SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

SHELTER PROPERTIES VII LTD PARTNERSHIP

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SIC: **6500** Real estate

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FORM 10-KSB--ANNUAL OR TRANSITIONAL REPORT UNDER
SECTION 13 OR 15(D)

FORM 10-KSB

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

For the fiscal year ended December 31, 1998

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [No Fee Required]

For the transition period from______ to ______

Commission file number 0-14369

SHELTER PROPERTIES VII LIMITED PARTNERSHIP
(Name of small business issuer in its charter)

South Carolina	54-0784852
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

55 Beattie Place, P.O. Box 1089
Greenville, South Carolina 29602
(Address of principal executive offices)

(864) 239-1000
Issuer's telephone number

Securities registered under Section 12(b) of the Exchange Act:
None

Securities registered under Section 12(g) of the Exchange Act:

Units of Limited Partnership Interest
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year. $3,944,000.

State the aggregate market value of the voting partnership interests held by non-affiliates computed by reference to the price at which the partnership interests were sold, or the average bid and asked prices of such partnership interests, as of December 31, 1998. No market exists for the limited partnership interests of the Registrant, and, therefore, no aggregate market value can be determined.

DOCUMENTS INCORPORATED BY REFERENCE
None

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

Shelter Properties VII Limited Partnership (the "Partnership" or "Registrant") was organized as a limited partnership under the laws of the State of South Carolina on October 29, 1984. The general partner responsible for management of the Partnership's business is Shelter Realty VII Corporation, a South Carolina corporation (the "Corporate General Partner"). The only other general partner of the Partnership is N. Barton Tuck, Jr. Mr. Tuck is not an affiliate of the Corporate General Partner and is effectively prohibited by the Partnership's partnership agreement (the "Partnership Agreement") from participating in the management of the Partnership. The Corporate General Partner is a subsidiary of Apartment Investment and Management Company ("AIMCO"). The Partnership Agreement provides that the Partnership is to terminate December 31, 2024 unless terminated prior to such date.

The Registrant is engaged in the business of operating and holding real properties for investment. The Registrant acquired two existing apartment properties and a newly constructed apartment property during 1985, in its acquisition phase. The Registrant continues to own and operate two of these properties. See "Item 2. Description of Properties."

Commencing March 18, 1985, the Registrant offered, pursuant to a Registration Statement filed with the Securities and Exchange Commission (the "SEC"), up to 40,000 Units of Limited Partnership Interest (the "Units") at a purchase price of $1,000 per Unit with a minimum purchase of 5 Units ($5,000) or 2 Units ($2,000) for an Individual Retirement Account.

The offering terminated on November 5, 1985. Upon termination of the offering, the Registrant had accepted subscriptions for 17,343 Units, including 100 Units purchased by the Corporate General Partner, for an aggregate of $17,343,000. Since its initial offering, the Registrant has not received, nor are limited partners required to make any additional capital contributions.

A further description of the Partnership's business is included in Management's Discussion and Analysis or Plan of Operation included in "Item 6" of this Form 10-KSB.

There have been, and it is possible there may be other, Federal, state, and local legislation and regulations enacted relating to the protection of the environment. The Partnership is unable to predict the extent, if any, to which such new legislation or regulations might occur and the degree to which such existing or new legislation or regulations might adversely affect the properties owned by the Partnership.

The Partnership monitors its properties for evidence of pollutants, toxins and other dangerous substances, including the presence of asbestos. In certain cases environmental testing has been performed, which resulted in no material adverse conditions or liabilities. In no case has the Partnership received notice it is a potentially responsible party with respect to an environmental clean up site.

Both the income and expenses of operating the remaining properties owned by the Partnership are subject to factors outside of the Partnership's control, such as an oversupply of similar properties resulting from overbuilding, increases in unemployment or population shifts, reduced availability of permanent mortgage financing, changes in zoning laws, or changes in patterns or needs of users. In addition, there are risks inherent in owning and operating residential properties because such properties are susceptible to the impact of economic and other conditions outside of the control of the Partnership.

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The real estate business in which the Registrant is engaged is highly competitive. There are other residential properties within the market area of the Registrant's properties. The number and quality of competitive properties, including those which may be managed by an affiliate of the Corporate General Partner, in such market area could have a material effect on the rental market for the apartments at the Registrant's properties and the rents that may be charged for such apartments. While, the Corporate General Partner and its affiliates are a significant factor in the United States in the apartment industry, competition for apartments is local. In addition, various limited partnerships have been formed by the Corporate General Partner and/or affiliates to engage in business which may be competitive with the Registrant.

The Registrant has no employees. Management and administrative services are provided by the Corporate General Partner and by agents retained by the Corporate General Partner. Such services were provided by affiliates of the Corporate General Partner for the years ended December 31, 1998 and 1997.

Transfer of Control

Pursuant to a series of transactions which closed on October 1, 1998 and February 26, 1999, Insignia Financial Group, Inc. and Insignia Properties Trust merged into Apartment Investment and Management Company, a publicly traded real estate investment trust, with AIMCO being the surviving corporation (the "Insignia Merger"). As a result, AIMCO ultimately acquired a 100% ownership interest in Insignia Properties Trust ("IPT"), the entity which controls the Managing General Partner. The Managing General Partner does not believe that this transaction will have a material effect on the affairs and operations of the Partnership.

ITEM 2. DESCRIPTION OF PROPERTIES:

The following table sets forth the Registrant's investments in properties:
<TABLE>
<CAPTION>

Property	Date of Purchase	Type of Ownership	Use
<S>	<C>	<C>	<C>
Hickory Ridge Apartments Memphis, Tennessee	08/27/85	Fee ownership subject to first mortgage.	Apartment 378 units
Governor's Park Apartments Ft. Collins, Colorado	09/30/85	Fee ownership subject to a first and second mortgages. (1)	Apartment 188 units

</TABLE>

(1) Property is held by a Limited Partnership which the Registrant owns a 99.99% interest in.

SCHEDULE OF PROPERTIES:

Set forth below for each of the Registrant's properties is the gross carrying value, accumulated depreciation, depreciable life, method of depreciation and federal tax basis.

<TABLE>
<CAPTION>

Property	Gross Carrying Value	Accumulated Depreciation	Rate	Method	Federal Tax Basis
	(in thousands)				(in thousands)
<S>	<C>	<C>	<C>	<C>	<C>

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Hickory Ridge Apts.	$14,310	$ 7,413	5-29 yrs	S/L	$6,377
Governor's Park Apts.	7,651	3,349	5-39 yrs	S/L	3,121
	$21,961	$10,762			$9,498

</TABLE>

See "Note A" to the financial statements in "Item 7" for a description of the Partnership's depreciation policy.

SCHEDULE OF PROPERTY INDEBTEDNESS:

The following table sets forth certain information relating to the loans encumbering the Registrant's properties.
<TABLE>
<CAPTION>

Property	Principal Balance At December 31, 1998 (in thousands)	Stated Interest Rate	Period Amortized	Maturity Date	Principal Balance Due At Maturity (3) (in thousands)
<S>	<C>	<C>	<C>	<C>	<C>
Hickory Ridge	$ 6,373	7.50%	(1)	03/01/01	$6,057
Governor's Park					
1st Mortgage	4,466	7.83%	(2)	10/15/03	4,083
2nd Mortgage	147	7.83%	none	10/15/03	147
	10,986				
Less unamortized discounts	(57)				
Total	$10,929				$10,287

</TABLE>

(1) The principal balance is being amortized over 300 months with a balloon payment due March 1, 2001.

(2) The principal balance is being amortized over 344 months with a balloon payment due October 15, 2003.

(3) See "Item 7, Financial Statements _ Note D" for information with respect to the Registrant's ability to prepay these loans and other specific details about the loans.

SCHEDULE OF RENTAL RATES AND OCCUPANCY:

The following table sets forth the average annual rental rates and occupancy for 1998 and 1997 for each property.

	Average Annual Rental Rates		Average Occupancy	
	1998	1997	1998	1997
Hickory Ridge	$6,517	$6,374	95%	90%
Governor's Park	8,321	8,034	96%	95%

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The Corporate General Partner attributes the increase in occupancy at Hickory Ridge Apartments to the improved curb appeal of the property as a result of the completion of an exterior building improvement project in 1997. Additionally, the increase is also attributable to an increase in employment at two large area employers.

