LANESBOROUGH REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2008

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2008 FIRST QUARTER HIGHLIGHTS

Acquisition and Development

- Invested $3.5 Million in construction costs in regard to Laird's Landing, a 189-suite apartment complex which was under construction and approximately 82% complete as of March 31, 2008. Construction of the property will be completed in June 2008 at a total cost of $57.75 Million.
- Property portfolio as of March 31, 2008 consists of 40 properties, comprised of 3,070 suites and 224,545 square feet of commercial leasable area, excluding Laird's Landing.

Financial

Compared to the first quarter of 2007.

- Rental revenues increased by $4.7 Million or 54%.
- Net operating income increased by $3.1 Million or 63% in total and by $0.174 on a per unit basis.
- Operating margin for property portfolio improved from 54% in 2007 to 58% in 2008.
- "Same property" revenues increased by $499,601 or 6.6%, while "same property" net operating income increased by $451,837 or 11.6%.
- FFO increased by $495,297 and $0.028 on a per unit basis.
- AFFO increased by $708,985 and $0.041 on a per unit basis.

Capital Structure

- Weighted average interest rate on the aggregate mortgage loan balance of 6.2% at March 31, 2008, compared to 6.2% at December 31, 2007.
- Mortgage loan debt to estimated current value ratio of 60.2% at March 31, 2008, compared to 59.4% at December 31, 2007.

Ongoing Investment Activities - 2008

- Acquisition of Parsons Landing, a 160-suite apartment property in Fort McMurray, Alberta is contracted for acquisition in 2008 at a cost of $60.7 Million plus GST.

- Acquisition of Siena Apartments, a 66-suite luxury apartment property in Fort McMurray, Alberta is scheduled to close on July 2, 2008 at a price of $30 Million.

- Acquisition of Colony Square, a 90% interest in a mixed use development in downtown Winnipeg, Manitoba, comprised of 428 suites and 83,200 square feet of leasable office/commercial space, is scheduled to close on October 1, 2008 at a purchase price of $34.2 Million.

Estimated Current Value

- The real estate portfolio of LREIT has an estimated current market value of $642 Million as of March 31, 2008.

Unitholder Returns

	Three Months Ended March 31, 2008	Year Ended December 31, 2007
Distribution per unit	$0.14	$0.56
Opening unit price	$4.99	$5.90
Closing unit price	$4.75	$4.99
Annualized yield on opening price (distribution/opening unit price)	11.2%	9.5%
Current cash distribution (per annum)	$0.56	
Closing unit price - May 12, 2008:	$4.70	
Current yield:	11.9%	

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

REPORT TO UNITHOLDERS

The primary objective of Lanesborough Real Estate Investment Trust ("LREIT") is to create a large portfolio of multi-unit residential properties, focusing on the acquisition of properties with stable yields, low vacancy levels and growth potential.

LREIT acquired $169 Million of new residential properties and completed $36.8 Million of major renovation and expansion projects in 2007, representing the highest single year growth rate in the real estate portfolio since the inception of the Trust in 2002. The impact of the 2007 property investments are reflected in the financial results of the Trust for the first quarter of 2008, with total revenue and net operating income ("NOI") increasing by $4.6 Million and $3.1 Million, respectively, compared to the first quarter of 2007. On a per unit basis, the NOI of LREIT was at its highest level since 2004, at 0.455 per unit for the first quarter of 2008, compared to $0.281 per unit for the first quarter of 2007. The continued improvement in "same property" results was also a contributing factor in the NOI results for the first quarter of 2008, with the revenue and NOI for the pre-2007 property portfolio increasing by $499,602 and $451,837, respectively, compared to the first quarter of 2007.

LREIT also achieved an improvement in cash flow results during the first quarter of 2008 with cash from operating activities, distributable income and AFFO increasing by approximately $0.04 per unit, compared to the first quarter of 2007, and FFO increasing by approximately $0.03 per unit. The positive cash flow results are a direct result of the increase in NOI, after accounting for an increase in mortgage loan financing costs.

In regard to bottom-line results, the income of LREIT, before amortization, non-controlling interest and taxes, increased by approximately $0.03 per unit during the first quarter of 2008, compared to the first quarter of 2007, while the loss before taxes changed by a marginal amount, increasing by approximately $0.009 per unit, mainly due to higher amortization charges.

A large percentage of the asset base of LREIT has not yet reached the "income-producing" stage as a number of properties are either in the lease-up phase of development and/or under construction. During the first quarter of 2008, the property portfolio of LREIT included three non income-producing properties (Clarington, Laird's Landing and the Elgin Lodge building addition), with a combined acquisition cost of $80.9 Million, representing approximately 17% of the total acquisition cost of the entire portfolio. Laird's Landing is a newly constructed apartment complex in Fort McMurray, Alberta, comprised of 189 suites, all of which are leased for June 1, 2008. Based on a 100% occupancy level, the annualized contribution of Laird's Landing to the NOI of the Trust is approximately $6 Million.

In summary, the inclusion of additional income from properties under development will have a favourable impact on the financial results of the Trust in the upcoming months.

In addition to the properties under development, LREIT is continuing to pursue additional property acquisitions and currently has three new properties under contract, as follows:

- Parsons Landing ($60.7 Million purchase price) - consists of a 160-suite apartment complex under construction in Fort McMurray, Alberta. The acquisition of the property by LREIT is scheduled to close in two phases in June 2008 and September 2008, respectively. The property is expected to be 100% leased and fully contributing to the NOI of LREIT by October 1, 2008.

- Siena Apartments ($30 Million purchase price) - consists of a 66-suite luxury apartment property in Fort McMurray, Alberta, with a scheduled closing date of July 2, 2008. As the property is 100% leased to a major oil sands operating company until May 1, 2012, the acquisition will also have an immediate impact on the NOI of the Trust.

- Colony Square ($34.2 Million purchase price) - consists of a 90% beneficial interest in a multi-building apartment/office complex located in the downtown centre of Winnipeg, Manitoba, comprised of 428 suites and 83,190 square feet of leasable commercial area. The acquisition is scheduled to close on October 1, 2008 and will also have an immediate impact on the NOI of the Trust.

The financial results of LREIT for the first quarter of 2008 reflect the extent to which new property acquisitions are resulting in increases in NOI and operating cash flows, particularly as properties move from the development stage to the income-producing stage. The outlook for the second half of 2008 remains positive with over $182.6 Million of property investments expected to be added to the "income-producing" portfolio between June 1, 2008 and October 1, 2008.

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

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

Property Portfolio - March 31, 2008

Property	Location	Purchase Price	Acquisition Date	Suites/ Leasable Area - Sq. Ft.	Occupancy March 31 2008
RESIDENTIAL					
Manitoba					
Highland Tower (1)	Thompson	$ 5,700,000	January 2005	77	97 %
Chancellor Gate	Winnipeg	6,750,000	August 2005	48	94 %
Willowdale Gardens	Brandon	4,326,000	January 2006	88	97 %
Saskatchewan					
Borden Estates	Prince Albert	5,315,000	February 2005	144	83 %
Cedar Village	Prince Albert	2,700,000	February 2005	72	90 %
Carlton Manor	Prince Albert	410,000	February 2005	19	95 %
Riverside Apartments	Prince Albert	265,000	February 2005	12	75 %
MGM Apartments	Prince Albert	650,000	February 2005	28	57 %
Marquis Towers	Prince Albert	6,200,000	August 2005	129	100 %
Riverside Terrace (2)	Saskatoon	24,000,000	July 2005	181	98 %
Village West	Saskatoon	5,113,800	June 2006	100	99 %
Sir Robert Borden Place	Saskatoon	5,600,000	May 2007	113	94 %
Chateau St. Michael's (2)	Moose Jaw	7,600,000	June 2006	93	99 %
Woodlily Courts	Moose Jaw	3,700,000	June 2006	102	99 %
Alberta					
Nova Villa	Edmonton	5,400,000	May 2004	61	93 %
Nova Manor	Edmonton	2,615,000	May 2004	32	94 %
Nova Ridge Estates	Spruce Grove	8,800,000	July 2004	102	96 %
Norglen Terrace	Peace River	2,500,000	October 2004	72	100 %
Broadview Meadows	Sherwood Park	6,790,000	January 2006	93	93 %
Nelson Ridge Estates	Fort McMurray	40,575,000	April 2005	225	89 %
Gannet Place	Fort McMurray	6,873,700	June 2006	37	95 %
Lunar Apartments	Fort McMurray	4,457,100	June 2006	24	92 %
Parkland Apartments	Fort McMurray	2,230,200	June 2006	12	100 %
Skyview Apartments	Fort McMurray	5,385,800	June 2006	29	97 %
Snowbird Manor	Fort McMurray	6,314,500	June 2006	34	97 %
Whimbrel Terrace	Fort McMurray	6,873,700	June 2006	37	89 %
Woodland Park	Fort McMurray	37,865,000	March 2007	107	96 %
Lakewood Manor	Fort McMurray	59,900,000	July 2007	175	100 %
Millennium Village	Fort McMurray	24,220,000	August 2007	72	93 %
Westhaven Manor	Edson	4,050,000	May 2007	48	94 %
Northwest Territories					
Beck Court	Yellowknife	14,300,000	April 2004	120	99 %
Three Lakes Village	Yellowknife	10,900,000	May 2005	50	98 %
Nova Court (3)	Yellowknife	15,000,000	March 2007	106	100 %
Ontario					
Elgin Lodge (2)(4)	Port Elgin	18,127,000	June 2006	124	66 %
Clarington Seniors Residence (2)(5)	Bowmanville	22,400,000	February 2007	121	45 %
British Columbia					
Greenwood Gardens	Surrey	10,950,000	April 2004	183	96 %
Total - Residential		**$ 394,856,800**	Total suites	**3,070**	

