LANESBOROUGH REIT

2007 FIRST QUARTER REPORT

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2007 FIRST QUARTER HIGHLIGHTS

Acquisition and Development

- Invested $75.2 Million in the acquisition of three additional properties, representing 339 additional apartment units
- Invested $7.3 Million in construction, expansion and renovation costs.
- Quarter ending portfolio consists of 36 properties, comprised of 2,607 suites and 232,945 square feet of commercial leasable area.

Financial

First quarter of 2007, compared to first quarter of 2006:

- Operating income increased by $1.5 Million or 45% in total and by $0.081 or 40.5% on a per unit basis.
- "Same property" operating income increased by $506,075 or 17%.
- Cash from operating activities increased by $605,308 or 114%.
- Average occupancy rate for the residential portfolio increased from 90% to 93%.

Capital Structure

- Financed $72 Million of mortgage debt.
- Weighted average interest rate on the aggregate mortgage loan balance of 6.3% at March 31, 2007.
- Mortgage loan debt to current value ratio of 60.0% at March 31, 2007.

Ongoing Investment Activities

- Acquired a 113 suite apartment complex on May 1, 2007 at a cost of $5.6 Million.
- Contracted acquisitions and new properties under construction at a combined acquisition cost of approximately $118 Million, encompassing 136 townhouse units and 297 apartment suites. The acquisitions are expected to be completed during the third and fourth quarter of 2007.
- A 59 suite expansion to a seniors' residence in Port Elgin, Ontario is in process at an estimated cost of $9.5 Million.

Unitholder Returns

	Three Months Ended March 31 2007	Year Ended December 31 2006
Distribution per unit	$0.14	$0.56
Opening unit price	$5.90	$5.25
Closing unit price	$5.55	$5.90
Annualized yield on opening price (distribution/opening unit price)	9.5%	10.7%
Projected cash distribution - 2007:	$0.56	
Closing unit price - May 4, 2007:	$5.30	
Current yield:	10.6%	

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

Since its inception as a publicly traded entity in September 2002, LREIT has been in an aggressive growth phase and has been very successful in creating a large, diversified portfolio of quality rental properties. During the past three years, commencing with the 2003 fiscal year, the property portfolio of LREIT increased by approximately $50 Million, $100 Million and $70 Million, respectively, based on property acquisition costs. As of December 31, 2006, the real estate portfolio of LREIT consisted of 33 properties with an acquisition cost of $233.8 Million, encompassing approximately 2,300 residential units and 225,000 square feet of commercial space.

The 2007 fiscal year is expected to be another period of exceptional growth, with over $200 Million of new properties targeted for closing by year end. The first quarter results for 2007 are reflective of projected growth trend for the year, as the Trust completed three new property acquisitions at a total cost of $75.2 Million and incurred approximately $7.3 Million in construction, expansion and renovation costs for real estate development projects in Manitoba, Alberta and Ontario.

The operating results for the first quarter of 2007, reflect an insignificant amount of operating income from the three new property acquisitions, as one of the property acquisitions was not completed until the end of the first quarter, on March 23, 2007, while the other two properties were in the lease-up stage of development and, as such, all costs and any revenues were capitalized. Conversely, the cost of the capital which was used to fund the cash component of the first quarter property acquisitions, and the properties under construction or expansion, is fully reflected in the operating results of the Trust. Specifically, the equity component for new properties and for properties under construction or development, was primarily funded from the proceeds of the December 2006 Series G debenture offering, with the financing costs thereon comprising approximately $700,000 or 45% of the first quarter debenture financing expense. In summary, the high level of ongoing investment activity by LREIT is continuing to result in a lag between the cost of capital and the return on capital, with the first quarter operating results reflecting a nominal amount of operating income from new property acquisitions and a very substantial increase in financing expense in regard to the investment capital which was used to fund the equity component of the acquisitions.

Notwithstanding the lag in investment returns, the operating results of LREIT are favourable, with operating income for the first quarter of 2007 increasing by $1.52 Million or 45%, compared to the first quarter of 2006. On a per unit basis, operating income increased from $0.200 per unit during the first quarter of 2006 to $0.281 per unit during the first quarter of 2007. The improvement in operating income reflects the incremental income from properties which were acquired between April 1, 2006 and December 31, 2006, as well as a significant improvement in the operating income of the 22 properties which have been in the LREIT portfolio since January 1, 2006.

Cash from operating activities and distributable income also improved significantly during the first quarter of 2007, increasing by 114% and 4%, respectively, compared to the first quarter of 2006.

In terms of bottom-line results, the net loss of the Trust increased by $797,249 during the first quarter of 2007, compared to the first quarter of 2006, largely due to the increase in debenture financing expense and the lag in operating income from new investment activity.

While the rental properties recently developed or under construction have not contributed to earnings in a meaningful way to date, the portfolio of real estate assets has substantially increased in value since acquisition. The estimated current value of these assets is $80 Million in excess of net book value at March 31, 2007. This estimated gain creates a net asset value increment of $4.59 per unit outstanding.

Overall, the first quarter operating results are generally in accordance with expectations and LREIT remains well positioned to achieve significant growth in operating income and cash flows as the new properties complete the development phase and begin to contribute to the investment returns of the Trust. The Board of Trustees and the management team of Shelter Canadian Properties Limited remain fully committed to the long-term success of the Trust and to maximizing the investment returns to the Unitholders.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

A.C. Thorsteinson

ARNI C. THORSTEINSON, CFA
Chief Executive Officer
May 7, 2007

Property Portfolio - March 31, 2007

Property	Location	Purchase Price		Acquisition Date	Suites/ Leasable Area - Sq. Ft.	Occupancy 31/03/2007	
RESIDENTIAL							
Manitoba							
Highland Tower	Thompson	$ 1,350,000		January 2005	77	32 %	(3)
Chancellor Gate	Winnipeg	6,750,000		August 2005	48	96 %	
Willowdale Gardens	Brandon	4,326,000		January 2006	88	92 %	
Saskatchewan							
Borden Estates	Prince Albert	5,315,000		February 2005	144	74 %	
Cedar Village	Prince Albert	2,700,000		February 2005	72	78 %	
Carlton Manor	Prince Albert	410,000		February 2005	19	74 %	
Riverside Apartments	Prince Albert	265,000		February 2005	12	100 %	
MGM Apartments	Prince Albert	650,000		February 2005	28	54 %	
Marquis Towers	Prince Albert	6,200,000		August 2005	129	88 %	
Riverside Terrace	Saskatoon	24,000,000	(1)	July 2005	181	93 %	
Village West	Saskatoon	5,113,800		June 2006	100	93 %	
Chateau St. Michael's	Moose Jaw	7,600,000	(1)	June 2006	93	90 %	
Woodlily Courts	Moose Jaw	3,700,000		June 2006	102	84 %	
Alberta							
Nova Villa	Edmonton	5,400,000		May 2004	61	97 %	
Nova Manor	Edmonton	2,615,000		May 2004	32	94 %	
Nova Ridge Estates	Spruce Grove	8,800,000		July 2004	102	94 %	
Norglen Terrace	Peace River	2,500,000		October 2004	72	99 %	
Nelson Ridge Estates	Fort McMurray	40,575,000		April 2005	225	95 %	
Broadview Meadows	Sherwood Park	6,790,000		January 2006	93	99 %	
Gannet Place	Fort McMurray	6,873,700		June 2006	37	87 %	
Lunar Apartments	Fort McMurray	4,457,100		June 2006	24	79 %	
Parkland Apartments	Fort McMurray	2,230,200		June 2006	12	83 %	
Skyview Apartments	Fort McMurray	5,385,800		June 2006	29	72 %	
Snowbird Manor	Fort McMurray	6,314,500		June 2006	34	94 %	
Whimbrel Terrace	Fort McMurray	6,873,700		June 2006	37	89 %	
Woodland Park	Fort McMurray	37,865,000		March 2007	107	67 %	(5)
Northwest Territories							
Beck Court	Yellowknife	14,300,000		April 2004	120	93 %	
Three Lakes Village	Yellowknife	10,900,000		May 2005	50	96 %	
Nova Court (residential) (4)	Yellowknife	15,000,000		March 2007	106	100 %	
Ontario							
Elgin Lodge	Port Elgin	8,300,000	(1)	June 2006	64	95 %	
Clarington Seniors Residence	Bowmanville	22,400,000	(1)	February 2007	126	30 %	(5)
British Columbia							
Greenwood Gardens	Surrey	10,950,000		April 2004	183	99 %	
Total - Residential		**$ 286,909,800**		Total Suites	**2,607**		
COMMERCIAL							
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	98 %	
Nova Court (commercial) (4)	Yellowknife	-		March 2007	8,400	100 %	
		19,356,200			176,892		
Light Industrial							
MAAX	Aidrie, AB	1,600,000		June 2003	39,936	100 %	
Purolator	Burlington, ON	1,200,000		September 2003	16,117	100 %	
		2,800,000			56,053		
Total - Commercial		**$ 22,156,200**		Total leasable area	**232,945**		
Total		**$ 309,066,000**					

(1) Seniors housing complex.
(2) Includes cost of asset additions.
(3) In-suite renovation program in process. The occupancy rate is based on suites available to lease, as of March 31, 2006.
(4) Consists of a 106 suite apartment complex and 8,400 square feet of commercial space.
(5) Properties are classified as "properties under development".

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".

Forward-Looking Information

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 quarter ended March 31, 2007 and with reference to the 2006 Annual Report.

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, as discussed herein, could cause actual results to differ materially from the results discussed in forward-looking statements. 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.

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:

- 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;

- 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; and

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

Financial and Operating Summary

		Three Months Ended March 31 2007	2006
DISTRIBUTIONS			
Amount	- total	$ 2,476,749	$ 2,364,800
	- per unit	$ 0.14	$ 0.14
KEY PERFORMANCE INDICATORS			
Operations			
Average residential occupancy rate		93.0 %	90.0 %
Operating residential cost ratio		48.0 %	53.0 %
Operating Results			
Total revenue		$ 9,051,765	$ 6,442,035
Operating income		$ 4,884,730	$ 3,362,387
Loss for the period		$ (1,769,235)	$ (971,986)
Cash Flows			
Cash flow from operating activities		$ 1,136,446	$ 531,138
Funds from Operations (FFO) *		$ (157,869)	$ 552,810
Adjusted Funds from Operations (AFFO) *		$ 284,919	$ 588,593
Distributable income *		$ 882,564	$ 850,174
Financing			
Mortgage loan debt to current value ratio *		60.0 %	61.8 %
Weighted average interest rate of long-term debt *		6.34 %	5.63 %

PER UNIT AMOUNTS	2007 Basic	2007 Diluted	2006 Basic	2006 Diluted
Operating income	$ 0.281	$ 0.255	$ 0.200	$ 0.187
Loss for the period	$ (0.102)	$ (0.102)	$ (0.058)	$ (0.058)
Distributable income	$ 0.051	$ 0.050	$ 0.050	$ 0.050
Funds from operations (FFO)	$ (0.009)	$ (0.009)	$ 0.033	$ 0.033
Adjusted funds from operations (AFFO)	$ 0.016	$ 0.016	$ 0.035	$ 0.035

***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.

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-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 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.

The investment policies and operations of LREIT are subject to the overall control and direction of the Trustees. Shelter Canadian Properties Limited 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.

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 if rental market conditions continue to improve due to rising interest rates and the increasing cost of home ownership. 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 smaller centres.

Property Portfolio - March 31, 2007

As of December 31, 2006, the real estate portfolio of LREIT consisted of 29 multi-family residential properties and four commercial properties with a total acquisition cost of $233.8 Million.

During the first quarter of 2007, LREIT acquired three additional multi-family residential properties at a total purchase price of $75.2 Million, resulting in a real estate portfolio of 36 properties with a total cost of $309.1 Million as of March 31, 2007.

The first quarter acquisitions consisted of The Clarington Seniors Residence, Woodland Park and Nova Court, with closing dates of February 12, 2007, March 12, 2007 and March 23, 2007, respectively.

As disclosed in the 2006 Annual Report, The Clarington Seniors Residence and the Woodland Park complex were acquired in the lease-up stage of development and, as such, the two properties are classified as "Properties Under Development" on the consolidated balance sheet of the Trust. The lease-up stage for Woodland Park was completed on April 1, 2007 and as a result, the apartment complex will be classified under "Income Properties" in the second quarter of 2007. The lease-up of The Clarington Seniors Residence is expected to be completed by July 2008.

The Nova Court apartment complex was classified under "Income Properties", effective from the date of acquisition.

Completed and Contracted Property Acquisitions - Subsequent to March 31, 2007

Borden Place

On May 1, 2007, LREIT acquired Borden Place, a 113 suite apartment complex located in Saskatoon, Saskatchewan.

The purchase price of $5.6 Million was funded by a first mortgage loan in the amount of $4.2 Million, with the balance in cash.

