

Operational Summary
Assets Under Administration

- Total properties 86
- Total suites/rooms 7,893
- Total commercial square footage 3.18 Million
- Combined market value \$840 Million

Net Rental Revenues - Residential Properties

- Total increase - 2003 fiscal year \$1.05 Million
- Percentage increase 2%

Average Occupancy Rate

- 2003 93.6%
- 2002 95.7%

Cash Distributions (Syndicated Properties)

- Distributions paid in 2003 \$5.2 Million
- Properties paying distributions 65%

Administration of Mortgage Loans - 2003
First mortgage loans

- Debt renewed/refinanced \$14.4 Million
- Annual savings \$150,000
- Average interest rate 5.5%

Second mortgage loans

- Debt renewed \$2.4 Million
- Average interest rate 6%

Property Tax Appeals - 2003

- Number of properties appealed 28
- Number of appeals outstanding * 30
- Successful appeals * 11
- Property tax savings, per annum \$93,000

* Includes appeals from prior years.

Rental Market Conditions

In virtually all of the regions where Shelter-managed properties are located, rental market conditions became more competitive during 2003. Across the board, the overriding factor affecting market conditions was the stabilization of interest rates at historically low levels and the resultant availability of readily affordable mortgage financing for first-time home buyers. The availability of low-cost financing caused a high percentage of existing and potential tenants to choose home ownership as an alternative to rental accommodation. In general, the enhanced affordability of home ownership resulted in higher vacancy rates and increased turnover and leasing expenses.

For the majority of properties, the highly competitive market conditions, combined with significant increases in natural gas and electricity rates, resulted in decreased profit margins during 2003.

Fortunately, the majority of properties continue to achieve positive operating cash flows due to favourable debt service structures and the focused property management efforts of Shelter Canadian. When viewed over the past three years, the general pattern has been that the majority of rental properties experienced a significant improvement in operating results during 2001 or 2002 due to the renewal of long-term debt at lower interest rates and the achievement of very favourable increases in net rental revenues, following the strengthening of the Canadian economy. In relative terms, the operating results of the majority of rental properties were very favourable in 2003, notwithstanding the highly competitive market conditions.

The general outlook for the next several months is that low mortgage rates will continue to place competitive pressure on rental properties and cause landlords to reduce the extent of rental rate increases and/or provide leasing incentives in order to counteract increasing vacancy levels. As housing prices continue to increase and with interest rates predicted to begin a gradual upward trend, the longer term forecast is that market conditions will begin to improve toward the end of 2004.

Shelter Canadian Website

The website of Shelter Canadian Properties Limited has recently undergone a comprehensive upgrade and several new features are available on the site, including an on-line rental application system and re-designed and expanded informational sections for residential, commercial and hotel properties. The new site also provides detailed information on Shelter Canadian Properties Limited, including a corporate profile and a summary of management services. A login section has also been developed for tenants in order to provide an opportunity to submit on-line maintenance requests and general inquiries or to obtain information, such as a copy of the most recent Project Newsletter. Additional upgrades are currently in process to enable investors to login directly to secure sections of the site, using a protected password, in order to obtain Investor Reports and other income tax and financial information. Similarly, the new employee login section will provide employees with on-line access to detailed information regarding the employment benefit policy of Shelter Canadian and other general corporate information.

The privacy of any information submitted by website users is being closely protected through the use of passwords, encryption and other electronic and physical safeguards. Moreover, comprehensive policies and procedures have been implemented by Shelter Canadian in order to safeguard the collection, use and disclosure of all information which is submitted by third parties during the course of normal business operations. A detailed statement regarding the privacy policy of Shelter Canadian Properties Limited is provided on the new website.

Manitoba Property Fund

Shelter Canadian Properties Limited, in association with the Crocus Investment Fund, has recently finalized arrangements for the launch of a new real estate investment fund in 2004. The Manitoba Property Fund is a Manitoba-based property acquisition and development fund, designed to facilitate investment by institutional capital pools. The Fund will consist of a private offering of limited partnership units with an initial issue size of \$25 Million, with the goal to increase the total equity contribution to \$50 Million. Based on property acquisitions which are 60% debt financed, a \$50 Million equity contribution represents a total real estate portfolio of \$125 Million.