Property Portfolio - March 31, 2008 (continued)

Property	Location	Purchase Price	Acquisition Date	Suites/ Leasable Area - Sq. Ft.	Occupancy March 31 2008
Total - Residential		**$ 394,856,800**	Total suites	**3,070**	
COMMERCIAL					
Retail and Office					
Kenaston (1)	Winnipeg, MB	12,656,200	April 2002	103,209	88 %
McIvor Mall	Winnipeg, MB	6,700,000	February 2004	65,283	93 %
		19,356,200		168,492	
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	**224,545**	
Total properties		**417,013,000**			
Property under construction					
Laird's Landing (5)		**48,723,000**	August 2006		
Total real estate portfolio		**$ 465,736,000**			

Notes to the Property Portfolio:

(1) Includes the cost of major renovations and asset additions.
(2) Seniors housing complex.
(3) Nova Court includes 8,400 square feet of commercial space.
(4) Costs in regard to the expansion of $9,826,000 are classified as "properties under development".
(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".

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 year ended December 31, 2007 and with reference to the quarterly reports for 2007.

Forward-Looking Information

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

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

Purchase Price Information

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

Estimated Current Value

In this management discussion and analysis, references are made to the estimated current value of LREIT's property portfolio, which is an estimate of the current value of LREIT's property portfolio as at March 31, 2008 made by management of LREIT.

In summary, the total estimated current value of the property portfolio of $642,038,000 is 6.2% in excess of the total appraised value of $604,383,000. For 26 properties, representing 57% of total appraised value, management assumed current value was equal to the appraisal values of the applicable properties, for 14 properties, representing 40% of total appraised value, the total estimated current value of the aplicable properties was 15% in excess of total appraised value of the properties and for 1 property, management estimated current value to be the total of the cost of the building expansion and the appraised value of the property before the expansion.

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

There can be no assurance that appraised value of a property is an accurate reflection of the value of such property as at the effective date set forth in the appraisal or on any other date, including on March 31, 2008, the date of management's estimate of the current value of such property. In addition, there can be no assurance that the valuation method or the capitalization rate(s) used in appraising a property (and used by management of LREIT in estimating the current value of the portfolio) was appropriate for such property as at the effective date set forth in the appraisal or on any other date, including on March 31, 2008, the date of management's estimate of the current value of such property.

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

Financial and Operating Summary

	Three Months Ended March 31 2008	Three Months Ended March 31 2007
DISTRIBUTIONS		
Total	$ 2,456,901	$ 2,426,823
Per unit	$ 0.14	$ 0.14
BALANCE SHEET		
Total Assets	$ 481,910,679	$ 476,199,270
Total face value of mortgage loans payable and convertible debentures	$ 405,104,479	$ 293,748,628
KEY PERFORMANCE INDICATORS (1)		
Operations		
Average residential occupancy rate	94.0 %	93.0 %
Operating residential cost ratio	42.0 %	48.0 %
Operating Results		
Total revenue	$ 13,628,993	$ 9,051,765
Net operating income *	$ 7,949,942	$ 4,884,730
Loss for the period, before future income tax recoveries*	$ (1,952,898)	$ (1,785,967)
Income (loss) for the period	$ 301	$ (1,706,093)
Cash Flows		
Cash flow from operating activities	$ 1,332,215	$ 1,136,446
Funds from Operations (FFO) *	$ 400,570	$ (94,727)
Adjusted Funds from Operations (AFFO) *	$ 1,057,046	$ 348,061
Distributable income *	$ 1,488,053	$ 782,100
Financing		
Mortgage loans to estimated current value ratio *	60.2 %	60.0 %
Weighted average interest rate of mortgage loans *	6.2 %	6.3 %
Per Unit		
Net operating income *		
- basic	$ 0.455	$ 0.281
- diluted	$ 0.312	$ 0.255
Loss for the period, before future income tax recoveries*		
- basic	$ (0.112)	$ (0.103)
- diluted	$ (0.112)	$ (0.103)
Income (loss) for the period		
- basic	$ 0.000	$ (0.098)
- diluted	$ 0.000	$ (0.098)
Distributable income *		
- basic	$ 0.085	$ 0.045
- diluted	$ 0.074	$ 0.044
Funds from Operations (FFO) *		
- basic	$ 0.023	$ (0.005)
- diluted	$ 0.023	$ (0.005)
Adjusted Funds from Operations (AFFO) *		
- basic	$ 0.061	$ 0.020
- diluted	$ 0.053	$ 0.020

(1) Non-GAAP Measurements

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

INVESTMENT OBJECTIVES AND STRATEGY

General

The primary objectives of the Lanesborough Real Estate Investment Trust ("LREIT") are to maximize unit values and provide stable cash distributions to the Unitholders by creating a large diversified portfolio of quality real estate investments through the ongoing acquisition of additional multi-unit residential properties. The overall investment strategy of LREIT is to focus on the acquisition of properties with stable yields, low vacancy levels and growth potential. LREIT then strives to maximize operating income through the implementation of sophisticated and prudent financial management practices, superior operating procedures, high caliber and responsive management services, proactive leasing strategies and, where appropriate, capital improvement and renovation programs.

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

Property Acquisitions and Development

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 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.

In order to maximize the yield on its portfolio of income-producing properties, LREIT also undertakes appropriate capital improvement projects, renovations and re-marketing 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 complete.

REAL ESTATE PORTFOLIO

Investment in Properties - March 31, 2008

Portfolio Summary - March 31, 2008

As of March 31, 2008, the property portfolio of LREIT consists of 36 multi-family residential properties and four commercial properties, with a total purchase price of approximately $417 Million, encompassing 3,070 suites and 224,545 square feet of leasable area, as well as one property under construction (Laird's Landing).

Laird's Landing and two properties, which are currently in the lease-up stage of development, namely, the Clarington Seniors Residence and the building addition at Elgin Lodge, are classified as "Properties Under Development" as of March 31, 2008.

Properties Under Development

Status of Properties

- Laird's Landing - construction of the 189-suite apartment complex by LREIT commenced in August 2006. As of March 31, 2008, construction was approximately 82% complete. Construction will be completed in June 2008 at a total cumulative cost of $57.75 Million plus GST. All of the suites have been leased and will be fully occupied in June 2008.

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

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

Capitalization of Costs

The reclassification of "Properties Under Development" to "Income Properties" occurs when the lease-up stage is completed. As construction and/or carrying costs of a property under development are capitalized, the properties do not contribute to the operating income of the Trust until the property is reclassified as an income property.

Contracted Property Acquisitions - Subsequent to March 31, 2008

Parsons Landing

In September 2007, LREIT entered into an agreement to acquire a 160 suite apartment property which is currently under construction in the Timberlea area of Fort McMurray, Alberta. The property, known as Parsons Landing Apartments, will consist of a four-storey apartment building, with a 219-stall parkade and 37 surface parking stalls and will be comprised of 32 one-bedroom, 124 two-bedroom and four three-bedroom suites, the majority of which will be fully furnished. Each of the suites will have individual condominium title. The purchase price of the property is $60.7 Million plus GST.

The acquisition is expected to be financed with a new first mortgage loan in the amount of $50 Million. The acquisition will occur in two phases upon the issuance of occupancy certificates. The acquisitions are expected to close in June 2008 for Phase I and September 2008 for Phase II. Purchase instalment payments of $2.5 Million will be paid on closing in each of June 2008 and September 2008.

On November 1, 2007, LREIT provided a $10 Million second mortgage loan to the vendor, which will be credited towards the purchase price in June 2008 and September 2008. The second mortgage loan bears interest at 8%, payable quarterly, and is subordinate to the vendor's construction mortgage to the maximum amount of $35 Million.

The purchase agreement provides for the balance of the purchase price to be paid subsequent to the property acquisition dates. The balance owing subsequent to the acquisition of Phase I will bear interest at 8%. The payment of the balance owing is expected to occur in October 2008, from the receipt of the first mortgage loan proceeds. The excess amount of mortgage loan proceeds over the amounts due on closing of $1.8 Million will serve to increase the cash flow of the Trust.