Lakewood Manor

Lakewood Manor is a 175 unit multi-family apartment complex which is currently under construction in Fort McMurray, Alberta. The property will consist of 64 three-storey fully furnished townhouses and a four-storey apartment building with 111 fully furnished suites. The acquisition of the property is scheduled to close on July 1, 2007, following completion of construction. The purchase price of the property is $59,835,825.

The acquisition of the Lakewood Manor will be funded by new first mortgage loans in the minimum amount of $48 Million, with the balance in cash.

In 2005, LREIT provided partial construction financing for Lakewood Manor in the form of an 8% second mortgage loan of $8.5 Million. The loan requires payments of interest only, on a quarterly basis, and is subordinate to a construction mortgage in the maximum amount of $38 Million. The second mortgage loan will be credited to the purchase price on the closing date of the property acquisition.

Additional details regarding the three year lease agreement which has been obtained for all of the suites at Lakewood Manor are provided on page 25.

Millennium Village

Millennium Village is a 72-unit multi-family townhouse complex which is currently under construction in Fort McMurray, Alberta. The property will consist of 18 four-plex buildings with 36 two-bedroom and 36 two-bedroom plus den units, all of which will be fully furnished. Each of the townhouse units will have individual condominium title. The purchase price of the property is $25,150,000.

The acquisition will be financed with a new first mortgage loan in the amount of $16,954,000 with the balance in cash. The construction of the property is occurring in three phases and the target closing dates are August 2007 for Phase I, October 2007 for Phase II and November 2007 for Phase III.

In December 2006, LREIT provided partial construction financing for Millennium Village in the form of an 8% second mortgage loan of $4 Million. The loan requires payments of interest only, on a quarterly basis, and is subordinate to a construction mortgage in the maximum amount of $15 Million. The second mortgage loan will be credited to the purchase price on the closing date of Phase I.

Park View Apartments

LREIT has entered into a development agreement with Shelter Canadian Properties Limited in regard to the construction of a 186 suite apartment building in Fort McMurray, Alberta, to be known as the Park View Apartments. The land acquisition for the property was completed in July 2006 at a cost of $9.3 Million, while the construction of the apartment building commenced in August 2006. As of March 31, 2007, the land acquisition costs and the cumulative construction costs amounted to approximately $24.2 Million and are included in "Properties under development" on the balance sheet of LREIT.

A three year first mortgage loan in the amount of $45 Million was arranged for the property. The loan agreement provides for funds to be advanced in instalments, based on construction progress billings. As of March 31, 2007, a total of $6,650,000 has been advanced under the loan.

Pursuant to the development agreement, the total cost of Park View Apartments, including interest costs and development fees, is not to exceed $57.75 Million. Based on the first mortgage loan of $45 Million, the projected equity contribution for the development is $12.75 Million.

In accordance with the accounting policy of LREIT, all acquisition costs, development, leasing, financing and operating costs, less rental revenue, are capitalized for properties under development until the property achieves a satisfactory occupancy level within a predetermined time limit. The construction costs for Park View Apartments include carrying costs of $338,522, representing interest on the land acquisition/constructing financing.

The construction of the apartment building is expected to be completed not later than November 30, 2007. Please refer to the "Related Party Transactions" section of this report for additional information regarding the development agreement for Park View Apartments.

Existing Properties Under Development

Elgin Lodge

In June 2006, LREIT acquired Elgin Lodge, a 64 suite retirement home in Port Elgin, Ontario. In conjunction with the acquisition of the property, LREIT developed plans for a multi-level extension of the building on excess land. At an estimated cost of $9.5 Million, the expansion will add an additional 59 suites to the property, of which 12 will be studio suites and 47 will be one-bedroom suites. Based on an increase in the existing mortgage loan by $6.9 Million, the projected equity contribution for the expansion is $2.6 Million.

The construction of the 59 suite expansion commenced during the fourth quarter of 2006. As of March 31, 2007, the construction costs amounted to $2,766,459 and were funded entirely by working capital.

Additional details regarding the guarantees and commitments associated with the Elgin Lodge expansion are provided on page 25 of this report.

Major Renovations

In an effort to maximize the yield on its portfolio of income-producing properties, LREIT also undertakes appropriate capital improvement projects, renovations and remarketing initiatives for certain properties. 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 completed.

In 2005, LREIT commenced an extensive major renovations program at the Highland Tower property in Thompson, Manitoba. The renovation program involved the upgrading of an entire floor of suites at a time and the temporary removal of suites from the rental market. The renovation program is expected to be substantially completed by June 30, 2007, with the remaining work consisting primarily of landscaping and parking lot upgrades. As of March 31, 2007, the total cumulative renovation costs at Highland Towers are $3,268,006, of which $1,465,578 were incurred in the first quarter of 2007. Renovation costs are being funded from working capital.

In accordance with the accounting policy which was adopted by LREIT, effective July 1, 2005, carrying costs incurred during the period of major in-suite renovations of income properties are capitalized during the period that the suites are removed from the rental market. The total cumulative renovation costs for Highland Towers include carrying costs of $243,619.

Mortgage Loans Receivable

March 31, 2007	$12,500,000
December 31, 2006	$17,500,000

As of March 31, 2007, "Mortgage Loans Receivable" consist of $12.5 Million of construction loans for upcoming property acquisitions, comprised of the $8.5 Million second mortgage loan for Lakewood Manor and the $4 Million second mortgage loan for Millennium Village. During the three months ended March 31, 2007, $1 Million of the $5 Million mortgage loan receivable at December 31, 2006 has been reclassified as a deposit and is included in Other Assets.

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.

Depending on the circumstances, LREIT may also consider operating lines of credit, bridge financing and other short-term financing facilities as a source of interim investment capital.

Trust Units

Units Outstanding

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

As of March 31, 2007, LREIT had 17,426,874 units outstanding, representing an increase of 34,639 units or 0.2%, compared to the number of units outstanding as of December 31, 2006. All of the units which were issued during the first quarter of 2007 originated from the conversion of Series A and D debentures, aside from 17,273 units which were issued under the Distribution Reinvestment Plan.

Distribution Reinvestment Plan ("DRIP")

In November 2006, LREIT implemented a "Distribution Reinvestment Plan" whereby 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, 17,273 units were issued or purchased under the Distribution Reinvestment Plan during the first quarter of 2007.

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. As of December 31, 2005, LREIT had granted options to acquire a total of 20,000 units, of which 10,000 were exercised.

On January 17, 2006, LREIT granted options to the three Trustees and the Chief Financial Officer to acquire 7,500 units each at a price of $5.42 per unit. The options are exercisable immediately.

On July 26, 2006, LREIT granted options to each of the independent Trustees, the Chief Executive Officer and the Chief Financial Officer and to 17 management and senior employees of Shelter Canadian Properties Limited, who are engaged in functions related to the Trust, to acquire a total of 960,000 units at a price of $5.80 per unit. Approximately 40% of the options are exercisable immediately, while the remaining options are exercisable over a period of four years.

In accordance with 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 Operations. During the first quarter of 2007, unit-based compensation expense amounted to $83,671, of which $80,824 pertains to the options that were issued in July 2006. The charge to unit-based compensation expense contributed to the increase in trust expense during the first quarter of 2007.

In future periods, unit-based compensation expense, for the options that were issued in July 2006, is expected to decline by a significant amount, as follows:

Period	Projected Unit-Based Compensation
2007	$ 256,668
2008	134,800
2009	68,314
2010	22,139
	$ 481,921

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

Summary of Trust Units Issued

The following is a summary of the units which have been issued by LREIT, as of March 31, 2007, since its inception date as a publicly listed entity:

Issue Date	Description	Units Issued	Equity Raised
August 30, 2002	Initial units issued on creation of LREIT	775,000	$ 500,000
Units outstanding, December 31, 2002		775,000	500,000
August 28, 2003	First closing of private offering	502,463	2,009,852
August 29, 2003	Units issued on conversion of debentures	14,500	-
December 8, 2003	Second closing of private offering	70,750	283,000
December 22, 2003	Private placement	1,250,000	5,000,000
Units outstanding, December 31, 2003		2,612,713	7,792,852
April 15, 2004	Private placement on the acquisition of Greenwood Gardens	20,000	-
December 23, 2004	First closing of private placement	3,828,500	19,142,500
Units outstanding, December 31, 2004		6,461,213	26,935,352
January 27, 2005	Second closing of private placement	1,171,500	5,857,500
February 2, 2005	Private placement	200,000	1,000,000
September 29, 2005	Exercise of unit options	10,000	40,000
December 14, 2005	Private placement	6,297,240	32,115,924
January to December 31, 2005	Units issued on conversion of debentures	2,715,333	-
Units outstanding, December 31, 2005		16,855,286	65,948,776
November 1, 2006	Units issued on exchange of Class B units of Village West LP	100,000	-
November and December 2006	Units issued under DRIP	2,439	13,250
January to December 31, 2006	Units issued on conversion of debentures	434,510	-
Units outstanding, December 31, 2006		17,392,235	$ 65,962,026
January to March 31, 2007	Units issued under DRIP	17,273	100,748
January to March 31, 2007	Units issued on conversion of debentures	17,366	-
Units outstanding, March 31, 2007		17,426,874	$ 66,062,774

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 quarter of 2007, LREIT declared distributions of $0.14 per unit, or $0.56 on an annualized basis. Distributions are comprised of the following components:

	Trust Units	LP Units	Total
Cash distributions paid for January and February, 2007	$ 1,517,168	$ 33,284	$ 1,550,452
Cash distributions paid for March 2007	761,321	16,642	777,963
	2,278,489	49,926	2,328,415
Value of units issued under DRIP	148,334	-	148,334
Distributions declared, per Statement of Equity	$ 2,426,823	$ 49,926	$ 2,476,749

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 March 31, 2007, since its inception date as a publicly listed entity:

Summary of Debenture Offerings

				Units Conversions		
Issue Date/Maturity Date	Series	Interest Rate	Amount Issued	Three Months Ended March 31 2007	As of December 31 2006	Net Amount Outstanding March 31 2007
Aug. 30/02/Aug. 30/07	A	10.0 %	$ 3,000,000	$ (13,000)	$ (1,310,000)	$ 1,677,000
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	(76,000)	(2,251,000)	1,673,000
Feb. 17/05/Feb. 17/10	E	8.0 %	12,000,000	-	-	12,000,000
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
			$ 69,543,000	$ (89,000)	$ (14,692,000)	54,762,000
Net accumulated accretion						2,267,485
Book value, March 31, 2007						$ 57,029,485
Allocation of book value						
Debt component						$ 43,282,822
Equity component						13,746,663
						$ 57,029,485

Mortgage Loans Payable

March 31, 2007	$239,803,971
December 31, 2006	$171,255,511

Summary of Mortgage Loans Payable

Year of Maturity	Weighted Average Interest Rate	Amount March 31, 2007	Percentage of Total
Fixed rate			
2007	10.1 %	$ 8,615,466	3.6 %
2008	9.4 %	26,870,412	11.2 %
2009	5.4 %	31,198,271	13.1 %
2011	8.5 %	7,409,223	3.1 %
2013	5.9 %	26,944,977	11.3 %
2014	5.5 %	17,637,978	7.4 %
2015	5.7 %	37,819,201	15.8 %
2016	5.2 %	44,070,571	18.4 %
		200,566,099	83.9 %
Demand/floating rate	7.4 %	38,420,529	16.1 %
		238,986,628	100.0 %
Difference between contractual and market interest rates on mortgage loans assumed		817,343	
		$ 239,803,971	
Amount pertaining to:			
Income properties		$ 191,216,628	
Properties under development		48,587,343	
		$ 239,803,971	

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 quarter of 2007, the balance of mortgage loans payable increased by $68,548,460, comprised of the following amounts:

Mortgage loans assumed/arranged for first quarter property acquisitions	$ 50,407,160
Refinancing of mortgage loans for properties acquired prior to January 1, 2007	18,258,978
Principal repayments	(935,021)
Difference between contractual and market interest rates on mortgage loans assumed	817,343
	$ 68,548,460

As of March 31, 2007, the weighted average interest rate of the fixed rate mortgage loans is 6.0%, compared to 5.6% as of December 31, 2006. The weighted average interest rate for floating rate mortgage loans decreased from 7% at December 31, 2006 to 6.9% as of March 31, 2007.

Excluding properties under development, the ratio of mortgage loans payable, relative to the total acquisition cost of the entire portfolio of income-producing properties, increased from 70% as of December 31, 2006 to 84% as of March 31, 2007. The increase reflects the additional financing which was obtained for properties acquired prior to 2007. On a weighted average basis, the ratio of mortgage loans payable increased from 70% for the three months ended March 31, 2006 to 74% for the three months ended March 31, 2007.

