LANESBOROUGH REIT

2005 THIRD QUARTER REPORT

Unitholder Returns

	Nine Months Ended September 30, 2005	Year Ended December 31, 2004
Distribution per unit	$0.42	$0.53
Opening unit price	$5.50	$4.00
Closing unit price	$5.75	$5.50
Annualized yield on closing price (distribution/closing unit price)	9.7%	9.6%
Capital appreciation (capital appreciation/opening unit price)	4.5%	37.5%
Total return	14.2%	47.1%

Projected cash distribution – 2005:	$0.56
Closing unit price – November 21, 2005:	$5.35
Current yield:	10.5%

Lanesborough Real Estate Investment Trust trades on the TSX Venture Exchange under the symbol “LRT.UN”.

REPORT TO UNITHOLDERS

The investment strategy of Lanesborough Real Estate Investment Trust (“LREIT”) is to focus on investing in quality properties in markets across western Canada in order to create a geographically diversified portfolio with solid cash flows and strong capital appreciation potential.

During the third quarter of 2005, LREIT continued to achieve significant growth in its property portfolio, acquiring two multi-family residential properties at a combined cost of approximately $13 Million and a senior’s housing complex, known as Luther Riverside Terrace, at a cost of $24 Million. Consisting of 181 suites, Luther Riverside Terrace is now the second largest property in the real estate portfolio of LREIT in terms of both acquisition cost and income-generating capability. Although Luther Riverside was acquired part way through the third quarter on July 28, 2005, the property accounted for 13% of the total operating income of Trust for the three month period ended September 30, 2005. Nelson Ridge Estates, the 225 suite apartment complex in Fort McMurray, Alberta, which was acquired during the second quarter of 2005 and is the largest property in the LREIT portfolio, continued to achieve very strong results, accounting for 34% of the total third quarter operating income of the Trust. Overall, the operating income of LREIT increased by $165,055 or 6.5% during the third quarter of 2005, compared to the second quarter of 2005.

After considering the third quarter acquisitions, the real estate portfolio of LREIT has increased by approximately $100 Million or 150% since December 31, 2004. During the nine month period ended September 30, 2005, the operating income of LREIT increased by approximately $3.6 Million or 108%, compared to the corresponding period in 2004.

There was also a significant decrease in the convertible debenture debt of LREIT in the third quarter, as approximately $6.8 Million of convertible debentures were converted into trust units during the three month period ended September 30, 2005. After considering the unit conversions which occurred in the second quarter of 2005, the convertible debenture debt of LREIT has decreased by over $11 Million since March 31, 2005. The reduction in the convertible debenture debt, combined with the investment of existing capital in income-producing properties, translated into a marked improvement in bottom line results during the third quarter of 2005. The net loss of LREIT decreased by $41,229 during the third quarter of 2005, compared to the second quarter of 2005, while net income, excluding amortization expense, increased by $327,391. The reduced level of debenture debt, relative to the increasing asset base of LREIT, is expected to result in further improvements in income levels during the fourth quarter of 2005.

Since its inception as a publicly-traded real estate investment trust in September 2002, LREIT has achieved exceptional growth in its real estate portfolio and provided Unitholders with stable cash distributions and increasing unit values. It is anticipated that the strong growth rate will continue into the future as LREIT recently initiated a private offering of trust units which is expected to generate approximately $30 Million of additional capital by December 14, 2005. The continued investment strategy of focusing on properties in secondary markets is also expected to provide strong accretive growth opportunities, given the income potential of new property acquisitions and the increasingly competitive state of the real estate investment market. In summary, the outlook for continued growth remains very positive, given the projected capital resources of the Trust and the increased income potential of the existing property portfolio.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

ARNI C. THORSTEINSON, CFA
Chief Executive Officer
November 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following comments in regard to the financial position and operating results of LREIT should be read in conjunction with the financial statements for the third quarter ended September 30, 2005 and accompanying notes, and with reference to the report for the first and second quarter of 2005 and the 2004 Annual Report. In addition, certain statements in the Management's Discussion and Analysis could be considered as forward-looking information. The forward-looking information is subject to certain risks and uncertainties which could result in actual results differing materially from the forward-looking statements.

OVERALL INVESTMENT OBJECTIVES AND STRATEGY

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-family residential properties. The overall investment strategy of LREIT is to focus on the acquisition of properties with stable yields, low vacancy levels, strong tenant covenants and growth potential. LREIT then strives to maximize operating income through the implementation of sophisticated and prudent financial management practices, superior operating procedures, high calibre and responsive management services, proactive leasing strategies and, where appropriate, capital improvement and renovation programs.

INVESTMENT ACTIVITIES

Property Acquisitions

General

Due to the limited construction of new rental properties over the last 25 years and as market values of existing rental properties continue to be well below replacement cost, the multi-family residential sector continues to offer an opportunity to earn high returns and achieve significant gains in value, especially with the expectation that there will be an improvement in rental market conditions when interest rates increase and home ownership becomes a more costly alternative for renters. As a result, 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 small urban centres. Other multi-unit residential properties, such as senior housing complexes, will also be considered.

Third Quarter

As of June 30, 2005, the real estate portfolio of LREIT consisted of 14 multi-family residential properties and four commercial properties with a total acquisition cost of $128.9 Million.

During the third quarter of 2005, LREIT acquired three additional multi-family residential properties at a total purchase price of $36.95 Million, resulting in a real estate portfolio of 21 properties with a total cost of $165.8 Million as of September 30, 2005.