As noted under "Item 1. Description of Business," the real estate industry is highly competitive. The Partnership's properties are subject to competition from other residential apartment complexes in the area. The Corporate General Partner believes that all of the properties are adequately insured. Each property is an apartment complex which leases its units for lease terms of one year or less. No residential tenant leases 10% or more of the available rental space. Both of the properties are in good physical condition subject to normal depreciation and deterioration as is typical for assets of this type and age.

SCHEDULE OF REAL ESTATE TAXES AND RATES:

Real estate taxes and the tax rate in 1998 for each property was:

	1998 Billing (in thousands)	1998 Rate
Hickory Ridge	$ 108	2.82%
Governor's Park	72	8.77%

CAPITAL IMPROVEMENTS:

Hickory Ridge

During 1998, the Partnership completed approximately $404,000 of capital improvements at the property, consisting primarily of parking area repairs, roof replacements, appliance and floor covering replacements. These improvements were funded primarily from cash flow. Based on a report received from an independent third party consultant analyzing necessary exterior improvements and estimates made by the Corporate General Partner on interior improvements, it is estimated that the property requires approximately $328,000 of capital improvements over the near term. The partnership has budgeted, but is not limited to, capital improvements of approximately $392,000 for 1999 consisting of roof replacements, landscaping and irrigation, drainage and pool repairs.

Governor's Park:

During 1998, the Partnership completed approximately $110,000 of capital improvements at the property consisting primarily of swimming pool repairs, appliance and floor covering replacements. These improvements were funded primarily from cash flow. Based on a report received from an independent third party consultant analyzing necessary exterior improvements and estimates made by the Corporate General Partner on interior improvements, it is estimated that the property requires approximately $84,000 of capital improvements over the near term. The partnership has budgeted, but is not limited to, capital improvements of approximately $116,000 consisting of stairwells, drives and parking lot repairs.

The capital improvements planned for 1999 at the Partnership's properties will be made only to the extent of cash available from the operations and Partnership reserves.

ITEM 3. LEGAL PROCEEDINGS

In March 1998, several putative unit holders of limited partnership units of the Partnership commenced an action entitled Rosalie Nuanes, et al. v. Insignia Financial Group, Inc., et al. in the Superior Court of the State of California

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for the County of San Mateo. The plaintiffs named as defendants, among others, the Partnership, the Corporate General Partner and several of their affiliated partnerships and corporate entities. The complaint purports to assert claims on behalf of a class of limited partners and derivatively on behalf of a number of limited partnerships (including the Partnership) which are named as nominal defendants, challenging the acquisition by Insignia Financial Group, Inc. ("Insignia") and entities which were, at one time, affiliates of Insignia ("Insignia Affiliates") of interests in certain general partner entities, past tender offers by Insignia Affiliates to acquire limited partnership units, the management of partnerships by Insignia Affiliates as well as a recently announced agreement between Insignia and Apartment Investment and Management Company ("AIMCO"). The complaint seeks monetary damages and equitable relief, including judicial dissolution of the Partnership. On June 25, 1998, the Corporate General Partner filed a motion seeking dismissal of the action. In lieu of responding to the motion, the plaintiffs have filed an amended complaint. The Corporate General Partner has filed demurrers to the amended complaint which were heard during February 1999. No ruling on such demurrers has been received. The Corporate General Partner does not anticipate that costs associated with this case, if any, to be material to the Partnership's overall operations.

On July 30, 1998, certain entities claiming to own limited partnership interests in certain limited partnerships whose general partners were, at the time, affiliates of Insignia filed a complaint entitled Everest Properties, LLC, et. al. v. Insignia Financial Group, Inc., et. al. in the Superior Court of the State of California, County of Los Angeles. The action involves 44 real estate limited partnerships (including the Partnership) in which the plaintiffs allegedly own interests and which Insignia Affiliates allegedly manage or control (the "Subject Partnerships"). This case was settled on March 3, 1999. The Partnership is responsible for a portion of the settlement costs. The expense will not have a material effect on the Partnership's net income.

The Partnership is unaware of any other pending or outstanding litigation that is not of a routine nature arising in the ordinary course of business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the quarter ended December 31, 1998, no matters were submitted to a vote of the Unit holders through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR PARTNERSHIP EQUITY AND RELATED PARTNER MATTERS

The Partnership, a publicly-held limited partnership offered and sold 17,343 limited partnership units including 100 units purchased by the Corporate General Partner aggregating $17,343,000. The Partnership currently has 1,295 holders of record owning an aggregate of 17,343 Units. Affiliates of the Corporate General Partner owned 3,877 Units or 22.355% as of December 31, 1998. No public trading market has developed for the Units, and it is not anticipated that such a market will develop in the future.

During 1997 the Partnership paid a total of $304,000 in distributions to its partners. The Partnership distributed approximately $300,000 of the $304,000 (approximately $17.30 per limited partnership unit) to the limited partners and in April 1997, the Partnership paid approximately $4,000 (approximately $.23 per limited partnership unit) to Colorado for state tax withholdings on behalf of the limited partners. There were no cash distributions made in 1998. Future cash distributions will depend on the levels of net cash generated from operations, refinancings, property sales and the availability of cash reserves. The Partnership's distribution policy is reviewed on a quarterly basis. Subsequent to the Partnership's year end a distribution from operations of $600,000 (approximately $34.25 per limited partnership unit) was paid during

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January 1999. There can be no assurance, however, that the Partnership will generate sufficient funds from operations after required capital expenditures, to permit any additional distributions to its partners in 1999 or subsequent periods. Distributions may also be restricted by the requirement to deposit net operating income (as defined in the mortgage note) into the Reserve Account until the Reserve Account is funded by an amount equal to $400 per apartment unit at Governor's Park. The Reserve Account is currently fully funded.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The matters discussed in this Form 10-KSB contain certain forward-looking statements and involve risks and uncertainties (including changing market conditions, competitive and regulatory matters, etc.) detailed in the disclosure contained in this Form 10-KSB and the other filings with the Securities and Exchange Commission made by the Registrant from time to time. The discussion of the Registrant's business and results of operations, including forward-looking statements pertaining to such matters, does not take into account the effects of any changes to the Registrant's business and results of operation. Accordingly, actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those identified herein.

This item should be read in conjunction with the financial statements and other items contained elsewhere in this report.

RESULTS OF OPERATIONS

The Partnership realized net income of approximately $336,000 and $123,000 for the years ended December 31, 1998 and 1997, respectively. (See "Note G" of the financial statements for a reconciliation of these amounts to the Partnership's federal taxable income). The increase in net income was due primarily to an increase in total revenue and to a lesser extent a decrease in total expenses. Revenues increased primarily due to an increase in rental income. The increase in rental income is primarily attributable to an increase in the average annual rental rates and improved occupancy at both of the Registrant's properties. Other income also increased and such increase was primarily due to increases in late charges and cleaning and damage fees at Hickory Ridge. In 1998 the Partnership did not have an increase in revenue due to the recognition of casualties as it did in 1997.

Expenses decreased due to a reduction in operating expense which was partially offset by increases in general and administrative expense, depreciation and property taxes. Operating expense decreased as a result of building improvements and property appearance costs and repairs which were completed in 1997 at both properties. Depreciation expense increased due to the increase in property improvements and replacements completed during 1997 and 1998. Property tax expense increased due to an underaccrual of property taxes at the end of 1997.

General and administrative expense increased as a result of an increase in legal costs associated with the litigation noted in Item 3. Included in general and administrative expense at both December 31, 1998 and 1997 are management reimbursements to the Corporate General Partner allowed under the Partnership Agreement. In addition costs associated with the quarterly and annual communications with investors and regulatory agencies and the annual audit and appraisals required by the Partnership Agreement are also included.

Management relies on the annual appraisals performed by outside appraisers to assess the impairment of investment properties. There are three recognized approaches or techniques available to the appraiser. When applicable, these approaches are used to process the data considered significant to each to arrive at separate value indications. In all instances the experience of the appraiser, coupled with his objective judgement, plays a major role in arriving at the conclusions of the indicated value from which the final estimate of value

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is made. The three approaches commonly known are the cost approach, the sales comparison approach, and the income approach. The cost approach is often not considered to be reliable due to the lack of land sales and the significant amount of depreciation and, therefore, is often not presented. Upon receipt of the appraisals, any property which is stated on the books of the Registrant above the estimated value given in the appraisal, is written down to the estimated value given by the appraiser. The appraiser assumes a stabilized occupancy at the time of the appraisal and, therefore, any impairment of value is considered to be permanent by Management. For the year ended December 31, 1998, no adjustments for impairment of value were recorded.