Colony Square

In March 2008, LREIT agreed to acquire a 90% beneficial interest in an apartment/office complex in Winnipeg, Manitoba, known as Colony Square, at a purchase price of $34.2 Million. LREIT currently owns a 1.5% beneficial interest in the property and is permitting certain owners, who own an aggregate of 8.5% beneficial interest to remain as part of the ownership syndicate.

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

The acquisition will be funded by the pro-rata assumption of a $21 Million 5.5% first mortgage loan, a $2.5 million second mortgage loan, and the balance in cash. The acquisition is scheduled to close on October 1, 2008.

Siena Apartments

In April 2008, LREIT agreed to acquire a 66-suite luxury apartment property in Fort McMurray, Alberta, known as Siena Apartments, for a purchase price of $30 Million. The property consists of a four-storey apartment building, with a 93-stall underground parkade and is comprised of six one-bedroom and 60 two-bedroom suites. All of the suites are fully furnished and have individual condominium title.

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

The acquisition will be financed with a new first mortgage loan in the amount of $21 Million, a vendor take-back mortgage loan of $4 Million and the balance in cash. The first mortgage loan will bear interest at a rate of 5.7% for a five-year term. The vendor take-back mortgage loan will be a 5% interest only mortgage and will be due on July 1, 2010. The acquisition is scheduled to close on July 2, 2008.

LREIT will also have a right of first refusal to acquire Phase II of Siena Apartments, which is currently under construction. Phase II consists of 57-suites and is also 100% leased to the same major oil sands operating company on a net rent basis for a five-year term until May 1, 2013.

Mortgage Loan Receivable

March 31, 2008	$ 10,000,000
December 31, 2007	$ 10,000,000

As of March 31, 2008, "Mortgage Loan Receivable" consisted of the $10 Million second mortgage loan which was provided in regard to the construction of Parsons Landing.

CAPITAL STRUCTURE

Capital Structure - March 31, 2008

	As of March 31			
	2008		2007	
	Amount	%	Amount	%
Mortgage loans payable - principal amount	$ 353,742,479	72.2 %	$ 238,986,628	64.3 %
Convertible debentures - face value	51,362,000	11.1 %	54,762,000	14.7 %
Trust units (net of issue costs)	79,890,836	16.7 %	78,084,979	21.0 %
Total capitalization	$ 484,995,315	100.0 %	$ 371,833,607	100.0 %

Overall Financing Strategy

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

Trust Units

Units Outstanding

Authorized	unlimited
Issued as of,	
- March 31, 2008	17,568,905
- May 12, 2008	17,580,954

As of March 31, 2008, LREIT had 17,568,905 units outstanding, representing an increase of 39,011 units or 0.2%, compared to the number of units outstanding as of December 31, 2007. The increase in units originated from the following transactions:

Issue Date	Units Issued	Equity Raised
Units outstanding, December 31, 2007	17,529,894	$ 65,962,557
Units issued under DRIP	41,411	299,624
Units purchased and cancelled under normal course issuer bid	(2,400)	(11,856)
Units outstanding, March 31, 2008	17,568,905	$ 66,250,325

Distribution Reinvestment Plan ("DRIP")

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

As noted above, 41,411 units were issued under the Distribution Reinvestment Plan during the three months ended March 31, 2008.

Unit Options

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

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

As of March 31, 2008, LREIT had 1,480,000 units options outstanding.

In accordance with Canadian generally accepted accounting principles, the estimated fair value of the options is expensed over the vesting period of the options and the expense is recorded as "unit-based compensation". Unit-based compensation expense is included in trust expense in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). During the first quarter of 2008, unit-based compensation expense related to the unit options amounted to $191,891, including $149,863 relating to the 370,000 units which were issued in January 2008.

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

Normal Course Issuer Bid

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

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

As of April 30, 2008, LREIT has purchased 12,400 units under its normal course issuer bid at an average price of $4.75 per unit.

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 2008, LREIT declared distributions of $0.14 per unit or $0.56 per unit on an annualized basis. The cash distribution for March 2008 was paid on April 15, 2008. Distributions are comprised of the following components:

	Trust Units	LP Units
Cash distributions paid for January and February, 2008	$ 1,447,300	$ 33,284
Cash distributions payable at March 31, 2008	819,940	16,642
	2,267,240	49,926
Value of units issued under DRIP	189,661	
Distributions declared, per Statement of Equity	$ 2,456,901	

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

Convertible Debentures

The Declaration of Trust for LREIT does not impose any limitations on the amount of convertible debt which may be issued by the Trust. The following is a summary of the debenture offerings which have been undertaken by LREIT, as of March 31, 2008.

Summary of Debenture Offerings

				Repayments/Unit Conversions		
Issue Date/Maturity Date	Series	Interest Rate	Amount Issued	Three Months Ended March 31, 2008	As of December 31, 2007	Net Amount Outstanding March 31, 2008
Aug. 30/02/Aug. 30/07	A	10.0 %	$ 3,000,000	$ -	$ (3,000,000)	$ -
Aug. 30/02/Aug. 30/05	B	8.0 %	1,000,000	-	(1,000,000)	-
Jan. 30/04/Jan. 30/06	C	8.0 %	10,131,000	-	(10,131,000)	-
Mar. 16/04/Mar. 16/08	D	8.0 %	4,000,000	(1,593,000)	(2,407,000)	-
Feb. 17/05/Feb. 17/10	E	8.0 %	12,000,000	-	(50,000)	11,950,000
Mar. 10/06/Mar. 11/11	F	7.5 %	13,680,000	-	-	13,680,000
Dec. 8/06/Dec. 31/11	G	7.5 %	25,732,000	-	-	25,732,000
Face value			$ 69,543,000	$ (1,593,000)	$ (16,588,000)	51,362,000
Net accumulated accretion						3,961,842
Unamortized transaction costs						(2,097,659)
Book value, March 31, 2008						$ 53,226,183
Allocation of book value						
Debt component						$ 42,219,205
Equity component						13,104,637
Unamortized transaction costs						(2,097,659)
						$ 53,226,183

Mortgage Loans Payable

March 31, 2008	$351,662,038
December 31, 2007	$341,334,043

Summary of Mortgage Loans Payable

Year of Maturity	Weighted Average Interest Rate	Amount March 31, 2008	Percentage of Total
Fixed rate			
2008	8.5 %	$ 22,250,931	6.3 %
2009	6.4 %	38,911,784	11.0 %
2010	7.0 %	21,776,029	6.2 %
2011	8.5 %	7,301,476	2.1 %
2012	5.6 %	32,738,431	9.3 %
2013	5.9 %	25,925,201	7.3 %
2014	6.3 %	44,020,475	12.4 %
2015	5.7 %	36,937,197	10.4 %
2016	5.2 %	43,176,931	12.2 %
2017	5.7 %	5,825,101	1.6 %
		278,863,556	78.8 %
Demand/floating rate	6.4 %	74,878,923	21.2 %
Principal amount		353,742,479	100.0 %
Difference between contractual and market interest rates on mortgage loans assumed		142,816	
Unamortized transaction costs		(2,223,257)	
		$ 351,662,038	
Principal amount:			
Income properties		$ 293,344,088	
Properties under development		60,398,391	
		$ 353,742,479	

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 2008, the balance of mortgage loans payable increased by $10,327,995, comprised of the following amounts:

Increase in mortgage loans for properties under development	$ 6,494,520
Interim financing	5,400,000
	11,894,520
Principal repayments	(1,421,203)
Change in the difference between contractual and market interest rates on mortgage loans assumed	(158,244)
Change in the unamortized component of transaction costs	12,922
	$ 10,327,995

As of March 31, 2008, the weighted average interest rate of the fixed rate mortgage loans is 6.2%, compared to 6.0% as of March 31, 2007 and 6.0% as of December 31, 2007. The weighted average interest rate for floating rate mortgage loans is 6.4% as of March 31, 2008, compared to 6.9% as of March 31, 2007 and 7.1% as of December 31, 2007.

The ratio of mortgage loans payable, relative to the total acquisition cost of the property portfolio, was 81% as of March 31, 2008, compared to 75% as of March 31, 2007 and 80% as of December 31, 2007. The ratio of mortgage loans payable, relative to the Trust's estimated current value of the property portfolio, was approximately 60% at March 31, 2008, compared to 60%, as of March 31, 2007 and 59% as of December 31, 2007. The ratios exclude all properties at which the mortgage loan financing was not finalized at the end of the period. (Laird's Landing expansion as of March 31, 2007 and Laird's Landing and Millennium Village as of March 31, 2008 and December 31, 2007.)

