Bentall V on Burrard Street in Vancouver

Newsletter

Spring / Summer 2007

partnership.
performance.

AVISON YOUNG

Intelligent
Real Estate Solutions

Avison Young is the real estate partner business trusts for intelligent, integrated solutions. We deliver results that are aligned with your strategic business objectives, supporting real estate initiatives that add value and build competitive advantage for your organization.

Green Real Estate – A Growing Trend

Environmental responsibility is a trend that in recent months has gained greater visibility and relevance for Canadians. Several recent electoral polls rank the environment as the number one issue in our upcoming federal election, and already the government has introduced both incentives and penalties to encourage more energy efficient behaviours among individuals.

Environmental stewardship is also becoming one of the most significant issues facing owners and users of commercial real estate. As in many sectors, environmental policies and practices have become a metric against which a company's performance is measured.

As marketers embrace ways to differentiate companies based on environmental initiatives and consumers demonstrate a willingness to pay more for environmentally friendly products, the commercial real estate business is uniquely positioned to be a leader in the push to go green.

Our industry has never enjoyed such a long period of sustained growth, our products have never been in such strong demand and our end users have never been more able to pay for the buildings they need.

In addition, the great majority of our inventory is far from energy efficient. We are literally breaking ground on new environmental programs that reduce the environmental "footprint" and demonstrate significant contributions to the bottom line.

The early leaders in environmental efficiency and design are now providing irrefutable evidence that the "payback" on green building initiatives is not merely accounted for in cost savings and increased product values but also in increased productivity and "quality of life".

Rarely are business people in a position where doing the right thing on a social and cultural level is not only justified but driven by a financial benefit. By taking advantage of these circumstances and doing the right thing on all these levels, we have the opportunity to make a better, greener world for our children.

R. Craig Tresham, Principal, Avison Young Toronto

Halifax

1583 Hollis Street, Suite 302
Halifax, NS B3J 1V4
T 902.442.4050 **F** 902.442.4051

Strong Economy Fuels Real Estate Activity

The Halifax economy remains robust. Through the first half of 2007, new construction, increased retail sales and manufacturing activity and an improving employment rate have contributed to Halifax's vibrant economy.

The health of the Halifax market is evidenced in ongoing development in a variety of sectors. One such project is Keltic Petrochemicals' proposed development of a liquefied natural gas (LNG) plant and supporting cogeneration plant and a receiving terminal located in Goldboro. This $5 billion project received environmental approval in March that allows Keltic to move to the next phase of securing feedstock for the complex. With the regulatory approvals in place, construction could begin later this year with operations scheduled to commence in 2011.

A view of the Halifax Harbour, home to the towers of Purdy's Wharf and the Halifax Marriott Harbourfront.

Construction continues at Dartmouth Crossing and Bedford Commons. These retail power centres, each planning approximately 1.5 million square feet of retail at full capacity, have opened stores and more openings are anticipated throughout the year. Most recently it was announced that Dartmouth Crossing has attracted JYSK, a Scandinavian furniture retailer that currently operates 29 stores in Canada. When these centres are completed in 2009, the retail inventory in Halifax will be approximately 12 million square feet.

The Halifax office sector showed continued strength during the first quarter of 2007. A number of new firms have moved into the market and others, including UK-based Admiral Insurance, have made announcements that they will be moving here in the coming months. The overall vacancy rate remains at approximately 6.5%. New supply in the suburban market, most significantly the addition/conversion of approximately 130,000 square feet of office space at The Village at Bayers Road, will be added to the inventory by late summer. This may cause an increase in the vacancy rate but we expect it will be temporary and the new space will be consumed by the expanding economy.

Industrial construction was vibrant throughout 2006 and continues in 2007. Virtually all the existing supply of industrial land in the Burnside Park is developed, currently being developed, or under purchase agreement. It is anticipated that more land will be coming to the market later this year and we expect there will be significant demand once it is available. Tenant expansions appear to be fueling the demand for the additional space and we are optimistic that this trend will continue throughout the year.

Halifax's strong economy and real estate market continue to attract national and international investment capital. Like the rest of the major markets in Canada, a limited number of investment opportunities exist in the marketplace. We predict that more opportunities to purchase assets will exist in the second half of 2007 as more property owners will take advantage of the strong demand.

A view from Lower Water Street in the downtown business district, up to North America's oldest operating Naval Clock. The 'Town Clock' is located on Citadel Hill and one of Halifax's most famous landmarks.