As part of the ongoing business plan of the Registrant, the Corporate General Partner monitors the rental market environment of its investment properties to assess the feasibility of increasing rents, maintaining or increasing occupancy levels and protecting the Registrant from increases in expenses. As part of this plan, the Corporate General Partner attempts to protect the Registrant from the burden of inflation-related increases in expenses by increasing rents and maintaining a high overall occupancy level. However, due to changing market conditions, which can result in the use of rental concessions and rental reductions to offset softening market conditions, there is no guarantee that the Corporate General Partner will be able to sustain such a plan.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Registrant had cash and cash equivalents of approximately $1,201,000 as compared to approximately $612,000 at December 31, 1997. The increase in cash and cash equivalents is due to $1,301,000 of cash provided by operating activities which was partially offset by $194,000 of cash used in financing activities, and $518,000 of cash used in investing activities. Cash used in financing activities consisted of principal payments made on the mortgages encumbering the Registrant's properties. Cash used in investing activities consisted primarily of capital improvements and to a lesser extent deposits to escrow accounts maintained by the mortgage lender. The Registrant invests its working capital reserves in a money market account.

The sufficiency of existing liquid assets to meet future liquidity and capital expenditure requirements is directly related to the level of capital expenditures required at the property to adequately maintain the physical assets and other operating needs of the Registrant and to comply with federal, state, and local legal and regulatory requirements. The Registrant has budgeted approximately $508,000 in capital improvements for both of the Registrant's properties in 1999. Budgeted capital improvements at Hickory Ridge include roof replacements, landscaping and irrigation, drainage and pool repairs. Budgeted capital improvements at Governor's Park include stairwells, drives and parking lot repairs. The capital expenditures will be incurred only if cash is available from operations or from partnership reserves. To the extent that such budgeted capital improvements are completed, the Registrant's distributable cash flow, if any, may be adversely affected at least in the short term.

The Registrant's current assets are thought to be sufficient for any near-term needs (exclusive of capital improvements) of the Registrant. The mortgage indebtedness of approximately $10,929,000 net of discount, is amortized over varying periods with balloon payments due at maturity, March 1, 2001 and October 15, 2003. The Corporate General Partner will attempt to refinance such indebtedness and/or sell the properties prior to such maturity date. If the properties cannot be refinanced or sold for a sufficient amount, the Registrant may risk losing such properties through foreclosure.

In May 1997, the Partnership distributed approximately $300,000 (approximately $17.30 per limited partnership unit) to the limited partners and in April 1997, the Partnership paid approximately $4,000 (approximately $.23 per limited partnership unit) to Colorado for state tax withholdings on behalf of the limited partners. No distributions were made in 1998. The Registrant's distribution policy is reviewed on a quarterly basis. There can be no

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assurance, however, that the Registrant will generate sufficient funds from operations after required capital expenditures to permit further distributions to its partners in 1999 or subsequent periods. Distributions may also be restricted by the requirement to deposit net operating income (as defined in the mortgage note) into the reserve account until the reserve account is funded by an amount equal to $400 per apartment unit at Governor's Park. The reserve account is currently fully funded.

Year 2000 Compliance

General Description of the Year 2000 Issue and the Nature and Effects of the Year 2000 on Information Technology (IT) and Non-IT Systems

The Year 2000 issue is the result of computer programs being written using two digits rather than four digits to define the applicable year. The Partnership is dependent upon the Corporate General Partner and its affiliates for management and administrative services ("Managing Agent"). Any of the computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Over the past two years, the Managing Agent has determined that it will be required to modify or replace significant portions of its software and certain hardware so that those systems will properly utilize dates beyond December 31, 1999. The Managing Agent presently believes that with modifications or replacements of existing software and certain hardware, the Year 2000 issue can be mitigated. However, if such modifications and replacements are not made or not completed in time, the Year 2000 issue could have a material impact on the operations of the Partnership.

The Managing Agent's plan to resolve Year 2000 issues involves four Phases: assessment, remediation, testing, and implementation. To date, the Managing Agent has fully completed its assessment of all the information systems that could be significantly affected by the Year 2000, and has begun the remediation, testing and implementation phases on both hardware and software systems. Assessments are continuing in regards to embedded systems. The status of each is detailed below.

Status of Progress in Becoming Year 2000 Compliant, Including Timetable for Completion of Each Remaining Phase

Computer Hardware:

During 1997 and 1998, the Managing Agent identified all of the computer systems at risk and formulated a plan to repair or replace each of the affected systems. In August 1998, the mainframe system used by the Managing Agent became fully functional. In addition to the mainframe, PC-based network servers and routers and desktop PCs were analyzed for compliance. The Managing Agent has begun to replace each of the non-compliant network connections and desktop PCs and, as of December 31, 1998, had completed approximately 75% of this effort.

The total cost to the Managing Agent to replace the PC-based network servers, routers and desktop PCs is expected to be approximately $1.5 million of which $1.3 million has been incurred to date. The remaining network connections and desktop PCs are expected to be upgraded to Year 2000 compliant systems by March 31, 1999.

Computer software:

The Managing Agent utilizes a combination of off-the-shelf, commercially available software programs as well as custom-written programs that are designed to fit specific needs. Both of these types of programs were studied, and

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implementation plans written and executed with the intent of repairing or replacing any non-compliant software programs.

During 1998, the Managing Agent began converting the existing property management and rent collection systems to its management properties Year 2000 compliant systems. The estimated additional costs to convert such systems at all properties, is $200,000, and the implementation and the testing process is expected to be completed by March 31, 1999.

The final software area is the office software and server operating systems. The Managing Agent has upgraded all non-compliant office software systems on each PC and has upgraded 80% of the server operating systems. The remaining server operating systems are planned to be upgraded to be Year 2000 compliant by March 31, 1999.

Operating Equipment:

The Managing Agent has operating equipment, primarily at the property sites, which needed to be evaluated for Year 2000 compliance. In September 1997, the Managing Agent began taking a census and inventory of embedded systems (including those devices that use time to control systems and machines at specific properties, for example elevators, heating, ventilating, and air conditioning systems, security and alarm systems, etc.).

The Managing Agent has chosen to focus its attention mainly upon security systems, elevators, heating, ventilating and air conditioning systems, telephone systems and switches, and sprinkler systems. While this area is the most difficult to fully research adequately, management has not yet found any major non-compliance issues that put the Managing Agent at risk financially or operationally. The Managing Agent intends to have a third-party conduct an audit of these systems and report their findings by March 31, 1999.

Any of the above operating equipment that has been found to be non-compliant to date has been replaced or repaired. To date, these have consisted only of security systems and phone systems. As of December 31, 1998 the Managing Agent has evaluated approximately 86% of the operating equipment for the Year 2000 compliance.

The total cost incurred for all properties managed by the Managing Agent as of December 31, 1998 to replace or repair the operating equipment was approximately $400,000. The Managing Agent estimates the cost to replace or repair any remaining operating equipment is approximately $325,000, which is expected to be completed by April 30, 1999.

The Managing Agent continues to have "awareness campaigns" throughout the organization designed to raise awareness and report any possible compliance issues regarding operating equipment within our enterprise.

Nature and Level of Importance of Third Parties and Their Exposure to the Year 2000

The Managing Agent continues to conduct surveys of its banking and other vendor relationships to assess risks regarding their Year 2000 readiness. The Managing Agent has banking relationships with three major financial institutions, all of which have indicated their compliance efforts will be complete before May 1999. The Managing Agent has updated data transmission standards with two of the three financial institutions. The Managing Agent's contingency plan in this regard is to move accounts from any institution that cannot be certified Year 2000 compliant by June 1, 1999.

The Partnership does not rely heavily on any single vendor for goods and services, and does not have significant suppliers and subcontractors who share information systems (external agent). To date the Partnership is not aware of any external agent with a Year 2000 compliance issue that would materially

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impact the Partnership's results of operations, liquidity, or capital resources. However, the Partnership has no means of ensuring that external agents will be Year 2000 compliant.

The Managing Agent does not believe that the inability of external agents to complete their Year 2000 remediation process in a timely manner will have a material impact on the financial position or results of operations of the Partnership. However, the effect of non-compliance by external agents is not readily determinable.

Costs to Address Year 2000

The total cost of the Year 2000 project to the Managing Agent is estimated at $3.5 million and is being funded from operating cash flows. To date, the Managing Agent has incurred approximately $2.8 million ($0.6 million expensed and $2.2 million capitalized for new systems and equipment) related to all phases of the Year 2000 project. Of the total remaining project costs, approximately $0.5 million is attributable to the purchase of new software and operating equipment, which will be capitalized. The remaining $0.2 million relates to repair of hardware and software and will be expensed as incurred. The Partnership's portion of these costs are not material.

