utility payments, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If LREIT were unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for the perceived desirability of such investments. Such illiquidity may tend to limit LREIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If LREIT were to be required to liquidate its real property investments, the proceeds to LREIT might be significantly less than the aggregate carrying value of its properties.

Multi-Unit Leases with Oil Sands Companies

Properties which are 100% based to oil sands companies, under a single lease agreement, include the following:

- Lakewood Manor - all units 100% leased under a three year lease agreement, expiring on May 31, 2010.
- Siena Apartments - all units 100% leased under a lease agreement, expiring on May 1, 2012, with the option of an extension for five years at current market rates at that time.

The "entire property" lease agreements with the oilsands companies offer strong covenants and significantly enhance the overall stability and quality of the tenant base of the Trust and provide a high level of income stability for the leased property. The potential impact of any adverse consequences in regard to tenant defaults and the timing of lease expiries is greater for properties where all units are leased to a single company.

Payment of Cash Distributions

A return on an investment in units is not comparable to the return on an investment in a fixed-income security. The recovery of the initial investment in units is at risk and the return on an investment in units is based on many performance assumptions. The ability of LREIT to pay distributions in excess of its Distributable Income is dependent upon the level of cash reserves, the debt covenants and obligations of the Trust, the working capital requirements of the Trust and the future capital requirements of the Trust. Cash distributions may be reduced or suspended at any time. In addition, the market value of the units may decline if LREIT is unable to provide a satisfactory return to Unitholders.

Public Market Risk

It is not possible to predict the price at which units will trade in the future and there can be no assurance that an active trading market for the units will be sustained. The units will not necessarily trade at values determined solely by reference to the value of the properties of LREIT. Accordingly, the units may trade at a premium or a discount to the value implied by the value of the properties of LREIT. The market price for the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of LREIT.

Closing of Proposed Acquisitions

There can be no assurance that LREIT will complete the proposed acquisitions described herein on the basis described herein or on the expected closing dates, if at all. The successful growth of LREIT will depend on the ability of Management to complete the proposed acquisitions and successfully integrate the acquired properties and identify opportunities for future property acquisitions. The ability of Management to generate growth from property acquisitions may be affected by elevated acquisition costs, funding of the acquisitions, unexpected liabilities with regards to the properties and other problems related to the integration of the properties. Management's failure to successfully grow through future property acquisitions could adversely affect LREIT's financial condition, net income from operations and its ability to generate cash available for distribution.

Concentration of LREIT's Portfolio in One Market

The property portfolio of LREIT has significant exposure to the Fort McMurray, Alberta market. As of September 30, 2008, there were 43 properties in the real estate portfolio of LREIT, including four commercial properties and 39 residential properties, comprising 3,485 rental units. 13 of the residential properties, comprising a total of 1,167 suites, or 34% of the total residential suites, are located in Fort McMurray. The 13 properties have an aggregate acquisition price of $336.8 Million, which represents approximately 61% of the total aggregate purchase price of the real estate portfolio.

Changes to Tax Treatment of Trusts

LREIT currently qualifies as a mutual fund trust for income tax purposes. As required by its Declaration of Trust, LREIT is required to distribute an amount equal to not less than all of its taxable income to its Unitholders and to deduct these distributions for income tax purposes.

On June 22, 2007, new legislation relating to, among other things, the federal income taxation of publicly traded income trusts (the "New SIFT Rules") was enacted. Under the New SIFT Rules, certain distributions from a "specified investment flow-through" trust (a "SIFT") will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation, however, distributions paid by a SIFT as a return of capital will generally not be subject to the tax.

The New SIFT Rules provide that a SIFT which was publicly listed prior to November 1, 2006 (an "Existing Trust") will become subject to the tax on distributions commencing in the 2011 taxation year. However, an Existing Trust may become subject to this tax prior to 2011 if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. Based on its October 31, 2006 market capitalization, LREIT may increase its equity capital by $50 Million for each of the years ending December 31, 2008, December 31, 2009 and December 31, 2010 (the "Safe Harbour Limit"). To date, LREIT's equity capital has not increased beyond the Safe Harbour Limit.

The New SIFT Rules do not apply to a "real estate investment trust" (a "Qualifying REIT") that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). In the opinion of management, the Trust does not currently satisfy the prescribed conditions. Accordingly, LREIT is subject to the New SIFT Rules and, subject to earlier application if it increases its equity capital beyond its Safe Harbour Limit, LREIT will be subject to the tax on distributions commencing in 2011. Prior to 2011, LREIT will consider its alternatives, including restructuring its affairs to qualify as a Qualifying REIT, however, no assurances can be given that any reorganization can or will be implemented before 2011, or that any such reorganization, if implemented, would not result in material costs or other adverse consequences to LREIT and its Unitholders. In addition, no assurance can be given that LREIT's equity capital will not increase beyond the Safe Harbour Limit prior to 2011.

Legal Claims

In the normal course of operations, the Trust will become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Although the outcome of legal and other claims are not reasonably determinable, management believes that any such outcome will not be material.

Relationship with Shelter Canadian Properties Limited

The financial performance of LREIT will depend in part on the performance of Shelter Canadian in providing administrative and asset management services to the Trust, pursuant to the Services Agreement.

Reliance on Key Personnel

The success of LREIT is highly dependent on the services of certain management personnel, including Arni Thorsteinson. The loss of the services of such personnel could have an adverse effect on LREIT.