The ratio of mortgage loans payable, relative to the estimated current value of the property portfolio, was approximately 61.8%, as of December 31, 2006, compared to 60% at March 31, 2007. The cumulative construction and land costs for Park View Apartments and the related mortgage loan indebtedness are excluded from the debt ratio calculation as Park View is under construction.

Vendor Take-Back Mortgages

The vendor take-back mortgage loan balance of $6,486,475 consists of the $250,000 interest-free vendor take-back mortgage loan that was obtained on the acquisition of the properties in Prince Albert, Saskatchewan in February 2005, less amounts owed to LREIT from the vendor. The loan for the Prince Albert properties matured on July 1, 2006 and will be repaid on demand. In addition, a $6,250,000 vendor take-back mortgage, due on June 30, 2007, was obtained upon the purchase of Woodland Park in March 2007.

BALANCE SHEET ITEMS

	March 31, 2007	December 31, 2006
Total assets	$ 364,095,144	$ 294,222,201
Mortgage loans payable	$ 239,803,971	$ 171,255,511
Convertible debentures (face value)	54,762,000	54,851,000
	$ 294,565,971	$ 226,106,511

Total Assets

As of March 31, 2007, the total assets of LREIT amounted to $364,095,144, compared to $294,222,201 at the end of 2006, representing an increase of approximately $70 Million or 24%. The increase in total assets is mainly due to an increase in "Income Properties" and "Properties Under Development" and reflects the acquisition of three additional properties since December 31, 2006.

Long-Term Financial Liabilities

As of March 31, 2007, mortgage loans payable and the face value of convertible debenture debt amounted to approximately 74.1% of the estimated current value of the total property portfolio of LREIT, compared to approximately 73.4% as of December 31, 2006.

Other Balance Sheet Items

Deferred Financing Costs

March 31, 2007	$4,709,707
December 31, 2006	$4,451,849

Deferred financing costs, net of amortization, increased by $257,858 during the first quarter of 2007.

The increase in the unamortized balance of deferred financing costs during the first quarter of 2007 mainly reflects the capitalization of costs relating to additional financing which was obtained during the three months ended March 31, 2007.

Other Assets

March 31, 2007	$7,851,180
December 31, 2006	$18,444,089

Other assets decreased by $10,592,909 since December 31, 2006. The decrease mainly reflects the application of $13,000,000 of deposits on Woodland Park upon closing of the purchase in March 2007, offset by increases due to the increase in the property portfolio of the Trust.

Accounts Payable and Accrued Liabilities

March 31, 2007	$12,137,471
December 31, 2006	$8,294,598

As disclosed in note 11 of the financial statements, "Accounts Payable and Accrued Liabilities" increased by $3,842,873 since December 31, 2006. The increase mainly reflects amounts due in regard to the construction costs of properties under development and an increase in trade accounts payable, mortgage interest payable and tenant security deposits as a result of the growth in LREIT's portfolio of properties.

Future Income Taxes

March 31, 2007	$3,507,133
December 31, 2006	$3,277,025

The liability for "future income taxes", as disclosed on the Consolidated Balance Sheet of LREIT mainly represents the income tax liability associated with the acquisition of Riverside Terrace.

In 2005, LREIT acquired Riverside Terrace by purchasing all of the issued and outstanding shares of its wholly owned operating subsidiary, Riverside Terrace Inc., resulting in a potential income tax liability of approximately $4 Million. The income tax liability is also reflected in the recorded cost of the property. The income tax liability pertains to a difference between the tax and book value of the assets and will decline as the difference between the tax and book value of the assets decreases over time.

Non-controlling Interest

As previously disclosed, the acquisition of the Village West Townhouses, encompassed the issuance of 456,617 Class B Limited Partnership Units. The net income or loss associated with the operations of the Village West Townhouses accrues to the holder of the limited partnership units until such time as the limited partnership units are converted to trust units. On November 1, 2006, 100,000 of the limited partnership units were converted to trust units

The "non-controlling interest" amount of $1,851,662 on the balance sheet of LREIT, represents the cumulative interest of the holder of the limited partnership units of the LREIT Village West Limited Partnership. As of March 31, 2007, the cumulative interest consists of the original value of the limited partnership units of $2,739,704, minus the operating loss attributable to the limited partnership units of $98,288, the deemed value of the converted units of $600,000 and the cumulative cash distributions of $189,754 which have been paid to the holder of the limited partnership units. Please refer to note 13 of the financial statements. As reflected on the Consolidated Statements of Operations, the allocation of the loss of $98,288 serves to decrease the loss of LREIT.

Original value of limited partnership units	$ 2,739,704
Cumulative share of loss of Village West Townhouses	(98,288)
Cumulative distributions on LP Units of Village West LP	(189,754)
Exchange of 100,000 LP Units for Units of the Trust	(600,000)
Non-controlling interest	$ 1,851,662

RESULTS OF OPERATIONS

Impact of Changes in Accounting Policy

Improvements to Income Properties

Effective January 1, 2007, LREIT adopted a new accounting policy in regard to the treatment of costs associated with the upgrading of existing income properties to more accurately reflect improvements to the income properties. The new accounting policy is being applied on a retroactive basis.

The new policy is described in Note 2 of the first quarter financial statements. The adoption of the accounting policy by LREIT resulted in a decrease in prior years operating expenses of $1,100,474, an increase in prior years amortization expense of $80,456 and an increase in original cost of income properties of $989,495. Accordingly, for comparative purposes, the net loss for the first quarter of 2006 is $100,196 lower than was previously reported.

The new accounting policy does not impact the treatment of costs incurred in regard to major in-suite renovations or properties under development as the Trust has previously adopted accounting policies which provide for the capitalization of costs incurred in regard to in-suite renovations and properties under development.

Balance Sheet Classification of Deferred Charges and Intangibles

Effective January 1, 2007, LREIT adopted a new presentation of certain assets relating to income properties.

Prior to January 1, 2007, tenant improvements recorded on the acquisition of income properties, as well as tenant inducements and leasing expenses in regard to ongoing leasing activity, were recorded as deferred charges and disclosed as a separate line item on the consolidated balance sheet of the Trust (deferred financing costs were also included in deferred charges). Similarly, intangible assets recorded on the acquisition of income properties, including lease origination costs, tenant relationships and above market in-place leases were recorded as intangible assets and disclosed as a separate line item on the consolidated balance sheet.

In accordance with the new presentation, the components of acquisition costs which were previously recorded as deferred charges (except for deferred financing costs) and the components which pertain to lease origination costs and tenant relationships, are now presented as components of income properties. The component of the acquisition costs which pertains to above market in-place leases is now classified as a component of other assets.

Analysis of Income/Loss

General

At the end of 2006, the expectation for 2007 was that LREIT would achieve a significant increase in operating income, operating cash flow and net income, excluding amortization expense, while continuing to incur a net loss and operate with a cash distribution payout ratio which exceeded operating cash flows.

Overall, operating results for the first quarter of 2007 were generally in accordance with expectations, with LREIT achieving a 45.3% increase in operating income, compared to the first quarter of 2006 and a 114% increase in cash from operating activities. The first quarter loss of LREIT increased by 82% in 2007, compared to 2006.

Loss for the Period

Analysis of Loss

	Three Months Ended Year Ended March 31		Increase
	2007	2006 (restated)	(Decrease)
Operating income - rental properties	$ 4,570,037	$ 3,010,545	$ 1,559,492
Interest income - Trust	314,693	351,842	(37,149)
Operating income	4,884,730	3,362,387	1,522,343
Financing expense			
Mortgage loans	2,551,404	1,689,472	861,932
Debentures	1,592,003	813,823	778,180
	4,143,407	2,503,295	1,640,112
Operating income, net of financing expense*	741,323	859,092	(117,769)
Trust expense	458,323	202,385	255,938
Income, before amortization, future income tax recovery and non-controlling interest*	283,000	656,707	(373,707)
Amortization	2,156,036	1,637,369	518,667
Future income tax recovery	(79,874)	(8,676)	(71,198)
Non-controlling interest	(23,927)	-	(23,927)
Loss for the period	$ (1,769,235)	$ (971,986)	$ (797,249)

The analysis of loss for the year represents the re-formatting of balances from the Consolidated Statement of Loss in order to provide a more detailed assessment of the financial performance of the Trust. The components of operating income and financing expense, as disclosed in the analysis, agree to the segmented financial information in the notes to the financial statements, while all other line items agree to the Consolidated Statement of Loss. Accordingly, the analysis consists entirely of GAAP measurements, aside from two sub-totals (see asterisks).

Income, Excluding Amortization Expense, Future Income Tax Recovery and Non-Controlling Interest

During the first quarter of 2007, the income of LREIT, before amortization expense, future income tax recovery and non-controlling interest, decreased by $373,707 or 57%, compared to the first quarter of 2006. The decrease in income reflects an increase in financing expense of approximately $1.6 Million and an increase in Trust expense of approximately $0.3 Million, largely offset by an increase in operating income of approximately $1.5 Million.

The increase in operating income is almost entirely due to an increase in operating income from rental properties. The increase reflects the incremental income from properties which were acquired between April 1, 2006 and December 31, 2006, as well as a significant improvement in the operating income of the 22 properties which have been in the LREIT portfolio since January 1, 2006.

The increase in financing expense is comprised of an increase in financing expense pertaining to mortgage loans and an increase in financing expense in regard to convertible debentures.

The increase in Trust expense reflects an increase in unit based compensation expense, service fees and stock exchange listing fees.

Loss For the Period

After considering amortization expense, future income tax recovery and non-controlling interest, LREIT incurred a loss of $1,769,235 during the first quarter of 2007, compared to a loss of $971,986 in the first quarter of 2006. The loss reflects total amortization charges of approximately $2.2 Million, compared to approximately $1.6 Million in the first quarter of 2006.

Financing Expense - Mortgage Loans

Financing expense on mortgage loans increased by $861,932 or 51.0% during the first quarter of 2007 and as a percentage of operating income, increased from 50.3% in the first quarter of 2006 to 52.2% in the first quarter of 2007. The increase mainly reflects the incremental interest expense on the additional mortgage loans which were arranged for properties acquired prior to 2007. Virtually all of interest expense for mortgage loans which were arranged or assumed for properties acquired during the first quarter of 2007, was capitalized.

Financing Expense - Debentures

During the first quarter of 2007, financing expense on convertible debentures increased by $778,180 or 96%, compared to the first quarter of 2006. The increase mainly reflects the incremental financing expense which resulted from the issuance of the $13.68 Million Series F convertible debentures in March 2006 and the $25.73 Million Series G convertible debentures in December 2006.

As a percentage of operating income, financing expense on debentures increased from 24% in 2006 to 33% in the first quarter of 2007. The increase in the ratio of debenture financing expense, relative to operating income, reflects the following factors:

- an increase in the relative amount of debenture capital due to a change in the overall capital structure of the Trust. As of March 31, 2007, the ratio of convertible debenture debt, at face value, compared to the unit component of the total equity of the Trust was 41%. As of March 31, 2006, the convertible debenture debt ratio was 29%; and

- a lag in the return on the investment of the proceeds of the December 2006 Series G convertible debenture offering. The proceeds from the Series G convertible debenture offering were primarily invested in properties which did not contribute to operating income during the first quarter of 2007 as the properties were either under development or acquired at the end of the quarter. Conversely, financing expense for the Series G convertible debentures is reflected in the operating results for the first quarter of 2007, for a full three month period.

Amortization Expense

During the first quarter of 2007, total amortization expense increased by $518,667 or 32%, compared to the first quarter of 2006. The increase mainly reflects the growth in the portfolio of income-producing properties since March 31, 2006.

During the first quarter of 2007, the ratio of amortization expense to operating income was 44%, compared to 49% in 2006. The decrease in the ratio of amortization expense, relative to operating income mainly reflects a proportionately lower allocation of a portion of the purchase price to intangible assets for properties which were acquired subsequent to March 31, 2006 and the fact that intangible assets are amortized over a shorter time frame than other components of the acquisition cost.

Trust Expense

Trust expense increased by $255,938 during the first quarter of 2007, compared to the first quarter of 2006. The increase in Trust expense is mainly due to the following factors:

- the charge to unit-based compensation expense of $80,824 in regard to the unit options which were issued by the Trust in July 2006;

- an increase in the monthly 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. The asset management for the three months ended March 31, 2007 was $226,102, compared to $129,159 for the three months ended March 31, 2006.

  Please refer to "Related Party Transactions" on page 33 of this report 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; and

- an increase in fees associated with being listed on the TSX in 2007 as opposed to the Venture Exchange in 2006.

Operating Income

During the first quarter of 2007, the operating income of LREIT increased by approximately $1.5 Million or 45%, compared to the first quarter of 2006. 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 quarter of 2006, 23 properties, with a total acquisition cost of $177 Million, contributed to the operating income of LREIT, including two properties which were acquired in January 2007. During the first quarter of 2007, 33 properties, with a total acquisition cost of $234 Million, contributed to operating income, representing the property portfolio of the Trust as of December 31, 2006. The three properties which were acquired during the first quarter of 2007 did not have any meaningful impact on operating income, as two of the properties were under development (Woodland Park and The Clarington) and the third property (Nova Court) was acquired at the end of the quarter, on March 23, 2007.