Risks Associated with the Year 2000

The Managing Agent believes it has an effective program in place to resolve the Year 2000 issue in a timely manner. As noted above, the Managing Agent has not yet completed all necessary phases of the Year 2000 program. In the event that the Managing Agent does not complete any additional phases, certain worst case scenarios could occur. The worst case scenarios could include elevators, security and heating, ventilating and air conditioning systems that read incorrect dates and operate with incorrect schedules (e.g., elevators will operate on Monday as if it were Sunday). Although such a change would be annoying to residents, it is not business critical.

In addition, disruptions in the economy generally resulting from Year 2000 issues could also adversely affect the Partnership. The Partnership could be subject to litigation for, among other things, computer system failures, equipment shutdowns or failure to properly date business records. The amount of potential liability and lost revenue cannot be reasonably estimated at this time.

Contingency Plans Associated with the Year 2000

The Managing Agent has contingency plans for certain critical applications and is working on such plans for others. These contingency plans involve, among other actions, manual workarounds and selecting new relationships for such activities as banking relationships and elevator operating systems.

ITEM 7. FINANCIAL STATEMENTS

SHELTER PROPERTIES VII LIMITED PARTNERSHIP

LIST OF FINANCIAL STATEMENTS

Report of Ernst & Young LLP, Independent Auditors

Consolidated Balance Sheet - December 31, 1998

Consolidated Statements of Operations - Years ended December 31, 1998 and 1997

Consolidated Statements of Changes in Partners' Capital (Deficit) - Years ended December 31, 1998 and 1997

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Consolidated Statements of Cash Flows - Years ended December 31, 1998 and 1997

Notes to Consolidated Financial Statements

Report of Ernst & Young LLP, Independent Auditors

The Partners
Shelter Properties VII Limited Partnership

We have audited the accompanying consolidated balance sheet of Shelter Properties VII Limited Partnership as of December 31, 1998, and the related consolidated statements of operations, changes in partners' capital (deficit) and cash flows for each of the two years in the period ended December 31, 1998. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Partnership's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shelter Properties VII Limited Partnership at December 31, 1998, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Greenville, South Carolina
March 3, 1999

SHELTER PROPERTIES VII LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEET

December 31, 1998
(in thousands, except unit data)

Assets	
Cash and cash equivalents	$ 1,201
Receivables and deposits	261
Restricted escrows	91
Other assets	136

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Investment properties:		
Land	$ 1,774	
Buildings and personal property	20,187	
	21,961	
Less accumulated depreciation	(10,762)	11,199
		$12,888

Liabilities and Partners' Capital (Deficit)

Liabilities		
Accounts payable		$ 27
Tenant security deposit liabilities		77
Accrued property taxes		241
Other liabilities		115
Mortgage note payable		10,929
Partners' (Deficit) Capital		
General partner	$ (131)	
Limited partners (17,343 units issued and outstanding)	1,630	1,499
		$12,888

See Accompanying Notes to Consolidated Financial Statements

SHELTER PROPERTIES VII LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except unit data)

	Years Ended December 31,	
	1998	1997
Revenues:		
Rental income	$3,745	$3,525
Other income	199	171
Casualty gain	--	91
Total revenues	3,944	3,787
Expenses:		
Operating	1,464	1,625
General and administrative	163	144
Depreciation	856	806
Interest	884	905
Property taxes	241	184
Total expenses	3,608	3,664
Net income	$ 336	$ 123
Net income allocated to general partner (1%)	$ 3	$ 1
Net income allocated to limited partners (99%)	333	122
	$ 336	$ 123
Net income per limited partnership unit	$19.20	$ 7.03
Distribution per limited partnership unit	$ --	$17.53

See Accompanying Notes to Consolidated Financial Statements

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SHELTER PROPERTIES VII LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL (DEFICIT)
Years Ended December 31, 1998 and 1997

(in thousands, except unit data)

	Limited Partnership Units	General Partner	Limited Partners	Total
Original capital contributions	17,343	$ 2	$17,343	$17,345
Partners' (deficit) capital at December 31, 1996	17,343	$ (135)	$ 1,479	$ 1,344
Distributions paid to partners	--	--	(304)	(304)
Net income for the year ended December 31, 1997	--	1	122	123
Partners' (deficit) capital at December 31, 1997	17,343	(134)	1,297	1,163
Net income for the year ended December 31, 1998	--	3	333	336
Partners' (deficit) capital at December 31, 1998	17,343	$ (131)	$ 1,630	$ 1,499

See Accompanying Notes to Consolidated Financial Statements

SHELTER PROPERTIES VII LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31, 1998	1997
Cash flows from operating activities:		
Net income	$ 336	$ 123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	856	806
Amortization of loan costs and discounts	39	43
Casualty gain	--	(91)
Loss on disposition of property	--	43
Change in accounts:		
Receivables and deposits	37	65
Other assets	36	(10)
Accounts payable	(70)	58
Tenant security deposit liabilities	(1)	(2)
Accrued taxes	57	9
Other liabilities	11	(56)
Net cash provided by operating activities	1,301	988
Cash flows from investing activities:		
Property improvements and replacements	(514)	(996)
Net increase in restricted escrows	(4)	(4)

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Insurance proceeds from property damage	--	52
Net cash used in investing activities	(518)	(948)
Cash flows from financing activities:		
Payments on mortgage notes payable	(194)	(179)
Distribution paid to limited partners	--	(304)
Net cash used in financing activities	(194)	(483)
Net increase (decrease) in cash and cash equivalents	589	(443)
Cash and cash equivalents at beginning of period	612	1,055
Cash and cash equivalents at end of period	$ 1,201	$ 612
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 847	$ 861
Supplemental disclosure of non-cash investing activity:		
Insurance proceeds receivable	$ --	$ 63

See Accompanying Notes to Consolidated Financial Statements

SHELTER PROPERTIES VII LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Shelter Properties VII Limited Partnership (the "Partnership" or "Registrant") was organized as a limited partnership under the laws of the State of South Carolina on October 29, 1984. The general partner responsible for management of the Partnership's business is Shelter Realty VII Corporation, a South Carolina corporation (the "Corporate General Partner"). The only other general partner of the Partnership is N. Barton Tuck, Jr. Mr. Tuck is not an affiliate of the Corporate General Partner and is effectively prohibited by the Partnership's partnership agreement (the "Partnership Agreement") from participating in the management of the Partnership. The Corporate General Partner is a subsidiary of Apartment Investment and Management Company ("AIMCO"). See "Note B - Transfer of Control". The directors and officers of the Corporate General Partner also serve as executive officers of AIMCO. The Partnership Agreement provides that the Partnership is to terminate on December 31, 2024 unless terminated prior to such date. The Partnership commenced operations on August 27, 1985, and completed its acquisition of apartment properties on December 6, 1985. The Partnership owns two apartment properties located in Tennessee and Colorado.

Principles of Consolidation: The Registrant's financial statements include the accounts of the Registrant and its 99.99% owned partnership. The General Partner of the consolidated partnership is Shelter Realty VII Corporation. Shelter Realty VII Corporation may be removed by the Registrant; therefore, the consolidated partnership is controlled and consolidated by the Registrant. All significant interpartnership transactions have been eliminated.

Uses of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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Allocation of Cash Distributions: Cash distributions by the Partnership are allocated between the general and limited partners in accordance with the provisions of the Partnership Agreement. The Partnership Agreement defines net cash from operations as revenue received less operating expenses paid, adjusted for certain specified items which primarily include mortgage payments on debt, property improvements and replacements not previously reserved, and the effects of other adjustments to reserves including reserve amounts deemed necessary by the Corporate General Partner. In the following notes to the financial statements, whenever "net cash from operations" is used, it has the aforementioned meaning. The following is a reconciliation of the subtotal in the accompanying statements of cash flows captioned "net cash provided by operating activities" to "net cash from operations," as defined in the Partnership Agreement. However, "net cash from operations" should not be considered an alternative to net income as an indicator of the Partnership's operating performance or to cash flows as a measure of liquidity.

