

Intellectual Property

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EQUITY, OIL, AND REAL ESTATE

Our last newsletter pointed out the lack of growth in the value of Canadian equities since 2000, as reflected in the Toronto Stock Exchange (TSX) index. This year, the situation is even worse, with the Labour Day index at 13,478, exceeding the 2000 index of 11,388 by only 1.2% per year. This is well below the average annual rate of inflation in Canada since 2000 of approximately 2% and does not account for the large management fees and expenses that mutual fund companies deduct before you get anything. In other words, the average Canadian stock market investor has been losing money since, at least, 2000.

The Alberta economy has become increasingly diversified in recent years, although many still identify it as being "oil based". Research by Statistics Canada allocates only 25% of Alberta's GDP in 2014 to the energy sector. Industries like finance, real estate, and construction, among others, have evolved into significant contributors to the province's bottom line. These so called "peripheral" in-

dustries account for the majority of economic activity.

However, even if the primary focus is put on energy, by using comparison years similar to the stock market as outlined above, in 2000 the average world price for WTI crude oil was \$30.32 per barrel; in the year up to August, 2015, it averaged \$60.49. This represents an increase of 6.6% per year, more than 3 times the Canadian rate of inflation and 5.5 times the average annual increase in the TSX index over that period. This is one reason why property values in Alberta have increased significantly faster than in much of the rest of Canada. As well, of course, total annual production volumes of various types of

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In many of the years since 2000, oil prices have exceeded \$80.00 per barrel and, on occasion, even \$100.00. The downs in price at

some points over those years, however, have also provided excellent real estate buying opportunities and we have been able to accumulate much of our Alberta commercial property portfolio as a result of these lows. Interestingly, because most of the property we now hold in Alberta is occupied on longer term leases, up to

five-year terms, our pricing structures have remained rising or stable, and we are able to ride out most downturns in the oil market without them having significant impacts on our revenues.

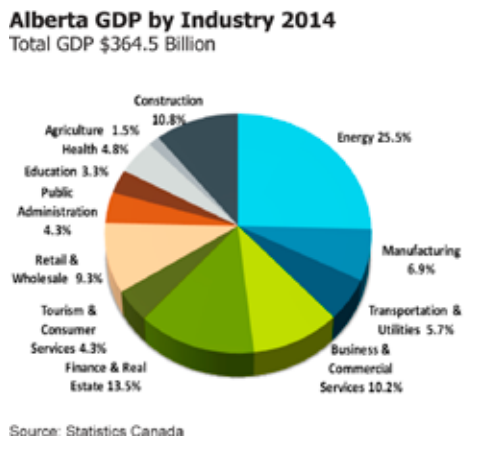
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249.08% After-Tax Return on Investment



701 CYNTHIA CENTRE

In June, the limited partners in Kent Properties Limited Partnership decided to sell 701 Cynthia Centre. Since their initial investment, the property value had appreciated considerably and resulted in an after-tax return of almost 250%!



MORTGAGE FREE!

Wilmington Properties Limited Partnership retired its mortgage obligation on May 1, 2015. Investors in this partnership can look forward to significant returns for many years to come!



The Crompton Building



The Arkwright Building



The Hargreaves Building

Equity, Oil... - cont'd

The present downturn in oil prices, in fact, has now gone on for over a year. In almost all cases, however, the net rents from our Alberta properties have continued to increase during this period. Also, our vacancy rates have remained in a normal low range, while new leas-

ing and lease renewals have continued apace. Well-chosen properties in the Alberta commercial market are an excellent way to stabilize and grow your investment portfolio while riding out downturns in other markets and investment products.

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The More Things Change...

As of late, much has been made about the changes of government in both Alberta and Ottawa. The Alberta election results, combined with the snowstorm that covered half of the province the day after, gave rise to many comments about things freezing over. Now a Liberal majority coming from a third place start has given Canadians a second bout of Trudeaumania. As real estate investors, however, sometimes we need to take the long view on world events.

When we invest in property, we need to look at the fundamentals of the market we are invest-

ing our hard-earned money into. Both Canada and Alberta are blessed with vast natural resources, spectacular vistas, and world-class recreational amenities; however, mostly they are blessed with an abundance of opportunities. A can-do attitude prevails in this country and in the province where people from all over the world have come to make their way in an open and free environment.

When the Alberta government changed, there was immediate concern. After 44 years of one-party rule, the unknown was certainly on people's minds. As a young liberal Prime Minister sweeps the house, people are asking, "What's next?" However, as these new governments move forward, it is apparent that certain realities don't change.

Both Canada and Alberta are resource-based economies. The health and welfare of our citizens relies upon the revenues that come from these sectors of the economy. In order to pay for the expansion of social programs, the money has to come from somewhere. This is also a reality that doesn't change, and a reality that these new governments are rapidly realizing. After the campaign promises comes the real task of balancing the needs and wants of the electorate with the engines that drive the economy.

When it comes to changes in government, as real estate investors we see that the more things change, the more they stay the same.

NOW IS THE TIME.

Limited Partnership units in the following partnerships are at optimum valuation for inter-generational or spousal transfer:

Markland Properties L.P.

In future editions of this newsletter, we will apprise you of limited partnerships that are at this point in the investment cycle.

OUR LATEST OFFERING

Capilano Industrial Centre
Edmonton, AB



Capilano Industrial Centre is situated in the Lambton Industrial neighbourhood in southeast Edmonton. The site's location provides quick access to Anthony Henday Drive, allowing for efficient transportation throughout the city and beyond.

For more information, please contact your Exempt Market Dealer, or the Millennium III Group of Companies.