Interim Mortgage Loan Financing

As of March 31, 2008, the mortgage loans payable of LREIT includes $33.9 Million of interim mortgage loan financing. The interim mortgage loan financing is secured by charges registered against two or more properties, bears interest at an average rate of 8.5% and requires payments of interest only. The interim financing consists of $18 Million of debt which is repayable on demand, $4 Million which is due on April 1, 2008, $4.5 Million which is due on July 1, 2008, $2 Million which is due on September 1, 2008 and $5.4 Million which is due on January 1, 2009. The mortgage due on April 1, 2008 was renewed for an additional one year term. LREIT expects to renew the remaining interim mortgage loans maturing during 2008 for an additional one year term.

Vendor Take-Back Mortgages

The vendor take-back mortgage loan balance of $1,836,475 consists of a $1,600,000 mortgage, bearing interest at a rate of 6.25%, obtained upon the purchase of Westhaven Manor in May 2007 and a $236,475 interest-free mortgage loan that was obtained on the acquisition of the properties in Prince Albert, Saskatchewan in February 2005. The loans are repayable on demand.

Revolving Line of Credit

The Trust utilizes a revolving line of credit with an authorized limit of $5 Million. The line of credit bears interest at the Royal Bank prime rate and is payable on demand. As of March 31, 2008, the amount drawn on the line of credit was $2,110,000.

Mortgage Loan Financing for Millennium Village

The purchase agreement for Millennium Village provided for a portion of the purchase price to be paid subsequent to the acquisition date of the property. As of March 31, 2008, the balance owing, including accrued interest was $19,366,915.

The balance owing is expected to be paid in full in May 2008 from the proceeds of a 5.82% first mortgage loan of $22.7 Million. The excess amount of mortgage loan proceeds will serve to increase the working capital of the Trust.

ANALYSIS OF INCOME/LOSS

Changes in Accounting Estimates Affecting Quarterly Comparisons

In June 2007, a change in income tax legislation was enacted which resulted in a change in the tax status of the Trust and in a significant change in the accounting estimate that is used in the calculation of future tax assets and liabilities.

As disclosed in the 2007 Annual Report for LREIT, the change in estimate was implemented prospectively in the second quarter of 2007. As the prospective application of the change in accounting estimate does not encompass restatement of the future income tax recovery for prior periods, the change in accounting estimate is not reflected in the financial results of the Trust for the first quarter of 2007. In comparison, the financial results for the first quarter of 2008 include a future income tax recovery of $1,953,199, of which $1,742,633 pertains specifically to the change in the tax status of the Trust.

In summary, the timing of the implementation of the change in the accounting estimate has significantly impacted the comparability of "bottom line" results for the first quarter of 2007 and 2008. The future income tax recovery is a non-cash item and has no impact on the cash flows or distributions of the Trust.

Changes in Property Portfolio - Q1 2008 vs. Q1 2007

In 2007, LREIT acquired seven residential properties at a total purchase price of $169 Million. The acquisition date or lease-up date for all of the properties occurred subsequent to the first quarter of 2007, with the exception of Nova Court, which was acquired on March 23, 2007 and the Clarington Seniors Residence, which is currently in the lease-up stage of development. Accordingly, the 2007 property acquisitions of LREIT did not contribute to operating income in the first quarter of the year, aside from $16,135 in regard to the nine-day operating period for Nova Court.

In the first quarter of 2008, all of the 2007 property acquisitions contributed to operating income, aside from the Clarington Seniors Residence and the Elgin Lodge building extension.

During the first quarter of 2007, a major renovation program was also in process at Highland Tower, which effectively reduced the operating income capacity of the project to approximately 60%. The major renovation program was substantially completed as of July 1, 2007.

Comparison to Prior Year

Overall Results

LREIT completed the first quarter of 2008 with income of $301, compared to a loss of $1,706,093 during the first quarter of 2007. After excluding future income tax recoveries, LREIT incurred a loss of $1,952,898 during the first quarter of 2008, compared to a loss of $1,785,967 during the first quarter of 2007. As disclosed in the following chart, the increase in the loss before future income tax recoveries mainly reflects an increase in net operating income, offset by an increase in financing expense, amortization charges and trust expense.

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

Analysis of Income (Loss)

	Three Months Ended March 31		Increase (Decrease)	
	2008	2007		
Rental revenue	$ 13,276,821	$ 8,619,983	$ 4,656,838	54.0 %
Interest and other income	352,172	431,782	(79,610)	(18.4)%
Property operating costs	5,679,051	4,167,035	1,512,016	36.3 %
Net Operating Income (NOI) *	7,949,942	4,884,730	3,065,212	62.8 %
Trust expense	734,907	458,323	276,584	60.3 %
Income before financing expense, amortization, non-controlling interest and taxes (EBITDA) *	7,215,035	4,426,407	2,788,628	63.0 %
Financing expense	6,814,465	4,521,134	2,293,331	50.7 %
Income (loss) before amortization, non-controlling interest and taxes *	400,570	(94,727)	495,297	(522.9)%
Amortization	2,332,098	1,715,167	616,931	36.0 %
Non-controlling interest	(21,370)	23,927	(45,297)	(189.3)%
Loss before future income tax recoveries *	(1,952,898)	(1,785,967)	(166,931)	9.3 %
Future income tax recovery	1,953,199	79,874	1,873,325	2,345.4 %
Income (loss) for the period	$ 301	$ (1,706,093)	$ 1,706,394	(100.0)%

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

Revenue

Total Revenue

Analysis of Total Revenue

	Income Properties		
	Residential	Commercial	Trust
Rental revenue	92%	8%	n/a
Interest and other income	38%	1%	61%
Total revenue	90%	8%	2%

The operations of LREIT encompass the acquisition and management of a growing portfolio of income-producing properties. The portfolio of Income Properties includes residential and commercial 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 between "residential", "commercial" and "light industrial" components, while operating results pertaining to overall asset management and administrative activities are categorized under the heading of "Trust".

As disclosed in the preceding chart, the portfolio of Income Properties is the primary source of revenue, accounting for 100% of rental revenue and 39% of interest and other income during the first quarter of 2008. The revenue from "Trust" operations accounts for 61% of interest and other income in 2008 and consists almost exclusively of interest income on the mortgage loan receivable and cash reserves.

Rental Revenue

Total rental revenue - March 31, 2008 - $13,276,821
Total rental revenue - March 31, 2007 - $8,619,983

General

Since 2004, LREIT has focused exclusively on the acquisition of residential properties and, as a result, the revenue contribution by the residential portfolio is increasing over time. As disclosed in the preceding chart, residential properties accounted for 92% of the total rental revenue of the Trust during the first quarter of 2008. During the first quarter of 2007, residential properties accounted for 87% of the total rental revenue.

Overall, the total rental revenue of LREIT increased by approximately $4.7 Million or 54%, compared to the first quarter of 2007.

Rental Revenue from Commercial Properties

Notwithstanding the ongoing increase in the residential property portfolio, 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 commercial properties, McIvor Mall and the Kenaston Property, were 93% and 88% leased respectively, as of March 31, 2008. The two light industrial properties, the MAAX Warehouse and the Purolator Building, are 100% leased to single tenants, with leases expiring on December 31, 2009 and September 30, 2012, respectively.

During the first quarter of 2008, rental revenue from commercial properties decreased by $93,348 or 8.4%, compared to the first quarter of 2007, primarily due to a decrease in the occupancy rate of the Kenaston property.

Rental Revenue from Residential Properties

During the first quarter of 2008, rental revenue from residential properties increased by $4,705,186 or 63%, compared to the first quarter of 2007. The increase in residential rental revenue is mainly attributable to the 2007 property acquisitions, as discussed above, as well as an improvement in the operating results of the residential properties which have been in the LREIT portfolio since January 1, 2007.

Analysis of Residential Rental Revenue by Geographic Market Segment

	Percentage of Total Revenue		Vacancy Loss	
	2008	2007	2008	2007
Alberta				
Fort McMurray	48 %	32 %	8 %	5 %
Other Alberta	9 %	11 %	2 %	2 %
Total - Alberta	56 %	43 %	7 %	4 %
Saskatchewan	23 %	32 %	4 %	10 %
Northwest Territories	12 %	10 %	- %	1 %
Manitoba	4 %	5 %	6 %	23 %
British Columbia	3 %	5 %	4 %	2 %
Ontario	2 %	5 %	34 %	7 %
Total Residential Portfolio	100 %	100 %	6 %	7 %

The investment strategy of LREIT is to focus on the acquisition of multi-family residential properties primarily in markets across western and northern Canada. During the past two fiscal years, the majority of LREIT acquisitions have been located in Fort McMurray, Alberta, however, due to the favourable rental market conditions and the high operating margins which are being achieved in that city. In regard to the 15-month period between January 1, 2007 and March 31, 2008, LREIT expended approximately $209 Million on property acquisitions and construction and development projects, of which approximately 72% pertains to new properties in Fort McMurray. After excluding properties under development, the acquisition cost of the portfolio of income-producing properties increased by approximately $148 Million, between January 1, 2007 and March 31, 2008, of which approximately 83% pertains to Fort McMurray properties.