	1998	1997
	(in thousands)	
Net cash provided by operating activities	$1,301	$ 988
Property improvements and replacements	(514)	(996)
Payments on mortgage notes payable	(194)	(179)
Changes in reserves for net operating liabilities	(70)	(64)
Changes in restricted escrows, net	(4)	(4)
Insurance proceeds from property damage	--	52
Net cash from operations	$ 519	$ (203)

Distributions made from reserves no longer considered necessary by the Corporate General Partner are considered to be additional net cash from operations for allocation purposes. In May 1997, the Partnership distributed approximately $300,000 to the limited partners and in April 1997, the Partnership paid approximately $4,000 to Colorado for state tax withholdings on behalf of the limited partners. No distributions were declared or paid in 1998. During the first quarter of 1999, the Partnership made a distribution in the amount of $600,000 from operations.

The Partnership Agreement provides that 99% of distributions of net cash from operations are allocated to the limited partners until they receive net cash from operations for such fiscal year equal to 7% of their adjusted capital values (as defined in the Partnership Agreement), at which point the general partners will be allocated all net cash from operations until they have received distributions equal to 10% of the aggregate net cash from operations distributed to partners for such fiscal year. Thereafter, the general partners will be allocated 10% of any distributions of remaining net cash from operations for such fiscal year.

All distributions of distributable net proceeds (as defined in the Partnership Agreement) from property dispositions and refinancings will be allocated to the limited partners until each limited partner has received an amount equal to a cumulative 7% per annum of the average of the limited partners' adjusted capital value, less any prior distributions of net cash from operations and distributable net proceeds, and has also received an amount equal to the limited partners' adjusted capital value. Thereafter, the general partners receive 1% of the selling prices of properties sold where they acted as a broker, and then the limited partners will be allocated 85% of any remaining distributions of distributable net proceeds and the general partners will receive 15%.

Distributions may be restricted by the requirement to deposit net operating income (as defined in the mortgage note) into the Reserve Account until the Reserve Account is funded in an amount equal to $400 per apartment unit for Governor's Park for a total of $75,200. As of December 31, 1998, the Partnership had deposits of approximately $90,000 in its Reserve Account.

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Undistributed Net Proceeds from Refinancing: At December 31, 1998, $567,000 of net proceeds from refinancings remained undistributed.

Allocation of Profits, Gains and Losses: Profits, gains and losses of the Partnership are allocated between general and limited partners in accordance with the provisions of the Partnership Agreement.

For any fiscal year, to the extent that profits, not including gains from property dispositions, do not exceed distributions of net cash from operations, such profits are allocated in the same manner as such distributions.

Any gain from property dispositions attributable to the excess, if any, of the indebtedness relating to a property immediately prior to the disposition of such property over the Partnership's adjusted basis in the property shall be allocated to each partner having a negative capital account balance, to the extent of such negative balance. The balance of any gain shall be treated on a cumulative basis as if it constituted an equivalent amount of distributable net proceeds and shall be allocated to the general partners to the extent that general partners would have received distributable net proceeds in connection therewith; the balance shall be allocated to the limited partners. However, the interest of the general partners will be equal to at least 1% of each gain at all times during the existence of the Partnership. Accordingly, net income as shown in the statement of operations and changes in partners' capital (deficit) for 1998 was allocated 99% to the limited partners and 1% to the general partners. Net income per limited partnership unit was computed by dividing the net income allocated to the limited partners by 17,343 units outstanding.

All losses, including losses attributable to property dispositions, are allocated 99% to the limited partners and 1% to the general partners.

Other Reserves: The Corporate General Partner may designate a portion of cash generated from operations as "other reserves" in determining net cash from operations. The general partners designated as other reserves an amount equal to the net liabilities related to the operations of apartment properties during the current fiscal year that are expected to require the use of cash during the next fiscal year. The decrease in other reserves during 1998 was approximately $70,000, as compared to a decrease of approximately $64,000 during 1997. These amounts were determined by considering changes in the balances of, receivables and deposits, other assets, accounts payable, tenant security deposit liabilities, accrued property taxes and other liabilities. At this time, the Corporate General Partners expect to continue to adjust other reserves based on the net change in the aforementioned account balances.

Cash and Cash Equivalents: Includes cash on hand and in banks, money market funds and certificates of deposit with original maturities less than 90 days. At certain times, the amount of cash deposited at a bank may exceed the limit on insured deposits.

Restricted Escrows: At the time of the refinancing of the Governor's Park mortgage note payable in 1993, a General Reserve Account was established with the refinancing proceeds from Governor's Park. These funds were established to cover necessary repairs and replacements of existing improvements, debt service, out of pocket expenses incurred for ordinary and necessary administrative tasks, and payment of real property taxes and insurance premiums. The Partnership is required to deposit net operating income (as defined in the mortgage note) to the Governor's Park reserve account until it equals $400 per apartment unit or $75,200 in total. The balance in the reserve account at December 31, 1998, is approximately $90,000, which includes interest earned on these funds.

Investment Properties: Investment properties consist of two apartment complexes and are stated at cost. Acquisition fees are capitalized as a cost of real estate. In accordance with Financial Accounting Standards Board Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived

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Assets to Be Disposed Of," the Partnership records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Costs of apartment properties that have been permanently impaired have been written down to appraised value. The Corporate General Partner relies on the annual appraisals performed by the outside appraisers for the estimated value of the Partnership's properties. There are three recognized approaches or techniques available to the appraiser. When applicable, these approaches are used to process the data considered significant to each to arrive at separate value indications. In all instances the experience of the appraiser, coupled with his objective judgment, plays a major role in arriving at the conclusions of the indicated value from which the final estimate of value is made. The three approaches commonly known are the cost approach, the sales comparison approach, and the income approach. The cost approach is often not considered to be reliable due to the lack of land sales and the significant amount of depreciation and, therefore, is often not presented. Upon receipt of the appraisals, any property which is stated on the books of the Partnership above the estimated value given in the appraisal, is written down to the estimated value given by the appraiser. The appraiser assumes a stabilized occupancy at the time of the appraisal and, therefore, any impairment of value is considered to be permanent by the Corporate General Partner. No adjustments for impairment of value were recorded in the years ended December 31, 1998 or 1997.

Depreciation: Depreciation is provided by the straight-line method over the estimated lives of the apartment properties and related personal property. For Federal income tax purposes, the accelerated cost recovery method is used (1) for real property over 15 years for additions prior to March 16, 1984, 18 years for additions after March 15, 1984 and before May 9, 1985, and 19 years for additions after May 8, 1985, and before January 1, 1987, and (2) for personal property over 5 years for additions prior to January 1, 1987. As a result of the Tax Reform Act of 1986, for additions after December 31, 1986, the modified accelerated cost recovery method is used for depreciation of (1) real property over 27 1/2 years and (2) personal property additions over 7 years.

Loan Costs: Loan costs of approximately $304,000, net of accumulated amortization of approximately $170,000, are included in other assets and are being amortized on a straight-line basis over the life of the loans.

Tenant Security Deposits: The Partnership requires security deposits from lessees for the duration of the lease and such deposits are included in receivables and deposits. Deposits are refunded when the tenant vacates, provided the tenant has not damaged its space and is current on its rental payments.

Fair Value of Financial Instruments: Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures about Fair Value of Financial Instruments", as amended by SFAS No. 119, "Disclosures about Derivative Financial Instruments and Fair Value of Financial Instruments", requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Fair value is defined in the SFAS as the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Partnership believes that the carrying amount of its financial instruments (except for long term debt) approximates their fair value due to the short term maturity of these instruments. The fair value of the Partnership's long term debt, after discounting the scheduled loan payments to maturity, approximates its carrying balance.

Leases: The Partnership generally leases apartment units for twelve-month terms or less. The Partnership recognizes income as earned on its leases. In addition, the Corporate General Partner's policy is to offer rental concessions during particularly slow months or in response to heavy competition from other similar complexes in the area. Concessions are charged to rental income as

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incurred.

Advertising Costs: The Partnership expenses the cost of advertising as incurred. Advertising costs of approximately $71,000 in 1998, and approximately $59,000 in 1997 were charged to expenses as incurred and are included in operating expenses.

Segment Reporting: In June 1997, the Financial Accounting Standards Board issued Statement of Financial Standards No. 131, Disclosure about Segments of an Enterprise and Related Information ("Statement 131"), which is effective for years beginning after December 15, 1997. Statement 131 established standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. See "Note H" for segment disclosures.

Reclassifications: Certain reclassifications have been made to the 1997 information to conform to the 1998 presentation.

NOTE B - TRANSFER OF CONTROL

Pursuant to a series of transactions which closed on October 1, 1998 and February 26, 1999, Insignia Financial Group, Inc. and Insignia Properties Trust merged into Apartment Investment and Management Company, a publicly traded real estate investment trust, with AIMCO being the surviving corporation (the "Insignia Merger"). As a result, AIMCO ultimately acquired a 100% ownership interest in Insignia Properties Trust ("IPT"), the entity which controls the Managing General Partner. The Managing General Partner does not believe that this transaction will have a material effect on the affairs and operations of the Partnership.