Property	Location	Purchase Price		Acquisition Date	Suites/ Leasable Area - Sq. Ft.	Occupancy 9/30/05	
Multi-Family Residential							
Beck Court	Yellowknife, NWT	$ 14,300,000		April 2004	120	100%	
Greenwood Gardens	Surrey, BC	10,950,000		April 2004	183	78%	
Nova Villa	Edmonton, AB	5,400,000		May 2004	61	93%	
Nova Manor	Edmonton, AB	2,615,000		May 2004	32	81%	
Nova Ridge Estates	Spruce Grove, AB	8,800,000		July 2004	102	92%	
Norglen Terrace	Peace River, AB	2,500,000		October 2004	72	94%	
Highland Tower	Thompson, MB	1,350,000		January 2005	95	52%	(3)
Borden Estates	Prince Albert, SK	5,315,000		January 2005	144	75%	
Cedar Village	Prince Albert, SK	2,700,000		February 2005	72	72%	
Carlton Manor	Prince Albert, SK	410,000		February 2005	19	79%	
Riverside Apartments	Prince Albert, SK	265,000		February 2005	12	75%	
MGM Apartments	Prince Albert, SK	650,000		February 2005	28	57%	
Nelson Ridge Estates	Fort McMurray, AB	40,575,000		April 2005	225	99%	
Three Lakes Village (formerly Nova Village)	Yellowknife, NWT	10,900,000		May 2005	50	40%	(4)
Luther Riverside Terrace	Saskatoon, SK	24,000,000	(1)	July 2005	181	97%	
Marquis Towers	Prince Albert, SK	6,200,000		August 2005	129	89%	
Chancellor Gate	Winnipeg, MB	6,750,000		August 2005	48	98%	
Total – Multi-Family		$ 143,680,000		Total Suites	1,573		
Retail and Office							
Kenaston	Winnipeg, MB	$ 12,656,200	(2)	April 2002	103,209	97%	
McIvor Mall	Winnipeg, MB	6,700,000		February 2004	65,283	97%	
		19,356,200			168,492		
Light Industrial							
MAAX Warehouse	Airdrie, AB	1,600,000		June 2003	39,936	100%	
Purolator Building	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		$ 165,836,200					

(1) Luther Riverside Terrace is a senior's housing complex.
(2) Includes cost of asset additions.
(3) In-suite renovation program in process.
(4) Newly constructed property, in lease-up stage.

Targeted Properties

As disclosed on page 5 of this report, LREIT initiated a private placement offering of trust units in October 2005, which is expected to generate approximately $30 Million of gross proceeds, with an anticipated closing date in December 2005. LREIT has targeted a number of properties for potential acquisition and it is anticipated that the proceeds from the trust unit offering will be substantially invested during the first half of 2006.

Capital Expenditures

During the nine month period ended September 30, 2005, capital expenditures amounted to $448,558. The capital expenditures consist primarily of the capitalization of renovation costs of $389,960 in regard to the corridor and in-suite renovation program at Highland Tower. As the renovation program involves the upgrading of the entire floor of suites at a time, and the temporary removal of suites from the rental market, the capitalized renovation costs include carrying costs, such as vacancy losses and operating costs pertaining to the unavailable suites. In total, the capitalized renovation costs for Highland Tower include carrying costs of $21,679.

The capitalization of carrying costs for the renovation program at Highland Tower is in accordance with generally accepted accounting principles, as disclosed in Note 2 of the third quarter financial statements.

Mortgage Loans Receivable

September 30, 2005 - Nil
December 31, 2004 - $2,150,000

As of December 31, 2004, Mortgage Loans Receivable consisted entirely of a second mortgage loan of $2.15 Million, secured by the Minacs Building in Oshawa, Ontario (the “Minacs Loan”). In January 2005, an additional $1.475 Million was invested in the Minacs Loan, resulting in an increase in the loan balance to $3.625 Million as of June 30, 2005. On July 8, 2005, LREIT received full repayment of the Minacs Loan.

Please refer to the section on “Related Party Transactions” on page 20 of this report for additional information regarding the Minacs Building.

FINANCING ACTIVITIES

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 may also serve as a source of capital.

Trust Units

LREIT is authorized to issue an unlimited number of trust units.

In December 2004, LREIT initiated a private placement offering of a maximum of 5,000,000 trust units at a price of $5 per unit (the “December 2004 Unit Offering”). The first closing of the offering occurred on December 30, 2004, resulting in 3,828,500 units being issued for total gross proceeds of $19,142,500. After considering the unit offering, LREIT had 6,461,213 trust units outstanding as of December 31, 2004, with an average issue price of $4.25.

The second closing of the December 2004 Unit Offering occurred on January 27, 2005, resulting in the issuance of an additional 1,171,500 units for total gross proceeds of $5,857,500. On February 2, 2005, LREIT also completed a private placement of 200,000 trust units at a price of $5 per unit for gross proceeds of $1 Million.

During the first nine months of 2005, LREIT also issued 2,697,133 units in regard to debenture conversions, resulting in the retirement of both the Series B and Series C debentures.

During the third quarter of 2005, 10,000 trust units were also issued by LREIT, upon the exercise of unit options.

In October 2005, LREIT initiated another private placement offering of trust units, which is expected to generate approximately $30 Million of additional proceeds. The trust unit financing is expected to close by December 14, 2005.

The following is a summary of the trust units which were issued by LREIT during the first nine months of 2005:

Summary of Trust Units

		Units Issued	Gross Proceeds
Units outstanding, December 31, 2004		6,461,213	$ 27,476,411
January 27, 2005	Second closing of December 2004 Unit Offering	1,171,500	5,857,500
February 2, 2005	Private placement to institutional investors	200,000	1,000,000
September 29, 2005	Exercise of unit options	10,000	40,000
January to September 30, 2005	Units issued on conversion of debentures: - first quarter 237,311 - second quarter 964,800 - third quarter 1,495,022	2,697,133	-
Units issued – first nine months of 2005		4,078,633	6,897,500
Units outstanding, September 30, 2005		10,539,846	$ 34,373,911

Convertible Debentures

In January 2005, LREIT initiated a $12 Million private placement offering of Subordinated Series E Convertible Debentures, bearing interest at a rate of 8%, with a five year term and a final closing date of March 16, 2005.

During the first nine months of 2005, convertible debentures, with a total face value of $12,418,000, were converted into units, including all of the Series B and Series C Convertible Debentures.

The following is a summary of the debenture offerings which have been undertaken by LREIT, as of September 30, 2005, since its inception date as a publicly listed entity:

Summary of Debenture Offerings

Issue Date/ Maturity Date	Series	Interest Rate	Amount Issued	Unit Conversions As of June 30, 2005 (1)	Unit Conversions 3rd Quarter	Net Amount Outstanding June 30, 2005
Aug. 30/02/Aug. 30/07	A	10%	$ 3,000,000	$ (697,000)	$ (534,000)	$ 1,769,000
Aug. 30/02/Aug. 30/05	B	8%	1,000,000	(506,000)	(494,000)	-
Jan. 30/04/Jan. 29/06	C	8%	10,131,000	(4,343,000)	(5,788,000)	-
Mar. 16/04/Mar. 15/08	D	8%	4,000,000	(40,000)	(16,000)	3,944,000
Feb. 17/05/Feb. 17/10	E	8%	12,000,000	-	-	12,000,000
			$ 30,131,000	$ (5,586,000)	$ (6,832,000)	17,713,000
Net accumulated accretion						643,776
Book value, September 30, 2005						$ 18,356,776

(1)All of the unit conversions occurred in 2005, except for $58,000 of Series B Debentures which were converted in 2003.

