

# Intellectual Property

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## NORTH VENTURE CENTRE SOLD!

**Investors receive 33.13% Average Annual Return!**

Investors in Baltimore Properties Limited Partnership recently voted overwhelmingly in favour of accepting an unsolicited offer on North Venture Centre, former home of Saskatoon's Rona store. Syndicated in the fall of 2003, the after-tax cost per unit was \$11,848 as of October, 2010. Seven years after syndication, the sale of the property yielded just over \$50,000 per unit before taxes, which resulted in an after-tax average annual return of 33.13%!

## A PERSONAL INVESTMENT STRATEGY: PART II

In Part I of "A Personal Investment Strategy", in the Spring issue of Intellectual Property, we reviewed various conventional methods of saving for retirement (GICs, mutual funds, etc.) and the likelihood that reasonable amounts invested in these would not achieve the substantial figure needed to fund a comfortable retirement. As an aging population, one of the greatest challenges we face today is accumulating enough retirement money to finance a reasonable lifestyle.

Let's look at Real Estate Limited Partnerships (RELPs) that, as the

Millennium III Group structures them, approach investment for retirement from an entirely different angle and can provide much better returns than conventional savings methods. Here are some of the ways our RELPs differ from other investments:

1. Millennium III RELPs use leverage by a ratio of approximately 3:1 (value of project to equity invested). This leverage is achieved through 50% mortgage financing and initial income tax writeoffs. As a result, normal market returns on an investment in a property, including income and increases in value, are multiplied by a factor of three to the investor's advantage. In conventional investments, there is no opportunity for leverage except through direct borrowing by the investor, which, as we demonstrated in Part I, requires extraordinarily high returns to offset the cost of this borrowing.

2. Our RELPs are positively impacted

## Our New Offering

Presenting Leduc Towne Centre, our latest commercial real estate syndication.



At the junction of the city's two primary commercial arteries, Leduc Towne Centre is at the heart of a busy retail sector featuring banking, restaurants, retail strip shopping, supermarkets, and the historic main street of Leduc.

For more information, contact your investment advisor, our Saskatoon office, or visit us on the web.

by inflation. If the rate of inflation increases, rents and property values tend to increase proportionately. Even a steady rate of inflation works over time to increase investment returns. Fixed income investments, on the other hand, tend to be devalued by inflation while mutual and exchange traded funds are often unpredictable and frequently suffer if inflation increases. With RELPs, relatively low-ratio mortgage debt, and careful management of the term and interest rate on this debt, can largely mitigate any negative effects of inflation on debt servicing costs.

3. Millennium III RELP investors rely on tenants' rents to pay for the cost of their leveraged investments over time, whereas bankers and fund dealers have only investors' cash to deal with, and from which to provide a return.

4. In our RELPs, the limited partners own the investment, which becomes debt free after approximately 12 years, and has largely been paid for by the tenants. With efficient property management, rents continue to increase indefinitely, with all net proceeds going to the limited partners. This is the opposite of an annuity, to which other types of savings plans frequently are converted. Annuities decrease in value over the years as the principal and incremental interest is paid out; if it is a term (as opposed to a life) annuity, its value and payout eventually go to ZERO, leaving the distinct possibility that you may outlive your investment.

For these, and reasons pointed out in Part I, you should consider investment in real estate limited partnerships structured similar to Millennium III's as

a portion of your retirement portfolio.

I will conclude with some specific information on our RELP returns.

1. In response to excellent unsolicited offers to purchase, over the last four years we have sold six of our more than 50 properties. The average time we held these investments was 19 years, with an average return on investment upon sale of 18.57% per year. These returns tended to improve in more recent sales as the market value of commercial properties has been rapidly increasing.

2. As of December 2009, the return on investment from our projects 12 years after syndication, based upon rental income and increases in property value, was over 17% per year averaged over the life of the project. This is typical, as rents continue to increase and mortgage debt is fully retired after approximately 12 years. At this point, rates of return start to rise dramatically once no further debt service is required. Annual returns in excess of 20% on initial investment are not at all uncommon after mortgage debt is retired. Over time, investments in RELPs increase in value and payout, as do the property values that are their underlying asset.

It can be concluded from the above and the returns quoted in the spring edition of Intellectual Property from the Andex charts for conventional forms of investment, that Real Estate Limited Partnerships offer an excellent choice for a retirement portfolio, with superior returns on investment and ongoing increases in value and income. The next edition of Intellectual Property will provide specific information from

## DEBT-FREE DAY!



*Asquith Properties Limited Partnership*



*Peel Properties Limited Partnership*

Two more of our limited partnerships joined the ranks of debt-free properties over the summer. Both Asquith Properties Limited Partnership and Peel Properties Limited Partnership retired their debt obligations on August 1st. Investors in these partnerships can look forward to significant returns for many years to come!

**To receive future editions of this newsletter electronically, please advise us via e-mail to: [dawnh@millennium3.ca](mailto:dawnh@millennium3.ca)**

several of Millennium III's projects to explain exactly how these returns and value increases are attained.

## Medley Properties Limited Partnership Renovation Photos