AVISON YOUNG Intelligent Real Estate Solutions

Quebec City

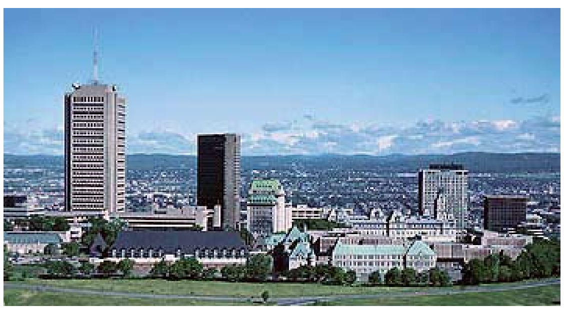
1300 Ste-Anne Blvd.
Quebec City, QC G1E 3M5
T 418.694.3330 **F** 418.694.3334

Purchasers Have to Entice Sellers to Be Successful

Over the past few years, many Canadian and international real estate developers have acquired properties in the Quebec City area. These transactions involved a wide range of product, including residential, commercial and office buildings. As a result of this influx of "out of province" ownership, local owners considering selling their properties on the short or medium term have developed unrealistically high expectations.

In consequence, the capitalization rate, which has traditionally been stable at approximately 10%, has declined dramatically, falling to 7% and in some cases 6.5% for transactions with growth potential. Many owners believe, correctly or incorrectly, that these rates will continue to fall over the next few years, bringing with them increased sale prices.

Successful purchasers in the Quebec City market have had to entice sellers in order to acquire product. Local owners rarely award listing mandates. Instead they prefer to provide real estate brokers with revenue and expense information, and request that the broker return with offers that meet expectations.



Quebec City

From the owner's perspective, the unsolicited offer provides the opportunity to evaluate the offer.

Local owners believe this method leaves all avenues open, allowing them to accept the offer or wait until a better one is presented. The result is that the purchase process can be very long if the expectations are unrealistically high or very quick if the offer falls within the owner's expectations.

Because of this mindset, local brokers with long-term relationships with sellers are the ones best able to uncover opportunities. Furthermore, local brokers are able to validate or educate local owners and purchasers on valuations. Quebec City has a very young brokerage industry. Avison Young is the only national brokerage firm with an office in the region. Market research is improving and industry best practices are being adopted, yet the sale and purchase process requires patience.

Quebec City has close to 10 million square feet of commercial space and enjoys one of the lowest vacancy rates in the country. Opportunities still exist at very attractive valuations if you are willing to be patient, persistent and embrace local customs.

Les Façades de la Gare, 400 Jean-Lesage Boulevard

Recent Lease Transactions

1020, route de l'Église, Quebec – 2,000 sq.ft.

Recent Exclusive Lease Listings

400 Jean-Lesage Blvd., Quebec – 4,300 sq.ft.

Recent Investment Properties Listed

65 St-Vallier, Quebec – 60-unit apartment building

700 – 710 Place d'Youville, Quebec – 133,000 sq.ft.

1005, chemin Ste-Foy, Quebec – 78,000 sq.ft.

2360, chemin Ste-Foy, Quebec – 85,000 sq.ft. retail

Recent Investment Properties Sold

406 Minto Street, Sherbrooke – 45,000 sq.ft. industrial building

AVISON YOUNG

Intelligent
Real Estate Solutions

Montreal

1800 McGill College Avenue, Suite 2530
Montreal, QC H3A 3J6
T 514.940.5330   **F** 514.940.5331

Montreal's Vibrant City Centre Started with a Drawbridge

The dreaded donut effect: many cities are hollow in the middle. The jobs, the residents, the office developments and the cultural life abandon the city centre.

Old Montreal and Downtown Montreal

How can cities avoid this fate? Think Montreal. When Jacques Cartier arrived in 1535, the island itself was a good defensive position. From the very beginning, Ville-Marie residents were barricaded inside a small area. The ramparts stretched 3,500 metres, six metres high.

As a result, inside the walls the population density grew. Buildings had no space between them, streets were narrow, the over-crowding got worse every year, the drawbridges came up at night and the massive gates closed. In the time of Louis XIV, Ville-Marie was one of the most densely packed towns in North America.

In 2007, Montreal is the third most densely populated area in North America, after New York and Los Angeles. The plateau Mont-Royal has 44,000 inhabitants per square kilometre.