Mortgage Loans Payable

September 30, 2005 - $117,482,304
December 31, 2004 - $49,091,108

Summary of Mortgage Loans Payable

Year of Maturity	Weighted Average Interest Rate	Amount September 30, 2005	Percentage of Total
2006	4.12%	$ 465,332	0.4%
2006	0.00% (VTB)	250,000	0.2%
2007	6.49%	1,991,363	1.7%
2008	4.10%	4,109,928	3.5%
2009	5.27%	22,967,294	19.6%
2013	5.89%	28,367,915	24.1%
2014	5.49%	18,105,264	15.4%
2015	5.67%	39,017,421	33.2%
		115,274,517	98.1%
Demand/floating rate	Prime + 1%	1,042,787	0.9%
	Prime + 0.5%	1,165,000	1.0%
		2,207,787	1.9%
		$ 117,482,304	100%

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.

All of the property acquisitions during the first nine months of 2005 encompassed first mortgage loan financing, with the exception of Highland Tower, which was purchased entirely by a cash payment of $1,350,000. The total first mortgage loan debt arranged or assumed on the remaining ten property acquisitions amounted to approximately $66 Million or approximately 67% of the total purchase price, with a weighted average interest rate of 5.64%. In addition, the 2005 property acquisitions encompassed a non interest-bearing vendor take-back (VTB) mortgage of $250,000, maturing July 1, 2006, and a prime plus 0.5% second mortgage loan of $1,165,000, payable on demand. The new mortgage loans account for the increase in the balance of “Mortgage Loans Payable” since December 31, 2004.

On February 24, 2005, the prime plus 0.625% first mortgage loan for the Kenaston Property was upward refinanced, resulting in net proceeds of approximately $2.4 Million. The new loan of $12 Million bears interest at a fixed rate of 5.8% for ten years, maturing March 1, 2015. The loan proceeds are being used to fund additional property acquisitions and for general purposes.

RESULTS OF OPERATIONS

Operating Highlights

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004 (restated)	2005	2004 (restated)
Total revenue	$4,949,341	$2,309,239	$12,394,676	$5,214,816
Operating income	$2,676,270	$1,398,456	$6,910,241	$3,319,628
Net loss	$(478,919)	$(479,357)	$(1,273,528)	$(897,940)
Cash from operations	$461,457	$422,290	$1,870,073	$1,289,699
Distributable income	$732,504	$323,433	$1,718,860	$842,789
Per Unit				
Operating income	$0.267	$0.531	$0.739	$1.26
Net loss	$(0.048)	$(0.182)	$(0.136)	$(0.342)
Distributable income	$0.073	$0.123	$0.184	$0.321

Impact of Changes in Accounting Policy

Convertible Debentures

Effective January 1, 2005, LREIT adopted a new accounting policy for debentures which are convertible to units, at the option of the debenture issuer. The accounting policy was adopted, pursuant to the recommendations of the CICA Handbook, in order to conform to Canadian generally accepted accounting principles. The new accounting policy is being applied on a retroactive basis.

The new policy is described in Note 2 of the third quarter financial statements. The adoption of the amended accounting policy by LREIT resulted in a reallocation of the debt and equity components of the Series B convertible debentures and an increase in prior years financing expense of $286,451 of which $34,780 pertains to the three month period ended September 30, 2004 and $101,101 pertains to the nine month period ended September 30, 2004. Accordingly, for comparative purposes, the net loss for both the three month period and the six month period ended September 30, 2004 are higher than was previously reported.

Carrying Costs for Major Renovations

Effective July 1, 2005, LREIT adopted an accounting policy whereby carrying costs which are incurred during a period of major renovations to an income property, and which involve the temporary removal of suites from the rental market, are capitalized to the cost of the building and amortized over the estimated useful life of five years. The accounting policy is described in Note 2 of the third quarter financial statements. During the third quarter of 2005, the total capitalized carrying costs of LREIT are $21,679, all of which pertain to renovations at Highland Tower.

Overall Performance

General

In accordance with its overall investment strategy, LREIT is progressively acquiring additional properties in order to achieve sustained growth in operating cash flows and create ongoing gains in unit values.

The operating results for the nine months ended September 30, 2005 clearly reflect that LREIT has been very successful in achieving its investment objectives, in comparison to the first nine months of 2004. During the nine month period ended September 30, 2005, the operating income of LREIT increased by approximately $3.6 Million or 108%, compared to the first nine months of 2004, while cash from operations increased by approximately $580,000 or 45%.

The increase in the operating income is mainly due to the increase in the number of properties in the portfolio of LREIT. During the first nine months of 2004, nine properties, with a combined purchase price of approximately $64 Million, contributed to the operating income of LREIT. During the first nine months of 2005, 21 properties, with a combined acquisition cost of approximately $166 Million, contributed to operating income.

During the nine month period ended September 30, 2005, financing expense in regard to convertible debentures has also fluctuated significantly as a result of the issuance of the $12 Million Series E convertible debentures in February and March 2005, followed by an $11.2 Million reduction in the face value of the Series A, B, C and D debentures subsequent to March 31, 2005, due to debenture conversions. During the three month period ended September 30, 2005, financing expense on convertible debentures was $580,057, compared to $903,748 for the second quarter of 2005.

The high level of debenture conversions, combined with the investment of existing capital in new property acquisitions, has resulted in a significant change in the ratio of convertible debentures, compared to the acquisition cost of income-producing properties. As of September 30, 2005, the ratio of debenture debt to property acquisition costs was approximately 11%, compared to a ratio of approximately 28% as of September 30, 2004.

A very significant portion of the change in debenture debt occurred during the third quarter of 2005. As of June 30, 2005, the ratio of debenture debt to property acquisition costs was 19%, representing a difference of eight percentage points, compared to the 11% ratio, as of September 30, 2005. As a result of the reduction in the ratio of debenture debt, there has also been a significant reduction in the ratio of financing expense, compared to operating income. The main impact of the lower ratio of debenture debt is that the growth in operating income stemming from new property acquisitions is no longer being offset by a corresponding increase in financing expense.

