

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 - 2000 fiscal year \$1.27 Million
- Percentage increase 2.8%

Average Occupancy Rate

- 2000 97.1%
- 1999 95.7%

Cash Distributions (Syndicated Properties)

- Distributions paid in 2000 \$4.82 Million
- Properties paying distributions 60%

Administration of Mortgage Loans - 2000
First mortgage loans

- Debt renewed/refinanced \$34.7 Million
- Annual savings \$389,000
- Average interest rate 6.95%

Second mortgage loans

- Debt renewed * \$1.1 Million
- Average interest rate 8.3%

* excludes loans with rate concessions

Property Tax Appeals - 2000

- Number of properties appealed 33
- Number of appeals outstanding 9
- Successful appeals 9
- Property tax savings, per annum \$165,000

Economic Update

In all of the primary rental markets where Shelter-managed properties are located, there was a general stabilization of market conditions during 2000 and the overall outlook for 2001 is for steady growth.

In southern Ontario, the rental market remains strong due to a healthy provincial economy, while in the Ottawa area, the booming high tech sector continues to have a favourable impact on market conditions. In Manitoba, solid population growth, combined with a lack of new rental unit construction, is continuing to reduce vacancy rates to record levels, notwithstanding that rental control legislation is restricting revenue gains. In Alberta, the energy sector continues to power the provincial economy and the outlook is for steady growth in rental rates and the stabilization of vacancy rates at relatively low levels.

For the vast majority of Shelter-managed properties, the positive rental market conditions are continuing to translate into improved operating results and an increase in property values, resulting in higher cash distributions, equity gains and the opportunity to complete value-added major expenditure programs.

The overall stabilization of economic conditions in Canada is also causing mortgage interest rates to remain at favourable levels and there continues to be a marginal difference between shorter term and long-term rates. Although recessionary concerns in the United States are creating more uncertainty, the general expectation is that interest rates will remain at or near current levels in the short-term. The bank rate was reduced by one quarter of a percentage point in January 2001 and a further reduction may occur in the future. As a result, it is expected that there will be a good opportunity to secure favourable long-term interest rates for properties which have mortgage loans maturing in 2001.

Natural Gas Prices

Record increases in natural gas prices has been a dominant news headline throughout North America this winter. In Manitoba, natural gas rates have increased by over 50% since August 2000, while rates in Alberta have more than doubled during the past year. Significant price increases have also been implemented in other provinces, including Ontario.

For the majority of properties which are managed by Shelter Canadian, natural gas usage represents a significant portion of the total energy consumption. As a result, the increased cost of natural gas will result in a significant increase in utility costs for many properties.

The increase in utility costs will be recovered through rent increases in various degrees, depending on a number of factors, including rent control restrictions and vacancy levels. The end result, however, will be that the profit margins of the majority of properties will be affected by the increase in natural gas prices.

Fortunately, Shelter Canadian has always taken a proactive approach to energy management and several energy saving measures are in place which will continue to minimize natural gas consumption at most properties. The most notable control is our computerized energy management system which automatically controls the utilization and efficiency of central boilers. The system, which has been operational for many years and serves as an effective energy saving control, is expected to be upgraded in the future to incorporate new technological features. Since the deregulation of the natural gas industry, Shelter Canadian has also been purchasing natural gas in bulk under a direct gas purchase system, thereby achieving savings in comparison to the set price of the provincial utility companies. The central boilers at a number of projects are also being replaced with new and more energy efficient boilers, as required. In view of the rising energy costs throughout North America, energy saving measures will continue to be closely examined at all Shelter-managed properties.

Internet and Cablevision Services

During the past several months, Shelter Canadian has been pursuing a high speed Internet access service for the residents of Shelter-managed apartment buildings throughout North America. It is envisioned that the system will encompass a customized "community" Web Page for each Project. The community Web Page would be the tenant's "port of entry" into the Internet and would feature direct links to a number of specially selected sites, including a Project bulletin board and local merchants. The Project bulletin board would contain information in regard to topics such as social events or maintenance issues and would enable Shelter Canadian to interact directly with residents who use the Internet as their primary means of communication and/or main source of information.