Most of the new jobs in the Montreal region are off-island, but on the island itself, all of the jobs created from 1987 to 2003 were downtown. "Montreal's downtown remains by far the largest and most concentrated employment centre, with more than a quarter of a million jobs in an area of a few square kilometres." (Wendell Cox Consultancy).

The office space market is shaped by this reality, and contributes to perpetuating it. Toronto, for example, has about the same amount of office space in the suburbs as downtown. Montreal has 27 million square feet of Class "A" office space downtown, and only 13 million square feet in the suburbs. The ratio is exactly the reverse of most North American cities.

And what attracts companies to stay downtown? The jobs, the career advancement, the cultural life, the subway and the office rental rates. Putting aside the "AAA" top-of-the-line buildings, there are dozens of office buildings in the downtown core of Montreal offering rental rates as good as, or even better than, many of the suburban buildings. Real estate managers from other cities are sometimes perplexed by what seems to be a statistical error. But it is not an error.

In Montreal, the more things change, the more they remain the same. The downtown core of Montreal remains the place to be.

Recent Appointments

Bruce Munro joined the Montreal office at the beginning of 2007 as Vice President, Retail Advisory Services. Bruce started his real estate career in 1991 and specializes in sales, leasing and the development of street front retail properties in downtown Montreal, having completed over 50 retail lease transactions, 30 with national or international brand name retailers in the prime retail area of Ste. Catherine Street West.

La Tour l'Industrielle-Vie
2000 McGill College Avenue

Recent Lease Transactions

Credit Bureau Services – 37,000 sq.ft.
Abitibi-Consolidated inc. – 17,200 sq.ft.
Federated Press – 12,500 sq.ft.
Gowlings – 8,550 sq.ft.
Sodisco Howden – 8,260 sq.ft.
Calyon Corporate & Investment Bank – 4,200 sq.ft.
Woods LLP – 3,550 sq.ft.
Groupe Perspective – 3,000 sq.ft.
Phillips Hager North – 2,800 sq.ft.
Estée Lauder – 2,450 sq.ft.
Bioartifical Gel Technologies – 2,050 sq.ft.

Recent Exclusive Lease Listings

2045 – 2121 Crescent – 50,000 sq.ft. retail / office
3950 Côte de Liesse – 12,000 sq.ft.
119 Brunswick, Pointe-Claire – 10,000 sq.ft. sublease
275 Kesmark, Dollard-des-Ormeaux – 5,000 sq.ft. office sublease

Recent Investment Properties Listed

6900 Decarie – 500,000 sq.ft. retail / office complex
1000 St-Charles Avenue, Vaudreuil-Dorion – 472,000 sq.ft. office building
3270 Lapinière Blvd., Brossard – 38,000 sq.ft. free-standing IGA

Recent Investment Properties Sold

Complexe Lumière, Gatineau – 76,000 sq.ft. shopping centre

AVISON YOUNG
Intelligent
Real Estate Solutions

Toronto

150 York Street, Suite 900
Toronto, ON M5H 3S5
T 416.955.0000 **F** 416.955.0724

Toronto's Downtown Attracts Luxury Hotel-Condo Developments

Toronto is preparing to add three million square feet of office space to the market in 2009 with the completion of three highly-publicized new office buildings. Meanwhile, three additional towers are also set to revamp the city's high-rise skyline. These developments are not office buildings – each of the three will combine a high-end hotel with luxury condominiums, adding significantly to the city's stock of exclusive downtown residential and hotel space.

The Ritz-Carlton hotel on Toronto's Wellington Street. (Artist's Concept)

The three hotel/condo towers now under development are the Trump Tower at the corner of Bay and Adelaide Streets, the Shangri-La Toronto at Adelaide Street and University Avenue, and the Ritz-Carlton on the corner of Wellington and Simcoe Streets. Each one is conceived on a grand scale, with Trump Tower rising to 70 storeys, Shangri-La to 65, and the Ritz-Carlton topping out at 53 storeys. All three of these projects are being built with the involvement of some foreign capital, as Toronto continues to attract interest from abroad.

The towers represent a growing trend in Toronto, as increasing numbers of luxury condos are being constructed closer to the centre of the city, particularly in areas such as Yorkville, where Bazis International plans to build a residential tower of over 70 storeys. These projects have certain traits in common which set them apart from other luxury condominium buildings – all are located close to the centre of downtown and all feature hotels at their bases, an indication of increased demand in the city for top-quality hotel space for both business and tourism.