Operating Segments

Geographic

During the third quarter of 2005, the geographic diversification of LREIT was further enhanced as a result of a property acquisition in Saskatoon, Saskatchewan and an increase in property holdings in Prince Albert, Saskatchewan and Winnipeg, Manitoba.

The increased geographic diversification of the LREIT portfolio is reflected in the following chart:

Analysis of Rental Revenue by Geographic Market Segment

	Percentage of Total Rental Revenue	
	Three Months Ended	
	September 30, 2005	June 30, 2005
Alberta	35%	43%
Manitoba	24%	28%
Northwest Territories	12%	13%
Saskatchewan	22%	9%
British Columbia	6%	6%
Ontario	1%	1%
	100%	100%

The continued geographic diversification of LREIT will serve to mitigate the general economic risks which are associated with real property ownership, such as the risk of increased competition or reduced demand in a local real estate market.

Property Type

General

The real estate portfolio of LREIT did not contain any residential properties during the first quarter of 2004. Subsequent to March 31, 2004, LREIT refocused its efforts exclusively toward the acquisition of multi-family residential properties. During the second and third quarters of 2004, LREIT acquired five multi-family residential properties. The five multi-family residential properties accounted for 50% of the total income from property operations during the third quarter of 2004.

During the third quarter of 2005, the 17 multi-family residential properties in the LREIT portfolio accounted for 74% of the total income from property operations. The percentage has also increased significantly, in comparison to the 68% level which was attained during the second quarter of 2005, primarily due to the acquisition of Luther Riverside Terrace in Saskatoon, Saskatchewan in July 2005. Luther Riverside Terrace is the second largest property in the LREIT portfolio and accounted for 13% of the total income from property operations during the third quarter of 2005.

Residential

As disclosed on page 4 of this report, the occupancy level for the properties in the multi-family residential portfolio of LREIT ranged considerably as of September 30, 2005. The occupancy rate for the largest properties in the portfolio, Nelson Ridge Estates, Luther Riverside Terrace and Greenwood Gardens, was at a very favourable level, ranging from 97% to 100%, while the occupancy level for a number of properties was quite low, particularly for the small properties in Prince Albert, Saskatchewan.

Vacancy levels are high by historical standards throughout the multi-family residential rental market, as interest rates have been at a very low level for an extended period of time, resulting in a move to home ownership by a high percentage of existing and potential tenants. On the positive side, the favourable lending conditions have enabled LREIT to secure low interest financing for new property acquisitions and minimize first mortgage loan debt service costs. Vacancy levels are also factored into the purchase price of new property acquisitions. As a result, notwithstanding the higher vacancy levels, the majority of the multi-family residential properties in the LREIT portfolio achieved positive cash flow results during the third quarter of 2005, after funding first mortgage loan interest expense.

The most notable exceptions were Norglen Terrace in Peace River, Alberta, Greenwood Gardens in Surrey, British Columbia and Three Lakes Village (formerly Nova Village) in Yellowknife, Northwest Territories, all of which experienced a significant cash deficiency after funding first mortgage loan interest expense.

The third quarter cash deficiency of $92,639 at Norglen Terrace is mainly due to an increase in maintenance costs in regard to the completion of upgrades to the building exterior.

The cash deficiency at Greenwood Gardens is mainly due to the high vacancy rate. In comparison to the second quarter of 2005, there was an improvement in the third quarter operating results of Greenwood Gardens, with the cash deficiency decreasing from $154,914 in the second quarter to $41,541 in the third quarter. The reduction in the cash deficiency is mainly due to a reduction in upgrade costs. Although an extensive multi-year in-suite and common area upgrade program is being implemented as the Project, the timing of upgrades fluctuates and minimal upgrades were completed during the third quarter of 2005. As reported in the 2004 Annual Report and the First Quarter Report for 2005, it is anticipated that, in the short-term, Greenwood Gardens will continue to incur a cash deficiency, pending the completion of the upgrade program and an improvement in occupancy levels.

Three Lakes Village is a newly constructed project that was acquired in the “lease-up” stage of operations. The cash deficiency that was incurred by Three Lakes Village for the third quarter of 2005, of $36,954, is due to the high vacancy rate and reflects the fact that 30 of the 50 suites are unoccupied as of September 30, 2005. The high vacancy loss also reflects the extent of the unrealized income potential of the Project and the expectation that there will be a significant improvement in operating results as the lease-up phase is completed and the occupancy rate increases to market levels.

Notwithstanding the operating cash deficiencies of certain properties, the overall operating results from the portfolio of multi-family properties improved significantly during the third quarter of 2005. The three new property acquisitions contributed approximately $440,000 to the third quarter operating income of LREIT, representing approximately 16% of the portfolio total. The largest property in the LREIT portfolio, Nelson Ridge Estates, in Fort McMurray, Alberta, also continued to generate very positive operating results, accounting for approximately 34% of the third quarter operating income and achieving a very positive gross profit margin of 78%.

Commercial and Light Industrial

Notwithstanding the exclusive focus on the acquisition of residential properties since 2004, the commercial and light industrial properties of LREIT continue to generate excellent yields and provide a strong foundation for the Trust in terms of cash flows and asset values. During the third quarter of 2005, commercial and light industrial properties accounted for 26% of the total income from property operations. The two light industrial properties in the LREIT portfolio are 100% leased to single tenants under long-term lease agreements, while the two commercial properties, McIvor Mall and the Kenaston Property, were both 97% leased as of September 30, 2005.

Although the residential property component of LREIT is gradually accounting for a higher percentage of operating income, the commercial and light industrial properties will continue to enhance the overall status of the Trust in terms of property income growth.

Cash Flow Guarantees

The acquisition of three properties, Nova Manor, Nova Villa and Nova Ridge Estates, encompassed cash flow guarantees, whereby the Vendor guaranteed a specified monthly operating cash flow until the monthly net rental revenues reach a predetermined threshold level, subject to a maximum period of one year. The “one year” period ended on April 30, 2005 for Nova Manor and Nova Villa and on June 30, 2005 for Nova Ridge Estates. Although the three properties experienced a decrease in operating income following the expiry date of the cash flow guarantees, the expiry of the cash flow guarantees did not have a significant impact on the total operating income of LREIT during the third quarter of 2005.