The acquisition of additional properties in Fort McMurray has resulted in a significant increase in the percentage of revenues contributed by the Fort McMurray property portfolio. During the first quarter of 2008, revenues from residential properties in Fort McMurray increased by $3,485,323, compared to the first quarter of 2007, representing 74% of the total increase in residential rental revenue. As a percentage of total rental revenues, the contribution by the Fort McMurray portfolio increased from 32% during the first quarter of 2007 to 48% in during the first quarter of 2008.

The overall vacancy loss of the property portfolio decreased from 7% in 2007 to 6% in 2008, mainly due to a reduction in the vacancy loss for the property portfolios in Saskatchewan and Manitoba, largely offset by an increase in the vacancy loss for the property portfolio in Fort McMurray and Ontario. The improvement for the Saskatchewan portfolio reflects a significant reduction in the overall vacancy loss for all three of the rental markets where LREIT properties are located (Prince Albert, Moose Jaw and Saskatoon), while the improvement for the Manitoba portfolio is mainly due to the completion of the major renovation program at Highland Towers.

The increase in the vacancy loss for the Fort McMurray portfolio is mainly due to a temporary increase in turnover of a large number of tenants at the Woodland Park and Nelson Ridge Estates properties during the quarter ended March 31, 2008. These two properties were 100% and 94% occupied as of May 1, 2008. The temporary increase in the vacancy loss for the Ontario portfolio is associated with the 60 new additional units completed at the Elgin Lodge property in late 2007.

Operating Costs

Analysis of Operating Costs

	Property Operating Costs 2008	Property Operating Costs 2007	Increase (Decrease)
Alberta			
Fort McMurray	$ 1,879,818	$ 703,668	$ 1,176,150
Other Alberta	488,155	485,362	2,793
Total - Alberta	2,367,973	1,189,030	1,178,943
Saskatchewan	1,654,605	1,485,930	168,675
Northwest Territories	614,221	317,486	296,735
Manitoba	242,206	209,780	32,426
British Columbia	217,245	231,880	(14,635)
Ontario	121,623	259,180	(137,557)
Total Residential Portfolio	5,217,873	3,693,286	1,524,587
Total Commercial Portfolio	461,178	473,749	(12,571)
Total	$ 5,679,051	$ 4,167,035	$ 1,512,016

During the first quarter of 2008, property operating costs for the residential portfolio increased by $1,524,587 or 41%, compared to the first quarter of 2007, mainly due to the increase in the property portfolio in Fort McMurray. As disclosed in the preceding chart, the Fort McMurray portfolio accounted for 77% of the total increase in property operating costs for the residential portfolio. For the Northwest Territories portfolio, the increase in property operating costs is mainly due to the acquisition of Nova Court on March 22, 2007. Similarly, for the Saskatchewan portfolio, the increase in property operating costs is mainly due to the acquisition of Sir Robert Borden Place on May 1, 2007.

The property portfolio in the Northwest Territories and in Saskatchewan account for the majority of the remaining increase in property operating costs.

The decrease in operating costs for the Ontario portfolio is mainly due to to the temporary increase in vacancy associated with the expanded property, combined with the proportionate decrease in variable costs associated with operating the property.

Property operating costs for the commercial portfolio decreased by $12,571 or 3% during the first three months of 2008, compared to the first three months of 2007.

Net Operating Income and Operating Margin

Overall

Summary Analysis of Net Operating Income

	Net Operating Income Amount 2008	Net Operating Income Amount 2007	Increase (Decrease)	Operating Margin 2008	Operating Margin 2007
Residential	$ 7,172,247	$ 3,923,731	3,248,516	58 %	52 %
Commercial	561,878	646,306	(84,428)	55 %	58 %
Trust	215,817	314,693	(98,876)	n/a	n/a
Total	$ 7,949,942	$ 4,884,730	3,065,212	58 %	54 %

The net operating income ("NOI") of LREIT increased by $3,065,212 or 63% during the first three months of 2008, compared to the first three months of 2007, due to an increase in the NOI for the residential portfolio, partially offset by a decrease in the NOI for the commercial portfolio and a decrease in income from Trust operations. The overall operating margin of the property portfolio of the Trust increased from 54% during the first three months of 2007, to 58% during the first three months of 2008.

Residential Properties

During the first three months of 2008, the NOI for the residential portfolio increased by $3,248,516 or 83%, compared to the first three months of 2007. The increase in NOI for the residential property portfolio mainly reflects the new income-producing properties in Fort McMurray and the fact that the operating margin for the Fort McMurray portfolio continues to be significantly higher in comparison to properties in other locations. During the first quarter of 2008, the NOI from the Fort McMurray portfolio increased by $2.3 Million, representing 71% of the total increase in the NOI from the residential property portfolio. As disclosed in the following chart, during the first quarter of 2008, the operating margin for the Fort McMurray portfolio remained high at 68%, compared to an average of 50% for the remainder of the residential property portfolio.

Analysis of Net Operating Income - Residential Properties

	Net Operating Income				Operating Margin	
	Amount		% of Total			
	2008	2007	2008	2007	2008	2007
Alberta						
Fort McMurray	$ 4,022,296	$ 1,713,123	52 %	40 %	68 %	71 %
Other Alberta	581,069	379,255	7 %	9 %	54 %	44 %
Total - Alberta	4,603,365	2,092,378	59 %	54 %	66 %	64 %
Saskatchewan	1,203,503	985,280	16 %	23 %	42 %	40 %
Northwest Territories	903,092	413,426	12 %	10 %	60 %	57 %
Manitoba	241,019	171,770	3 %	4 %	50 %	45 %
British Columbia	150,853	134,258	2 %	3 %	41 %	37 %
Ontario	70,419	126,620	1 %	3 %	37 %	33 %
Total Residential Portfolio	$ 7,753,320	$ 4,302,987	100 %	106 %	58 %	52 %

The most significant change in the operating margin occurred in the "Other Alberta" portfolio, with the margin increasing from 44% in 2008 to 54% in 2008. The improvement in the operating margin reflects rental rate increases offset by a marginal increase in vacancy loss.

Overall, the operating margin for the property portfolio in every geographic location improved during the first quarter of 2008, resulting in an increase in the operating margin for the entire residential portfolio from 52% during the first three months of 2007 to 58% during the first three months of 2008.

Trust Operations

During the first three months of 2008, general Trust operations contributed $215,817 of interest and other income to the total operating income of LREIT, representing a decrease of $98,876, compared to the first three months of 2007. The decrease in interest income included in Trust operations reflects a reduction in the average monthly balance of mortgage loans receivable during the first three months of 2008, as well as a reduction in the average monthly cash balance of the Trust.

Same Property Analysis

There are 29 residential properties which have been in the LREIT portfolio since January 1, 2007.

As disclosed in the following analysis, the combined revenue of the 29 properties increased by 6.6% during the first three months of 2008, compared to the first three months of 2007, while net operating income increased by 11.6%. The improvement in net operating income is mainly attributable to the improvement in the operating margins, as discussed above. Specifically, the improvement in same property NOI reflects rental rate increases and an improvement in occupancy levels at the majority of the 29 properties.

	Amount		Increase (Decrease)	
	2008	2007	Amount	%
Total revenue	$ 8,096,236	$ 7,596,635	$ 499,601	6.6 %
Net operating income	$ 4,362,683	$ 3,910,846	$ 451,837	11.6 %

Trust Expense

Trust expense increased by $276,584 during the three months ended March 31, 2008, compared to the same period in 2007. The increase mainly reflects the following factors:

- an increase of $161,140 in the service fee of Shelter Canadian in regard to administrative and asset management services due to the increased size of the Trust's assets. The fee is equal to 0.3% of the net book value of the assets of LREIT, excluding cash and accumulated amortization, as of the date of the most recently issued financial statements.

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

- an increase in unit-based compensation expense of $108,220, mainly due to the unit options which were issued in January 2008.

Financing Expense

As disclosed in the following chart, financing expense increased by $2,293,331 or 51% in during the first three months of 2008, compared to the same period in 2007, of which $2,256,527 or 98% pertains to mortgage loan financing.

Financing expense during the first quarter of 2008, includes amortization charges for transaction costs of $373,107.

Analysis of Financing Expense

	Amount		Increase	% of
	2008	2007	(Decrease)	Total
Mortgage Loans				
Mortgage loan interest	$ 4,833,013	$ 2,551,404	$ 2,281,609	99 %
Amortization of transaction costs	218,421	243,503	(25,082)	(1)%
Total - mortgage loans	5,051,434	2,794,907	2,256,527	98 %
Debentures				
Interest on convertible debentures	1,009,835	1,054,539	(44,704)	(2)%
Accretion of debt component	598,510	537,464	61,046	3 %
Amortization of transaction costs	154,686	134,224	20,462	1 %
Total - debentures	1,763,031	1,726,227	36,804	2 %
Total - financing expense	$ 6,814,465	$ 4,521,134	$ 2,293,331	100 %

Financing Expense - Mortgage Loans

Mortgage loan interest increased by $2,281,609 or 99% during the three months ended 2008, compared to the same period in 2007. As a percentage of operating income, mortgage loan interest increased from 52% during the first three months of 2007 to 61% during the same period in 2008. The increase reflects the higher mortgage loan debt ratio.

