



Intellectual Property

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What Am I?

I am the basis of all wealth, the heritage of the wise, the thrifty and the prudent.

I am the poor person's joy and comfort, the rich person's prize, the right hand of capital, the silent partner of many thousands of successful people. I am the silent solace of the widowed, the comfort of old age, the cornerstone of security against misfortune and want. I am handed down to children through generations as a thing of greatest worth. I am the choicest fruit of toil. Credit respects me.

Yet I am humble.

I stand before all people bidding they know me for what I am and possess me. I grow and increase in value through countless days. Though I seem dormant, my worth increases, never failing, never ceasing; time is my aid and population heaps up my gain. Fire and elements I defy, for they cannot destroy me; invariably I become envied.

While all things wither and decay, I survive. The centuries find me younger, increasing in strength. The thriftless speak ill of me. The charlatans of finance attack me. I am trustworthy. I am sound. Unfailing, I triumph and detractors are disproved.

Minerals and oils come from me, I am producer of food, the basis of ships and factories, the foundation of banks. Yet I am so common that thousands unthinking and unknowing pass me by.

I am real estate.

THE FINANCIAL TREADMILL

On my way to the office in the mornings, I frequently hear an ad run by a "wealth management" company (now taken over by one of the big banks) that talks about the "volatility" of the stock or equities markets in recent years. The word "volatility" must be a code word for something else; about mid-2000 the TSE 300 (now the S&P/TSX) index of Canadian stocks hit 11,319 points. At about the same time in 2010, 10 years later, it again hit, or passed through 11,319. Sounds more like a treadmill than volatility to me.

Admittedly, the market has moved up to over 13,000 since the middle of last year, or an average of 1.5% per annum, non-compounded, since mid-2000. As the average equity mutual fund collects a fee of 2.4% per year from your principal, however, the treadmill analogy is probably quite appropriate; you go on the treadmill to lose weight and, in the last 11 years in mutual funds invested in the Canadian stock market, you have certainly lost weight in your wallet. And, this does not count the devaluating effects of inflation on your portfolio or the taxes on your investments' growth, whether you are redeeming them from an RRSP or you are trading them outside of one.

Of course there were some low and high points along the way, like when Nortel, in 2000 the darling of the Canadian market at \$124.50 per share, bottomed out in 2002 at less than \$1.00 (and later disappeared) or in mid-2008, when the S&P/TSX index hit 15,073 points

just before Lehmann Brothers and Washington Mutual filed for bankruptcy and the index subsequently plunged to 7,567 in early 2009. But, regardless of these little bumps along the road, the end point so far has been the same; over the past 11 years, your Canadian stock portfolio value is at or below (in real returns) what it was at the beginning. The above values were taken from the current edition of the Andex Charts, the authoritative measure of various financial indices used throughout the money management industry.

So what has all this got to do with real estate in Western Canada? Well, let's take a look at how this has been doing while the preceding was happening in the stock market.

We have taken, as examples, the equity value of limited partnership units in five

Our Latest Offering

Strathcona Distribution Centre is our latest commercial real estate syndication.



The Strathcona Distribution Centre occupies an ideal location for a warehouse property, with easy access to major commercial and trucking routes in the growing city of Edmonton, as well as close proximity to the south Edmonton CP rail terminal and container handling facility. Please visit us on the web at www.millennium3.ca for more information.

typical properties that the Millennium III Group has controlled in Saskatchewan since or before mid-2000. Taking this as a base point, we calculated the increase in net income from these properties and their consequent growth in capitalized market value up to mid-2010. Two of these properties, Smallwood and Asquith, are now debt free while the others, Spencer, Walpole and Melbourne, still have residual mortgage debt which is accounted for in their value calculations. Compared with the stock market, these value changes are quite informative. For simplicity sake, we took the average value of the units of these five properties and came up with the following results:

Average per unit value, mid-2000	\$23,062.00
Average per unit value, mid-2010	\$49,157.00
Difference	<u>\$26,095.00</u>
Average 10 year return	110.4%
Average annual simple return	11.0%
Average annual compound return	7.4%

As we used the simple average return for our stock market values above, we will use the same for comparison with our five property typical real estate portfolio.

Real Estate Average Annual Return (10 years)	11.0%
S&P/TSX Average Annual Return (11 years)	1.5%
Difference in annual returns	9.5%

It is pointed out that in neither of the base returns reported on above is income over the 10 years included; dividends for stocks and distributions for limited partnership units. Also, all investment growth shown above is calculated on a before tax basis.

In the broader scope of financial analysis, it may be considered unfair to pick a particularly uninspiring period in stock market returns and compare it with 10 years when real estate has been showing good solid growth; nevertheless, these are firm numbers and reflective of recent market activity. As well, an astute stock picker can sometimes beat the average market although the opposite frequently occurs. What is important for investors to remember, however, is that real estate values tend to parallel and somewhat lead inflation in a reasonably steady manner, whereas the stock market can be subject to fairly wide swings depending upon world economic factors and financial events. Accordingly, a portion of all balanced individual investment portfolios should be invested in solid, well-managed, commercial real estate.

MORTGAGE FREE!



Winter Properties Limited Partnership
2901 Cleveland Avenue • Saskatoon



Winter Properties Limited Partnership
2911 Cleveland Avenue • Saskatoon

Another of our limited partnerships joined the ranks of mortgage-free properties recently. Winter Properties Limited Partnership retired its mortgage obligation on November 1, 2010. Investors in this partnership 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 at: dawnh@millennium3.ca

Gambier Properties Limited Partnership Renovation Photos



Before...



...After