LANESBOROUGH
Real Estate Investment Trust 2600 Seven Evergreen Place ■ Winnipeg, Manitoba R3L 2T3 ■ Tel. 204.475.9090 ■ Fax. 204.452.5505

November 26, 2003

To the Unitholders of
Lanesborough Real Estate Investment Trust

We are pleased to enclose the Quarterly Report for the Lanesborough Real Estate Investment Trust (LREIT) for the period ended September 30, 2003.

The Quarterly Report contains the following information:

- Section I: Review of Investment and Financing Activity.

- Section II: Review of Financial Results.

- Appendix I: Unaudited financial statements of LREIT for the period ended September 30, 2003.

Shelter Canadian Properties Limited is responsible for the day-to-day management and administration of LREIT and serves as the property manager for the properties which are owned by the Trust. Unitholders who have any questions regarding the financial statements or the operations of LREIT are encouraged to contact Mr. Gino Romagnoli, Manager, Investor Services, Shelter Canadian Properties Limited at (204) 475-9090.

Detailed information is also available on the LREIT website at http://www.lreit.com. The Trust units of LREIT trade on the TSX Venture Exchange under the symbol "LRT.UN".

Yours truly,

LANESBOROUGH REAL ESTATE INVESTMENT TRUST

ARNI C. THORSTEINSON
Chief Executive Officer

ACT/mw

Enclosure

LANESBOROUGH REAL ESTATE INVESTMENT TRUST (LREIT)
Quarterly Report
For the Period Ended September 30, 2003

SECTION I: REVIEW OF INVESTMENT AND FINANCING ACTIVITY

DESCRIPTION OF BUSINESS

Lanesborough Real Estate Investment Trust ("LREIT") is an unincorporated closed-end real estate investment trust created to invest primarily in a portfolio of retail, residential, industrial and office properties located across Canada.

PROPERTY PORTFOLIO

As of September 30, 2003, the portfolio of LREIT consisted of three properties - the Kenaston Property in Winnipeg, Manitoba; the MAAX Warehouse in Airdrie, Alberta; and the Purolator Building in Burlington, Ontario.

The Kenaston Property – Winnipeg, Manitoba

The Kenaston Property consists of two buildings in a joined development, containing approximately 94,200 square feet of leasable space. Kenaston Place is a three-storey office building, with a restaurant on the main floor, comprised of approximately 42,900 square feet of leasable space. Kenaston Village Mall is a single storey retail/service centre, comprised of approximately 51,300 square feet of leasable space, featuring a number of unique speciality shops and dining establishments. As of September 30, 2003, the Kenaston Property was effectively 94% leased, including 6,355 square feet or 6.7% of the total leasable space, relating to a tenant that was permitted to buy out its lease in July 2003, with a discounted prepayment of rent to May 2004.

The Kenaston Property was acquired on April 24, 2002 at a price of $10,650,000. The acquisition was partially funded from the proceeds of a first mortgage loan from Astra Credit Union in the amount of $7,987,500. Subsequently, the registered amount of the loan was increased to $9 Million in order to provide for additional funding for leasehold improvements, building exterior upgrades and the acquisition of adjoining land from CN Rail.

MAAX Warehouse - Airdrie, Alberta

The MAAX Warehouse property consists of a 39,936 square foot warehouse building situated on a 2.06 acre site, located in Airdrie, Alberta. Airdrie is located just north of Calgary on the Calgary-Edmonton corridor. The warehouse building is 100% leased to a single tenant, MAAX Inc., with the lease expiring on December 31, 2008. MAAX is the largest manufacturer of bathroom products and fixtures in Canada and the sixth largest in the United States. The property also includes a vacant adjacent site of 1.896 acres, providing the opportunity for future expansion.

The MAAX Warehouse property was acquired on June 30, 2003 at a price of $1.575 Million, excluding acquisition costs and closing adjustments. The acquisition was partially funded from the proceeds of a first mortgage loan from Capital City Savings in the amount of $1,120,000.

SECTION I: REVIEW OF INVESTMENT AND FINANCING ACTIVITY (continued)

PROPERTY PORTFOLIO (continued)

Purolator Building – Burlington, Ontario

The Purolator Building is a light industrial property consisting of 16,117 square feet, located in Burlington, Ontario. The building is 100% leased to Purolator Courier Ltd., with the lease expiring on September 30, 2012. The building serves as the main distribution centre for Purolator for the Hamilton region of Ontario. Purolator is Canada's leading overnight courier company.

The Purolator Building was acquired on September 2, 2003 at a price of $1.2 Million, excluding acquisition costs and closing adjustments. The acquisition was partially funded from the proceeds of a first mortgage loan from Commercial Mortgage Origination Company of Canada in the amount of $937,500.

