

NEWSLETTER

QUARTER END: JANUARY 31, 2012

It's our first quarter end for 2012 and it appears this year may be much the same as 2011... relatively flat/stable values but fewer building starts than average. Although locally, one market segment being well served is smaller-sized, lower-priced condos in the core municipalities. Pre-sale campaigns continue for some of the larger projects, while others are under construction. Record low interest rates continue to make owning your own home a viable option (vs. renting). The low interest rate environment appears to now be almost structurally embedded in our economy, and any future rate hikes will have to be implemented gradually so as to avoid mayhem in the national real estate market, most notably with more highly leveraged younger homeowners.

Although our market is somewhat flat at present, the West Coast will continue to benefit from in-migration (baby boomers and international immigrants) for many years due to our climate, location and natural appeal. Therefore we remain confident in real estate values in Vancouver and Victoria. We are also happy to see more buoyancy lately in the Alberta market which is still highly correlated to the price and activity in the energy sector.

Overall, it remains challenging to find quality projects that provide good security with acceptable rates of return. As always, we prefer to remain conservative to minimize risk and protect our investors, even if it means we have a slightly lower yield. This said, we are pleased to report our current quarter dividend of 5.755% (annualized).

As always, we look forward to bringing you healthy returns with minimized risk, and thank you for your continued patronage.

2011 T5's

For our Non-Registered investors, your 2011 T5 tax slip is enclosed with your investor statement. The interest reported is for the 4 quarters ending in 2011:
Jan. 31/11, Apr. 30/11, Jul. 31/11 & Oct. 31/11

2011 RRSP CONTRIBUTIONS

We are pleased to announce that we will be accepting new RRSP investment contributions during February 13-22, 2012.

Please make an appointment with us today so you don't miss out on receiving your tax deduction for 2011.

VICTORIA ROYALS WHL TICKETS

For our investors, we have a few tickets still available for Victoria Royals' games in February and March. Two club seats per game, on a first-come, first-served basis.

Please contact us via phone at (250) 388-5441 or email first@firstisland.com with your ticket request.

We are pleased to announce two of our latest developments:

- 'Martin Ridge' - land acquisition / construction mortgage to create 14 single-family residential lots in Langford
- Construction loan to build 3 water-view residential condos and 2 commercial units overlooking Brentwood Bay in Central Saanich.

For photos and more information, please see our website: www.firstisland.com



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