

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.

The current portfolio of Shelter-managed properties consists of over 70 properties, including residential apartment buildings, condominium complexes, commercial office and retail centres, hotels and non-profit retirement properties.

Operational Summary

Net Rental Revenues - Residential Properties

- Total increase - 1999 fiscal year \$1.2 Million
- Percentage increase 2.7%
- Average increase per property \$35,000

Average Occupancy Rate

- 1999 95.7%
- 1998 96.5%

Cash Distributions

- Distributions paid in 1999 \$4.25 Million
- Properties paying distributions 46%

Administration of Mortgage Loans - 1999

First mortgage loans

- Debt renewed/refinanced \$20.2 Million
- Annual savings \$265,700
- Average interest rate 6.78%

Second mortgage loans

- Debt renewed \$6.1 Million
- Average interest rate 7.12%

Property Tax Appeals - 1999

- Number of properties appealed 21
- Number of appeals outstanding 8
- Successful appeals 5
- Property tax savings, per annum \$64,200

Rental Market Conditions

During 1999, market conditions were quite favourable in all of the primary rental markets where Shelter-managed properties are located, marking the fourth consecutive year of growth in the Canadian real estate sector.

In Calgary, rental market conditions remained relatively stable despite a slight downturn which was caused by lower oil prices, a decline in net in-migration, reduced job creation and a shift by tenants to home ownership due to the continuation of low interest rates for mortgage loans.

Although rental rate increases for apartment buildings are limited by rent control legislation, the Winnipeg rental market continues to improve due to a buoyant economy, strong employment growth and increased in-migration to the City. During 1999, the apartment vacancy rate in Winnipeg declined to its lowest level in 12 years, while office vacancy rates have reached the lowest level since 1988.

Rental market conditions in the Southern and Eastern Ontario regions were also favourable due to improved economic conditions. Lower unemployment levels, reduced tax levels and continued growth in the "high-tech" industries stimulated growth in Ontario and had a positive impact on rental market conditions.

The improving or stabilized rental market conditions, have enabled significant gains in net rental revenues to be achieved in 1999 at the majority of Shelter-managed properties.

Rental Market Conditions (continued)

Recognizing that rental market conditions are very competitive in specific urban areas or zones, Shelter Canadian has also continued with extensive in-suite and common area renovation programs in order to ensure that the curb appeal of properties is maintained and the long-term marketability is not compromised. As a result of the approach of Shelter Canadian of ensuring that long-term goals are not compromised in order to achieve short-term gains, the portfolio of Shelter-managed properties continues to command favourable rental rates while achieving sustained growth in cash flows and/or equity values.

Personnel Overview

One of the major strengths of Shelter Canadian is that its properties are managed by a team of skilled and experienced professionals who collectively provide a high level of management services regardless of the inevitable changes which periodically occur in staffing.

The larger rental properties have a dedicated on-site staff, who are responsible for ensuring that tenant concerns, maintenance issues, leasing opportunities and general administrative matters are addressed on a timely basis. At the smaller rental properties, the project staff are pooled and the sharing of costs results in economies of scale without compromising service levels.

In each of the four primary rental markets, a Regional Manager oversees the on-site staff and the Regional Manager, in turn, reports directly to Head Office. As the majority of Shelter-managed commercial developments are located in Winnipeg, the operational staff of the Winnipeg office also includes two senior Property Managers who are responsible for overseeing the operations of specific commercial properties.

Personnel Overview (continued)

Staff in the Winnipeg Head Office are responsible for attending to accounting, finance and taxation matters, as well as providing asset management and special services. The Head Office staff is highly qualified and experienced and includes a Chartered Financial Analyst and seven individuals who hold professional accounting designations, including four Chartered Accountants, a Certified Management Accountant and two Certified General Accountants. Shelter Canadian also employs individuals who are technically qualified in interior design, architecture, energy management and construction management.

Property Tax Reassessments

A property tax reassessment was conducted in the Province of Ontario in 1998, resulting in significant property tax savings at several Shelter-managed properties when the final property tax billings were issued in 1999. As the rent control legislation in Ontario requires property owners to adjust rental rates in the event that property taxes are reduced by more than 2.49%, the 1998 property tax reductions resulted in the provision of rent rebates to tenants and a general lowering of rent levels. Due to the past efforts by Shelter Canadian in maximizing legal allowable rental rates as a result of administering submissions to the Rent Review Board, the revenue loss was kept to a minimum and the majority of projects still attained revenue increases in fiscal 1999.