INVESTMENT FINANCING

Minacs Second Mortgage Loan

LREIT has provided second mortgage loan financing for the Minacs Building in Oshawa, Ontario. The second mortgage loan of $1.15 Million bears interest at a rate of 12.5% with a repayment date of December 19, 2003. The loan is repayable in full, or in part, on 30 days notice.

During fiscal 2003, principal payments in regard to the loan have amounted to $902,022. Subsequent to the receipt of the principal payments, the loan has been reinstated at the original amount of $1.15 Million.

CAPITAL IMPROVEMENTS

Exterior Upgrades – Kenaston Property

As of September 30, 2003, the exterior improvement program for the Kenaston Village Mall was substantially complete. The improvements consist of the construction of a new exterior façade and the installation of new tenant signs. The improvements are intended to enhance the long-term marketability of the property and to improve the aesthetic appeal of the entire site.

The improvements are being funded from operating cash flow and from additional first mortgage loan advances from Astra Credit Union. As of September 30, 2003, three advances in the total amount of $722,920 had been received. A fourth advance in the amount of $100,000 was received on October 30, 2003.

EXPANSION PLANS

On October 10, 2003, LREIT acquired a section of the former CN Rail right-of-way land, which is located adjacent to the east side of the Kenaston Property, at a price of $425,000. The re-zoning of the land was approved on September 24, 2003. The land is to be used for the purpose of constructing a 9,000 square foot addition to Kenaston Village Mall.

An offer to lease for the entire amount of the new space has been accepted from Giselle's Professional Skin Care Ltd., with a lease commencement date of February 1, 2004. The anticipated cost of the building addition is $1 Million, including a provision for leasehold improvements for the new tenant.

SECTION I: REVIEW OF INVESTMENT AND FINANCING ACTIVITY (continued)

EXPANSION PLANS (continued)

A proposal has been submitted to Astra Credit Union for an increase in the first mortgage loan from $9 Million to $10.2 Million in order to fund 75% of the projected costs of the building addition. The requested loan proceeds are also to be used to fund leasehold improvements and a portion of the CN land acquisition.

OFFERING OF TRUST UNITS

On June 17, 2003, LREIT proceeded with a private placement offering of a minimum of 500,000 and a maximum of 1,250,000 Trust units at a price of $4 per unit. The first closing of the offering occurred on August 28, 2003, resulting in 502,463 units being issued for total gross proceeds of $2,009,852. The remaining units will continue to be offered with closing to occur on one or more future dates.

The funds raised by the offering are primarily intended for the purpose of funding additional property acquisitions.

SECTION II: REVIEW OF FINANCIAL RESULTS

INTRODUCTION

The following comments in regard to the operating results of LREIT should be read in conjunction with the financial statements and accompanying notes.

STATEMENT OF INCOME (LOSS)

Summary of Operating Results by Quarter

A quarterly summary of operating income and net income is provided below.

Three Months Ended	Operating Income	Net Income (Loss)
March 31, 2003	$ 318,155	$ 527
June 30, 2003	336,575	22,978
September 30, 2003	495,772	128,332
	$1,150,502	$ 151,837

Given the acquisition dates of the properties, the third quarter of fiscal 2003 is the first period which includes operating income from the MAAX Warehouse and the Purolator Building. Specifically, the third quarter results include three months of operating income from the MAAX Warehouse and 28 days of operating income from the Purolator Building. All of the operating income for the first six months of fiscal 2003 pertains solely to the operations of the Kenaston Property.

SECTION II: REVIEW OF FINANCIAL RESULTS (continued)

STATEMENT OF INCOME (LOSS) (continued)

Quarterly Comparison

1. Operating Income

   The increase in operating income during the third quarter of fiscal 2003 is primarily due to the inclusion of a lease termination fee, in the amount of $130,356, in interest and other income. The lease termination fee represents the discounted payout of the rent obligations for a 6,355 square foot unit at Kenaston Place for the period from June 1, 2003 to August 31, 2004. The fee was received on July 2, 2003.

   The acquisition of the MAAX Warehouse property and the Purolator Building has also resulted in a modest increase in operating income during the third quarter of fiscal 2003.

2. Net Income

   The increase in net income reflects the lease termination fee and the income from new acquisitions, partially offset by an increase in trust expense. During the third quarter, trust expense increased by $32,073, primarily due to non-recurring expenses which were incurred during the process of assessing a potential property acquisition.

Pro-Forma Comparison

A summary of operating results, compared to the pro-forma projection, is provided below.

	Actual Results For the Three Months Ended September 30, 2003	Pro-Forma Average Amount Per Quarter
Operating income	$495,772	$300,000
Net income	$128,332	$84,000

The favourable variance between actual and pro-forma operating income is mainly due to the lease termination fee, as discussed above. The acquisition of the MAAX Warehouse and the Purolator Building in the third quarter of 2003 have also contributed to the favourable variance.

The favourable variance between actual and pro-forma net income is mainly due to the lease termination fee, partially offset by an unfavourable variance in trust expense and in amortization expense related to tenant inducements and leasing commissions.