Financing Expense - Debentures

During the first three months of 2008, interest on convertible debentures decreased by $44,704 or 2%, compared to the same period in 2007. The decrease mainly reflects the retirement of the $1.7 Million of Series A Convertible Debentures in August 2007.

As a percentage of operating income, interest on debentures decreased from 22% during the first three months of 2007 to 13% during the same period in 2008. The decrease in the ratio of debenture interest, relative to operating income, mainly reflects a change in the overall capital structure of the Trust, with convertible debenture debt accounting for a lower proportion of the total debt and trust unit equity as of March 31, 2008, compared to March 31, 2007. (Please refer to the chart at the beginning of the section of this report entitled "Capital Structure").

Amortization Expense

During the three month period ended March 31, 2008, amortization expense increased by $616,931 or 36%, compared to the same period in 2007. The increase is mainly due to amortization charges for the additional income-producing properties which were in the LREIT property portfolio during the first quarter of 2008. Amortization expense on the Consolidated Statement of Income (Loss) excludes amortization charges for transaction costs.

Comparison to Preceding Quarter

Analysis of Income (Loss) - First Quarter 2008 vs. Fourth Quarter 2007

	Three Months Ended			
	March 31, 2008	December 31, 2007	Increase (Decrease)	
Rental revenue	$ 13,276,821	$ 13,374,143	$ (97,322)	(0.7)%
Interest and other income	352,172	160,732	191,440	119.1 %
Property operating costs	5,679,051	5,712,067	(33,016)	(0.6)%
Net Operating Income (NOI)	7,949,942	7,822,808	127,134	1.6 %
Trust expense	734,907	599,231	135,676	22.6 %
Income before financing expense, amortization, non-controlling interest and taxes (EBITDA)	7,215,035	7,223,577	(8,542)	(0.1)%
Financing expense	6,814,465	6,681,193	133,272	2.0 %
Income before amortization, non-controlling interest and taxes	400,570	542,384	(141,814)	(26.1)%
Amortization	2,332,098	2,277,406	54,692	2.4 %
Non-controlling interest	21,370	(7,305)	28,675	(392.5)%
Loss before future income tax recoveries	(1,952,898)	(1,742,327)	(210,571)	12.1 %
Future income tax recovery	1,953,199	633,429	1,319,770	208.4 %
Income (loss) for the period	$ 301	$ (1,108,898)	$ 1,109,199	(100.0)%

Excluding future income tax recoveries, LREIT incurred a loss of $1,952,898 during the first quarter of 2008, compared to a loss of $1,742,327 during the fourth quarter of 2007. The increase in the loss mainly reflects the following factors:

- an increase in net operating income of $127,134. The increase reflects an increase in interest and other income of $191,440, partially offset by a decrease in net operating income from rental properties of $64,306. The increase in interest and other income is mainly due to an increase in interest earned on the mortgage loan receivable, while the decrease in NOI from rental properties is mainly due to a temporary increase in vacancy loss recorded in the first quarter of 2008.

- an increase in financing expense of $133,272 or 2.0%. The increase mainly reflects incremental interest of $55,775 on the $5.4 Million of additional interim mortgage loan financing which was obtained in the first quarter of 2008 and interest on the line of credit of $43,277. Interest on the line of credit for the three months ended December 31, 2007, in the amount of $10,973, is included in trust expense.

- a increase in Trust expense of $135,676. The increase mainly reflects the increase in unit-based compensation expense relating to the unit options which were issued on January 7, 2008.

- an increase in amortization expense of $54,692, mainly due to the inclusion of Millennium Village for a full quarter as the property was reclassified as an income-producing property, effective November 1, 2007.

After reflecting an increase in future income tax recoveries of approximately $1.3 Million in the first quarter, LREIT completed the three month period ended March 31, 2008 with income of $301, compared to a loss of $1,108,898 during the fourth quarter of 2007. The increase in the amount of the future income tax recoveries reflects the impact of new contracted property acquisitions on the calculation of future tax assets and liabilities.

Summary of Quarterly Results

Quarterly Analysis	2008 Q1	2007 Q4	2007 Q3	2007 Q2
Total revenue	$ 13,628,993	$ 13,534,875	$ 12,597,091	$ 11,127,584
Net operating income	$ 7,949,942	$ 7,822,808	$ 7,845,308	$ 6,519,763
Income (loss) for the period	$ 301	$ (1,108,898)	$ 725,735	$ 688,355
Loss for the period, before future income tax recoveries	$ (1,952,898)	$ (1,742,327)	$ (1,188,347)	$ (1,417,123)
PER UNIT				
Net operating income				
- basic	$ 0.455	$ 0.447	$ 0.449	$ 0.374
- diluted	$ 0.312	$ 0.330	$ 0.331	$ 0.295
Income (loss) for the period				
- basic	$ 0.000	$ (0.064)	$ 0.042	$ 0.039
- diluted	$ 0.000	$ (0.064)	$ 0.042	$ 0.039
Loss for the period, before future income tax recoveries				
- basic	$ (0.112)	$ (0.100)	$ (0.068)	$ (0.081)
- diluted	$ (0.112)	$ (0.100)	$ (0.068)	$ (0.081)

Quarterly Analysis	2007 Q1	2006 Q4 (restated)	2006 Q3 (restated)	2006 Q2 (restated)
Total revenue	$ 9,051,765	$ 8,835,557	$ 8,370,252	$ 6,891,004
Net operating income	$ 4,884,730	$ 4,796,613	$ 4,912,506	$ 4,025,584
Loss for the period	$ (1,706,093)	$ (563,581)	$ (829,956)	$ (773,043)
Loss for the period, before future income tax recoveries	$ (1,785,967)	$ (1,032,626)	$ (1,066,410)	$ (807,917)
PER UNIT				
Net 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	$ (0.098)	$ (0.033)	$ (0.048)	$ (0.450)
- diluted	$ (0.098)	$ (0.033)	$ (0.048)	$ (0.045)
Loss for the period, before future income tax recoveries				
- basic	$ (0.103)	$ (0.060)	$ (0.062)	$ (0.047)
- diluted	$ (0.103)	$ (0.060)	$ (0.062)	$ (0.047)

Loss Per Unit

Analysis of Loss per Unit

	Three Months Ended March 31				Increase (Decrease)		
	2008		2007				
Income (loss) for the period							
- basic	$	0.000	$	(0.098)	$	0.098	100 %
- diluted	$	0.000	$	(0.098)	$	0.098	100 %
Loss for the period, before future income tax recoveries							
- basic	$	(0.112)	$	(0.103)	$	0.009	9 %
- diluted	$	(0.112)	$	(0.103)	$	0.009	9 %

Excluding future income tax recoveries, LREIT incurred a loss of $0.112 per unit during the three months ended 2008, compared to a loss of $0.103 per unit during the same period in 2007. As the weighted average number of units only increased by 1% during the three months ended March 31, 2008 compared to the same period in 2007, the increase in the loss per unit mainly reflects the increase in the overall loss of the trust before future tax recoveries.

ANALYSIS OF CASH FLOWS

Operating

	Three Months Ended March 31		Increase (Decrease)
	2008	2007	
Rental revenue	$ 13,276,821	$ 8,619,983	$ 4,656,838
Interest and other income	352,172	431,782	(79,610)
Property operating costs	5,679,051	4,167,035	1,512,016
Net Operating Income (NOI)	7,949,942	4,884,730	3,065,212
Non-cash components of revenue	575	21,571	(20,996)
	7,949,367	4,863,159	3,086,208
Financing expense	6,814,465	4,521,134	2,293,331
Non-cash component of financing expense	971,617	915,191	56,426
	5,842,848	3,605,943	2,236,905
Trust expense	734,907	458,323	276,584
Non-cash component of trust expense	191,891	83,671	108,220
	543,016	374,652	168,364
Cash provided by operating activities, before changes in non-cash operating activities, tenant inducements and leasing expenses	1,563,503	882,564	680,939
Tenant inducements and leasing expenses	2,178	64,484	(62,306)
	1,561,325	818,080	743,245
Changes in non-cash operating items	(229,110)	318,366	(547,476)
Cash provided by operating activities	$ 1,332,215	$ 1,136,446	$ 195,769

Cash from Operating Activities

During the three months ended March 31, 2008, LREIT generated cash from operating activities of $1,332,215. After excluding changes in non-cash operating items, cash from operating activities increased by $743,245 or 91% in 2008, compared to the same period in 2007. The increase reflects a significant increase in net operating income, partially offset by an increase in the cash component of financing and trust expense. Specifically, net operating income increased by $3,065,212, while the cash component of financing and trust expense increased by $2,236,905 and $168,364, respectively. The cash component of financing and trust expense reflects mortgage loan interest, interest on the line of credit and convertible debenture payments and is calculated by excluding amortization of transaction costs and the accretive portion of the debt component of convertible debentures.