NOTE C - RELATED PARTY TRANSACTIONS

The Partnership has no employees and is dependent on the Corporate General Partner and its affiliates for the management and administration of all Partnership activities. The Partnership Agreement provides for payments to affiliates for services and as reimbursement of certain expenses incurred by affiliates on behalf of the Partnership. The following payments were made to an affiliate of the Corporate General Partner during the years ended December 31, 1998 and 1997:

	1998	1997
	(in thousands)	
Property management fees (included in operating expenses)	$196	$184
Reimbursements for services of affiliates (included in investment properties, operating and general and administrative expenses) (1)	93	136

(1) Included in "reimbursements for services of affiliates" is approximately $5,000 and $51,000, for the years ended December 31, 1998 and 1997, respectively, in reimbursements for construction oversight costs.

During the years ended December 31, 1998 and 1997, affiliates of the Corporate General Partner were entitled to receive 5% of gross receipts from all of the Registrant's properties for providing property management services. The Registrant paid to such affiliates $196,000 and $184,000 for the years ended December 31, 1998 and 1997 respectively.

An affiliate of the Corporate General Partner received reimbursement of accountable administrative expenses amounting to approximately $93,000 and $136,000 for the years ended December 31, 1998 and 1997, respectively.

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During December 1997, an affiliate of the Corporate General Partner (the "Purchaser") commenced a tender offer for limited partnership interests in the Partnership. The Purchaser offered to purchase up to 7,000 of the outstanding units of limited partnership interest in the Partnership at $350 per Unit, net to the seller in cash. During February 1998, the tender offer was completed and the Purchaser tendered 2,180 units of limited partnership interest in the Partnership or 12.57% of the total outstanding units.

On July 21, 1998, another affiliate of the Corporate General Partner (the "Second Purchaser") commenced a second tender offer for limited partnership interests in the Partnership. The Purchaser offered to purchase up to 6,000 of the outstanding units of limited partnership interest in the Partnership, at $450 per Unit, net to the seller in cash. During August 1998, the tender offer was completed and the "Second Purchaser" acquired 1,450 units of limited partnership interest in the Partnership or 8.36% of the total outstanding units.

As of December 31, 1998, affiliates of AIMCO own approximately 3,877 Units or approximately 22.355% of outstanding limited partnership units.

For the period of January 1, 1997 to August 31, 1997, the Partnership insured its properties under a master policy through an agency affiliated with the Corporate General Partner with an insurer unaffiliated with the Corporate General Partner. An affiliate of the Corporate General Partner acquired, in the acquisition of a business, certain financial obligations from an insurance agency which was later acquired by the agent who placed the master policy. The agent assumed the financial obligations to the affiliate of the Corporate General Partner, which receives payment on these obligations from the agent. The amount of the Partnership's insurance premiums accruing to the benefit of the affiliate of the Corporate General Partner by virtue of the agent's obligations is not significant.

NOTE D - MORTGAGE NOTES PAYABLE

The principle terms of mortgage notes payable are as follows:

Property	Principal Balance At December 31, 1998 (in thousands)	Monthly Payment Including Interest	Stated Interest Rate	Maturity Date	Principal Balance Due At Maturity (in thousands)
Hickory Ridge	$ 6,373	$ 51	7.50%	03/01/01	$6,057
Governor's Park					
1st mortgage	4,466	35	7.83%	10/15/03	4,083
2nd mortgage	147	1	7.83%	10/15/03	147
	10,986	$ 87			
Less unamortized discounts	(57)				
	$10,929				$10,287

The mortgage notes payable are non-recourse and are secured by pledge of the respective apartment properties and by pledge of revenues from the respective properties. Prepayment penalties are required if repaid prior to maturity. Further the properties may not be sold subject to existing indebtedness.

Scheduled principal payments of mortgage notes payable subsequent to December 31, 1998, are as follows (in thousands):

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1999	$ 209
2000	225
2001	6,164
2002	88
2003	4,300
	$10,986

NOTE E - REAL ESTATE AND ACCUMULATED DEPRECIATION

		Initial Cost To Partnership (in thousands)		
Description	Encumbrances	Land	Buildings and Related Personal Property	Cost Capitalized Subsequent to Acquisition
Hickory Ridge Apts. Memphis, Tennessee	$ 6,373	$1,060	$11,839	$ 1,411
Governor's Park Apts. Ft. Collins, Colorado	4,613	714	6,496	441
Totals	$10,929	$1,774	$18,335	$ 1,852

<TABLE>
<CAPTION>

	Gross Amount At Which Carried At December 31, 1998 (in thousands)						
Description	Land	Buildings And Related Personal Property	Total	Accumulated Depreciation (in thousands)	Date of Construction	Date Acquired	Depreciation Life-Years
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Hickory Ridge Apts. Memphis, Tennessee	$1,060	$13,250	$14,310	$7,413	1971-1973	08/27/85	5-29
Governor's Park Apts. Ft. Collins, Colorado	714	6,937	7,651	3,349	1983	09/30/85	5-39
Totals	$1,774	$20,187	$21,961	$10,762			

</TABLE>

Reconciliation of "Real Estate and Accumulated Depreciation"

	Years Ended December 31, 1998	1997
Real Estate		

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Balance at beginning of year	$21,447	$20,553
Property improvements	514	996
Disposal of property	--	(102)
Balance at End of Year	$21,961	$21,447

Accumulated Depreciation

Balance at beginning of year	$ 9,906	$ 9,134
Additions charged to expense	856	806
Disposal of property	--	(34)
Balance at End of Year	$10,762	$ 9,906

The aggregate cost of investment property for Federal income tax purposes at December 31, 1998 and 1997 is approximately $24,732,000 and $24,217,000. The accumulated depreciation taken for Federal income tax purposes at December 31, 1998 and 1997 is approximately $15,234,000 and $14,244,000, respectively.

NOTE F - DISTRIBUTIONS

During the year ended December 31, 1997, the Partnership declared and paid a cash distribution to the limited partners in the amount of $304,000 ($17.53 per limited partnership unit). No distributions were paid in 1998. Subsequent to December 31, 1998 the Partnership distributed approximately $594,000 to the limited partners ($34.25 per limited partnership unit) and $6,000 to the General Partners.

NOTE G - INCOME TAXES

The Partnership has received a ruling from the Internal Revenue Service that it will be classified as a partnership for federal income tax purposes. Accordingly, no provision for income taxes is made in the financial statements of the Partnership. Taxable income or loss of the Partnership is reported in the income tax returns of its partners.

The following is a reconciliation of reported net income and Federal taxable income (in thousands, except per unit data):

	1998	1997
Net income as reported	$ 336	$ 123
Add (deduct):		
Depreciation differences	(133)	(126)
Unearned income	23	21
Casualty	--	15
Other	23	18
Federal taxable income	$ 249	$ 51
Federal taxable income per limited partnership unit	$14.22	$2.91

The following is a reconciliation between the Partnership's reported amounts and Federal tax basis of net assets and liabilities (in thousands):

Net assets as reported	$ 1,499
Buildings	2.770
Accumulated depreciation	(4,471)
Syndication fees	2,292
Other	93

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Net assets - tax basis $ 2,183

NOTE H - SEGMENT REPORTING

Description of the types of products and services from which the reportable segment derives its revenues:

As defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", Shelter Properties VII Limited Partnership has one reportable segment: residential properties. The Partnership's residential property segment consists of two apartment complexes, located in Tennessee and Colorado. The Partnership rents apartment units to people for terms that are typically twelve months or less.

Measurement of segment profit or loss:

The Partnership evaluates performance based on net income. The accounting policies of the reportable segment are the same as those described in the summary of significant accounting policies.

Factors management used to identify the enterprise's reportable segment:

The Partnership's reportable segment consists of investment properties that offer similar products and services. Although each of the investment properties is managed separately, they have been aggregated into one segment as they provide services with similar types of products and customers.

Segment information for the years 1998 and 1997 is shown in the tables below. The "Other" Column includes partnership administration related items and income and expense not allocated to the reportable segment.