Overall Portfolio Analysis

Analysis of Operating Income

	Percentage of Total Operating Income Three Months Ended March 31	
	2007	2006
Residential	81 %	70 %
Commercial	13 %	20 %
Total - Income Properties	94 %	90 %
Trust	6 %	10 %
Total	100 %	100 %

The operations of LREIT encompass the acquisition and management of a growing portfolio of income-producing properties. The portfolio of Income Properties includes commercial and residential properties in rental markets across western Canada and in Ontario and the Northwest Territories. For financial reporting purposes, the operating results of the Income Properties are segmented geographically and by property type, while operating results pertaining to overall asset management and administrative activities are categorized under the heading of "Trust".

The operating income from "Trust" operations consists almost exclusively of interest income on mortgage loans receivable and excess cash reserves. The portfolio of Income Properties is the primary source of operating income accounting for 94% and 90% of the total operating of income of LREIT in the first quarter of 2007 and 2006, respectively.

The following discussion focuses on an analysis of the Income Properties of LREIT, with a more detailed review of the residential property portfolio, given the ongoing increase in the amount of residential properties.

Revenues

Total Rental Revenues

Analysis of Rental Revenues by Property Sector

	Percentage of Total Rental Revenue Three Months Ended March 31	
	2007	2006
Residential	87 %	81 %
Commercial	13 %	19 %
	100 %	100 %

Although the residential property component of LREIT is gradually accounting for a higher percentage of operating income, 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. The two light industrial properties in the LREIT portfolio are 100% leased to single tenants under long-term lease agreements, while the three commercial properties, McIvor Mall, the Kenaston Property and Nova Court, were 98%, 97% and 100% leased respectively, as of March 31, 2007.

Revenue from Residential Properties

Analysis of Rental Revenue by Geographic Market Segment - Residential Properties

	Percentage of Total Rental Revenue	
	Three Months Ended March 31	
	2007	2006
Alberta	43 %	40 %
Saskatchewan	32 %	34 %
Northwest Territories	10 %	13 %
Manitoba	5 %	8 %
British Columbia	5 %	5 %
Ontario	5 %	N/A %
	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 three months ended March 31, 2007, LREIT expanded into Bowmanville, Ontario. Additional new property acquisitions occurred in Alberta and the Northwest Territories, with the highest concentration of property acquisitions centred in Fort McMurray, Alberta.

The relative ranking of revenues by geographic market segment has not changed significantly since the first quarter of 2006, as the property acquisitions of LREIT, subsequent to March 31, 2006, were mainly located in Alberta and Saskatchewan. In June 2006, LREIT also acquired its first property in Ontario, resulting in a modest decrease in the revenue percentages for Manitoba and the Northwest Territories.

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.

Operating Costs

Total Operating Costs

Analysis of Operating Cost Ratio by Property Sector

	Operating Cost Ratio	
	Three Months Ended March 31	
	2007	2006
Residential	48 %	53 %
Commercial	42 %	42 %
Total portfolio	48 %	51 %

The operating cost ratio for the entire portfolio of LREIT properties decreased from 51% in the first quarter of 2006 to 48% in the first quarter of 2007, primarily due to a decrease in the operating cost ratio of the residential property portfolio.

Operating Costs for Commercial Properties

During the first quarter of 2007, the operating cost ratio remained relatively constant at 42%, compared to the first quarter of 2006.

Same Property Analysis

All of the commercial properties in the LREIT portfolio were acquired prior to 2006 and, as such, the properties completed a full quarter of operation in the first quarter of 2006 and 2007. As disclosed in the following chart, the total revenues and operating income of the commercial properties decreased by a modest amount during the first quarter of 2007, compared to the first quarter of 2006. The modest decrease mainly reflects a higher level of non-recoverable costs at the Kenaston Property, largely offset by an improvement in the operating results of the McIvor Mall. The change in revenues and operating income did not affect the overall operating cost ratio of the commercial properties.

	Three Months Ended March 31		Decrease	
	2007	2006	Amount	%
Total revenue	$ 1,120,056	$ 1,169,397	$ (49,341)	(4.2)%
Operating income	$ 646,307	$ 673,159	$ (26,852)	(4.0)%

Operating Costs for Residential Properties

Overall Residential Portfolio

Geographic Analysis of Operating Cost Ratio - Multi-Family Properties

	Three Months Ended March 31			
	2007		2006	
	Operating Cost Ratio	Vacancy Loss	Operating Cost Ratio	Vacancy Loss
Alberta	36 %	4 %	42 %	1 %
Northwest Territories	43 %	1 %	51 %	9 %
Manitoba	55 %	23 %	58 %	25 %
Saskatchewan	60 %	10 %	57 %	13 %
British Columbia	63 %	2 %	97 %	26 %
Ontario	67 %	7 %	N/A	N/A
Total residential portfolio	48 %	7 %	53 %	10 %

During the first quarter of 2007, there was a significant improvement in the operating cost ratio of the residential property portfolio, with the ratio decreasing from 53% during the first quarter of 2006 to 48% during the first quarter of 2007.

The operating results for the Alberta portfolio has the most significant impact of the overall ratio, given the relative size of the Alberta portfolio, compared to other provinces. For the Alberta portfolio, the operating cost ratio decreased from 42% in the first quarter of 2006 to 36% in the first quarter of 2007. The decrease in ratio reflects the acquisition of six properties in Fort McMurray, Alberta, subsequent to March 31, 2006 and the comparatively high profit margin associated with the six properties.

The province with the most significant change in operating cost ratio was British Columbia, with the operating cost ratio decreasing from 97% in 2006 to 63% in 2007. The lower operating cost ratio mainly reflects the improvement in the vacancy rate at Greenwood Gardens, the sole property in the LREIT portfolio in British Columbia.

Overall, the residential portfolio continued to generate a favourable return in 2006 as the high operating cost ratios are primarily occurring in the smaller properties which, in total, comprise a relatively low percentage of the overall property portfolio.

Same Property Analysis

As of January 1, 2006, there were 18 residential properties in the LREIT portfolio.

As disclosed in the following analysis, the combined revenue of the 18 properties increased by 12.2% in the first quarter of 2007, compared to the first quarter of 2006, while operating income increased by 23.2% during the same period. The improvement in operating results is mainly attributable to Greenwood Gardens and Nelson Ridge Estates. For Greenwood Gardens, the improvement mainly reflects a significant reduction in the vacancy loss and in bad debt expense. For Nelson Ridge Estates, the improvement is mainly attributable to rental rate increases.

	Three Months ended March 31		Increase (Decrease)	
	2007	2006	Amount	%
Total revenue	$ 5,379,751	$ 4,796,870	$ 582,881	12.2 %
Operating income	$ 2,826,202	$ 2,293,275	$ 532,927	23.2 %

Revenue/Income and Other Commitments

Lakewood Manor

As disclosed on page 9, the acquisition of Lakewood Manor is expected to close on July 1, 2007. A multi-year lease agreement with a major oil sands company has been arranged for all of the apartment suites and townhouses at the property.

The lease is for a three year term, with a two year renewal option, and will result in absolute net operating income for Lakewood Manor of $4,743,000 per annum. 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, and a three year purchase option to acquire all of the 64 townhouse units. The purchase price option for the townhouse units is set at $25,593,600 for 2007; $26,297,600 for 2008; and $27,091,200 for 2009.

The lease agreement will ensure a 100% occupancy for Lakewood Manor for a minimum of three years. The lease agreement is also expected to result in a reduction in the cost of fixed rate mortgage financing for the property.

Elgin Lodge

LREIT has retained Kingsway Arms Management Services Inc. ("Kingsway") to manage Elgin Lodge for a ten year term. 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, totalling 850 suites located across Ontario.

As disclosed on page 10, the construction of the 59 suite expansion of Elgin Lodge commenced in December 2006. During the five year period following the closing date of the acquisition, Kingsway is entitled to a one-time payment equal to 50% of the amount, if any, by which the appraised value of the expanded property exceeds the total cost to LREIT, including the expansion cost. The one-time payment is net of a 12% return on equity.

The Clarington Seniors Residence

LREIT has also retained Kingsway to manage The Clarington Seniors Residence for a ten-year term. During the five year period after the "lease-up" date, Kingsway is entitled to a one-time payment equal to 50% of the amount, if any, by which the appraised value of the property exceeds the original acquisition cost to LREIT. The one-time payment is net of an 8% return on equity.

Park View Apartments

LREIT has entered into a Development Agreement with Shelter Canadian Properties Limited in regard to the construction of Park View Apartments. Details of the Development Agreement are disclosed on page 9 of this report.

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 first quarter of 2007, FFO decreased by $710,679 compared to the first quarter of 2006, while AFFO decreased by $303,674. On a per unit basis, FFO decreased by $.042 per unit, while AFFO decreased by $.019 per unit.

Funds from Operations/Adjusted Funds from Operations *

	Three Months Ended March 31	
	2007	2006 (restated)
Loss for the period	$ (1,769,235)	$ (971,986)
Add (Deduct):		
Total amortization expense	2,156,036	1,637,369
Amortization of deferred financing costs	(440,869)	(103,897)
Future income tax recovery	(79,874)	(8,676)
Non-controlling interest	(23,927)	-
Funds from operations	(157,869)	552,810
Add (Deduct):		
Straight-line rent adjustment	(21,970)	(10,310)
Net amortization of above/below market in-place lease	399	26
Accretion of debt component of convertible debentures	1,592,003	813,823
Interest expense on convertible debentures	(1,054,539)	(614,061)
Unit based compensation	83,671	3,989
Tenant inducement and leasing expenses	(64,484)	(46,622)
Improvements to income properties	(92,292)	(111,062)
Adjusted funds from operations	$ 284,919	$ 588,593
FFO per unit		
- basic	$ (0.009)	$ 0.033
- diluted	$ (0.009)	$ 0.033
AFFO per unit		
- basic	$ 0.016	$ 0.035
- diluted	$ 0.016	$ 0.035

* 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.

Comparison to Preceding Quarter

Comparison to 2006 Fourth Quarter

	Three Months Ended		
	March 31, 2007	December 31, 2006 (restated)	Increase (Decrease)
Operating income - rental properties	$ 4,570,037	$ 4,536,197	$ 33,840
Interest income - Trust	314,693	260,417	54,276
Operating income	4,884,730	4,796,614	88,116
Financing expense			
Mortgage loans	2,551,404	2,321,147	230,257
Debentures	1,592,003	1,059,541	532,462
	4,143,407	3,380,688	762,719
Operating income, net of financing expense	741,323	1,415,926	(674,603)
Trust expense	458,323	518,494	(60,171)
Income, before amortization, future income tax recovery and non-controlling interest	283,000	897,432	(614,432)
Amortization	2,156,036	1,969,156	186,880
Future income tax recovery	(79,874)	(455,245)	375,371
Non-controlling interest	(23,927)	(52,898)	28,971
Loss for the period	$ (1,769,235)	$ (563,581)	$ (1,205,654)

Analysis of Incremental Loss

During the first quarter of 2007, LREIT incurred a loss of $1,769,235, compared to a loss of $563,581 during the fourth quarter of 2006. The increase in the loss reflects the following factors:

- an increase in operating income of $88,116. As previously disclosed, the three properties which were acquired by LREIT during the first quarter of 2007 did not have any meaningful impact on operating income as two of the properties were under development throughout the first quarter, while the third property was acquired at the end of the quarter, on March 23, 2007. In addition, LREIT did not complete any new property acquisitions during the fourth quarter of 2006. Accordingly, the increase in operating income in the first quarter of 2007 reflects an improvement in the operating results of the property portfolio which has been in place since the beginning of the fourth quarter of 2006.

- an increase in mortgage loan financing expense of $230,257 or 10%. The increase reflects the additional mortgage financing which was obtained for pre-2007 property acquisitions during the first quarter of 2007;

- an increase in debenture financing expenses of $532,462. The increase is mainly due to the issuance of the Series G debentures in the fourth quarter of 2006 ; and

- a decrease in Trust expense of $60,171. The decrease mainly reflects the fact that Trust expense was comparatively high during the fourth quarter of 2006 due to the initial listing costs which were associated with the move from the TSX Venture to the TSX.

- an increase in amortization expense of $186,880 due to the increase in amortization on deferred financing costs as a result of additional refinancings.

- a decrease in income tax recovery of $375,371 as a result of a decrease in the effective tax rate during 2006 resulting in an increase in the income tax recovery in the fourth quarter of 2006.