Analysis of Operating Results

Analysis of Net Income

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004 (restated)	2005	2004 (restated)
Income Properties				
Operating income	$ 2,692,491	$ 1,324,610	$ 6,488,298	$ 3,075,997
Financing expense – mortgage loans	(1,436,680)	(573,205)	(3,383,835)	(1,116,636)
Net income, excluding trust operations, financing expense on debentures and amortization	1,255,811	751,405	3,104,463	1,959,361
Trust Operations				
Interest income	(16,221)	73,846	421,943	243,631
Trust expense	(22,995)	(28,871)	(123,749)	(107,119)
	(39,216)	44,975	298,194	136,512
Financing expense – debentures	(580,057)	(595,809)	(2,170,849)	(1,549,545)
Net income, excluding amortization	**636,538**	**200,571**	**1,231,808**	**546,328**
Amortization expense	(1,115,457)	(679,928)	(2,505,336)	(1,444,268)
Net loss	$ (478,919)	$ (479,357)	$ (1,273,528)	$ (897,940)

Net Income, Excluding Amortization Expense

Net income, before amortization expense, increased by $435,967 or 217% during the third quarter of 2005, compared to the third quarter of 2004. The increase is comprised of the following components:

Increase in income from property operations	$ 504,406
Decrease in trust income	(84,191)
	420,215
Add: Decrease in financing expense on debentures	(15,752)
Increase in net income, excluding amortization	$ 435,967

The increase in net income from property operations reflects the acquisition of additional properties, while the decrease in trust income reflects a significant reduction in interest income. The decrease in interest income pertaining to "Trust Operations" is mainly due to an income reduction of approximately $58,000, due to the reclassification of a first quarter transaction, as an offset to other assets, and to a reduction in interest income, resulting from the repayment of the Minacs Loan at the beginning of the third quarter of 2005.

The decrease in financing expense on debentures reflects the high level of debenture conversions during the second and third quarter of 2005 and the offsetting impact associated with the completion of the Series E Convertible Debenture offering of $12 Million in February and March 2005.

In previous periods, there has generally been a marginal difference between the increase in income from property operations and the increase in debenture financing expense, primarily due to relatively high levels of uninvested capital. The operating results for the third quarter of 2005 reflects a significant change in the relationship between "operating income" and "financing expense" as financing expense decreased during the third quarter, resulting in a very substantial difference between the increase in income from property operations and the charge in financing expense. The total variance between the increase in income from property operations of $504,406 and the decrease in debenture financing expense of $15,752, reflects a significant increase in the amount of invested capital, as well as a significant reduction in the relative amount of debenture debt.

During the third quarter of 2004, the acquisition cost of the portfolio of income generating properties of LREIT was approximately $60 Million, compared to an acquisition cost which was in excess of $128 Million during the third quarter of 2005. As disclosed on page 9 of this report, the ratio of debenture debt to the acquisition cost of the income properties was 28%, as of September 30, 2004, compared to 11% as of September 30, 2005. The reduction in the proportionate amount of debenture debt resulted in a corresponding reduction in debenture financing expense, in proportion to operating income, and a corresponding increase in net income, before amortization expense.

In summary, the acquisition of additional properties and the resultant reduction in the amount of uninvested capital resulted in a significant increase in net income, excluding amortization expense, during the third quarter of 2005. Although the increase in net income was significantly enhanced by the reduction in debenture financing expense, a very substantial portion of the increase is solely attributable to a higher level of operating income.

During the nine month period ended September 30, 2005, net income before amortization expense increased by $685,480 or 125%, compared to the nine month period ended September 30, 2004. The increase is mainly attributable to the same factors which caused the increase in net income during the third quarter of 2005.

Net Loss, Including Amortization Expense

During the three month period ended September 30, 2005, LREIT incurred a net loss of $478,919, compared to a net loss of $479,357 for the three month period ended September 30, 2004. The net loss is mainly due to an increase in amortization expense for income properties, as a result of the increase in the size of the property portfolio of LREIT.

Similarly, the increase in the net loss, from $897,940 for the nine month period ended September 30, 2004 to $1,273,528 for the nine month period ended September 30, 2005 is mainly due to an increase in amortization expense.

As the property portfolio of LREIT continues to increase, amortization expense will continue to have a significant impact on the “bottom line” results of LREIT.

Property Operating Costs

Operating costs for rental properties, as a percentage of revenues from rental properties, increased from 44% during the third quarter of 2004, to 46%, during the third quarter of 2005. For the nine month period ended September 30, 2005, the operating cost percentage was 47%, compared to 39% for the nine month period ended September 30, 2004.

At the beginning of the second quarter of 2004, the property portfolio of LREIT consisted entirely of four commercial properties, including the MAAX Warehouse and the Purolator Building. During the second and third quarter of 2004, five residential properties were added to LREIT. The increase in the operating cost percentage reflects the higher proportion of commercial properties in the 2004 results and the fact that commercial properties and, in particular, single-tenant commercial properties have comparatively lower operating costs than multi-family residential properties. As LREIT is currently focusing on the acquisition of multi-family residential properties, the profit margin is not expected to change significantly in the fourth quarter of 2005. Accordingly, the rate of growth in operating income and operating cash flows is expected to continue at a favourable level in 2005, in proportion to the growth in revenues from new property acquisitions.

In this regard, the operating cost percentage of 46% for the third quarter of 2005 is comparable to the second quarter operating cost percentage of 45%.

Cash from Operations

During the third quarter of 2005, LREIT generated cash from operations of $461,457, compared to cash from operations of $422,290 during the third quarter of 2004, representing an increase of $39,167 or 9%. For the nine months ended September 30, 2005, cash from operations increased by $580,374 or 45%, compared to the first nine months of 2004.

The modest increase in cash flow of $39,167 in the third quarter of 2005, compared to the third quarter of 2004, is mainly due to a proportionately higher level of convertible debenture interest payments in the third quarter of 2005, as the first interest payment on the Series E convertible debentures, in the amount of $480,000, was paid on August 17, 2005. As disclosed on the Statement of Cash Flows, “interest paid on convertible debentures” was $740,006 during the third quarter of 2005, representing an increase of $392,026, compared to the interest payments of $347,680 during the third quarter of 2004.

The percentage increase in cash from operations is significantly higher for the nine month period as the impact of the timing of interest payments is reduced over a longer time frame and the higher interest payments are more evenly offset by the year-to-date increase in operating income.

