



Dear Real Estate Enthusiast:

This Edition:

Global Highlights

Creating a Personalized Portfolio of Real Estate

Socially Responsible Investing

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- Comox Bay Resort and Marina offering has achieved its "first close" – with interest growing among advisors and investors
- Wildflower Ranch 14% 1st Mortgage Secured Note has **SOLD OUT!**
- The Cambrian Medical Campus has **SOLD OUT!**
- Economic recovery is becoming apparent in rising investment activity

Creating a Personalized Portfolio of Real Estate

Real estate is often ranked as the most important asset class, and yet is frequently under-represented in most investment portfolios.

Research suggests that, historically, portfolios with higher allocations to real estate out-perform those with weightings that favour stocks and bonds, and do so with less volatility.

Innovation in the financial services and real estate professions has produced a growing number of real estate related investments, representing a wider variety of investment opportunities, and with small minimum participation thresholds. This has created the opportunity for investors to develop personalized investment portfolios that capitalize on the merits of this asset class.

Individual investors must decide on the mix of these investments that most reflects their financial circumstances, time horizons, and disposition to risk.

Factors regarding financial circumstances include the person's net worth, income needs, liquidity requirements, etc. Time horizons of real estate investments are typically categorized as short-term (1-3 years), medium term (3-5 years) and long term (6 years and more). Investors should consider how their investment portfolio reflects their current financial circumstances, but also how the investments will match their changing needs over time.

As with other investments, important factors relating to risk include volatility and the possibility of loss. Reports indicate that, of all financial instruments, mortgages (and mortgage pools) tend to be the least volatile; while other real estate investments, such as REIT's, experience more volatility and often higher returns.

As with other asset classes, the risk of real estate related investments can be mitigated through diversification: by company creating the investment, by location of the real estate, by type of financial instrument, by stage of development and by type of development. Stages of development range from early in the process (such as raw land), through re-zoning, land

preparation, construction, etc. Type of development includes residential, recreational, and various forms of commercial: retail, office, industrial, etc.

Some investment offerings, such as Canadian Horizons First MIC, have built in diversification: there are often 40 – 50 individual projects represented within the pool. While other offerings, such as the Comox Bay Resort and Marina, are associated with a single project (Comox recreational property development), and have the potential for considerably higher returns.

Since each investor has unique and dynamic circumstances, and since real estate related investments often sell out, investment portfolio tends to vary greatly from person to person.

Socially Responsible Investing

Socially Responsible Investing (SRI), also known as Ethical Investing, is an investment philosophy wherein the investor considers both the personal, financial return potential of an investment, as well as the non-personal and non-financial return potential. These non-financial returns are typically associated with a moral issue of importance to the investor.

With SRI, the investor is hoping to support, or increase the likelihood of, some activity or state of affairs that the investor deems to be morally praise worthy: such as equal employment opportunities, “green” technology, safe work environments, and the like. The SRI investor may also seek to eliminate, or reduce the likelihood of, some activity or state of affairs that is deemed to be morally inappropriate: the production of arms/guns, the services related to casinos/gambling, the creation of products such as alcohol and tobacco, etc.

SRI activity tends to fall into three distinct categories of strategy. The Avoidance Approach has the SRI investor avoiding, or screening from their portfolio, the offending investment, organization, company, etc. The Positive Approach has the investor buying an investment to support the morally praiseworthy organization or company. With the Activist Approach, the investor seeks out an investment with an offender, not to support, but in the hopes of having an opportunity to promote change: for example, by speaking at an AGM as a shareholder.

Increasingly, SRI investors have been able to express their sentiments with real estate related investment activity. Developers may, for example, demonstrate environmental virtue when planning and executing the changes to a piece of land, and with the construction of buildings. Investors can choose to support such activity, or refrain from supporting activities lacking in such environmental sensitivity.

In other cases, such as Comox Bay Resort and Marina, the developer is especially sensitive to the potential to positively impact the community; beautification, local employment opportunities, and community profit sharing have figured prominently in the development, construction and investment plans. While with the Cambrian Medical Campus, investors are seeking to promote long-term health care services, as well as generate attractive financial returns. (This would explain the popularity of this recent offering!)

While other investments associated with SRI (mutual funds, stocks, bonds) are often criticized as being ineffective at generating the desired non-financial returns, real estate related investments provide a much more tangible SRI experience. It is said that the distance (of space, time and understanding) between a real estate related investment activity and a moral objective is relatively small, and, therefore, attractive.

As real estate related investment offerings continue to compete for investor attention, elements of SRI may become even more prominent.

For more information please contact me Bill Westmacott.