Amortization expense is higher than projected, as leasing activity at the Kenaston Property was significantly more extensive than anticipated during fiscal 2002, resulting in a higher level of tenant inducements and leasing commissions to be amortized.

The pro-forma statement did not provide for trust expense.

<u>SECTION II: REVIEW OF FINANCIAL RESULTS</u> (continued)

<u>STATEMENT OF INCOME (LOSS)</u> (continued)

<u>Fiscal 2002 Comparatives</u>

The comparative results for the three month period ended September 30, 2002 reflect operations from income properties from the date of the inception of the Trust on April 23, 2002 to September 30, 2002.

<u>DISTRIBUTABLE INCOME (LOSS)</u>

A quarterly summary of distributable income is provided below.

Three Months Ended	Distributable Income
March 31, 2003	$ 25,408
June 30, 2003	47,971
September 30, 2003	161,312
	$ 234,691

The increase in distributable income in the third quarter of fiscal 2003 is almost entirely due to the inclusion of the lease termination fee in operating income, as discussed above.

<u>CASH DISTRIBUTIONS</u>

The distribution of LREIT for the second quarter ended June 30, 2003, in the amount of $96,875, was paid on July 15, 2003 and is reflected in the Statement of Cash Flows for the three month period ended September 30, 2003. The cash distribution represented an amount of $0.125 per unit, based on the 775,000 units which were outstanding as of June 30, 2003.

The distribution of LREIT for the period ended September 30, 2003, in the amount of $161,495 per unit, was paid on October 15, 2003. The distribution represented an amount of $0.125 per unit, based on the 1,291,963 units which were outstanding as of September 30, 2003. As the distributable income for the third quarter of fiscal 2003 was $161,312, the cash distribution was entirely funded from operating cash flow, including the lease termination fee of $130,356.

<u>WORKING CAPITAL</u>

As of September 30, 2003, the working capital of LREIT was approximately $1.76 Million. In addition to working capital, funding for the ongoing financial obligations of the Trust is available from a number of sources, including the unadvanced portion of additional first mortgage loan for the Kenaston Property, the proceeds from the offering of additional Trust units and from operating cash flow.

<u>BALANCE SHEET</u>

<u>Income Properties</u>

The balance of Income Properties increased by $1,334,683 during the third quarter of fiscal 2003, reflecting the acquisition of the Purolator Building and capital improvements to the Kenaston Property, net of amortization charges for the Income Properties.

SECTION II: REVIEW OF FINANCIAL RESULTS (continued)

BALANCE SHEET (continued)

Deferred Charges

As per Note 5 of the financial statements, the unamortized cost of deferred charges increased by $152,941 during the third quarter of fiscal 2003. The increase in deferred charges is primarily due to an increase in tenant inducements and reflects the cost of new tenant signs.

After providing for the amortization of deferred charges for the nine month period ended September 30, 2003, the balance sheet reflects a balance for deferred charges of $770,627. The amortization expense for deferred charges for the third quarter of 2003, in the amount of $51,390, represents a slight decrease, in comparison to the amortization expense for the second quarter of 2003 of $52,388. The decrease mainly reflects a reduction in amortization expense in regard to mortgage financing fees, as the mortgage financing fees for the initial mortgage loan for the Kenaston Property were fully amortized as of June 30, 2003.

Cash

The cash balance of the Trust, as of September 30, 2003, increased by $832,516, in comparison to the balance at June 30, 2003.

As reflected on the Statement of Cash Flows, the main source of cash was the net proceeds from the recent offering of Trust units and operating cash flow. The main uses of cash were to fund the cash amounts owing in regard to the acquisition of the MAAX Warehouse and the Purolator Building and to pay tenant inducements.

Mortgage Loan Payable

Mortgage Loan Payable represents the first mortgage loans which are encumbered against the Income Properties of the Trust.

The balance of the Mortgage Loan Payable increased by $2,177,952 during the third quarter of fiscal 2003. The increase mainly reflects the mortgage loans which were obtained in regard to the acquisition of the MAAX Warehouse and the Purolator Building, partially offset by first mortgage loan principal payments. The receipt of additional advances in regard to the upgrades to the Kenaston Property also served to increase the Mortgage Loan Payable balance.

Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities decreased by $1,775,353 during the third quarter of 2003. The decrease mainly reflects the payment of the purchase price for the MAAX Warehouse. Although the acquisition of the MAAX Warehouse occurred on June 30, 2003, the payment of the purchase price did not occur until July 24, 2003. As a result, amounts payable in regard to the acquisition of the MAAX Warehouse of $1,555,857 were reflected in Accounts Payable and Accrued Liabilities as of June 30, 2003. The payment of supplier invoices in regard to the exterior upgrades and tenant inducements at the Kenaston Property also served to reduce the balance of Accounts Payable and Accrued Liabilities during the third quarter of fiscal 2003.