

Operational Summary
Assets Under Administration

- | | |
|-----------------------------------|---------------|
| • Total properties | 80 |
| • Total suites/rooms | 7,765 |
| • Total commercial square footage | 2.58 Million |
| • Combined market value | \$775 Million |

Net Rental Revenues - Residential Properties

- | | |
|-------------------------------------|---------------|
| • Total increase - 2002 fiscal year | \$1.5 Million |
| • Percentage increase | 3% |

Average Occupancy Rate

- | | |
|--------|-------|
| • 2002 | 95.7% |
| • 2001 | 97.4% |

Cash Distributions (Syndicated Properties)

- | | |
|-----------------------------------|-------------|
| • Distributions paid in 2002 * | \$6 Million |
| • Properties paying distributions | 60% |

* excludes upward refinancing proceeds

Administration of Mortgage Loans - 2002
First mortgage loans

- | | |
|---------------------------|--------------|
| • Debt renewed/refinanced | \$28 Million |
| • Annual savings | \$170,200 |
| • Average interest rate | 6.12% |

Second mortgage loans

- | | |
|-------------------------|----------------|
| • Debt renewed * | \$12.3 Million |
| • Average interest rate | 6.24% |

* excludes loans with rate concessions

Property Tax Appeals - 2002

- | | |
|-----------------------------------|-----------|
| • Number of properties appealed | 15 |
| • Number of appeals outstanding | 8 |
| • Successful appeals * | 18 |
| • Property tax savings, per annum | \$418,000 |

* includes outstanding appeals from prior years

The Canadian Economy and the Rental Market

The overall Canadian economy experienced solid performance in 2002, fueled by growth in the construction, manufacturing and natural resource industries. The strong economic conditions resulted in growing employment and increasing incomes and served to instill a high level of consumer confidence and consumer spending. The availability of low mortgage interest rates, combined with the positive economic climate, resulted in a significant increase in the number of renters who moved to home ownership during 2002. The supply and affordability of new housing and the shift to home ownership by renters was the primary factor in causing rental market conditions to become significantly more competitive in all of the primary rental markets where Shelter-managed properties are located.

In southern and eastern Ontario, the overall market vacancy rate increased to historically high levels during the second half of 2002. Vacancy rates also increased significantly in Calgary during 2002, while in suburban Winnipeg, there was a modest increase in the market vacancy rate, as the impact of low interest rates was largely offset by the severe shortage of rental units which has been created after years of restrictive rent controls.

Notwithstanding the competitive market conditions, the majority of Shelter-managed rental properties achieved favourable increases in net rental revenues during the 2002 fiscal years, through the implementation of strong advertising and leasing efforts, by implementing market-sensitive rent increases and by continuing to provide tenants with a high level of on-site management services. The implementation of high maintenance standards and the upgrading of suites over time, have also been significant factors in terms of enhancing the marketability of the rental properties and helping to ensure that the properties remain competitive when there is a decline in rental market conditions.

The Canadian Economy and the Rental Market (continued)

In regard to operating costs, the increasingly competitive market conditions were also a significant factor in causing maintenance expenses to increase during fiscal 2002 at a number of properties. Tenant turnover costs and in-unit repair costs were typically the main expense categories affected. Fortunately, natural gas prices were considerably lower during fiscal 2002 and the comparative savings in utility costs served to largely offset the increases in maintenance costs, the increases in advertising and leasing costs and inflationary increases in property taxes, insurance and salaries. The end result was that operating cost increases were maintained at very reasonable levels during fiscal 2002 at the majority of Shelter-managed rental properties.

Overall, the majority of Shelter-managed properties continued to generate favourable cash flow results during fiscal 2002 at levels which were higher than or comparable to the results of the prior year, despite the downturn in rental market conditions.

Upward Refinancings

The upward refinancing of long-term debt was completed at three Shelter-managed properties during 2002. The total amount of the upward refinancing proceeds was in excess of \$28 Million and resulted in cash distributions to the Unitholders in the range of \$48,500 to \$78,000 per standard unit of undivided interest.

The upward refinancings were possible due to the capital appreciation of the properties over time, combined with the ongoing paydown of long-term debt. The new upward refinanced debt was secured at favourable interest rates for ten year terms under strict debt service coverage requirements, thereby ensuring the long-term financial stability of the properties.

In addition to receiving large cash distributions, the upward refinancings enabled the investors to defer the income tax consequences of a sale while retaining ownership in the property and thereby remaining in a position to benefit from ongoing cash distributions and future capital appreciation gains.

Lanesborough REIT

A new public offering of real estate investment trust units was initiated by Shelter Canadian Properties Limited during 2002.

Lanesborough Real Estate Investment Trust (LREIT) commenced trading on the TSX Venture Exchange on September 9, 2002. The transaction encompassed a \$4 Million public debenture offering and a \$300,000 equity contribution from the private placement of trust units.

The objective of LREIT is to provide Unitholders with stable and growing cash distributions from an investment in a portfolio of retail, residential, industrial and office properties located across Canada. The first real estate investment of LREIT was in the Kenaston Properties, an office/retail development in Winnipeg (see Page 3). Additional property acquisitions will be pursued over time.

A real estate investment trust provides a mechanism for individual investors to participate in the ownership of a diversified portfolio of real estate investments, through the acquisition of shares or "trust units". A REIT is generally not required to pay corporate income tax as the taxable income flows directly through to the investors in the form of cash distributions. A publicly-traded REIT also provides a readily available liquidity option as the trust units are traded on the stock exchange in a similar manner as corporate shares.