Similarly, a customized community Web Page would enable businesses to advertise or sell Internet-based products and services to a target audience, while providing residents with customized on-line access to services which are most likely to meet their needs, such as shopping for tenant insurance or ordering pizza from a local restaurant.

After conducting a thorough review of satellite and cablevision services, Shelter Canadian has also entered into a marketing alliance with Rogers Cable Inc. in regard to the provision of cable television services for all Shelter-managed properties which are served by Rogers in Ontario. In exchange for having the exclusive right to promote and market cablevision services to residents, Rogers has agreed to pay commissions to each Project based on subscriber revenues. A similar arrangement is in process for properties in Manitoba, Saskatchewan, Alberta and northwestern Ontario.

Unit Repurchases

Shelter Canadian remains very sensitive to the fact that many investors would welcome additional opportunities for liquidating their investment and efforts shall continue to be made to provide sale opportunities in the future, including the presentation of unit repurchase offers or third party offers to purchase. During 2000, Shelter Canadian purchased or initiated the sale of 179 individual investment units.

Human Resources

The favourable economic conditions across Canada during the past few years, coupled with the onset of retiring “baby boomers”, have enhanced job opportunities for workers and placed greater demands on the management of human resources. In order to continue to attract and retain high calibre management staff in a competitive job market, it has been necessary for Shelter Canadian to develop a more flexible policy in regard to the residency of on-site staff.

Although there are a few situations where one Resident Manager is responsible for multiple properties, due to the proximity and relative size of the buildings, the general policy of Shelter Canadian has been to require that the property managers of all residential complexes reside on-site. In order to accommodate the demands of a changing workforce, greater consideration is now being given to allowing property managers to reside off-site in a private home. The shift in policy will not affect the level of management services, although it represents an important change in one aspect of our management approach.

Club Regent Casino Hotel

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 2000, Shelter Canadian Properties Limited was involved in several new and diverse real estate projects, including the development of the Club Regent Casino Hotel.

In conjunction with the multi-million dollar expansion and grand re-opening of the Club Regent Casino, the largest and most extravagant casino in Manitoba, the Manitoba Lotteries Corporation requested proposals from hotel operators to develop and operate a hotel which would be connected directly to the Casino. Shelter Canadian Properties Limited and Canad Corporation were successful in being jointly selected as the developer, owner and operator of the new hotel. The ownership interest of Shelter Canadian was subsequently assigned to the Lake Louise Limited Partnership.

Construction of the Club Regent Casino Hotel commenced in the spring of 2000 and the grand opening of the hotel was held on January 11, 2001. The hotel features 146 superior guest rooms, three full service meeting/conference rooms, a 500 seat Ambassador Ballroom, an indoor pool, whirlpool and fitness centre and a full range of food and beverage facilities, including a Piano Bar, Gaming Lounge and 300 seat family dining room. For more information or to make reservations, please contact the Club Regent Casino Hotel at (204) 667-5560. The toll free number is 1-888-332-2623.



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

New Developments

During the past few years, the new real estate developments of Shelter Canadian have been concentrated in the City of Winnipeg, primarily in the commercial property sector. The steadily improving economy in Manitoba has given businesses the confidence to expand and invest in new construction which, in turn, has created an increase in development opportunities. Since January 1997, the portfolio of Shelter-owned or managed commercial properties has increased from six to 21 properties, representing an increase of approximately two million square feet of commercial space. Fifteen of the commercial properties are located in Winnipeg, including a retail shopping complex of approximately 220,000 square feet, which was added to the Shelter portfolio in 2000.

In 2001, Shelter Canadian has tentative plans for the construction or redevelopment of four office buildings in Winnipeg, representing approximately 250,000 square feet of space.

A new luxury condominium development in Winnipeg is also nearing completion and the condominium sales program for a converted rental apartment building is approximately 25% complete.

As a result of the tremendous growth in the number of commercial properties under management, the entire property management operations of Shelter Canadian may be re-organized into a separate company, functioning independently from the real estate development operations.



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* • Ajax • Whitby •
Belleville • Ottawa-Vanier*

*Regional Offices †Head Office

Telephone: (204) 475-9090

Fax: (204) 452-1708

Email: shelter@scpl.com

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