The calculation of financing expense for convertible debentures encompasses accounting accruals and an adjustment for accretion, whereas the convertible debenture interest payments on the Statement of Cash Flows are based solely on actual cash outlays. The decrease in debenture financing expense in the third quarter of 2005 of $15,752, compared to the increase in debenture interest payments of $392,026, is attributable to the difference in the methodology for calculating debenture financing expense and debenture interest payments.

Balance Sheet Items

Deferred Charges

September 30, 2005 - $2,930,873
December 31, 2004 - $2,006,654

As per Note 6 of the third quarter financial statements, the unamortized cost of deferred charges was $3,946,847 as of September 30, 2005, representing an increase of $1,288,929, in comparison to the unamortized balance as of December 31, 2004.

The increase in the unamortized balance of deferred charges mainly represents an increase in deferred financing expenses. Approximately 70% of the increase in deferred financing expenses represents issue costs relating to the Series E debenture offering and approximately 25% represents financing costs relating to the acquisition of new property acquisitions in 2005.

As disclosed in Note 2 of the audited financial statements, LREIT has adopted a new accounting policy, effective January 1, 2005, whereby issue costs relating to debentures are initially recorded as deferred charges and amortized over the term of the debentures. Previously, issue costs relating to debentures were recorded as a reduction of equity.

Other Assets

September 30, 2005 - $2,008,794
December 31, 2004 - $1,271,668

Other assets increased by $737,126 since December 31, 2004. The increase is mainly due to an increase in prepaid property taxes and other prepaid expenses.

Intangible Assets

September 30, 2005 - $2,463,686
December 31, 2004 - $1,333,825

As disclosed in Note 9 of the third quarter financial statements, the unamortized cost of intangible assets was $3,617,285, as of September 30, 2005, representing an increase of $1,471,699, in comparison to the unamortized balance as of December 31, 2004.

The increase in the unamortized balance of intangible assets mainly represents an increase in lease origination costs, associated with property acquisitions in 2005. Lease origination costs represent the portion of the purchase price of a property that is attributed to the value of the operating leases which are in place when a property is acquired.

Accounts Payable and Accrued Liabilities

September 30, 2005 - $2,471,732
December 31, 2004 - $1,446,803

Accounts Payable and Accrued Liabilities increased by $1,024,929 since December 31, 2004. The increase mainly reflects an increase in tenant security deposits, operating accounts payable and accrued interest on mortgage loans payable.

Comparison to Preceding Quarter

Second and Third Quarter Comparison

	Three Months Ended September 30, 2005	Three Months Ended June 30, 2005	Increase (Decrease)
Revenue:			
Rentals from Income Properties	$ 4,905,105	$ 4,157,533	$ 747,572
Interest and Other Income	44,236	233,347	(189,111)
Total revenue	$ 4,949,341	$ 4,390,880	$ 558,461
Operating income	$ 2,676,270	$ 2,511,215	$ 165,055
Net loss	$ (478,919)	$ (520,148)	$ (41,229)

Analysis of Variance

During the third quarter of 2005, the operating income of LREIT increased by $165,055 or 6.6%, compared to the second quarter of 2005, while the net loss decreased by $41,229 or 8%.

The increase in operating income is comprised of the following components:

Increase in operating income - Income properties	$ 355,567
Decrease in operating income - Trust	(190,512)
	$ 165,055

The increase in the operating income of LREIT is primarily due to the additional income from the three properties which were acquired by LREIT during the third quarter of 2005, namely Luther Riverside Terrace, Marquis Towers and Chancellor Gate.

Specifically, the net increase in the operating income of rental properties during the third quarter of 2005 reflects operating income of $439,255 from the three new properties, partially offset by a net decrease in the combined operating income of the other properties in the LREIT portfolio. As disclosed on page 10 of this report, the majority of properties in the LREIT portfolio achieved positive cash flow results during the third quarter of 2005, with a few exceptions, the most significant of which were Norglen Terrace, Greenwood Gardens and Three Lakes Village.

The decrease in the operating income related to the general operation of the Trust is mainly due to a reduction in interest income as a result of the decrease in the amount of uninvested capital during the third quarter of 2005; the repayment of the Minacs Loan on July 8, 2005; and the income reduction of approximately $58,000 pertaining to the reclassification of a first quarter transaction, as disclosed on page 12 of this report.

The decrease in the net loss during the third quarter of 2005, compared to the second quarter of 2005 is comprised of the following components:

Increase in operating income – properties	$ 355,567
Increase in financing expense – first mortgage loans	(193,330)
	162,237
Decrease in financing expense –debentures	323,691
	485,928
Increase in amortization expense	(286,162)
	199,766
Decrease in net income from Trust operations	(158,537)
	$ 41,229

As disclosed in the “Summary of Quarterly Results” on page 17 of this report, the net loss of LREIT has gradually increased from the third quarter of 2003 to the second quarter of 2005. As explained in previous reports, the ongoing increase in the net loss has primarily been the result of two main factors, namely, an increase in amortization expense and an increase in debenture financing expense. In previous quarters, the incremental increase in debenture financing expense has typically exceeded the incremental increase in operating income, due to a lag between the receipt of debenture capital and the investment of the debenture capital in income-producing properties.

As discussed on page 12 of this report, the third quarter results reflect a significant change in the capital structure of LREIT as, rather than experiencing an incremental increase in financing expense, the debenture financing expense of the Trust decreased by $323,691 in the third quarter. The decrease in debenture financing expense is mainly attributable to the extent of debenture conversions in the third quarter of 2005 and the resultant reduction in the total amount of debenture debt outstanding in the third quarter of 2005, compared to the second quarter of 2005. During the third quarter of 2005, there was also a significant reduction in the amount of uninvested capital which served to increase the incremental amount of operating income.

In summary, the reduction in the net loss of LREIT during the third quarter of 2005 is mainly attributable to an increase in operating income from rental properties and a decrease in debenture financing expense, partially offset by an increase in amortization expense. The decrease in net income from Trust operations also served to reduce the extent of the improvement in third quarter results.