The first cash distribution of LREIT was paid on December 31, 2002 in the amount of \$0.16 per unit, representing an annualized yield of 17.5%, based on the closing unit value of \$2.75 on December 31, 2002.

The investment policies and operations of LREIT are subject to the control of a Board of Trustees. 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. A representative from Shelter Canadian serves as one of the Trustees, while the other two Trustees are independent members, elected annually by resolution of the Unitholders.

LREIT trades on the TSX Venture Exchange under the symbol "LRT.UN". The website address is <http://www.lreit.com>.

New Real Estate Developments

In addition to providing a broad range of property management services to multi-unit residential rental, condominium and commercial properties, Shelter Canadian Properties Limited is extensively involved in real estate development. During 2002, the additions to the portfolio of Shelter-managed properties included two commercial developments in Winnipeg - the Scurfield Properties and the Kenaston Properties.

Kenaston Properties



As noted on page 2 of the Newsletter, the Kenaston Properties were the first real estate acquisition of the Lanesborough Real Estate Investment Trust (LREIT).

The Kenaston Properties consist of two buildings in a joined development, containing approximately 94,400 square feet of leasable space. The properties are prominently located at the northeast corner of Kenaston Boulevard and Grant Avenue in the southwest quadrant of the City of Winnipeg on a 6.2 acre site.

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 51,500 square feet of leasable space, featuring a number of unique speciality shops and dining establishments.

On the date of acquisition by LREIT, the Kenaston Properties were 83% leased. After the relocation of a few of the existing tenants and the completion of strong leasing efforts, the properties were fully leased by the end of 2002. The positive leasing results reflect the favourable location of the properties and the overall approach of LREIT to create increased property value through pro-active management. A comprehensive capital improvement program is also planned for the Kenaston Properties in order to enhance the long-term marketability of the development and to improve the aesthetic appeal of the entire site.

Scurfield Properties



62 Scurfield Boulevard

The acquisition of additional properties has been viewed as a prudent, long-term investment strategy by the commercial property-based limited partnerships which are managed by Shelter Canadian.

In 2002, the St. James Square Limited Partnership acquired the Scurfield Properties, thereby increasing its asset base to three developments. The Scurfield Properties consist of two neighbouring single storey suburban office warehouse buildings, located in the southeast section of the City, comprised of a total of approximately 67,000 square feet of leasable space.

The acquisition of the Scurfield Properties was completed in conjunction with the upward refinancing of the long-term debt of the Limited Partnership. In total, the upward refinancing resulted in residual mortgage proceeds of \$2.4 Million. The proceeds were distributed to the Limited Partners, representing a cash distribution of \$6,000 per unit of 0.25% limited partnership interest.

Management Services

The fundamental objective of Shelter Canadian is to provide clients with the most comprehensive and professional management services available and to maximize the income-earning potential of all properties. To accomplish this, Shelter Canadian delivers an unsurpassed quality of service and adheres to the highest possible performance standards. Shelter Canadian is committed to satisfying not only the property owners, but the thousands of individuals who live and work at our properties as well. Our reputation for consistently meeting client needs and expectations and for creating long-term investment value is well deserved. Residents, owners and investors enjoy the sense of confidence and security that results from their association with a company of experience, knowledge and proven results.

The comprehensive asset and property management services of Shelter Canadian include the following:

- Leasing and Rent Collection
- Project Accounting, Budgeting and Projections
- Working Capital Management
- Financial Statement Preparation
- Energy Management
- Preventative Maintenance
- Mortgage Loan and Workout Financing
- Tax and Investor Reporting
- Investor Services
- Internal Auditing
- Condominium Registration and Conversion
- Distribution of Project Sale Information
- Negotiation and Administration of Outright Sales
- Marketing
- Insurance Administration
- Administration of Gas Purchase Contracts
- Administration of Property Tax Appeals
- Rent Review Appeals
- Recruitment of On-Site Project Staff
- Tenant Credit Analysis
- Tenant Surveys
- Development of Formal Policies and Procedures
- Construction/Upgrade Management
- Regulatory Reporting

Properties Under Administration

The current portfolio of Shelter-managed properties consists of 80 properties, including residential apartment buildings, condominium complexes, commercial offices and retail centres, hotels and non-profit retirement properties. Three properties were added to the portfolio of Shelter-owned or managed properties in 2002.

For 2003, Shelter Canadian is finalizing acquisition plans for two warehouse properties in Winnipeg and is involved in the preliminary planning stages for two exciting new multi-use/hotel developments, located in Brandon, Manitoba and in Grand Forks, North Dakota. Shelter Canadian has also been selected as the developer for the construction of a new 150,000 square foot Head Office building for the Children's Aid Society in Toronto.

Tyndall Green

During 2002, the condominium conversion and sale program for Tyndall Green was substantially completed. Tyndall Green is a former rental property located in the northeast section of Winnipeg.

The condominium conversion encompassed extensive in-suite upgrades, including new carpeting and flooring, new kitchen and bathroom cabinets and a complete set of new appliances. Total sales in fiscal 2002 were in excess of \$1.1 Million for 21 suites.



Meeting Needs, Creating Value

Managing properties in:

Alberta - Edmonton • Calgary*

Saskatchewan - Saskatoon • Moose Jaw

Manitoba - Brandon • Portage la Prairie • Winnipeg* †

Ontario - Thunder Bay • Windsor • Burlington •

Mississauga* • Toronto* • Oakville • Oshawa •

Ajax • Whitby • Belleville • Ottawa-Vanier*

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