1998	Residential	Other	Totals
Rental income	$ 3,745	$ --	$ 3,745
Other income	179	20	199
Interest expense	884	--	884
Depreciation	856	--	856
General and administrative expense	--	163	163
Casualty gain	--	--	--
Segment profit (loss)	479	(143)	336
Total assets	12,380	508	12,888
Capital expenditures for investment properties	514	--	514

1997	Residential	Other	Totals
Rental income	$ 3,525	$ --	$ 3,525
Other income	143	28	171
Interest expense	905	--	905
Depreciation	806	--	806
General and administrative expense	--	144	144
Casualty gain	91	--	91
Segment profit (loss)	239	(116)	123
Total assets	12,317	425	12,742
Capital expenditures for investment properties	996	--	996

NOTE I - LEGAL PROCEEDINGS

In March 1998, several putative unit holders of limited partnership units of the Partnership commenced an action entitled Rosalie Nuanes, et al. v. Insignia

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Financial Group, Inc., et al. in the Superior Court of the State of California for the County of San Mateo. The plaintiffs named as defendants, among others, the Partnership, the Corporate Partner and several of their affiliated partnerships and corporate entities. The complaint purports to assert claims on behalf of a class of limited partners and derivatively on behalf of a number of limited partnerships (including the Partnership) which are named as nominal defendants, challenging the acquisition by Insignia Financial Group, Inc. ("Insignia") and entities which were, at one time, affiliates of Insignia ("Insignia Affiliates") of interests in certain general partner entities, past tender offers by Insignia Affiliates to acquire limited partnership funds, the management of partnerships by Insignia Affiliates as well as a recently announced agreement between Insignia and Apartment Investment and Management Company ("AIMCO"). The complaint seeks monetary damages and equitable relief, including judicial dissolution of the Partnership. On June 25, 1998, the Corporate General Partner filed a motion seeking dismissal of the action. In lieu of responding to the motion, the plaintiffs have filed an amended complaint. The Corporate General Partner has filed demurrers to the amended complaint which were heard during February 1999. No ruling on such demurrers has been received. The Corporate General Partner does not anticipate that costs associated with this case, if any, to be material to the Partnership's overall operations.

On July 30, 1998, certain entities claiming to own limited partnership interests in certain limited partnerships whose general partners were, at the time, affiliates of Insignia filed a complaint entitled Everest Properties, LLC, et. al. v. Insignia Financial Group, Inc., et. al. in the Superior Court of the State of California, County of Los Angeles. The action involves 44 real estate limited partnerships (including the Partnership) in which the plaintiffs allegedly own interests and which Insignia Affiliates allegedly manage or control (the "Subject Partnerships"). This case was settled on March 3, 1999. The Partnership is responsible for a portion of the settlement costs. The expense will not have a material effect on the Partnership's net income.

The Partnership is unaware of any other pending or outstanding litigation that is not of a routine nature arising in the ordinary course of business.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS, COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The Registrant has no officers or directors. The Individual and Corporate General Partners are as follows:

Individual General Partner - N. Barton Tuck, Jr., age 60, is the Individual General Partner of the Registrant. Mr. Tuck is Chairman of GolfSouth Management, Inc. Until August 1990, he served as Chairman and Chief Executive Officer of U.S. Shelter Corporation ("Shelter"), the former parent of AmReal Corporation (the former parent of the Corporate General Partner of the Partnership). For six years prior to 1966, Mr. Tuck was employed in Greenville, South Carolina by the certified public accounting firm of S.D. Leidesdorf & Company. From 1966 to 1970, he was a registered representative with the investment banking firm of Harris Upham & Co., Inc. in Greenville, South Carolina. Since 1970, Mr. Tuck has been engaged in arranging equity investments for individuals and partnerships. Mr. Tuck is a graduate of the University of North Carolina. Mr. Tuck has delegated to the Corporate General Partner all of his authority, as a general partner of the Partnership, to manage and control

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the Partnership and its business and affairs.

Corporate General Partner - The names and ages of, as well as the positions and offices held by, the executive officers and directors of Shelter Realty VII Corporation ("Corporate") are set forth below. There are no family relationships between or among any officers or directors.

Name	Age	Position
Patrick J. Foye	41	Executive Vice President and Director
Timothy R. Garrick	42	Vice President _ Accounting and Director

Patrick J. Foye has been Executive Vice President and Director of the Corporate General Partner since October 1, 1998. Mr. Foye has served as Executive Vice President of AIMCO since May 1998. Prior to joining AIMCO, Mr. Foye was a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP from 1989 to 1998 and was Managing Partner of the firm's Brussels, Budapest and Moscow offices from 1992 through 1994. Mr. Foye is also Deputy Chairman of the Long Island Power Authority and serves as a member of the New York State Privatization Council. He received a B.A. from Fordham College and a J.D. from Fordham University Law School.

Timothy R. Garrick has served as Vice President-Accounting of AIMCO and Vice President-Accounting and Director of the Corporate General Partner since October 1, 1998. Prior to that date, Mr. Garrick served as Vice President-Accounting Services of Insignia Financial Group since June of 1997. From 1992 until June of 1997, Mr. Garrick served as Vice President of Partnership Accounting and from 1990 to 1992 as an Asset Manager for Insignia Financial Group. From 1984 to 1990, Mr. Garrick served in various capacities with U.S. Shelter Corporation. From 1979 to 1984, Mr. Garrick worked on the audit staff of Ernst & Whinney. Mr. Garrick received his B.S. Degree from the University of South Carolina and is a Certified Public Accountant.

ITEM 10. EXECUTIVE COMPENSATION

Neither the Individual General Partner nor any of the directors and officers of the Corporate General Partner received any renumeration from the Registrant.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Except as provided below, as of December 31, 1998, no person or entity was known by the Registrant to be the beneficial owner of more than five percent of the Limited Partnership Units of the Registrant as of December 31, 1998.

Name and Address	Number of Units	Percent Of Total
Insignia Properties, LP (an affiliate of AIMCO)	247	1.424%
Madison River Properties LLC (an affiliate of AIMCO)	2,180	12.57%
Cooper River Properties LLC (an affiliate of AIMCO)	1,450	8.361%

Insignia Properties LP, Madison River Properties LLC and Cooper River Properties LLC are all indirectly ultimately owned by AIMCO. Their business address is 55 Beattie Place, Greenville, SC 29602.

No director or officer of the Corporate General Partner owns any Units. The Corporate General Partner owns 100 Units as required by the items of the partnership agreement governing the partnership.

On October 1, 1998, Insignia Financial Group, Inc. merged into AIMCO, a real

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estate investment trust, whose Class A Common Shares are listed on the New York Stock Exchange. As a result of such merger, AIMCO and AIMCO Properties, L.P., a Delaware limited partnership and the operating partnership of AIMCO ("AIMCO OP") acquired indirect control of the Corporate General Partner. AIMCO and its affiliates currently own 22.355% of the limited partnership interests in the Partnership. AIMCO is presently considering whether it will engage in an exchange offer for additional partnership interests in the Partnership. There is a substantial likelihood that, within a short period of time, AIMCO OP will offer to acquire limited partnership interests in the Partnership for cash or preferred units or common units of limited partnerships interests in AIMCO OP. While such an exchange offer is possible, no definite plans exist as to when or whether to commence such an exchange offer, or as to the terms of any such exchange offer, and it is possible that none will occur.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Form 10-KSB shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such state.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Partnership has no employees and is dependent on the Corporate General Partner and its affiliates for the management and administration of all Partnership activities. The Partnership Agreement provides for payments to affiliates for services and as reimbursement of certain expenses incurred by affiliates on behalf of the Partnership. The following payments were made to an affiliate of the Corporate General Partner during the years ended December 31, 1998 and 1997:

	1998	1997
	(in thousands)	
Property management fees (included in operating expenses)	$196	$184
Reimbursements for services of affiliates (included in investment properties, operating and general and administrative expenses) (1)	93	136

(1) Included in "reimbursements for services of affiliates" is approximately $5,000 and $51,000, for the years ended December 31, 1998 and 1997, respectively, in reimbursements for construction oversight costs.

During the years ended December 31, 1998 and 1997, affiliates of the Corporate General Partner were entitled to receive 5% of gross receipts from all of the Registrant's properties for providing property management services. The Registrant paid to such affiliates $196,000 and $184,000 for the years ended December 31, 1998 and 1997 respectively.

An affiliate of the Corporate General Partner received reimbursement of accountable administrative expenses amounting to approximately $93,000 and $136,000 for the years ended December 31, 1998 and 1997, respectively.

