

Operational Summary
Net Rental Revenues - Residential Properties

- Total increase - 2001 fiscal year \$1.76 Million
- Percentage increase 3.7%

Average Occupancy Rate

- 2001 97.4%
- 2000 97.1%

Cash Distributions (Syndicated Properties)

- Distributions paid in 2001 \$7.5 Million
- Properties paying distributions 65%

Administration of Mortgage Loans - 2001
First mortgage loans

- Debt renewed/refinanced \$46 Million
- Annual savings \$361,000
- Average interest rate 5.86%

Second mortgage loans

- Debt renewed * \$10 Million
- Average interest rate 6.15%

* excludes loans with rate concessions

Property Tax Appeals - 2001

- Number of properties appealed 57
- Number of appeals outstanding 27
- Successful appeals 13
- Property tax savings, per annum \$175,000

Cautious Optimism

For the vast majority of Shelter-managed properties, 2001 represented a year in which cash flow results continued to improve under relatively stable market conditions. Although the terrorist attacks of September 11, 2001 served to destabilize an already weakening U.S. economy, and negatively affected the overall economic climate in Canada, the rental housing market in most major Canadian cities has remained quite favourable.

The diversification of the provincial economies in Alberta and Manitoba has lessened the impact of recessionary factors and kept the demand for rental housing at favourable levels in both Calgary and Winnipeg. In Eastern Ontario, job losses in the high-tech and automotive industries have been largely offset by expansion in several departments of the Federal Government and the expectation for 2002 is for continued growth in net rental revenues. Similarly, demand for rental housing in Southern Ontario, and particularly in the Greater Metropolitan Toronto Area, is expected to remain relatively strong in 2002, due to a diverse economy and continued population growth.

The quick response by policy-makers to the events of September 11, 2001 has also been instrumental in stabilizing overall economic conditions in Canada and in creating very favourable borrowing opportunities. Interest rates reached a 40 year low in October 2001 and several properties have achieved significant reductions in debt service costs as a result of renewing or refinancing mortgage loans at a substantially lower rate of interest.

The general position of economists for 2002 is one of cautious optimism and that sentiment also applies to rental housing markets. Although it is now abundantly clear that economic conditions can change dramatically due to unforeseen events, it is anticipated that the operating results of the majority of Shelter-managed properties will continue to improve in 2002.

Unit Sales

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 purchase offers or third party offers to purchase.

Due to the restricted nature of privately-owned real estate investment units, the sale of an individual unit requires a degree of discounting, in comparison to the pro-rated market value of the entire property. In its presentation of unit purchase offers, Shelter Canadian has consistently stated that the sale of units at a discounted price is mainly intended to appeal to investors who have an immediate need or desire to sell due to personal circumstances or as a result of being in a unique income tax position. In order to assist investors in making an informed decision, the unit purchase offers from Shelter Canadian are accompanied by detailed analyses, providing a clear indication of the difference between the proposed unit purchase price and the market value of the property, on a per unit basis.

In recent years, the real estate market has experienced a number of incidences where newly formed investment companies have attempted to acquire units at a price which has reflected a significantly higher discount rate, in comparison to Shelter-initiated purchase offers. The companies utilize a direct sales campaign and offer a purchase price without any reference or comparison to market values or discussion of income tax consequences. As a result, some investors have sold their units at an unnecessarily low price and without fully recognizing the extent of the discount or considering the availability of other potential buyers.

Most investors recognize the benefits of retaining real estate holdings in their overall investment portfolio, particularly since the majority of Shelter-managed properties are generating favourable cash distributions while achieving significant equity gains through the pay down of long-term debt and ongoing capital appreciation. Investors who may be interested in selling their units at a discounted price are encouraged to exercise caution if approached by an unfamiliar company and to contact Shelter Canadian for any assistance or for information regarding potential alternative unit sale opportunities.

Refinancing Opportunities

As noted on page one of this newsletter, the availability of mortgage financing at very favourable rates of interest has created the opportunity for several properties to achieve significant reductions in debt service costs. At one property in Calgary, annual debt service costs decreased by over \$125,000 following the renewal of the first mortgage loan in September 2001. For the new year, the potential debt service savings are also substantial as several properties have first mortgage loans maturing during 2002.