This residential intensification could help decrease the city's commuter population and benefit businesses by bringing more employees and high-end consumers downtown. Increasing the resident and tourists population of the city's core will bring more business people closer to their places of work and to all of the city's amenities. Having a greater number of people living in the core will benefit the downtown economy, giving retailers new opportunities to provide residents with the products and services they expect to find close by, and businesses the opportunity to find employees who aim to work near their new downtown homes.

Recent Appointments

Lindsay Ryder has joined Avison Young as Associate to Jordan Karp, Vice President, Retail Advisory Services. She will be developing business in the Retail market. Lindsay has a Bachelor of Arts degree from Dalhousie University.

Joshua James has joined Avison Young as Research Director, Multi-Residential Group. Joshua will be developing business with Shamii Humphries and Brendan Hanna.

Exclusive Lease Listing: 777 Bay Street, Toronto

Recent Lease Transactions

Loyalty Management – 194,000 sq. ft.
CUETS (office) 28,900 sq. ft.
Dutton Brock LLP (office) – 23,200 sq. ft.
Travel Insurance Coordinators – 17,000 sq. ft.

Recent Exclusive Lease Listings

777 Bay Street – 57,000 sq. ft.
145 King Street East – 29,000 sq. ft.

Recent Investment Properties Listed

TSC Stores Portfolio – 6 stores across Ontario
58-72 Main Street North, Markham – redevelopment opportunity
The Revue Theatre – historic theatre/ redevelopment opportunity

Recent Investment Properties Sold

41 Metropolitan Road (industrial) – 59,000 sq. ft.
117 Eglinton Avenue East (office) – 36,000 sq. ft.

Recent Management Additions

Churchill Properties Portfolio – 9 properties – 361,000 sq.ft.
36 Toronto Street – 216,000 sq.ft.
60 Adelaide Street – 110,000 sq.ft.
10 King Street East – 55,000 sq.ft.

AVISON YOUNG Intelligent Real Estate Solutions

Mississauga

30 Eglinton Avenue West, Suite 740
Mississauga, ON L5R 3E7
T 905.712.2100 **F** 905.712.2937

Mississauga's Industrial Sector: Rental Rates Likely to Increase

At a presentation hosted by the National Association of Office and Industrial Properties (NAIOP), Mississauga's leading developers rationalized why Mississauga industrial rental rates for new and recently built industrial product will increase over the next two years.

Current rental rates do not represent the true cost of developing industrial product. Soaring land costs are cutting into the bottom line. In September 2005, according to the City of Mississauga's Economic Development Office, high exposure industrial land traded for $715,000 to $755,000 per acre. Today, the same source quotes high exposure land at $1,100,000 per acre. How can developers reconcile this exponential increase considering industrial rental rates have remained relatively stable since 1998? The answer is the previous cost of land, competition from "frontier" markets such as Milton, and low interest rates.

Many of Mississauga's developers purchased large blocks of land many, many years ago. As such, their pro forma entry for Land Cost is substantially lower than if that land was purchased today. Also, erecting a building and generating a rental stream is often more desirable than the "cost of carry" associated with vacant land.

Milton and other sites have played a role in keeping rental rates lower through competition, attracting tenants with lower rental rates. This formula worked in these areas because land was less expensive.

Finally, a relatively low interest rate environment has made financing industrial projects to completion less expensive and consequently the return, or rental rates, can be lower.

Each of the above circumstances play a role in escalating rental rates moving forward.

The supply of vacant land is constricting. In the Gateway and Northeast Districts, two of Mississauga's largest industrial areas, there are 552 and 555 acres of vacant land. Based on the rate of growth, it will not be long before the supply is choked. In January 2007 alone, the City of Mississauga approved five building permits representing the addition of 633,918 square feet of new industrial buildings.

Next, the result of the frenetic pace of building in areas such as Milton is higher land costs. Upward pressure on land costs places upward pressure on rental rates, and as rental rates climb in these areas, Mississauga developers will subordinate the fear of losing tenants to these areas. This liberation will allow Mississauga's industrial rental rates to move towards equilibrium with development costs.

Finally, interest rates are anybody's guess, but if they start to move up, industrial rental rates will likely follow.

Recent Appointments

Lillian Hanna has recently joined the Mississauga office as the Research & Marketing Coordinator. Lillian has a degree in Marketing and a minor in Journalism from the American University in Cairo.