Summary of Quarterly Results

Quarterly Analysis

	2007	2006		
	Q1	Q4	Q3	Q2
		(restated)	(restated)	(restated)
Total revenue	$ 9,051,765	$ 8,835,557	$ 8,370,252	$ 6,891,004
Operating income	$ 4,884,730	$ 4,796,613	$ 4,912,506	$ 4,025,854
Loss for the period	$ (1,769,235)	$ (563,581)	$ (829,956)	$ (776,734)
PER UNIT				
Operating income				
- basic	$ 0.281	$ 0.278	$ 0.284	$ 0.235
- diluted	$ 0.255	$ 0.267	$ 0.266	$ 0.222
Loss for the period				
- basic	$ (0.102)	$ (0.033)	$ (0.048)	$ (0.045)
- diluted	$ (0.102)	$ (0.033)	$ (0.048)	$ (0.045)

Quarterly Analysis

	2006	2005		
	Q1	Q4	Q3	Q2
	(restated)	(restated)	(restated)	(restated)
Total revenue	$ 6,442,035	$ 5,579,894	$ 4,846,417	$ 4,300,018
Operating income	$ 3,362,387	$ 2,876,420	$ 2,819,604	$ 2,485,136
Loss for the period	$ (971,986)	$ (437,352)	$ (299,935)	$ (713,757)
PER UNIT				
Operating income				
- basic	$ 0.200	$ 0.288	$ 0.282	$ 0.306
- diluted	$ 0.187	$ 0.227	$ 0.241	$ 0.213
Loss for the period				
- basic	$ (0.058)	$ (0.043)	$ (0.030)	$ (0.090)
- diluted	$ (0.058)	$ (0.043)	$ (0.030)	$ (0.090)

CAPITAL RESOURCES AND LIQUIDITY

Cash from Operating Activities

During the first quarter of 2007, LREIT generated cash from operating activities of $1,136,446, compared to $531,138 during the first quarter of 2006, representing an increase of approximately $600,000. The increase reflects the following variables:

- an increase in "cash from operations" of approximately $47,283 during the first quarter of 2007. Cash from operations is a non-GAAP measurement which reflects the net loss of the Trust, after adjusting for non-cash expenses, including amortization, unit-based compensation and the non-cash component of debenture financing expense.

- an increase in cash flow from non-cash operating items of approximately $576,000 during the first quarter of 2007. The increased cash flow primarily reflects the extent to which the increase in operating accounts payable exceeded the increase in operating accounts receivable during the first quarter of 2007.

- an increase in tenant inducements and leasing expenses of approximately $18,000. Tenant inducements and leasing expenses, excluding amounts recorded on property acquisitions, amounted to $64,484 during the first quarter of 2007 and consisted entirely of leasehold improvements at the Kenaston Property and the McIvor Mall.

Funding of Cash Distributions

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. 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 non-GAAP measurement which differs from "cash from operating activities", as disclosed in the Consolidated Statement of Cash Flows in the financial statements. 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 March 31	
	2007	2006 (restated)
Cash provided by operating activities, per Statement of Cash Flow	$ 1,136,446	$ 531,138
Add (deduct):		
Interest paid on convertible debentures	1,146,824	721,239
Interest expense on convertible debentures	(1,054,539)	(614,061)
Changes in non-cash operating items	(410,651)	165,236
Tenant inducement and leasing expenses	64,484	46,622
Distributable income	$ 882,564	$ 850,174
Per unit		
- Basic	$ 0.051	$ 0.050
- Diluted	$ 0.050	$ 0.050

As disclosed in the following summary, the total distributions of LREIT for 2007 exceeded distributable income by $1,594,185 and cash from operating activities by $1,340,303.

	Three Months Ended March 31 2007	Three Months Ended March 31 2006 (restated)
Total distributions	$ 2,476,749	$ 2,364,800
Distributable income	$ 882,564	$ 850,174
Excess of distributions over distributable income	$ (1,594,185)	$ (1,514,626)
Cash provided by operating activities	$ 1,136,446	$ 531,138
Excess of distributions over cash provided by operating activities	$ (1,340,303)	$ (1,833,662)

Distribution Shortfall

The shortfall between total distributions and cash from operating activities effectively represents a return of capital to the Unitholders and serves to reduce the investment total capacity of the Trust, thereby contributing to the variance between the operating cash flows and total distributions.

As additional properties are acquired and operations stabilize, it is anticipated that the shortfall between the total distributions and operating cash flows will be reduced over time.

Financing/Investment Activities

The chart on page 32 provides a summary of the cash flow activities of the Trust.

As disclosed in the chart, the net cash used in investment activities exceeded the net cash provided by financing activities, excluding cash distributions, by $1,899,845 during the first quarter of 2007. Financing activities consisted almost exclusively of transactions related to mortgage loan financing while investment activities consisted primarily of cash outflows associated with the acquisition and development of new properties. Included in investment activities are asset additions of $1,213,774, the details of which are provided in note 2 of the chart.

After providing for the cash inflows from operating activities and the cash outflow in regard to cash distributions, the net cash increase for the first quarter of 2007 was $1,485,839, or $724,518 after deducting the March 2007 cash distribution of $761,321 which was paid on April 15, 2007. After accounting for the opening cash balance of $1,588,271, LREIT completed the first quarter of 2007 with a cash balance of $3,074,110.

Cash Flow Analysis (Note 1)

	Three Months Ended March 31, 2007
Cash, beginning of period	$ 1,588,271
Financing Activities:	
Mortgage proceeds	49,508,978
Mortgage principal payments	(935,021)
Mortgage loan refinancing	(2,500,000)
Financing costs	(713,894)
Total financing	45,360,063
Investing Activities:	
Property acquisitions	(34,578,953)
Asset additions (Note 2)	(1,213,774)
Property under development	(5,253,628)
Deposits	(134,025)
Restricted cash	(2,279,838)
Total investing	(43,460,218)
Net cash inflow of investment capital	1,899,845
Operating activities	1,136,446
Cash before distributions	3,036,291
Cash distributions	(1,550,452)
Net cash inflow	1,485,839
Cash, beginning of period	1,588,271
Cash, ending of period	$ 3,074,110

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 inflow of investment capital". Aside from the exclusion of cash distributions from financing activities and the subtotal entitled "net inflow" of investment capital, the analysis consists entirely of GAAP measurements.

Note 2 - Asset Additions

Renovation costs for Highland Tower	$ 1,465,578
Improvements to Income Properties	92,292
	1,557,870
Asset additions included in accounts payable	(344,096)
Cash outlay - asset additions	$ 1,213,774

Working Capital Requirements

General

On an annual basis, LREIT is generating sufficient cash from operating activities to fully fund operating costs and mortgage loan debt service costs for its entire portfolio of income-producing properties, as well as interest payable on convertible debentures and trust expenses.

LREIT requires other sources of capital in order to fund property acquisitions, capital improvements and a portion of the monthly cash distributions.

Capital Commitments

The following chart provides a summary of the projected capital commitments of LREIT in regard to property acquisitions and capital improvements, subsequent to March 31, 2007.

Property	Approximate Amount	Description
Borden Place (closed on May 1, 2007)	$1.2 Million	- represents the $5.6 Million purchase price net of the mortgage loans of $4.2 Million and deposits of $200,000.
Highland Tower Apartment Project (expected to be substantially complete in June 2007)	($2.4 Million)	- represents the cost to complete the renovation program, net of projected financing of $3,100,000. *
Lakewood Manor (projected closing in July 2007)	$3.3 Million	- represents the $59,835,825 purchase price, net of the projected financing of $48 Million, less the mortgage loan receivable of $8.5 Million.
Park View Apartments (ongoing funding - projected closing date in November 2007)	($1.1 Million)	- represents the total maximum construction costs of $57.75 Million, net of the projected financing of $45 Million, less the cash outlay to March 31, 2007 of approximately $14 Million. *
Elgin Lodge (ongoing funding)	$0.8 Million	- represents the projected construction costs of $9.5 Million, less the mortgage financing of approximately $6.9 Million, less the cash outlay to December 31, 2006 of approximately $1.8 Million. *
Millennium Village (Projected closing in August, October and November 2007)	$3.2 Million	- represents the $25,150,000 purchase price, net of the mortgage financing of $16,954,000, less the mortgage loan receivable of $4 Million and deposit of $1 Million
	$5.0 Million	

* adjusted for accounts payable

As indicated in the preceding chart, LREIT requires approximately $5.0 Million during the last three quarters of 2007 in order to fund its existing capital expenditure commitments.

Sources of Capital

Short-term

As of March 31, 2007, the cash balance of LREIT was $3,074,110, while the working capital deficiency balance was $1,241,443.

The refinancing of under-leveraged properties is expected to serve as the primary source of additional capital during the remainder of 2007. Since March 31, 2007, LREIT has received a mortgage loan advance of approximately $1.7 Million in regard to prior period property acquisitions and financing proposals for additional of $17.5 Million are under negotiation with lenders.

The proceeds from the refinancing of existing properties are expected to be sufficient to enable LREIT to fulfill all of its funding commitments for the immediate future in regard to property acquisitions, capital improvements and cash distributions.

Longer Term

Since its inception, LREIT has demonstrated an ongoing ability to raise additional capital to fund new property acquisitions and it is anticipated that any future debenture or trust unit offerings will be well received by the marketplace and will also serve as a source of investment capital. LREIT may also exchange trust units for real property acquisitions. Secondary financing sources, such as a revolving line of credit, may also be considered by LREIT as a source of interim investment capital.

The ability of LREIT to raise additional capital and, in turn, proceed with the acquisition of the properties which are under contract is subject to uncertainty. Factors which could impair the ability of LREIT to raise additional capital include a downturn in general economic conditions, a change in legislation, fluctuations in the markets for equity securities and numerous other factors beyond the control of LREIT.

Trends

The financial results for the remainder of 2007 are expected to be similar to the first quarter results with LREIT achieving significant increases in operating income and cash from operating activities, while continuing to incur a net loss and operate with a cash distribution payout ratio which exceeds operating cash flows.

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.

For 2006, the Committee approved a monthly service fee equal to 0.3% of the net book value of the total assets of the Trust, excluding cash and accumulated amortization, as of the date of the most recently issued financial statements. For 2007, the 0.3% fee has been extended to August 31, 2007. Payment of the fee occurs on a monthly basis, on the last day of each month.

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 the seniors' housing complexes, which are managed by third party managers who specialize in seniors' housing.

Mr. Arni Thorsteinson, Chief Executive Office 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.

Development Agreement for Park View Apartments

As disclosed in the section of this report entitled "Investment Activities", the Park View apartment complex is being constructed pursuant to a development agreement with Shelter Canadian. Pursuant to the development agreement, Shelter Canadian has agreed to:

(i) develop the Project for a total cost not to exceed $57.75 Million (inclusive of the purchase price of the land);

(ii) arrange and guarantee construction financing in the approximate amount of $45 Million and permanent financing after completion of construction; and

(iii) provide all development and construction supervision services for the Project. In consideration for its services under the development agreement, Shelter will earn a development fee from LREIT in the maximum amount of $1,000,000, representing approximately 1.73% of the total estimated Project cost.

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

CHANGES IN ACCOUNTING POLICY

Effective January 1, 2007, LREIT adopted the new GAAP accounting policies for "Financial Instruments, Recognition and Measurement" (Handbook Section 3855), for "Comprehensive Income and Equity" (Handbook Sections 1530 and 3251) and for "Hedges" (Handbook Section 3865).

This new policy for Financial Instruments, Recognition and Measurement establishes standards for the recognition and measurement of all financial instruments, provides a character-based definition of a derivative financial instrument and provides criteria to be used to determine when a financial instrument should be recognized and when a financial instrument is to be extinguished.

The new policy for Comprehensive Income and Equity establishes standards for the presentation of equity and changes in equity during the reporting period.

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:

General

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. 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. LREIT further decreases its operating risk through property and geographic diversification and for commercial properties, through the 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.

Fluctuations in 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 continue to pay distributions which are 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 March 31, 2007, there were 36 properties in the real estate portfolio of LREIT, including four commercial properties and 32 residential properties, comprising 2,607 rental units. Eight of the residential properties, comprising a total of 505 suites are located in Fort McMurray. The eight properties have an aggregate acquisition price of $110.6 Million, which represents approximately 19.4% of the total aggregate purchase price of the real estate portfolio. In addition, LREIT has acquired or is committed to acquire two additional multi-family residential properties in Fort McMurray and is currently developing a third multi-family residential property in Fort McMurray. The three properties comprise a total of 433 suites and have an aggregate acquisition price/development cost of approximately $142.7 Million. Assuming the completion of the committed acquisitions and the property under development, LREIT will have a total of 11 multi-family residential properties in Fort McMurray, comprising a total of 938 suites, with an aggregate acquisition price/development cost to LREIT of approximately $253.3 Million. The 11 Fort McMurray properties will represent approximately 30.9% of the total multi-family residential suites and approximately 56.1% of the total aggregate acquisition price/development cost to LREIT of its real estate portfolio.