Summary of Quarterly Results

Quarterly Analysis For the Year Ended December 31	2005			2004 (restated)	
	Q3	Q2	Q1	Q4	Q3
Total revenue	$4,949,341	$4,390,880	$3,054,455	$2,528,428	$2,309,239
Operating income	$2,676,270	$2,511,215	$1,722,756	$1,296,410	$1,398,456
Net income (loss)	$(478,919)	$(520,148)	$(274,461)	$(587,841)	$(479,357)
PER UNIT					
Operating income					
- Basic	$0.267	$0.310	$0.230	$0.477	$0.531
- Diluted	$0.219	$0.215	$0.153	$0.198	$0.227
Net income (loss)					
- Basic	$(0.048)	$(0.064)	$(0.037)	$(0.216)	$(0.182)
- Diluted	$(0.048)	$(0.064)	$(0.037)	$(0.216)	$(0.182)

Quarterly Analysis for the Year Ended December 31	2004 (restated)		2003	
	Q2	Q1	Q4	Q3
Total revenue	$1,961,339	$944,238	$628,934	$719,416
Operating income	$1,319,195	$601,979	$382,574	$495,772
Net income (loss)	$(246,582)	$(171,997)	$(1,668)	$96,870
PER UNIT				
Operating income				
- Basic	$0.501	$0.230	$0.267	$0.513
- Diluted	$0.224	$0.134	$0.233	$0.412
Net income (loss)				
- Basic	$(0.094)	$(0.066)	$(0.001)	$0.100
- Diluted	$(0.094)	$(0.066)	$(0.001)	$0.100

CASH DISTRIBUTIONS

Distribution Amount

In accordance with the quarterly cash distribution policy, the cash distribution of LREIT, for the third quarter of 2005, in the amount of $1,475,579 or $0.14 per unit, was paid on October 15, 2005 to the Unitholders of record as of September 30, 2005.

Distributable Income

The stated policy of LREIT is to distribute cash to the Unitholders, on a quarterly basis, in an amount which is approximately equal to 90% of the annual “Distributable Income” of the Trust. Distributable income is equal to the net income of LREIT, as determined in accordance with GAAP, subject to certain adjustments for non-cash transactions, such as adding back amortization expense for income properties and intangible assets and converting interest expense on debentures to a cash basis.

Distributable income is a non-GAAP measure, however, and excludes other transactions which LREIT takes into consideration in its determination of cash distributions. Specifically, the source of funding for LREIT has primarily been cash from operations, as follows:

	Nine Months Ended September 30	
	2005	2004 (restated)
Net loss	$ (1,273,528)	$ (897,940)
Add (deduct):		
Total amortization expense	2,505,336	1,444,268
Amortization of tenant inducements and leasing expenses	(228,466)	(195,116)
Accretion on debt component of convertible debentures	2,170,848	1,549,545
Interest expense on convertible debentures	(1,403,866)	(991,028)
Revenue adjustments	(60,005)	(75,481)
Unit-based compensation	8,541	8,541
Distributable income, per Note 18 of the financial statements	1,718,860	842,789
Interest expense on convertible debentures	1,403,866	991,028
Interest paid on convertible debentures	(1,481,119)	(739,234)
Amortization of tenant inducements and leasing expenses	228,466	195,116
Cash from operations, per Statement of Cash Flows	1,870,073	1,289,699
Principal repayment of mortgage loans	(1,216,108)	(476,511)
Cash from operations, net of principal repayment of mortgage loans	653,965	813,188
Cash distribution	(3,870,257)	(1,024,258)
Working capital supplement	$ (3,216,292)	$ (211,070)

The cash from operations, net of mortgage principal repayments, excludes funds derived from increases in property values, such as the proceeds of upward refinancing. In February 2005, the upward refinancing of the first mortgage loan of the Kenaston Property resulted in cash proceeds of approximately $2.4 Million.

FUNDS FROM OPERATIONS (“FFO”)

Funds from Operations (“FFO”) is not defined by GAAP and is a non-GAAP financial measure of operating performance widely used by the real estate industry. FFO has been calculated in accordance with the new recommendations of RealPac, which defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable real estate and extraordinary items, plus depreciation and amortization, plus future income taxes and after adjustments for equity accounted entities and non-controlling interests. Adjustments for equity accounted entities and joint ventures and non-controlling interests are calculated to reflect funds from operations on the same basis as the consolidated properties. FFO per unit has been calculated on a basis consistent with that prescribed by GAAP for calculating earnings per unit. FFO should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP. The method that is used by LREIT for calculating FFO may differ from other issuers’ methods and accordingly, may not be comparable with measures used by other issuers.

LREIT considers FFO to be a meaningful additional measure of operating performance, as FFO measures the cash generating abilities of LREIT.

Funds from Operations

	Nine Months Ended September 30	
	2005	2004 (restated)
Net loss	$(1,273,528)	$ (897,940)
Add (deduct):		
Total amortization expense	2,505,336	1,444,268
Amortization of deferred financing fees	(163,867)	(19,846)
Funds from operations	1,067,941	526,482
Funds from operations per unit	$0.11	$0.20

CAPITAL RESOURCES AND LIQUIDITY

Cash Reserves

The main sources of funds for LREIT are operating cash flows and the proceeds from convertible debenture and trust unit offerings. Mortgage loan financing serves primarily to reduce the equity component of new property acquisitions.

Since its inception, LREIT has demonstrated an ongoing ability to raise additional capital to fund new property acquisitions. LREIT commenced 2005 with a cash balance of $19.76 Million and raised an additional $17.5 Million of capital during the first nine months of the year from unit and debenture offerings, net of issue costs. The upward refinancing of the first mortgage loan of the Kenaston Property during the first quarter of 2005 also resulted in cash proceeds of approximately $2.4 Million, net of refinancing costs.

During the first nine months of 2005, the total acquisition cost of new properties amounted to approximately $99 Million, of which approximately $32 Million was funded from working capital and approximately $67 Million was funded by mortgage loan financing. After considering other cash transactions, there was a total cash decrease of approximately $12 Million during the first nine months of 2005 and the cash balance of LREIT was reduced to approximately $7.7 Million as of September 30, 2005.

The private placement offering of trust units, which was initiated by LREIT in October 2004, is expected to generate gross proceeds of approximately $30 Million and provide a significant base of capital for the funding of additional property acquisitions.

Working Capital Requirements

Cash Distributions

As noted in the “Cash Distributions” section of this report, working capital generated from the operating cash flow of LREIT, net of convertible debenture and mortgage loan payments, serves as the primary funding source for cash distributions.