The increase in mortgage loan interest accounts for the majority of the increase in the cash component of financing expense. Specifically, mortgage loan interest increased by $2,091,417 during the first quarter of 2008, representing 95% of the increase in the cash component of financing expense. The increase in mortgage loan interest is mainly attributable to the mortgage financing for 2007 property acquisitions and the interim financing which has been arranged since March 31, 2007.

The increase in the cash component of trust expense is mainly due to an increase in the service fee of Shelter Canadian. The cash component of trust expense excludes unit compensation expense.

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

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

During the three months ended March 31, 2008, FFO increased by $495,297, compared to the same period in 2007, while AFFO increased by $708,985. On a basic per unit basis, FFO increased by $0.028 per unit, while AFFO increased by $0.041 per unit.

Funds from Operations/Adjusted Funds from Operations *

	Three Months Ended March 31 2008	Three Months Ended March 31 2007
Income (loss) for the year	$ 301	$ (1,706,093)
Add (deduct):		
Amortization expense	2,332,098	1,715,167
Future income tax recovery	(1,953,199)	(79,874)
Non-controlling interest	21,370	(23,927)
Funds from operations	400,570	(94,727)
Add (deduct):		
Straight-line rent adjustment	(1,019)	(21,970)
Net amortization of above/below market in-place leases	444	399
Accretion of debt component of convertible debentures	598,510	537,464
Unit-based compensation	191,891	83,671
Tenant inducement and leasing expenses	(2,178)	(64,484)
Ongoing improvements to income properties	(131,172)	(92,292)
Adjusted funds from operations	$ 1,057,046	$ 348,061
FFO per unit		
- basic	$ 0.023	$ (0.005)
- diluted	$ 0.023	$ (0.005)
AFFO per unit		
- basic	$ 0.061	$ 0.020
- diluted	$ 0.053	$ 0.020

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

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

Distributable Income

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	
	2008	2007
Cash provided by operating activities, per Statement of Cash Flow	$ 1,332,215	$ 1,136,446
Changes in non-cash operating items	229,110	(318,366)
	1,561,325	818,080
Add (deduct):		
Tenant inducement and leasing expenses	2,178	64,484
Amortization of tenant inducement and leasing expenses	(75,450)	(100,464)
Distributable income	$ 1,488,053	$ 782,100
Per unit		
- Basic	$ 0.085	$ 0.045
- Diluted	$ 0.074	$ 0.044

Distribution Shortfall

As disclosed in the following chart, the total distributions of LREIT for the three months ended March 31, 2008 exceeded distributable income by $968,848 or 39%, compared to $1,644,723 or 68% during the first quarter of 2007. The variance between total distributions and cash from operating activities was $1,124,686 or 46% during the first quarter of 2008, compared to $1,290,377 or 53% in 2007.

	Three Months Ended March 31	
	2008	2007
Total distributions	$ 2,456,901	$ 2,426,823
Distributable income	$ 1,488,053	$ 782,100
Excess of distributions over distributable income	$ (968,848)	$ (1,644,723)
Cash provided by operating activities	$ 1,332,215	$ 1,136,446
Excess of distributions over cash provided by operating activities	$ (1,124,686)	$ (1,290,377)

To the extent that the cash outflow from distributions exceeds the cash inflow from operating activities, the difference was effectively funded from financing activities, or more specifically, from mortgage loan proceeds.

The significant improvement in the ratio of cash distributions compared to distributable income and cash from operating activities mainly reflects the extent to which the increase in net operating income exceeded the increase in financing expense during the first quarter of 2008. As additional properties are acquired and operations stabilize, it is anticipated that the shortfall between the total distributions and operating cash flows will continue to be reduced, or eliminated over time, although there is no assurance that this will be the case.

Financing/Investment Activities

The following chart provides a summary of the cash flow activities of the Trust.

As disclosed in the chart, the net cash provided by financing activities, excluding distributions, exceeded the net cash used in investment activities by $2,074,283 during the first quarter of 2008. Financing activities consisted primarily of transactions related to mortgage loan financing, as well as the repayment of the outstanding principal balance of the Series D debentures. Investment activities consisted primarily of cash outflows associated with the development of new properties.

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

After providing for the cash inflows from operating activities and the cash outflow in regard to distributions, the net cash increase for 2008 was $1,925,914. After accounting for the opening bank indebtedness of $1,623,651, LREIT completed the first quarter of 2008 with a cash balance of $302,263.

Cash Flow Analysis (Note 1)

	Three Months Ended March 31, 2008
Financing Activities:	
Mortgage proceeds	$ 11,894,520
Mortgage principal payments	(1,421,203)
Repayment of Series D debentures	(1,593,000)
Normal course issuer bid	(11,856)
Transaction costs	(221,020)
Total financing	8,647,441
Investing Activities:	
Improvements to income properties	(131,172)
Properties under development	(6,290,300)
Restricted cash	(151,686)
Total investing	(6,573,158)
Net cash inflow of investment capital	2,074,283
Operating activities	1,332,215
Cash before distributions	3,406,498
Cash distributions	(1,480,584)
Cash increase	1,925,914
Bank indebtedness, beginning of period	(1,623,651)
Cash, end of period	$ 302,263

Note 1 - GAAP Measurements

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

CAPITAL RESOURCES AND LIQUIDITY

Working Capital Requirements

On an annual basis, LREIT is generating sufficient cash from operating activities to fully fund monthly mortgage loan principal payments and ongoing improvements to income properties, although there was a minor shortfall in the funding of improvements during the first quarter of 2008. Specifically, after deducting mortgage loan principal payments of $1,421,203 and improvement costs for income properties of $131,172, from the cash provided by operating activities of $1,521,876, the cash shortfall was $30,499.

LREIT requires other sources of capital in order to fund property acquisitions, major renovations and expansion projects, lump-sum convertible debenture repayments and a portion of the monthly distributions.

Contractual Obligations

Property Acquisitions

The following chart provides a summary of the approximate amount of the capital commitments of LREIT in regard to property acquisitions subsequent to March 31, 2008.

Property	Approximate Amount	Description
Millennium Village (mortgage proceeds, net of acquisition payable, in May 2008)	(2.4 Million)	- represents the $24.2 Million purchase price plus GST and estimated closing costs, less mortgage financing of $22.7 Million, the mortgage loan receivable of $4 Million and the deposit of $1 Million
Laird's Landing (completion in June 2008)	$1.9 Million	- represents the total maximum construction costs of $57.7 Million plus GST, net of the projected financing of $45 Million less the cash outlay to December 31, 2007 of approximately $12.7 Million
Siena Apartments (closing date, July 2, 2008)	4.7 Million	- represents the purchase price of $30 Million and estimated closing costs, less mortgage financing and deposits
Parsons Landing (deferred payments in June 2008 and September 2008)	5.0 Million	- represents the total purchase price of $60.7 Million plus GST and estimated closing costs, less the projected mortgage loan financing of $50.0 Million, the $10 Million mortgage loan receivable and the $5.0 Million deferred payments
(mortgage proceeds, net of acquisition payable in October 2008)	(1.8 Million)	
Colony Square (closing date, October 1, 2008)	12.0 Million	- represents the purchase price of $34.2 Million for a 90% interest and estimated closing costs, less pro-rata assumed mortgage financing of $21 Million and a second mortgage loan of $2.5 Million.
	$ 19.4 Million	

Mortgage Loan Debt

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

Summary of Contractual Obligations - Long-term Debt

Payments Due by Period	Total	< 1 Year	2 - 3 Years	4 - 5 Years	> 5 Years
Mortgage loans	$ 318,006,004	$ 71,248,911	$ 39,720,597	$ 17,487,321	$ 189,549,175
Interim mortgage loans	33,900,000	33,900,000	-	-	-
Vendor take-back mortgage loans	1,836,475	1,836,475	-	-	-
Total	$ 353,742,479	$ 106,985,386	$ 39,720,597	$ 17,487,321	$ 189,549,175

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

Convertible Debentures

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

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

Improvements to Existing Properties

During 2008, ongoing improvements to income properties are projected to be approximately $2.8 Million. Although there was a modest shortfall in funding during the first quarter of 2008, the cash flow for the entire year in 2008 is expected to be sufficient to fully fund property improvement costs.

Operating Line of Credit

As previously disclosed, the Trust has drawn approximately $2.1 Million on the $5 Million operating line of credit as of March 31, 2008. The outstanding balance on the line of credit is payable on demand.

