

Operational Summary
Assets Under Administration—February 1, 2005

• Total properties	97
• Total suites/rooms	8,203
• Total commercial square footage	3.35 Million
• Combined market value	\$880 Million

Net Rental Revenues - Residential Properties

• Total decrease - 2004 fiscal year *	\$1.1 Million
• Percentage decrease	2.3%

* Excludes fiscal 2004 acquisitions.

Average Occupancy Rate

• 2004	92.8%
• 2003	93.6%

Cash Distributions (Syndicated Properties)

• Distributions paid in 2004 *	\$2.6 Million
• Properties paying distributions	59%

* Excludes upward refinancing proceeds.

Administration of Mortgage Loans - 2004
First mortgage loans

• Debt renewed/refinanced	\$4.1 Million
• Average interest rate	5.94%

Second mortgage loans

• Debt renewed	\$7.3 Million
• Average interest rate	6.16%

Property Tax Appeals - 2004

• Number of properties appealed	36
• Number of appeals outstanding *	23
• Successful appeals *	23
• Property tax savings, per annum	\$240,000

* Includes appeals from prior years.

Rental Market Conditions

In general, there was a softening of rental market conditions in 2004, primarily due to the ongoing loss of existing and potential tenants to home ownership. The continued availability of financing at historically low interest rates throughout 2004, combined with the implementation of more favourable down payment requirements by Canada Mortgage and Housing Corporation (CMHC), served to enhance the affordability of the home ownership alternative. In addition to booming activity in the construction of new single family homes, an increased supply of condominium units served to provide both a readily available source of home ownership and increased competition for rental units.

Overall, the competitive market conditions resulted in a significant increase in vacancy rates, although there was a noticeable variance in the impact among specific market segments. For example, the “affordable home ownership” alternative had a greater impact on the vacancy rate for higher end apartment projects in Winnipeg, due to relatively favourable levels of supply of comparable rental accommodation, the stronger borrowing power of higher income tenants and as the incremental cost of home ownership generally decreases as rental rates increase.

In general, vacancy rates increased to a greater extent for projects in the higher end of the rental rate scale, in markets with a higher supply of comparably-priced rental units and where population and/or economic growth was limited. As an example, the increase in vacancy rates for Shelter-managed properties in the Ottawa/Vanier area was significantly higher, in comparison to the increase for properties in Calgary, as economic conditions in Calgary have been boosted by high levels of investment in the oil and gas sector, while economic growth in the Ottawa/Vanier area has been limited due to a moratorium on hiring in the federal public sector and a downturn in the high-tech industry.

There is often too much emphasis placed on vacancy rates, however, as the growth in net rental revenues, or lack thereof, is more indicative of the impact of market conditions on the income stream of a rental property.

Rental Market Conditions (continued)

Although the majority of Shelter-managed projects experienced relatively high vacancy rates in fiscal 2004, a high percentage of projects attained net rental revenues which were in excess of or very close to the fiscal 2003 revenue amounts. The favourable revenue levels were achieved by maximizing rental rates and implementing modest rent incentive programs, as deemed necessary. The maximization of rental rates is particularly important in a rent-controlled market, as the preservation of rental rates at maximum levels serves to enhance both the future revenue potential and market value of a rental property.

The highly competitive market conditions have also significantly impacted the quality of the tenant base and the extent of tenant turnover, resulting in an increase in certain operating costs such as advertising and leasing expenses, in-suite repairs and bad debts. Fortunately, a high percentage of Shelter-managed properties experienced a reduction in utility expenses and/or property taxes during the year. As utility expenses and property taxes typically account for approximately 40% to 50% of total operating costs, there was a significant offsetting impact and, in general, operating cost increases were relatively modest during fiscal 2004.

The continuation of in-suite and common area upgrade programs is also vitally important in maintaining market share in a competitive rental market, notwithstanding the downward pressure on rental revenues. Major expenditures, such as the repainting of building exteriors, the renovation of lobby areas and hallways, and the upgrading of bathrooms and kitchens serve to improve the marketability of a property and increase the level of tenant satisfaction and tenant retention rates. In 2004, Shelter Canadian continued to focus on undertaking value-added major expenditures for its portfolio of multi-family residential properties in order to maintain a competitive edge and preserve the longer term property values.

In fiscal 2005, it is anticipated that rental market conditions will remain very competitive, as the general prediction is that any increase in interest rates will not occur until the third or fourth quarter of the year.

Canad Inns—Brandon

Shelter Canadian is the developer and General Partner of the Lake Louise Limited Partnership. Since 1988, the Lake Louise Limited Partnership has maintained a 100% ownership interest in the Lake Louise Inn, a highly successful resort hotel in the village of Lake Louise, Alberta. Over the past six years, the Lake Louise Limited Partnership has expanded its asset base, acquiring a co-ownership interest in the Holiday Inn Winnipeg South and the Club Regent Casino Hotel in Winnipeg.