A property tax reassessment was also conducted in Calgary and Edmonton, effective for the 1999 taxation year. Given that rental market conditions in Alberta have improved significantly over the past few years and as the reassessment was based on 1998 market values, the reassessment resulted in an increase in the assessed value of all Shelter-managed properties in the two cities and a corresponding increase in property taxes. After careful examination of the new assessments in consultation with property tax experts, it was determined that an appeal would only be cost beneficial for a few properties. Fortunately, the revenue gains which have been achieved in Calgary and Edmonton due to the improved market conditions have greatly exceeded the amount of the property tax increases.

Commercial Property Developments

While the primary focus of Shelter Canadian Properties Limited is the provision of a broad range of property management services to multi-unit residential rental, condominium and commercial properties, the company is extensively involved in real estate development. During 1999, Shelter Canadian Properties Limited initiated several new and diverse real estate developments, including the three properties which are featured below.

136 Market Avenue



136 Market Avenue is located in downtown Winnipeg. Originally constructed in 1906, the building has been designated as a Heritage Building by the City of Winnipeg. The building is being redeveloped in phases as tenants are obtained. The first phase of redevelopment was completed in April 1999 with the move-in of a major tenant, the Province of Manitoba - Child and Family Services. The second phase of redevelopment, which has also been completed, provides for the tenancy of the National Film Board and Parks Canada.

Prairie Production Centre

The Prairie Production Centre Limited Partnership was formed to develop and operate Manitoba's first all-season sound stage facility. In May 1999, construction began on the first phase of the project, including a clear span sound stage and adjacent production office space. The second phase will include two additional sound stages, post-production facilities, production office and tenant space for resident production companies, post-production firms and related businesses. The facility is being constructed on three acres of land on Pacific Avenue in the west end of Winnipeg.



Ashdown Arts Exchange



The Ashdown Arts Exchange building, another designated Heritage Building is located in the historical Exchange District in downtown Winnipeg. The building will be redeveloped as an artists' village. The redevelopment project will include renovations to the exterior to restore its original 1904 appearance. The development will include a mix of residential, commercial and creative space, with the Contemporary Dancers and the Manitoba Conservatory of Music and Arts as anchor tenants. The development is being hailed as a landmark project which will revitalize the Exchange District.

Certificate of Bravery

In the summer of 1999, an arson fire occurred at a project in the Eastern Ontario Region. The fire was contained to the ground floor lobby area. There were no injuries in the fire and three members of the on-site staff received Certificates of Bravery from the Mayor of the City for their “selfless actions” in assisting the residents during the incident.

New Developments

In addition to the three commercial properties which are featured on page 3 of this newsletter, the portfolio of Shelter-owned or managed properties includes the following new developments:

- a 30,000 square foot outlet in Elie, Manitoba which has been leased to Powell Equipment for use as a farm equipment dealership.
- a commercial strip mall in Orillia, Ontario, representing approximately 23,000 square feet.
- the joint venture acquisition of the Dominion Bridge site, an 11.1 hectare parcel of land in Winnipeg. The site, originally developed in 1910 as a steel fabricating company, houses 18 buildings for manufacturing and warehousing purposes and office space.

In Winnipeg, a condominium sales program for a converted rental apartment building is in process and a new luxury condominium development overlooking the Assiniboine River is under construction.

In terms of property disposition, one apartment building was sold in Ontario during 1999 at a gross selling price of \$31.1 Million, representing a payout to the investors in excess of \$50,000 per unit of 0.3333% ownership interest.

Management Services

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



Managing properties in:

Alberta - Edmonton • Calgary*

Saskatchewan - Saskatoon • Moose Jaw

Manitoba - Brandon • Portage la Prairie • Winnipeg* †

Ontario - Thunder Bay • Windsor • Burlington •
Mississauga* • Toronto* • Ajax • Whitby •
Belleville • Ottawa-Vanier*

*Regional Offices †Head Office