Normal Course Issuer Bid

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

Sources of Capital

Short-term

As of March 31, 2008, LREIT had access to $2.9 Million under its line of credit, while the working capital deficiency, excluding mortgage loans receivable and accrued liabilities for property acquisitions or properties under development was $2.3 Million.

The refinancing of under-leveraged properties is expected to serve as the primary source of additional capital during 2008. The refinancing may occur in the form of an upward refinanced loan on a specific property or as an interim mortgage loan secured by two or more properties. Excluding additional mortgage loan advances on Laird's Landing, LREIT has received $5.4 Million of additional mortgage loan financing since December 31, 2007 in the form of an interim loan. Financing proposals for an additional $39.9 Million of additional mortgage loans on existing properties are also under negotiation with lenders.

The proceeds from the refinancing of under-leveraged properties are expected to be sufficient to enable LREIT to fulfil all of its funding commitments for property acquisitions, capital improvements and cash distributions in 2008.

Longer Term

In addition to the refinancing of under-leveraged properties, LREIT will consider additional debenture or trust unit offerings as a source of investment capital. LREIT may also issue trust units to vendors as consideration for real property acquisitions.

The ability of LREIT to raise additional capital and, in turn, proceed with the acquisition of the properties which are under contract or development is subject to uncertainty. Factors which could impair the ability of LREIT to raise additional capital include a 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

For the remainder of 2008, the Trust is expected to achieve a substantial increase in NOI from its existing property portfolio, on a quarterly basis, as the income contribution from 2007/2008 property acquisitions continues to gradually accrue to the Trust throughout the year. Although there will be an increase in financing expense as a result of additional mortgage loan financing, the incremental increase in NOI is expected to be in excess of the incremental increase in financing expense. Accordingly, it is also anticipated that the Trust will achieve an improvement in cash flows and in income before amortization and taxes during 2008.

As the lease-up completion of the new properties commences during the second quarter of 2008, it is anticipated that the increase in NOI will exceed the increase in financing expense during the second and thrid quarters of 2008.

RELATED PARTY TRANSACTIONS

Shelter Canadian Properties Limited ("Shelter Canadian")

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

Commencing January 1, 2006, the Committee approved a service fee equal to 0.3% of the gross book value of the total assets of the Trust, which is defined as the total assets shown on the most recently issued financial statements, excluding cash and accumulated amortization. Payment of the fee occurs on a monthly basis, on the last day of each month.

The initial term of the Services Agreement expired on August 30, 2007. At the Trustee Meeting on August 30, 2007, the independent Trustees approved a one year extension of the agreement to August 30, 2008.

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. Following the expiry date of the initial term of the management agreement on August 30, 2007, the agreement provides for the management term to be automatically renewed for a further five year period, subject to the consent of the independent Trustees. At the Trustee Meeting on August 9, 2007, the independent Trustees approved the five year renewal term to August 30, 2012.

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

Development Agreement for Laird's Landing (formerly known as "Park View Apartments")

As disclosed in the section of this report entitled "Investment Activities", the Laird's Landing apartment complex was constructed pursuant to a development agreement with Shelter Canadian. Pursuant to the development agreement, Shelter Canadian agreed to:

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

(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. The arrangement provides for Shelter Canadian to earn a development fee from LREIT in the maximum amount of $1,000,000, in consideration for its services under the development agreement, representing approximately 1.73% of the total estimated Project cost. A development fee of $818,551 is recorded to March 31, 2008, including $18,551 which was accrued and included in the March 31, 2008 accounts payable of the Trust. A total of $800,000 of the fee has been paid as of May 12, 2008.

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

REVENUE/INCOME AND OTHER COMMITMENTS

Lakewood Manor

The acquisition of Lakewood Manor was completed by LREIT, effective July 1, 2007. A major oil sands company has leased and occupied all of the units at the property under a three year lease agreement. The lessee is responsible for all property operating costs and as a result, the Trust will realize net operating income of $4,799,800 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 $26,169,600 for 2008; $26,873,600 for 2009; and $27,667,200 for 2010.

Elgin Lodge

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

As previously disclosed in this report, a 60 suite expansion was completed at Elgin Lodge during 2007. During the five year period following the closing date of the acquisition, Kingsway is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the expanded property exceeds the total of the cost to LREIT, including the expansion cost and the unpaid portion of a 12% annual return on the LREIT equity investment.

The Clarington Seniors Residence

LREIT has also retained Kingsway to manage The Clarington Seniors Residence for a ten-year term, expiring on February 12, 2017. During the five year period after the "lease-up" date, Kingsway is entitled to a one-time payment equal to 50% of the amount by which the appraised value of the property exceeds the total of the original acquisition cost to LREIT and the unpaid portion of a 8% annual return on the LREIT equity investment.

CHANGES IN ACCOUNTING POLICIES

New Accounting Standards - Adopted January 1, 2008

Effective January 1, 2008, the Trust adopted CICA Handbook Section 1535 - Capital Disclosures, Section 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation. Section 1535 requires the Trust to disclose information that enables users of its financial statements to evaluate the Trust's objectives, policies and processes for managing capital. Sections 3862 and 3863 establish standards for presentation of financial instruments and non-financial derivatives and complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855 - Financial Instruments - Recognition and Measurement, Section 3865 - Hedges. The sections deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new standards do not have any impact on the classification or measurement of financial instruments.

Future changes to significant accounting policies

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

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

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

OPERATING RISKS AND UNCERTAINTIES

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

The key risks include the following:

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.

Payment of Cash Distributions

A return on an investment in units is not comparable to the return on an investment in a fixed-income security. The recovery of the initial investment in units is at risk and the return on an investment in units is based on many performance assumptions. The ability of LREIT to 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, 2008, there were 40 properties in the real estate portfolio of LREIT, including four commercial properties and 36 residential properties, comprising 3,070 rental units. Ten of the residential properties, comprising a total of 752 suites are located in Fort McMurray. The ten properties have an aggregate acquisition price of $194.7 Million, which represents approximately 46.7% of the total aggregate purchase price of the real estate portfolio.

In June 2008, LREIT is expected to complete the construction of Laird's Landing, an 189-suite apartment complex in Fort McMurray. LREIT has also entered into an agreement to acquire two additional apartment properties in Fort McMurray, namely Parsons Landing and Siena Apartments, which comprise 160 suites and 66 suites, respectively. In total, the three properties comprise a total of 415 suites and have an aggregate acquisition price/development cost of approximately $152.2 Million. After providing for Laird's Landing and assuming that the acquisition of Parsons Landing and Siena Apartments is completed, LREIT will have a total of 13 multi-family residential properties in Fort McMurray, comprising a total of 1,167 suites, with an aggregate acquisition price/development cost to LREIT of approximately $346.8 Million. The 13 Fort McMurray properties will represent approximately 34.1% of the total multi-family residential suites and approximately 64.3% of the total aggregate acquisition price/development cost to LREIT of its real estate portfolio.

Changes to Tax Treatment of Trusts

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

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

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

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

Estimated Current Value

Management of LREIT estimates the currrent value of LREIT's property portfolio as at March 31, 2008.

In summary, the total estimated current value of the property portfolio of $642,038,000 is 6.2% in excess of the total appraised value of $604,383,000. For 26 properties, representing 57% of total appraised value, management assumed current value was equal to the appraisal values of the applicable properties, for 14 properties, representing 40% of total appraised value, the total estimated current value of the aplicable properties was 15% in excess of total appraised value of the properties and for 1 property, management estimated current value to be the total of the cost of the building expansion and the appraised value of the property before the expansion.

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

There can be no assurance that appraised value of a property is an accurate reflection of the value of such property as at the effective date set forth in the appraisal or on any other date, including on March 31, 2008, the date of management's estimate of the current value of such property. In addition, there can be no assurance that the valuation method or the capitalization rate(s) used in appraising a property (and used by management of LREIT in estimating the current value of the portfolio) was appropriate for such property as at the effective date set forth in the appraisal or on any other date, including on March 31, 2008, the date of management's estimate of the current value of such property.

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

Relationship with Shelter Canadian Properties Limited

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

Reliance on Key Personnel

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

Other

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

CRITICAL ACCOUNTING ESTIMATES

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

Financial statement items which encompass estimates include the following:

- 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;

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

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

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

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

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

TAXATION

Taxation of LREIT

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

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

Taxation of Unitholders

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

The cash distributions which have been paid to the Unitholders since the inception of LREIT as a real estate investment trust in September 2002, have exceeded the income of LREIT, as calculated for income tax purposes. All of the distributions, which have been paid by LREIT from September 2002 to March 31, 2008, have represented a reduction in adjusted cost base of the units.

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made to the design of the internal controls over financial reporting during the three months ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal control system.

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

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

ADDITIONAL INFORMATION

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

APPROVAL BY TRUSTEES

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

LANESBOROUGH REAL ESTATE INVESTMENT TRUST
May 12, 2008