In April 2004, the Lake Louise Limited Partnership entered into an agreement to proceed with the development, construction and ownership of a new hotel in Brandon, Manitoba as a joint venture partner with Canad Corporation of Manitoba Ltd. and with Shelter Canadian as the developer. Construction of the new hotel commenced in April 2004 and was substantially completed in February 2005.

The new hotel features 160 guest rooms in an 11-storey building and is known as “Canad Inns—Brandon”. Hotel amenities include a two-storey waterslide and pool area, a fitness centre, a full service restaurant and three separate bar/entertainment facilities.

The new hotel will have a very dynamic presence in the City of Brandon as the hotel is located in the heart of the City, adjacent to the Keystone Centre. The Keystone Centre is one of the largest multi-use complexes in North America and is a year-round centre of activity in Brandon. The benefits of being located next to the Keystone Centre are being maximized through the comprehensive redevelopment of the adjoining land area with linked pedestrian corridors, a two-storey connecting concourse area and integrated landscaping for the ground level pedestrian walkways.

Reservations for Canad Inns—Brandon may be made by calling 1-888-332-2623 or by accessing the on-line reservation system at www.canadinns.com.



Lanesborough Real Estate Investment Trust (LREIT) is a publicly traded investment trust, initiated by Shelter Canadian Properties Limited, in 2002. Shelter Canadian serves as an investment advisor for LREIT, attends to all administrative functions and is responsible for providing asset and property management services for the entire real estate portfolio of the Trust. The focus of LREIT is on the acquisition of multi-family residential properties.

As of December 31, 2004, the real estate portfolio of LREIT consisted of ten properties with a total acquisition cost of approximately \$64 Million, representing new property acquisitions of approximately \$50 Million during 2004. Since December 30, 2004, LREIT has raised \$26 Million from unit offerings and a new \$12 Million convertible debenture offering is in process. As a result, the Trust is well positioned for significant growth in 2005.

LREIT trades on the TSX Venture Exchange under the symbol "LRT.UN". During the month of January 2005, LREIT units traded at an average price of \$5.73, closing at a price of \$6.75 on February 17, 2005. The closing date of the units, as of December 31, 2003 was \$4.00. The total cash distributions for the fiscal year ended December 31, 2004 amounted to \$1,392,838, representing a distribution of 0.53 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 www.lreit.com. Two of the 2004 property acquisitions of LREIT are featured below.



Beck Court—Yellowknife, Northwest Territories 

Beck Court is a newly constructed apartment complex in Yellowknife, Northwest Territories, consisting of two four-storey buildings, with a total of 120 suites. The property is in close proximity to the Regional Hospital, schools and walking and bicycle trails. Each building has elevator service and exercise facilities on the main floor, with an 8-person hot tub. Amenities include satellite television, in-suite storage, an intercom security system and a full appliance package, including washer and dryer.



Greenwood Gardens—Surrey, British Columbia 

Greenwood Gardens is located in Surrey, British Columbia, in the vibrant neighbourhood of Guildford. The property consists of three, three-storey buildings with a total of 183 suites. Amenities include laundry and storage facilities on each floor, a heated outdoor pool, underground and surface parking, an intercom security system and a children's play area.



Shelter Canadian is in the process of initiating another real estate investment trust, to be known as Huntingdon REIT or HREIT. The establishment of HREIT as a publicly traded entity on the TSX Venture Exchange is expected to occur in February 2005, pursuant to a Plan of Arrangement under which HREIT will issue trust units in exchange for the outstanding shares of an existing listed company (WPVC Inc.); complete a private placement of trust units in the amount of \$5 Million; and acquire its initial property, the Purolator Sorting Facility in Winnipeg. The focus of HREIT will be on the acquisition of commercial properties. The website address of HREIT is www.hreit.ca.

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 97 properties, including residential apartment buildings, condominium complexes, commercial offices and retail centres, hotels and non-profit retirement properties. Fifteen properties have been added to the portfolio of Shelter-owned or managed properties since February 2004.

Shelter Canadian Workforce

In response to the expanding portfolio of managed properties, Shelter Canadian has taken the initiative to reinforce its operational and accounting personnel during the past year. New members to the Shelter management team include a Senior Regional Manager with over 20 years of experience in the real estate development and property management industry, as well as additional financial and operational staff. Operating within a proven system, supported by integrated computer technology, Shelter Canadian remains well-positioned to continue to provide a high level of management services to all of the properties within its growing real estate portfolio.

Shelter is continuing to seek highly motivated individuals to join its work force. A current listing of employment opportunities is available on the Shelter Canadian website.



Managing properties in:

British Columbia - Surrey

Alberta - Edmonton • Spruce Grove • Calgary* • Peace River

Saskatchewan - Saskatoon • Moose Jaw • Prince Albert

Manitoba - Brandon • Portage la Prairie • Winnipeg* † • Thompson

Ontario - Thunder Bay • Windsor • Burlington • Mississauga •

Toronto* • Oshawa • Ajax • Whitby • Belleville •

Ottawa-Vanier*

Northwest Territories - Yellowknife

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