Proposed 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. Except for the subsidiaries of LREIT which own and operate seniors housing complexes, no provision for income taxes is required under the current Canadian income tax legislation.

On March 29, 2007, the Minister of Finance Canada tabled in the House of Commons a Bill that contained legislation to implement a previously announced proposal for the federal income taxation of publicly traded trusts, including income trusts (the "Bill"). With respect to publicly traded trusts which existed prior to November 1, 2006, the Bill would apply starting with taxation years ending in or after 2011, except for those existing trusts that qualify for the real estate investment trust ("Qualifying REIT") exception included in the legislation. In addition, there are certain exceptions where an existing trust (including a Qualifying REIT) may lose its relief in the interim periods prior to 2011 where it undergoes "undue expansion".

Canadian real estate investment trusts which have operating subsidiaries, such as LREIT, do not currently qualify as a Qualifying REIT under the Bill as proposed. It is possible that changes will be made to the Bill prior to its enactment that will enable LREIT to qualify as a Qualifying REIT. Alternatively, if the proposals are not changed, LREIT will consider its alternatives, including restructuring its affairs to qualify as a Qualifying REIT. However, it is not possible at this preliminary juncture to provide any assurances 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.

Relationship with Shelter Canadian

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.

TAXATION

Taxation of LREIT

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 intend to 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.

Taxation of Unitholders

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. 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. 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. Distributions in excess of the taxable income of LREIT are allocated to the Unitholder for the year and will not be included in computing the taxable income of the Unitholder. The adjusted cost base of the units which are held by the Unitholder will, however, be reduced by the amount of distributions not included in income.

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.

All of the distributions which have been paid by LREIT from September 2002 to March 31, 2007 have represented a reduction in adjusted cost base of the units.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made to the design of the internal controls over financial reporting during the three months ended March 31, 2007 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 March 31, 2007 Quarterly 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
May 7, 2007

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	March 31 2007	December 31 2006 (restated)
Assets		
Income properties (Note 4)	**$246,114,520**	$231,564,852
Properties under development (Note 5)	**89,845,627**	20,673,140
Mortgage loans receivable (Note 6)	**12,500,000**	17,500,000
Deferred financing costs (Note 7)	**4,709,707**	4,451,849
Cash	**3,074,110**	1,588,271
Other assets (Note 8)	**7,851,180**	18,444,089
	$364,095,144	$294,222,201
Liabilities and Equity		
Mortgage loans payable (Note 9)	**$239,803,971**	$171,255,511
Convertible debentures (Note 10)	**43,282,822**	42,829,557
Accounts payable and accrued liabilities (Note 11)	**12,137,471**	8,294,598
Future income taxes (Note 12)	**3,507,133**	3,277,025
Distribution payable	**813,312**	-
	299,544,709	225,656,691
Non-controlling interest (Note 13)	**1,851,662**	1,925,515
Equity	**62,698,773**	66,639,995
	$364,095,144	$294,222,201

Approved by the Trustees

"Charles Loewen"

"Cheryl Barker"

The accompanying notes are an integral part of these financial statements.
(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

Three Months Ended March 31, 2007:

	Units	Loss	Distributions	Equity Component of Debentures	Total
Equity, December 31, 2006	$ 77,812,493	$ (8,017,238)	$ (17,898,958)	$ 13,764,313	$ 65,660,610
Change in accounting policy (Note 2)	-	979,385	-	-	979,385
Equity, December 31, 2006 (restated)	77,812,493	(7,037,853)	(17,898,958)	13,764,313	66,639,995
Issue costs	(13,783)	-	-	-	(13,783)
Conversion of debentures	101,850	-	-	(17,650)	84,200
Unit-based compensation	83,671	-	-	-	83,671
Loss	-	(1,769,235)	-	-	(1,769,235)
Distributions declared	-	-	(2,426,823)	-	(2,426,823)
Units issued on distribution reinvestment plan	100,748	-	-	-	100,748
Equity, March 31, 2007	$ 78,084,979	$ (8,807,088)	$ (20,325,781)	$ 13,746,663	$ 62,698,773

Three Months Ended March 31, 2006 (restated):

	Units	Loss	Distributions	Equity Component of Debentures	Total
Equity, December 31, 2005, as previously reported	$ 75,115,429	$ (4,231,487)	$ (8,272,429)	$ 3,935,245	$ 66,546,758
Change in accounting policy (Note 2)	-	346,001	-	-	346,001
Equity, December 31, 2005 (restated)	75,115,429	(3,885,486)	(8,272,429)	3,935,245	66,892,759
Equity component of issued debentures	-	-	-	3,564,376	3,564,376
Issue costs	(248,314)	-	-	-	(248,314)
Conversion of debentures	295,046	-	-	(54,890)	240,156
Unit-based compensation	3,989	-	-	-	3,989
Loss	-	(971,986)	-	-	(971,986)
Distributions declared	-	-	(2,364,800)	-	(2,364,800)
Equity, March 31, 2006	$ 75,166,150	$ (4,857,472)	$ (10,637,229)	$ 7,444,731	$ 67,116,180

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31 2007	Three Months Ended March 31 2006 (restated)
Revenue		
Rentals from income properties (Note 17)	**$ 8,619,983**	$ 5,989,719
Interest and other income	**431,782**	452,316
	9,051,765	6,442,035
Expenses		
Property operating costs	**4,167,035**	3,079,648
Operating income	**4,884,730**	3,362,387
Financing expense	**4,143,407**	2,503,295
Trust expense	**458,323**	202,385
Amortization (Note 18)	**2,156,036**	1,637,369
	6,757,766	4,343,049
Loss before income taxes	**(1,873,036)**	(980,662)
Future income tax recovery (Note 12)	**(79,874)**	(8,676)
Loss before the undernoted	**(1,793,162)**	(971,986)
Non-controlling interest (Note 13)	**23,927**	-
Loss for the period	**$ (1,769,235)**	$ (971,986)
Loss per unit (Note 20)		
Basic	**$ (0.102)**	$ (0.058)
Diluted	**(0.102)**	(0.058)
Weighted average number of units (Note 20)		
Basic	**17,407,418**	16,875,991
Diluted	**17,407,418**	16,875,991

The accompanying notes are an integral part of these financial statements.
(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31 2007	Three Months Ended March 31 2006 (restated)
Cash provided by (used in) operating activities		
Loss from operations	**$ (1,769,235)**	$ (971,986)
Items not affecting cash		
Straight-line rent adjustment	**(21,970)**	(10,310)
Accretion on debt component of convertible debentures (Note 10)	**1,592,003**	813,823
Unit-based compensation	**83,671**	3,989
Amortization (Note 18)	**2,156,435**	1,637,395
Future income taxes	**(79,874)**	(8,676)
Non-controlling interest	**(23,927)**	-
Interest paid on convertible debentures	**(1,146,824)**	(721,239)
	790,279	742,996
Changes in non-cash operating items (net of effects of acquisition of income properties)	**410,651**	(165,236)
Tenant inducements and leasing expenses incurred through leasing activity	**(64,484)**	(46,622)
	1,136,446	531,138
Cash provided by (used in) financing activities		
Proceeds of mortgage loan financing	**49,508,978**	5,550,000
Proceeds of convertible debentures	**-**	13,680,000
Repayment of mortgage loans on refinancing	**(2,500,000)**	-
Repayment of principal on mortgage loans	**(935,021)**	(717,639)
Deferred financing costs	**(713,894)**	(711,283)
Issue costs	**-**	(248,314)
Distributions paid on trust units	**(1,517,168)**	(1,575,634)
Distributions paid on LP units of Village West LP	**(33,284)**	-
	43,809,611	15,977,130
Cash provided by (used in) investing activities		
Acquisition of income properties and properties under development	**(34,578,953)**	(8,825,555)
Improvements to income properties	**(1,213,774)**	(301,562)
Increase in properties under development	**(5,253,628)**	-
Deposits on potential acquisitions	**(134,025)**	(1,200,000)
Change in restricted cash	**(2,279,838)**	26,123
	(43,460,218)	(10,300,994)
Cash increase	**1,485,839**	6,207,274
Cash, beginning of period	**1,588,271**	22,965,597
Cash, end of period	**$ 3,074,110**	$ 29,172,871

Supplementary cash flow information (Note 19)

The accompanying notes are an integral part of these financial statements.
(unaudited)

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

1 Organization

Lanesborough Real Estate Investment Trust ("the Trust") is a closed-end real estate investment trust which was created under a Declaration of Trust dated April 23, 2002 and amended on June 12, 2006.

Basis of presentation
The interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements reflect the operations of the Trust, wholly owned operating subsidiaries and LREIT Village West Limited Partnership (Village West LP). The interim financial statements have been prepared on a consistent basis with the December 31, 2006 audited financial statements except for the change in accounting policy disclosed in Note 2. These financial statements do not include all the information and disclosure required by Canadian generally accepted accounting principles for annual financial statements, and should be read in conjunction with the December 31, 2006 audited financial statements and notes thereto.

2 Change in accounting policies

Improvements to income properties
Effective January 1, 2007, expenditures relating to improvements to income properties are capitalized to the cost of income properties. Amortization of improvements is recorded on a straight-line basis over their estimated useful lives ranging from five to twenty-five years. The policy has been applied retroactively, with restatement of prior periods. As a result of the retroactive restatement, the net book value of income properties at December 31, 2006, has increased by $989,495, non-controlling interest at December 31, 2006, has increased by $10,110, retained earnings at December 31, 2006, has increased by $979,385 and retained earnings at December 31, 2005, has increased by $346,001.

Property operating costs are lower by $111,062, amortization expense is higher by $10,866 and the net book value of income properties is higher by $100,196 for the three months ended March 31, 2006.

Basic and diluted loss per unit is lower than would have been reported under the previous policy by $0.006 per unit for the three months ended March 31, 2006.

Financial instruments
On January 1, 2007, the Trust adopted CICA Handbook Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments - Recognition and Measurement", Section 3861 "Financial Instruments - Disclosure and Presentation" and Section 3865 "Hedges".

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles. The Trust adopted these standards prospectively; accordingly, comparative amounts for prior periods have not been restated.

Section 3855 prescribes when a financial asset, financial liability or non-financial instrument is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

2 Changes in accounting policies (continued)

Financial instruments (continued)

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenue and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Upon adoption of these new standards, the Trust has designated its financial instruments, as follows:

Financial Statement Item	Classification	Measurement
Mortgage loans receivable	Loans and receivables	Amortized cost
Cash	Held for trading	Fair value
Other assets		
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash	Held for trading	Fair value
Mortgage loans payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Distribution payable	Other financial liabilities	Amortized cost
Convertible debentures - debt portion	Other financial liabilities	Amortized cost

All derivative instruments, including embedded derivatives, are recorded in the balance sheet and statement of operations at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in operations unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income. Financial guarantees are recorded at their inception date fair value and reversed as the Trust is relieved of its guarantee obligations. There were no significant fair values in respect of these items on transition.

3 Acquisitions

During the three months ended March 31, 2007, the Trust acquired one income property comprising 106 suites and two properties under development.

The net assets acquired in the transactions are as follows:

Income properties	
Land	$ 1,460,000
Buildings	12,782,702
Furniture, equipment and appliances	669,935
Intangible assets	102,863
Mortgage loans payable assumed	(9,287,159)
	5,728,341
Properties under development	
Properties under development	61,823,998
Mortgage loans payable assumed	(6,120,000)
Vendor take-back mortgage loan payable	(6,250,000)
Difference between contractual and market interest rates on mortgage loans payable assumed	(817,343)
Future income tax liability	(309,981)
	48,326,674
	$ 54,055,015

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

3 Acquisitions (continued)

Consideration:	
Cash	$ 34,578,953
Deposits made in prior year	13,075,000
Mortgage loan receivable, applied to purchase	5,000,000
GST payable	1,401,062
	$ 54,055,015

Deposits of $14,275,000 were applied to the acquisitions of income properties and properties under development during the three months ended March 31, 2007.

The use of reasonable estimates is an essential component to the allocation of assets upon acquisition. Estimates are subject to revision if changes in the circumstances on which the estimate was based differ as a result of new information or experience.

4 Income properties

March 31, 2007	Cost	Accumulated Amortization	Net Book Value
Land	$ 33,421,341	$ -	$ 33,421,341
Buildings and improvements	214,597,993	(8,387,270)	206,210,723
Furniture, equipment and appliances	5,514,907	(967,574)	4,547,333
Intangible assets	4,158,043	(2,222,920)	1,935,123
	$257,692,284	$ (11,577,764)	$246,114,520

December 31, 2006 (restated)	Cost	Accumulated Amortization	Net Book Value
Land	$ 31,961,341	$ -	$ 31,961,341
Buildings and improvements	201,883,832	(8,408,098)	193,475,734
Furniture, equipment and appliances	4,847,496	(843,728)	4,003,768
Intangible assets	4,595,274	(2,471,265)	2,124,009
	$243,287,943	$ (11,723,091)	$231,564,852

Effective January 1, 2007, tenant improvements recorded on acquisition of income properties and tenant inducements and leasing expenses in regard to ongoing leasing, previously presented as components of deferred charges, as well as intangible assets are presented as components of income properties. The period of amortization of the applicable amounts remains unchanged.