As disclosed in the 2004 Annual Report, the operating cash flow of LREIT, net of convertible debenture and mortgage loan payments, will not be sufficient to fully fund cash distributions in 2005. For the first nine months of 2005, the cash distribution amount exceeded operating cash flows, net of convertible debenture and mortgage loan payments, by approximately $3.2 Million. The year-to-date shortfall between cash from operations and the cash distribution amount reflects a lag in the investment of new capital in additional income-producing properties, resulting in a variance between the incremental cost of new capital and the incremental cash flow from new property acquisitions. During the third quarter of 2005, the year-to-date variance between cash from operations and the cash distribution amount was compounded by the unusually high level of cash distributions and debenture interest payments. During the third quarter of 2005, cash distributions and debenture interest payments amounted to $2,215,579, representing an increase of $565,464 or 34%, compared to the second quarter of 2005.

The third quarter increase in cash distributions and debenture interest payments reflects the first payment of semi-annual interest of $480,000 on the new issue of Series E debentures on August 31, 2005, combined with the payment of accrued interest on the Series A, B and D convertible debentures during the third quarter. The payment of accrued interest to debenture holders, combined with the subsequent payment of the third quarter cash distribution to investors who converted debentures into trust units, resulted in the high level of cash distributions and debenture interest payments.

As additional property acquisitions are completed and operations stabilize, it is anticipated that operating cash flows will gradually increase to a level which is sufficient to fully fund the cash distributions of the Trust. The retirement of the Series B and Series C convertible debentures and the resultant reduction in debenture interest payments will also serve to increase the cash flow which is available to fund cash distributions.

As noted above, the operating cash flows also exclude upward refinancing proceeds of approximately $2.5 Million.

Leasing Costs and Capital Expenditures

LREIT requires working capital in order to fund leasing costs and capital expenditures. During the first nine months of 2005, leasing costs and capital expenditures, excluding the capitalized renovation costs for Highland Tower, amounted to approximately $200,000, of which 93% pertains to tenant inducements at Kenaston Village Mall and the McIvor Mall.

Convertible Debentures

At the beginning of the third quarter of 2005, the upcoming debenture payment commitments for LREIT consisted of $494,000 of Series B debentures, due August 30, 2005, and $5,788,000 of Series C debentures, due January 21, 2006. As disclosed on page 6 of this report, all of the outstanding the Series B and Series C debentures were fully converted as of September 30, 2005.

In total, as of September 30, 2005, the conversion of debentures has resulted in the issuance of 2,697,133 trust units during the first nine months of 2005. The incremental cash outlay associated with the unit conversions is approximately $500,000, based on the comparison of a cash distribution of $0.56 per unit and the weighted average interest rate of the converted debentures of 8.2%.

RELATED PARTY TRANSACTIONS

During the second quarter of 2005, the investments of LREIT included an investment in a second mortgage loan, secured by the Minacs Building. On July 8, 2005, the Minacs second mortgage loan was fully repaid as a result of the acquisition of the Minacs Building by Huntingdon Real Estate Investment Trust (HREIT).

Prior to July 8, 2005, The Minacs Building was beneficially owned by 2668921 Manitoba Ltd., the parent company of Shelter Canadian Properties Limited. Mr. Arni Thorsteinson, the Chief Executive Officer of the Trust and a Trustee, is a Director and President of Shelter Canadian and is also the President of 2668921 Manitoba Ltd. Mr. Thorsteinson abstained from voting on all matters concerning the Minacs Loan.

Mr. Thorsteinson is the Chief Executive Officer, President and a trustee of HREIT.

OPERATING RISKS AND UNCERTAINTIES

The properties of LREIT are subject to the normal risks common to real property ownership and operation, including the risk of a reduced demand for leased premises due to changes in general economic conditions, local real estate markets, competition from other available premises and various other factors. In order to minimize the general market risk and achieve stable or increasing average rental rates, combined with acceptable occupancy levels, LREIT focuses on tenant retention and the marketing of vacant space through both the brokerage community and internal resources. LREIT further decreases its operating risk through property and geographic diversification, diversification of tenancies and staggered lease maturities. The risk of revenue losses due to defaults by commercial tenants in respect of lease obligations, is minimized by leasing to tenants with strong financial covenants with the rights of the Landlord strongly entrenched in contractual agreements.

The shift in the investment strategy of LREIT toward the acquisition of multi-family residential properties during 2004 has resulted in a property portfolio with a higher percentage of multi-family residential properties. The general market risk associated with a higher weighting of multi-family residential properties will be minimized through geographic diversification, focusing on quality properties and by utilizing the national organizational infrastructure and management expertise of Shelter Canadian Properties Limited.

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

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 2005 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 22, 2005

UNITHOLDER INFORMATION

Trustees and Officers

The investment policies and operations of LREIT are subject to the control of the trustees, pursuant to the terms of a Declaration of Trust. The Declaration of Trust provides for a minimum of three trustees and a maximum of ten trustees and requires that the majority of trustees be independent trustees. The Declaration of Trust provides Shelter Canadian Properties Limited with the right to appoint one trustee.

The current trustees of LREIT are Mr. Charles K. Loewen, Mr. Earl S. Coleman and Mr. Arni C. Thorsteinson. Mr Loewen is the Chairman, Founder and Chief Strategy Officer of Online Business Systems and serves as Chairman of LREIT. Mr. Coleman is the Vice President and Secretary Treasurer of Big Freight Systems Inc. and serves as Secretary of LREIT. Mr. Thorsteinson, CFA, is the President and principal owner of Shelter Canadian Properties Limited and serves as Chief Executive Officer of LREIT. Mr. Thorsteinson is the appointee of Shelter Canadian Properties Limited.

The Chief Financial Officer of LREIT is Mr. Kenneth J. Dando, CA, Senior Manager of Corporate Accounting and Financial Reporting for Shelter Canadian Properties Limited.

Administrator of the Trust

Shelter Canadian Properties Limited has been appointed by the Trustees, pursuant to the terms of a Services Agreement, to administer the daily affairs of LREIT and to perform the accounting and reporting functions of LREIT.

Property Management

Shelter Canadian Properties Limited has been appointed by the Trustees, pursuant to the terms of the Property Management Agreement, to act as the Property Manager for all of the income properties in the LREIT portfolio.

Shelter Canadian Properties Limited is one of Canada's leading privately owned real estate development and property management companies.

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Unit Listing

TSX Venture Exchange
Unit trading symbol: LRT.UN

Unitholder and Investor Contact

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