During December 1997, an affiliate of the Corporate General Partner (the "Purchaser") commenced a tender offer for limited partnership interests in the Partnership. The Purchaser offered to purchase up to 7,000 of the outstanding units of limited partnership interest in the Partnership at $350 per Unit, net to the seller in cash. During February 1998, the tender offer was completed and the Purchaser tendered 2,180 units of limited partnership interest in the Partnership or 12.57% of the total outstanding units.

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On July 21, 1998, another affiliate of the Corporate General Partner (the "Second Purchaser") commenced a second tender offer for limited partnership interests in the Partnership. The Purchaser offered to purchase up to 6,000 of the outstanding units of limited partnership interest in the Partnership, at $450 per Unit, net to the seller in cash. During August 1998, the tender offer was completed and the "Second Purchaser" acquired 1,450 units of limited partnership interest in the Partnership or 8.36% of the total outstanding units.

As of December 31, 1998, affiliates of AIMCO own approximately 3,877 Units or approximately 22.355% of outstanding limited partnership units.

For the period of January 1, 1997 to August 31, 1997, the Partnership insured its properties under a master policy through an agency affiliated with the Corporate General Partner with an insurer unaffiliated with the Corporate General Partner. An affiliate of the Corporate General Partner acquired, in the acquisition of a business, certain financial obligations from an insurance agency which was later acquired by the agent who placed the master policy.

The agent assumed the financial obligations to the affiliate of the Corporate General Partner, which receives payment on these obligations from the agent. The amount of the Partnership's insurance premiums accruing to the benefit of the affiliate of the Corporate General Partner by virtue of the agent's obligations is not significant.

ITEM 13. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 27, Financial Data Schedule, is filed as an exhibit to this report.

(b) Reports on Form 8-K filed during the fourth quarter of 1998:

Current Report on Form 8-K dated October 1, 1998 and filed on October 16, 1998, disclosing change in control of the Registrant from Insignia Financial Group, Inc. to AIMCO.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHELTER PROPERTIES VII LIMITED PARTNERSHIP

By: SHELTER REALTY VII CORPORATION
Corporate General Partner

By: /s/Patrick J. Foye
Patrick J. Foye
Executive Vice President

By: /s/Timothy R. Garrick
Timothy R. Garrick
Vice President - Accounting

Date: March 26, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report

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has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Patrick J. Foye Date: March 26, 1999
Patrick J. Foye
Executive Vice President and Director

By: /s/Timothy R. Garrick Date: March 26, 1999
Timothy R. Garrick
Vice President - Accounting and Director

INDEX OF EXHIBITS

Exhibit

3 See Exhibit 4(a)

4(a) Amended and Restated Certificate and Agreement of Limited Partnership [included as Exhibit A to the Prospectus of Registrant dated March 18, 1985 contained in Amendment No. 1 to Registration Statement No. 2-94604, of Registrant filed March 18, 1985 (the "Prospectus") and incorporated herein by reference].

(b) Subscription Agreements and Signature Pages. [Filed with Amendment No. 1 of Registration Statement No. 2-94604, of Registrant filed March 18, 1985 and incorporated herein by reference].

(c) Wrap around Deed of Trust Note and Deed of Trust and Personal Property Security Agreement between Boyle Trust and Investment Company and Shelter Properties VII to acquire Hickory Ridge Apartments.*

(d) Promissory Note and Combination Deed of Trust, Security Agreement and Fixture Financing Statement between State Mutual Life Assurance Company of America and Shelter Properties VII to acquire Governor's Park Apartments.*

*Filed as Exhibit 4(d) and 4(e), respectively, to Form 10-K of Registrant for year ended December 31, 1987 and incorporated herein by reference.

10(i) Contracts related to acquisition of properties.

(a) Purchase Agreement dated October 8, 1984 as Amended by Addendum dated December 27, 1984 between Boyle and Trust and Investment Company, Trustee and U.S. Shelter Corporation to acquire Hickory Ridge Apartments. [Filed as Exhibit 10(E) to Amendment No. I of Registration Statement No. 2-94604 of the Registrant filed March 18, 1985 and incorporated herein by reference.]

(b) Purchase Agreement dated January 14, 1985, between NFC/TDM Joint Venture and U.S. Shelter Corporation to acquire Governor's Park Apartments. [Filed as Exhibit 10(F) to Post-Effective Amendment No. 2 of Registration Statement No. 2-94604 of the Registrant filed June 27, 1985 and incorporated herein by reference.]

10(ii) Form of Management Agreement with U.S. Shelter Corporation subsequently assigned to Shelter Management Group, L.P. (now known as Insignia Management Group, L.P.). [Filed with Amendment No. 1 of

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Registration Statement, No. 2-94604, of Registrant filed March 18, 1985 and incorporated herein by reference.]

(iii) Contracts related to refinancing of debt:

2.1 Agreement and Plan of Merger, dated as of October 1,1998, by and between AIMCO and IPT (incorporated by reference to Exhibit 2.1 of IPT's Current Report on Form 8-K, File No 1-14179, dated October 1, 1998).

(a) Tennessee Deed of Trust and Security Agreement dated December 28, 1988 between Shelter Properties VII Limited Partnership and John Hancock Mutual Life Insurance Company relating to Hickory Ridge Apartments. *

(b) Promissory Note dated December 28, 1988 between Shelter Properties VII Limited Partnership and John Hancock Mutual Life Insurance Company, a Massachusetts corporation, relating to Hickory Ridge Apartments. First Amendment to Note and Certification and Release by Borrower between John Hancock Mutual Life Insurance Company and Shelter Properties VII Limited Partnership and dated July 5, 1992. *

*Filed as Exhibits 10(iii) (a) and (b), respectively, to Form 10KSB for the year ended December 31, 1992 and incorporated herein by reference.

(c) First Deed of Trust Note dated September 30, 1993 between Governor's Park Apartments VII Limited Partnership and Lexington Mortgage Company, a Virginia corporation, relating to Governor's Park. **

(d) Second Deed of Trust Note dated September 30, 1993 between Governor's Park Apartments VII Limited Partnership and Lexington Mortgage Company, a Virginia corporation, relating to Governor's Park. **

(e) First Deed of Trust and Security Agreement between Governor's Park Apartments VII Limited Partnership and Lexington Mortgage Company, a Virginia corporation, securing Governor's Park Apartments. **

(f) Second Deed of Trust and Security Agreement between Governor's Park Apartments VII Limited Partnership and Lexington Mortgage Company, a Virginia corporation, securing Governor's Park Apartments. **

(g) First Collateral Assignment of Leases and Rents dated September 30, 1993 between Governor's Park Apartments VII Limited Partnership and Lexington Mortgage Company, a Virginia corporation, securing Governor's Park Apartments. **

(h) Second Collateral Assignment of Leases and Rents dated September 30, 1993 between Governor's Park Apartments VII Limited Partnership and Lexington Mortgage Company, a Virginia corporation, securing Governor's Park Apartments. **

**Filed as Exhibits 10 (iii) (a) through (h) to Form 10QSB for the quarter ended September 30, 1993 and incorporated herein by reference.

(i) Note Modification Agreement and Amended and Restated Promissory Note both dated February 28, 1994 between Shelter Properties VII Limited Partnership and John Hancock Mutual Life Insurance Company relating to Hickory Ridge Apartments.

(j) Modification to Security Instruments dated February 28, 1994 between Shelter Properties VII Limited Partnership and John Hancock Mutual Life Insurance Company relating to Hickory Ridge Apartments.

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***Filed as Exhibits 10(iii) (i) through (j) to Form 10-KSB for the year ended December 31, 1993 and incorporated herein by reference.

22 Subsidiaries of the Registrant

27 Financial Data Schedule

99 (a) Prospectus of Registrant dated March 18, 1985 [included in Registration Statement No. 2-94604, of Registrant] and incorporated herein by reference.

(b) Agreement of Limited Partnership for Governor's Park Apartments VII Limited Partnership between Shelter Properties VII GP Limited Partnership and Shelter Properties VII Limited Partnership entered into September 9, 1993. ****

(c) Agreement of Limited Partnership for Shelter Properties VII GP Limited Partnership between Shelter VII Limited Partnership and Shelter Realty VII Corporation. ****

****Filed as Exhibits 28(a) and (b) to Form 10QSB dated September 30, 1993 and incorporated herein by reference.

EXHIBIT 22

SHELTER PROPERTIES VII LIMITED PARTNERSHIP

SUBSIDIARY LIST

Name of Subsidiary	State of Incorporation/ Formation	Date
Governor's Park Apartments VII Limited Partnership	South Carolina	1993
Shelter VII GP Limited Partnership	South Carolina	1993

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