The cost of the major renovation at Highland Tower for the three months ended March 31, 2007, consists of construction costs of $995,590 (2006 - $152,552) and carrying costs of $44,597 (2006 - $37,948) and is included in the cost of buildings.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

5 Properties under development

	March 31 2007	December 31 2006 (audited)
Woodland Park	$ 38,750,622	$ -
Park View Apartments	24,168,522	19,434,308
Clarington Seniors Residence	24,160,024	-
Elgin Lodge	2,766,459	1,238,832
	$ 89,845,627	$ 20,673,140

The cost of properties under development for the three months ended March 31, 2007, includes carrying costs of $1,101,143 (2006 - nil).

6 Mortgage loans receivable

	March 31 2007	December 31 2006 (audited)
Lakewood Manor	$ 8,500,000	$ 8,500,000
Millennium Village	4,000,000	4,000,000
Nova Court	-	5,000,000
	$ 12,500,000	$ 17,500,000

Lakewood Manor
The Trust has invested in a second mortgage loan, secured by a 175-suite multi-family apartment and townhouse property in Fort McMurray, Alberta. The loan advance of $8,500,000 bears interest at 8%. Interest is payable quarterly. The loan shall be applied toward the purchase price of the property, which is expected to close on July 1, 2007, in the amount of $59,835,825.

Millennium Village
The Trust has invested in a second mortgage loan, secured by a 72 unit multi-family townhouse complex, which is currently under construction in Fort McMurray, Alberta. The loan advance of $4,000,000 bears interest at 8%. Interest is payable quarterly. The loan shall be applied toward the purchase price of the property upon closing of Phase One of the project in August 2007.

During the three months ended March 31, 2007, $1,000,000 of the $5,000,000 mortgage loan receivable at December 31, 2006 has been reclassified as a deposit and is included in other assets.

Nova Court
The Trust invested in a mortgage loan, secured by residential property in Yellowknife, Northwest Territories. The loan advance of $5,000,000 bore interest at 10%. Interest was payable monthly. The loan was applied toward the purchase price of the property on March 23, 2007.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

7 Deferred financing costs

Deferred financing costs are net of accumulated amortization of $1,555,043 (December 31, 2006 - $1,208,527).

Effective January 1, 2007, financing costs previously presented as deferred charges are presented as deferred financing costs. The period of amortization of the costs remain unchanged.

8 Other assets

	March 31 2007	December 31 2006 (audited)
Amounts receivable	$ 1,246,927	$ 1,158,445
Property tax deposits and other	1,263,219	1,302,853
Deposits on potential acquisitions	1,300,000	14,240,975
Straight-line rent receivable	254,900	232,930
Restricted cash	3,716,496	1,436,658
Above market in place leases, net of accumulated amortization of $54,088, (2006 - $51,498)	69,638	72,228
	$ 7,851,180	$ 18,444,089

Amounts receivable includes amounts due from tenants of $320,233 (2006 - $340,016) and a loan receivable from a tenant of $203,088 (2006 - $210,091).

Restricted cash consists of funds held in trust for residential tenant security deposits, as well as interest and repair reserves required by lenders.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

9 Mortgage loans payable

Mortgage loans payable consists of the following:

	Interest Rates at March 31, 2007			
	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	March 31 2007
Income properties				
Fixed rate mortgages	4.1% - 11.0%	6.0%	6.0 years	$182,946,099
Floating rate mortgages	6.5% - 7.0%	6.9%	Demand	8,034,054
Non interest bearing vendor take-back second mortgage			Demand	236,475
				191,216,628
Properties under development				
Fixed rate mortgages	5.8% - 16.0%	7.8%	1.3 years	17,620,000
Floating rate mortgages	7.0% - 8.0%	7.5%	Demand	30,150,000
Difference between contractual and market interest rates on mortgage loans assumed				817,343
				48,587,343
				$239,803,971

	Interest Rates at December 31, 2006			
	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31 2006 (audited)
Income properties				
Fixed rate mortgages	4.1% - 12.5%	5.6%	6.5 years	$156,322,913
Floating rate mortgages	6.5% - 7.0%	7.0%	Demand	8,046,123
Non interest bearing vendor take-back second mortgage			Demand	236,475
				164,605,511
Properties under development				
Floating rate mortgages	7.0%	7.0%	Demand	6,650,000
				$171,255,511

9 Mortgage loans payable (continued)

Approximate principal repayments are as follows:

Year ending December 31	
2007 - remainder of year	$ 62,445,218
2008	18,238,973
2009	30,679,780
2010	3,764,560
2011	10,550,386
Thereafter	113,307,711
	$238,986,628

The floating rate mortgage loans payable are payable on demand until such time as the interest rate and term are fixed. The income properties have been pledged as security under the related mortgage agreements.

The difference between contractual and market interest rates on mortgage loans assumed is net of accumulated amortization at March 31, 2007 of $41,331 (2006 - nil). The difference between contractual and market interest rates on mortgage loans assumed is amortized over the term of the respective mortgages and is recorded as a reduction of financing expense.

10 Convertible debentures

During the three months ended March 31, 2007, holders of convertible debentures exercised their right to convert to units, as follows:

		Units Issued	
Convertible Debentures	Conversion Price	Three Months Ended March 31 2007	Three Months Ended March 31 2006
Series A	$ 6.00	2,166	-
Series D	5.00	15,200	54,200

March 31, 2007	Debt	Equity	Total
Convertible debentures			
Series A - 10%, due August 30, 2007	$ 1,644,307	$ 291,300	$ 1,935,607
Series D - 8%, due March 16, 2008	1,568,697	338,861	1,907,558
Series E - 8%, due February 17, 2010	10,085,163	2,847,555	12,932,718
Series F - 7.5%, due March 11, 2011	10,666,243	3,564,376	14,230,619
Series G - 7.5%, due December 31, 2011	19,318,412	6,704,571	26,022,983
	$ 43,282,822	$ 13,746,663	$ 57,029,485

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

10 Convertible debentures (continued)

December 31, 2006 (audited)	Debt	Equity	Total
Convertible debentures			
Series A - 10%, due August 30, 2007	$ 1,638,179	$ 293,557	$ 1,931,736
Series D - 8%, due March 16, 2008	1,616,384	354,254	1,970,638
Series E - 8%, due February 17, 2010	9,957,343	2,847,555	12,804,898
Series F - 7.5%, due March 11, 2011	10,528,607	3,564,376	14,092,983
Series G - 7.5%, due December 31, 2011	19,089,044	6,704,571	25,793,615
	$ 42,829,557	$ 13,764,313	$ 56,593,870

The allocation of the convertible debentures to debt and equity components is based on the net present value of future interest and principal payments with an estimated cost of borrowing without conversion option of 15% for Series A, Series D, Series E, Series F and Series G debentures.

The accretion of the debt component for the three months ended March 31, 2007 of $1,592,003 (2005 - $813,823), which increases the debt component from the initial carrying amount, is included in financing expense.

11 Accounts payable and accrued liabilities

	March 31 2007	December 31 2006 (audited)
Accounts payable and accrued liabilities	$ 3,614,523	$ 2,207,600
Construction costs payable on properties under development	4,637,888	2,730,762
Mortgage and debenture interest payable	1,894,074	1,732,235
Tenant security deposits	1,975,323	1,606,147
Below market in-place leases, net of accumulated amortization of $59,930 (2006 - $57,740)	15,663	17,854
	$ 12,137,471	$ 8,294,598

12 Future income taxes

The future income tax liability of wholly-owned operating subsidiaries, which are subject to income taxes, consists of the following:

	March 31 2007	December 31 2006 (audited)
Tax liabilities related to difference in tax and book value	$ 3,873,282	$ 3,509,275
Tax assets related to difference in tax and book value	(171,147)	(119,689)
Tax assets related to operating losses	(195,002)	(112,561)
	$ 3,507,133	$ 3,277,025

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

12 Future income taxes (continued)

The future income tax recovery of wholly-owned subsidiaries consists of the following:

	Three Months Ended March 31 2007	Three Months Ended March 31 2006 (audited)
Tax recovery relating to operating losses based on the effective rate	$ (138,800)	$ (13,246)
Adjustment to future tax assets and liabilities relating to timing differences	58,926	4,570
	$ (79,874)	$ (8,676)

13 Non-controlling interest

Non-controlling interest represents the interest of the holder of the Class B units (LP Units) of Village West LP, an entity controlled by the Trust, which is consolidated in these financial statements. The holder of the LP Units of Village West LP is entitled to receive distributions equal to those provided to holders of units of the Trust. LP Units are transferable and are exchangeable, at the option of the holder on a one for one basis into units of the Trust.

Non-controlling interest consists of the following:

	March 31 2007	December 31 2006 (restated)
Opening balance	$ 1,925,515	$ -
LP Units of Village West LP issued	-	2,739,704
Share of loss of Village West Townhouses	(23,927)	(74,361)
Distributions on LP Units of Village West LP	(49,926)	(139,828)
Exchange of 100,000 LP Units for Units of the Trust	-	(600,000)
	$ 1,851,662	$ 1,925,515

14 Related party transactions

Management agreement

The Trust incurred property management fees to Shelter Canadian Properties Limited of $306,793 for the three months ended March 31, 2007 (2006 - $214,525). Property management fees are included in property operating costs and properties under development.

Included in accounts payable and accrued liabilities at March 31, 2007 is a balance of $33,920 (2006 - $69,323), payable to Shelter Canadian Properties Limited.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

14 Related party transactions (continued)

Services agreement
The Trust incurred service fees to Shelter Canadian Properties Limited of $226,102 for the three months ended March 31, 2007 (2006 - $129,159). Service fees are included in Trust expense.

Unit-based compensation expense for the period ended March 31, 2007 of $2,847 (2006 - $2,847), relating to options issued under the services agreement, was recorded to amortize the fair value of the unit-based compensation over the term of the services agreement.

Acquisition
The Trust has entered into a development agreement with Shelter Canadian Properties Limited to develop Park View Apartments, a residential property located in Fort McMurray, Alberta. During the three months ended March 31, 2007, $74,821 (2006 - nil) was recorded to properties under development in regard to the development and construction supervision services provided by Shelter Canadian Properties Limited.

Included in construction costs payable on properties under development at March 31, 2007 is a balance of $197,226 (2006 - nil) payable to Shelter Canadian Properties Limited in regard to the development and construction services.

15 Units

A summary of the status of the units and changes during the year is as follows:

	Three Months Ended March 31 2007	Year Ended December 31 2006 (audited)
Outstanding, beginning of period	17,392,235	16,855,286
Units issued on conversion of debentures	17,366	434,510
Units issued on distribution reinvestment plan	17,273	2,439
Units issued on exchange of LP units of Village West LP	-	100,000
Outstanding, end of period	17,426,874	17,392,235

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

16 Unit option plan

Unit based compensation expense of $80,824 for the three months ended March 31, 2007 (2006 - $nil), relating to the options issued was recorded to expense the fair value unit-based compensation and is included in Trust expense.

A summary of the status of the unit options and changes during the year is as follows:

	Three Months Ended March 31, 2007		Year Ended December 31, 2006	
	Units	Weighted Average Exercise Price	Units	Weighted Average Exercise Price
Outstanding, beginning of period	1,000,000	$ 5.77	10,000	$ 4.00
Granted, January 17, 2006	-	-	30,000	5.42
Granted, July 26, 2006	-	-	960,000	5.80
Outstanding, end of period	1,000,000	$ 5.77	1,000,000	$ 5.77
Vested, end of period	392,000		392,000	

At March 31, 2007 the following unit options granted were outstanding:

Exercise price	Options outstanding	Options vested	Expiry date
$ 4.00	10,000	10,000	October 29, 2007
$ 5.42	30,000	30,000	January 17, 2011
$ 5.80	960,000	352,000	July 26, 2011
	1,000,000	392,000	

17 Rentals from income properties

Rental revenue contractually due from tenants include the recovery of property operating costs and property taxes from tenants of $398,120 (2006 - $452,215) and meal revenue of $252,978 (2006 - $120,633) for the three months ended March 31, 2007.