Initially, the focus of the Fund will be to invest in office and retail properties in Winnipeg, particularly in the downtown area of the City. As the Fund grows, other investment opportunities within Manitoba will be considered. The goal of the Fund is to provide investors with favourable rates of return while stimulating economic development within the market area. The commitment of the Fund to advancing economic development in Manitoba will result in a broadening of investment opportunities through entrepreneurial skill and innovative and creative approaches to structuring investments. All investment decisions of the Fund will be reviewed by an independent Advisory Committee, based on strict investment criteria.

It is anticipated that the initial offering of limited partnership units for the Manitoba Property Fund will occur by April 30, 2004.

Human Resources

Shelter Canadian Properties Limited recognizes that its long-term success in the real estate development and property management industry is primarily due to the commitment and dedication of its employees. Shelter Canadian has a core group of staff members, from senior financial managers to on-site operational staff, who have multiple years of service with the company and whose expertise and knowledge have enabled Shelter to maintain a leading position in the Canadian real estate industry for over 30 years. Highly experienced operational staff have also been retained by Shelter in recent years to assist with the acquisition and management of our expanding portfolio of commercial properties. With the substantial growth that is forecasted in 2004 and beyond, there are several employment opportunities available at Shelter Canadian, including financial reporting and accounting positions at Head Office and on-site operational positions for residential and commercial properties. A current listing of employment opportunities is available on the Shelter Canadian website.

Lanesborough REIT



As announced in the February 2003 Investor Newsletter, 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, following the acquisition of the Kenaston Properties, a 94,400 square foot office/retail development located in suburban Winnipeg. During the past year, LREIT has been strategically acquiring additional properties and its portfolio has increased to four properties, representing a total of 224,200 square feet, with a combined value in excess of \$23 Million. During fiscal 2003, LREIT also raised approximately \$7.3 Million of additional capital from the private placement of trust units, while \$10 Million of additional capital was raised from a private placement of a new debenture offering in February 2004. The new capital is primarily being used to fund the acquisition of additional properties.

LREIT trades on the TSX Venture Exchange under the symbol "LRT.UN". During the month of January 2004, units traded at an average price of \$4.31, closing at a price of \$5.00 on February 4, 2004. The units commenced trading in September 2002 at a price of \$3.30 per unit. The total cash distributions for the fiscal year ended December 31, 2003 amounted to \$525,584, representing a distribution of \$0.50 per unit.

The website of LREIT contains extensive information regarding the investment trust, including press releases, investor reports and a corporate profile. The website address of LREIT is <http://www.lreit.com>. The three new properties in the LREIT portfolio are featured below.



McIvor Mall

The McIvor Mall was acquired by LREIT on February 2, 2004. The property consists of a 65,283 square foot shopping centre, which is located in the North Kildonan area of Winnipeg. The shopping centre is 93% leased and the tenants include the Royal Bank, Pharma Plus, Hallmark Cards and The Marketplace, a specialty food store, owned by Federated Co-op.



Purolator Building

The Purolator Building was acquired by LREIT in September 2003. 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. and serves as the main distribution centre for Purolator for the Hamilton region. Purolator is Canada's leading overnight courier company.



Maax Warehouse

The MAAX Warehouse was acquired by LREIT in June 2003. The property consists of a 39,936 square foot warehouse building situated on a 2.06 acre site 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. MAAX is the largest manufacturer of bathroom products and fixtures in Canada.

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 86 properties, including residential apartment buildings, condominium complexes, commercial offices and retail centres, hotels and non-profit retirement properties. Six properties have been added to the portfolio of Shelter-owned or managed properties since February 2003.

Expansion of Kenaston Village Mall

The Kenaston Village Mall has recently been expanded by approximately 9,000 square feet in order to accommodate a new Deluxe Spa, to be operated by Giselle's Professional Skin Care. The newly constructed unit is on the east side of the mall on a 28,300 square foot portion of land that was acquired from CN Rail in 2003. An adjoining portion of vacant land is also being considered for future development.

Other New Developments

In addition to its involvement in the Manitoba Property Fund and the Lanesborough Real Estate Investment Trust, Shelter Canadian has several new developments planned for 2004, including the acquisition of a 100,000 square foot office building in Winnipeg, Manitoba, a 15 room expansion at the Lake Louise Inn in Lake Louise, Alberta and a joint venture development of a new 160 room Canad Inn at the Keystone Centre in Brandon, Manitoba.



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*

*Regional Offices †Head Office

Telephone: (204) 475-9090

Fax: (204) 452-5505

Email: shelter@scpl.com

Website: <http://www.scpl.com>