The favourable borrowing market also created the opportunity for one property in Ontario to secure an upward refinanced first mortgage loan for a term of ten years at an interest rate of 6.845%, resulting in additional mortgage proceeds of over \$4 Million and a cash distribution to the investors of \$40,000 per 1% ownership interest. The lower interest rate is especially noteworthy as the upward refinanced first mortgage loan was a non-NHA insured loan. The upward refinancing enabled the investors to receive a large cash distribution and defer the income tax consequences of a sale while retaining ownership in the property and thereby remaining in a position to benefit from future cash flows and capital appreciation gains.

During 2002, a number of properties are ideally positioned to take advantage of upward refinancing opportunities under which the investors would replace a portion of their equity with new debt and receive a significant lump-sum cash distribution. The investors of any of the affected properties will receive a detailed proposal for review and consideration well in advance of the maturity date of the existing debt.

Real Estate Investment Trust

Shelter is in the process of creating a Real Estate Investment Trust (REIT) for the purpose of acquiring a portfolio of high calibre commercial properties. The ownership of a REIT is comprised of publicly-traded units and, as such, a REIT offers enhanced liquidity in addition to the diversification of real estate investment holdings.

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 2001, Shelter Canadian Properties Limited initiated several new and diverse real estate developments, including the construction of a new multi-media contact centre for Minacs Worldwide Inc. in Oshawa, Ontario and the development of a luxury condominium residence in Winnipeg.

One Wellington Crescent



In December 2001, the construction of One Wellington Crescent was substantially completed. An exclusive development of Shelter Canadian Properties Limited, One Wellington Crescent has been designed to be one of the most distinctive and prestigious addresses in the City of Winnipeg. Located on the banks of the Assiniboine River, One Wellington Crescent is a 13-storey mid-rise private condominium residence consisting of approximately 45,000 square feet. The typical residence consists of an entire floor of the building, representing over 3,200 square feet of enclosed living space, plus 400 square feet of exterior terrace.

The development features a Tyndall limestone exterior, decorative wrought iron fencing with controlled electronic access, underground parking, an elegant lobby, a rooftop greenhouse, on-site concierge and other exclusive and state-of-the-art amenities. As each owner has the opportunity to design their own unique floor plan, the completion of the interior of the building will continue as units are sold.

Minacs Centre



(Photograph taken during final construction phase.)

The Minacs Multi-Media Contact Centre is located in Oshawa, Ontario, adjacent to the Canadian headquarters of General Motors of Canada Limited. The new building was commissioned by Minacs Worldwide Inc. in order to expand its customer service operations and centralize its research and development activities. Minacs Worldwide Inc. is the primary customer relationship service provider for General Motors of Canada.

The 100,000 square foot building has the capacity to house over 700 workstations and is a state-of-the-art showcase for multi-media technologies pertaining to customer relationship management services. At a construction cost of approximately \$16 Million, the building is being leased to Minacs for 15 years. An 85,000 square foot addition to the new building is scheduled for completion during 2002.

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 over 70 properties, including residential apartment buildings, condominium complexes, commercial offices and retail centres, hotels and non-profit retirement properties. Seven properties were added to the portfolio of Shelter-owned or managed properties in 2001.

For 2002, Shelter Canadian is finalizing development plans for a 90,000 square foot office building in Winnipeg and has tentative acquisition plans for a number of mid-size commercial retail centres in Manitoba.

Hotels

In addition to the resort hotel in Lake Louise, Alberta, Shelter Canadian is involved in the operations of two hotels in Winnipeg—the Club Regent Casino Hotel and the newly renovated Holiday Inn Winnipeg South. For reservations at any of these fine hotels, please call the following toll free telephone numbers:

Lake Louise Inn:	1-800-661-9237
Holiday Inn Winnipeg South:	1-800-423-1337
Club Regent Casino Hotel:	1-888-332-2623

Special rate discounts for the Lake Louise Inn and the Holiday Inn Winnipeg South continue to be available to the investors of all Shelter-managed properties, subject to availability and other restrictions. Please refer to the “Shelter Discount Program” when making reservations.



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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