Other

Other risks and uncertainties are more fully explained in the other regulatory filings of LREIT, including the Annual Information Form.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements of LREIT, in accordance with Canadian generally accepted accounting principles (GAAP), requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from the estimated amounts. Many of the conditions impacting the assumptions and estimates are beyond the control of management. The estimates and assumptions are evaluated on a periodic basis.

Financial statement items which encompass estimates include the following:

- allocation of the cost of property acquisition: a portion of the acquisition cost of an income property is allocated to tenant origination costs associated with in-place leases and the cost of tenant relationships, lease origination costs above market leases and below market leases. The amount allocated to the above is based on the estimated fair market value of each variable. The allocated amounts are of significance, as the costs are amortized over a relatively short time frame (I.e., the term of the respective tenant leases) in comparison to the amount allocated to buildings and equipment;

- amortization of the building component of Income Properties: a portion of the purchase price of an income property is allocated to "building" based on the estimated value of the building on an "as if vacant" basis. Amortization expense is based on the estimated useful life of the building. The estimated useful life of the building may vary and could result in a different amount of amortization charged to income;

- amortization of property improvements: expenditures relating to improvements to income properties are capitalized to the cost of income properties and amortized for a period of five to 25 years, based on the estimated useful life of the improvements. The estimated useful life of improvements may vary and could result in a different amount of amortization charged to income;

- unit-based compensation expense: unit-based compensation expense is based on the estimated fair value of the applicable options using the Black-Scholes option pricing method;

- the determination of the amount of temporary differences, the timing of reversal and the tax rate to be used in calculating future income tax assets and liabilities; and

- the allocation of convertible debentures between debt and equity based on the estimated fair value of the debt using an estimated cost of borrowing.

The estimates which were used for financial statement reporting purposes, for the above noted items, are not expected to change from period to period.

TAXATION

Taxation of LREIT

LREIT qualifies as a mutual fund trust for income tax purposes. Subject to the New SIFT Rules, LREIT is generally subject to tax in Canada under the Income Tax Act (the "Tax Act") in respect to its taxable income each year, except to the extent that such taxable income is paid or deemed to be payable to Unitholders and deducted by LREIT for tax purposes. Pursuant to the Declaration of Trust of LREIT, the Trustees distribute or designate all taxable income directly earned by LREIT to the Unitholders of the Trust in order to ensure that LREIT will not be subject to income tax under Part I of the Tax Act.

Under the New SIFT Rules, if LREIT does not meet the REIT Conditions to become a Qualifying REIT resulting in the tax on distributions commencing to apply to LREIT in 2011 (or earlier if LREIT increases its equity capital beyond its Safe Harbour Limit), certain distributions from LREIT will no longer be deductible in computing its taxable income, and it will be subject to tax on such distributions at a rate that is substantively equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid as a return of capital will generally not be subject to the tax.

Taxation of Unitholders

The Declaration of Trust generally requires LREIT to claim the maximum amount of capital cost allowance for purposes of computing its income for tax purposes. Subject to the New SIFT Rules, a Unitholder is required to include, in computing income for tax purposes each year, the portion of the amount of net income and net taxable capital gains of LREIT paid or payable to the Unitholder in the year. Distributions in excess of the taxable income of LREIT for the year which are allocated to a Unitholder are not included in computing the taxable income of the Unitholder. However, the adjusted cost base of the units which are held by a Unitholder will generally be reduced by the amount of distributions not included in income.

The cash distributions which have been paid to the Unitholders since the inception of LREIT as a real estate investment trust in September 2002, have exceeded the income of LREIT, as calculated for income tax purposes. All of the distributions, which have been paid by LREIT from September 2002 to September 30, 2008, have represented a reduction in adjusted cost base of the units.

Under the New SIFT Rules, should they become applicable to LREIT as set out above, certain distributions from LREIT which would otherwise have been ordinary income will be characterized as dividends in addition to being subject to tax in LREIT at rates similar to the combined federal and provincial corporate tax rates. Distributions to Canadian resident individuals will be deemed to be "eligible dividends", qualifying for the enhanced dividend tax credit.

Upon the disposition or deemed disposition by a Unitholder of a unit, a capital gain (or a capital loss) will generally be realized to the extent that the net proceeds of disposition of the unit exceed (or are exceeded by) the adjusted cost base of the unit. Currently, only 50% of a capital gain ("taxable capital gain") must be included in computing a Unitholders' income and 50% of a capital loss (an "allowable capital loss") may be deducted against taxable capital gains.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made to the design of the internal controls over financial reporting during the three months ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal control system.

Readers are cautioned, however, that a control system can only provide reasonable, not absolute, assurance that the objectives of the control system are achieved. Due to the inherent limitations in all control systems, an evaluation of controls cannot provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. Inherent limitations include the possibility that the assumptions and judgments of management could ultimately provide to be incorrect under varying conditions and circumstances; or that isolated errors could prove to have a significant impact on the reliability of information.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and it is not possible to provide complete assurance that a control system will succeed in achieving its stated goals under all potential future conditions.

ADDITIONAL INFORMATION

Additional information relating to LREIT, including the Annual Information Form, is available on the SEDAR website at www.sedar.com. SEDAR acts as a facilitator for the electronic filing of securities information, as required by the securities regulatory agencies in Canada.

APPROVAL BY TRUSTEES

The content of the 2008 Third Quarter Report of Lanesborough Real Estate Investment Trust and the delivery of the report to the Unitholders has been approved by the Trustees.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST
November 12, 2008