18 Amortization

	Three Months Ended March 31 2007	Three Months Ended March 31 2006 (restated)
Building	$ 1,306,475	$ 941,670
Furniture, equipment and appliances	116,944	97,474
Intangible assets, except for in-place leases	291,748	494,328
Deferred financing costs	440,869	103,897
	2,156,036	1,637,369
Above market in-place leases	2,589	3,209
Below market in-place leases	(2,190)	(3,183)
	$ 2,156,435	$ 1,637,395

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND MARCH 31, 2006

19 Supplementary cash flow information

	Three Months Ended March 31 2007	2006
Interest paid on mortgage loans payable	$ 2,230,882	$ 1,656,062
Interest received on mortgage loans receivable	$ 292,329	$ -
Other interest received	$ 142,664	$ 259,494
Cash distributions		
Distributions declared	$ 2,426,823	$ 2,364,800
Distributions payable end of period	(813,312)	(789,166)
Distributions to Participants in the DRIP	(96,343)	-
Distributions paid on trust units	$ 1,517,168	$ 1,575,634

20 Per unit calculations

Basic per unit information is calculated based on the weighted average number of units outstanding for the year. Diluted per unit information is calculated based on the weighted average diluted number of units for the year, considering the potential exercise of outstanding unit options to the extent that the unit options are dilutive and the potential conversion of outstanding convertible debentures to the extent that the debentures are dilutive and the potential conversion of the outstanding Class B units of Village West LP to the extent that the units are dilutive.

Loss per unit calculations are based on the following:

	Three Months Ended March 31 2007	2006 (restated)
Loss	$ (1,769,235)	$ (971,986)
Diluted loss	$ (1,769,235)	$ (971,986)
Weighted average number of units	17,407,418	16,875,991
Weighted average diluted number of units	17,407,418	16,875,991

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

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21 Distribution of income

In accordance with the Declaration of Trust, the Trust shall issue cash distributions in an amount equal to the aggregate of taxable income from operations and realized capital gains, net of any realized allowable capital losses.

22 Financial instruments and risk management

Fair values
As at March 31, 2007, the carrying values of cash, restricted cash, amounts receivable, mortgage loans receivable, accounts payable and accrued liabilities and distribution payable approximate fair value due to the immediate or short-term maturities of these instruments.

The carrying value of the mortgage loans payable are impacted by changes in market yields which can result in differences between the carrying value and fair value of the instruments. The fair value of mortgage loans payable has been determined by discounting the cash flows of these obligations using March 31, 2007 market rates for debts of similar terms. The estimated fair value of mortgage loans payable is $240,000,000 (December 31, 2006 - $172,000,000).

The carrying value of the debt component of convertible debentures approximate fair value as the convertible debentures bear interest at currently prevailing interest rates.

Risk management
The Trust is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its tenants. The Trust manages the risks, as follows:

Interest rate risk is minimized for the mortgage loans payable on demand, which are financed at variable rates, by structuring the mortgage loans with an option to fix the interest rate. The Declaration of Trust restricts mortgage loans on income properties from being greater than 75% of the appraised value of the income properties.

Credit risk arises from the possibility that tenants may experience financial difficulty and not be able to fulfill their lease commitments. The credit risk is limited to the recorded amount of tenant receivables. Anticipated bad debt loss has been provided for in the allowance for doubtful accounts. The risk of credit loss is mitigated by ensuring that the tenant mix is diversified and by limiting the exposure to any one tenant. No single tenant accounted for 10% or more of the rentals from income properties. Credit risk also arises from the possibility that a borrower may default on the repayment of a loan from the Trust. The risk is mitigated by ensuring that security is obtained in support of the mortgage loans receivable and the loan receivable from tenant.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 Segmented financial information

The assets are located in and revenue is derived from the operation of commercial, light industrial and residential real estate in Canada. Commercial real estate consists of retail properties and office and retail mixed-use properties. Residential real estate consists of multi family residential properties and seniors housing complexes.

Three months ended March 31, 2007:

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	1,018,233	93,225	7,508,525	-	8,619,983
Interest and other income	8,245	352	108,492	314,693	431,782
Property operating costs	452,820	20,929	3,693,286	-	4,167,035
Operating income	573,658	72,648	3,923,731	314,693	4,884,730
Financing expense	248,964	31,279	2,028,332	1,834,832	4,143,407
Amortization	229,137	8,104	1,657,943	260,852	2,156,036
Income (loss)	95,558	33,265	341,256	(2,239,314)	(1,769,235)
Total assets	19,285,279	2,793,122	322,137,635	19,879,108	364,095,144

Three months ended March 31, 2006 (restated):

	Commercial	Light Industrial	Residential	Trust	Total
Rentals from income properties	1,055,371	97,533	4,836,815	-	5,989,719
Interest and other income	13,045	3,449	83,980	351,842	452,316
Property operating costs	483,791	12,453	2,583,404	-	3,079,648
Operating income	584,625	88,529	2,337,391	351,842	3,362,387
Financing expense	253,924	29,783	1,405,765	813,823	2,503,295
Amortization	231,420	8,104	1,315,749	82,096	1,637,369
Income (loss)	99,281	50,642	(375,447)	(746,462)	(971,986)
Total assets	20,057,553	2,800,192	159,760,525	40,873,438	223,491,708

Three months ended March 31, 2007:

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	3,255,070	363,067	1,396,115	425,535	728,178	2,452,018	-	8,619,983
Interest and other income	80,035	3,071	11,913	146	2,734	19,190	314,693	431,782
Property operating costs	1,199,867	231,880	662,603	269,272	317,485	1,485,928	-	4,167,035
Operating income	2,135,238	134,258	745,425	156,409	413,427	985,280	314,693	4,884,730
Financing expense	1,000,127	89,753	371,802	128,827	217,569	500,497	1,834,832	4,143,407
Amortization	736,243	47,570	317,047	115,811	134,872	543,641	260,852	2,156,036
Income (loss)	398,871	(3,065)	56,577	(25,136)	60,985	(18,153)	(2,239,314)	(1,769,235)
Total assets	162,100,928	11,009,300	33,788,964	39,046,721	39,660,542	58,609,581	19,879,108	364,095,144

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 Segmented financial information (continued)

Three months ended March 31, 2006 (restated):

	Alberta	British Columbia	Manitoba	Ontario	Northwest Territories	Saskatchewan	Trust	Total
Rentals from income properties	1,987,022	263,425	1,408,976	30,795	641,738	1,657,763	-	5,989,719
Interest and other income	72,275	3,134	16,699	119	3,194	5,053	351,842	452,316
Property operating costs	844,538	258,744	690,376	1,279	329,146	955,565	-	3,079,648
Operating income	1,214,759	7,815	735,299	29,635	315,786	707,251	351,842	3,362,387
Financing expense	624,709	93,530	365,122	14,351	231,403	360,357	813,823	2,503,295
Amortization	461,239	46,026	591,719	3,448	124,499	328,342	82,096	1,637,369
Income (loss)	131,425	(131,741)	(223,428)	11,837	(40,117)	26,500	(746,462)	(971,986)
Total assets	67,621,665	11,128,782	33,411,624	1,230,984	24,931,539	44,293,676	40,873,438	223,491,708

24 Commitments

Acquisitions

Millennium Village

The Trust has agreed to acquire Millennium Village, a residential property currently under construction, located in Fort McMurray, Alberta for a cost of $25,150,000. The acquisition will be funded with a new first mortgage loan of $16,954,000, with the balance in cash. The Trust has provided a $4,000,000 second mortgage, bearing interest at 8%, to be credited towards the purchase price upon the closing of Phase One of the project in August 2007. The remaining two phases are expected to close October 2007 and November 2007 respectively.

Park View Apartments

The Trust has acquired and agreed to develop Park View Apartments, a residential property located in Fort McMurray, Alberta. The Trust acquired the land for $9,300,000 funded by a vendor take-back mortgage in the amount of $7,300,000, with the balance in cash. The vendor take-back mortgage was repaid with the proceeds of the new mortgage financing of $6,650,000, with the balance in cash. The $6,650,000 represents the initial draw of a mortgage loan in the maximum amount of $45,000,000. In addition, the Trust entered into a development agreement with Shelter Canadian Properties Limited in which Shelter Canadian Properties Limited has agreed to (i) develop the project for a total cost not to exceed $57,750,000 (inclusive of the purchase price of the land); (ii) arrange and guarantee construction financing, in the approximate amount of $45,000,000 and permanent financing after completion of construction; and (iii) provide all development and construction supervision services for the project. The Trust will pay to Shelter Canadian Properties Limited a fee of $1,000,000 in consideration for services provided under the development agreement. The construction of the apartment project is expected to be completed no later than November 30, 2007.

Lakewood Manor

The Trust has agreed to acquire Lakewood Manor, a residential property currently under construction, located in Fort McMurray, Alberta for a total cost of $59,835,825. The acquisition will be funded with new first mortgage loans in the minimum amount of $48,000,000, with the balance in cash. The Trust has provided an $8,500,000 second mortgage loan, bearing interest at 8.0%, to be credited towards the purchase price upon closing. The purchase is expected to close on July 1, 2007.

24 Commitments (continued)

Management Contracts
The Trust has retained the following third party managers to provide on-site management services to the seniors housing complexes:

Property	Manager	Term Expiring
Riverside Terrace	LutherCare Communities	July 31, 2015
Chateau St. Michael's	Integrated Life Care Inc.	September 30, 2010
Elgin Lodge	Kingsway Arms Management Inc.	May 31, 2016
Clarington Seniors Residence	Kingsway Arms Management Inc.	February 12, 2017

25 Contingent consideration on acquisition

Elgin Lodge
In conjunction with the acquisition of Elgin Lodge, the Trust has contracted with Kingsway Arms Management Services Inc., the management company of the property, to manage the expansion of the property at a rate of $12,000 per month beginning June 1, 2006 for a period of twelve months. The estimated cost of the expansion is $9,500,000 to be financed with an additional mortgage loan of $6,850,000 from the existing lender with the balance in cash.

During the five year period from June 1, 2006, Kingsway Arms Management Services Inc. is entitled to a one-time payment equal to 50% of the amount, if any, by which the appraised value of the expanded Elgin Lodge property exceeds the total costs to the Trust, including the expansion costs. The one-time payment is net of a 12% return on equity. Consideration for the three months ended March 31, 2007 of $53,889, which increases the cost of the building, is included in accounts payable and accrued liabilities.

Clarington Seniors Residence
During the five year period after lease-up is achieved, Kingsway Arms Management Services Inc. is entitled to a one-time payment equal to 50% of the amount, if any, by which the appraised value of the property exceeds the total acquisition cost to the Trust. The one-time payment is net of an 8% return on equity. Consideration for the three months ended March 31, 2007 of $24,382, which increases the cost of properties under development, is included in accounts payable and accrued liabilities.

26 Subsequent events

Acquisitions
On May 1, 2007 the Trust acquired a residential property located in Saskatoon, Saskatchewan for a total cost of $5,600,000. The acquisition was funded with a new first mortgage loan of $4,200,000, with the balance in cash.

Distributions
Distributions of $761,321 were paid on April 15, 2007 to unitholders of the Trust. Units of 10,031 were issued on April 15, 2007 to unitholders of the Trust in regard to participation in the DRIP. Distributions of $16,642 were paid on April 15, 2007 to the holder of the LP units of Village West LP.

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

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26 Subsequent events (continued)

Properties under development
Effective April 1, 2007, Woodland Park achieved a satisfactory level of occupancy. As a result, amounts previously presented as properties under development will be recorded as income properties.

Upward refinancing
On April 12, 2007, a 5.505% $27,300,000 first mortgage loan payable was funded on Woodland Park. The mortgage loan payable is due on April 5, 2012. The proceeds of the first mortgage loan payable were used to repay the vendor take-back mortgage of $6,250,000 and the interim first mortgage loan payable of $18,000,000 with the balance to cash.

On April 20, 2007, the first advance of $1,750,000 on a 6% first mortgage loan payable on Highland Towers was funded. The final advance of $1,350,000 will be funded on completion of the major renovations which are expected to be completed by June 30, 2007.

27 Comparative figures

Certain of the prior year figures have been reclassified to be comparable to the current year.

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 Loewen, Mr. Earl Coleman, Mr. Harold Milavsky, FCA, Ms. Cheryl Barker, CA and Mr. Arni Thorsteinson, CFA. Mr Loewen is the Chief Executive Officer of Online Enterprises Inc. and serves as Chairman of LREIT. Mr. Coleman is the President of Big Freight Systems Inc. Mr. Milavsky and Ms. Barker were appointed at the Annual General Meeting in June 2006. Mr. Milavsky is the Chair of the Board, Quantico Capital Corporation. Ms. Barker was the President, MTS (Manitoba) prior to her retirement in February 2006. Mr. Thorsteinson is the President 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 and Secretary of LREIT is Mr. Kenneth 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 manages all of the income properties except for the seniors housing complexes where the Trust has retained third party property managers to provide on-site management services, due to the nature of the operations.

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

Toronto Stock Exchange (TSX)
Unit trading symbol: LRT.UN
Debenture trading symbol: LRT.DB.F
LRT.DB.G

Unitholder and Investor Contact

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