Ryan Wilkinson has recently joined the Avison Young team to work under the direction of Martin Dockrill. Ryan was a former free safety in the CFL with the Hamilton Tiger Cats.

Kim Barraclough has joined Avison Young as the Office Administrator.

Avison Young has recently been awarded the listing for pre-leasing of this new office building in the Meadowvale Business Park by GWL Realty Advisors. Located at the southwest corner of Derry Road West and Mississauga Road, the four office buildings will encompass a total of approximately 380,000 square feet of office space. Delivery is expected in Fall 2008. (Artist's Concept)

Recent Lease Transactions

Suretrack Courier Inc. (industrial) – 58,000 sq. ft.

Ricoh (office) – 31,000 sq. ft.

Atomic Energy of Canada Limited (office) – 19,700 sq. ft.

TIC Travel Insurance Coordinators (office) – 17,500 sq. ft.

Delta Chemicals Limited (industrial) – 16,000 sq. ft.

Auto Pak Ltd. (industrial) – 14,052 sq. ft.

E.B.P. Division in Step Electronics (industrial) – 13,000 sq. ft.

Lexsys Networks (office)– 11,400 sq. ft.

Intergraph Canada Limited (office) – 11,300 sq. ft

Family Health Team (office) – 9,454 sq. ft

Omniworks VZ Inc. (office) – 8,100 sq. ft.

Recent Exclusive Lease Listings

Mississauga Rd. & Derry Rd. West, Mississauga – 380,000 sq. ft. office prelease

30 Eglinton Avenue West, Mississauga – over 50,000 sq. ft. office available

89 Queensway West, Mississauga – up to 30,000 sq. ft. contiguous

2301 Royal Windsor Drive, Mississauga – 16,300 sq. ft.

85 Thompson Drive, Cambridge – 14,100 sq. ft.

Recent Investment Properties Listed

200 Brockport Drive, Toronto – 203,000 sq. ft. on 9.66 acres

1525 Dundas Street West, Mississauga – approximately 42,620 sq. ft. on 5.71 acres

Recent Investment Properties Sold

3109 American Drive (industrial) – 96,000 sq. ft.

AVISON YOUNG Intelligent Real Estate Solutions

Winnipeg

330 Portage Avenue, Suite 1000
Winnipeg, MB R3C 0C4
T 204.947.2242 **F** 204.943.2680

Winnipeg Industrial Market Going Strong

Winnipeg's industrial leasing and sales markets have remained strong into 2007. Overall vacancy has been very low, averaging 3.4% since 1999, reflecting Winnipeg's stable economy. Total inventory exceeds 75 million square feet, spread out across approximately thirty industrial parks. Net rates for older space average $4.00 to $4.50 per square foot, with newer, efficient high-cube space commanding up to double this amount.

In the Northwest, St. James has felt pressure from the booming Winnipeg retail market encroaching on what was once primarily an industrial area. This trend should continue to make the higher-vacancy Inkster Industrial Park area to the north an appealing option for many tenants looking to be in this corner of the City. The location provides excellent access to major traffic arteries and the Winnipeg International Airport. However, over the long term there will be new industrial opportunities in St. James, as the Airport is planning to expand its industrial campus by 798 acres after the completion of a new $572 million terminal in 2009.

The Southwest Quadrant is expected to see increasing new development now that the $30 million Kenaston Boulevard underpass for CN's main rail line has been completed, opening up the City's major North/South route which runs through the area. The Southwest should also benefit from the fact that the nearby Fort Garry Industrial Park is reaching capacity. In the East, the Transcona and St. Boniface Industrial areas are continuing to experience activity, with the more centrally located St. Boniface area seeing the most interest with the absorption of about 22 acres in the past five years. Less expensive, unserviced lots on the edge or just outside the City limits have also experienced moderate growth in recent years.

Inkster Business Centre is an industrial property exclusively leased by Linda Capar.

There were a handful of industrial investment sales in 2006, but by far the most significant transaction was the acquisition by British Columbia Investment Management Corp. of the 2.2 million square foot Sun-X portfolio. In what was the largest commercial transaction in Manitoba's history, the firm purchased 46 buildings and 35 acres of land from Sun-X in March 2007 for an undisclosed sum.

Serviced industrial land in the City has been in very short supply for a number of years, and with limited new construction the industrial vacancy levels will likely remain very low. Winnipeg has also experienced record commercial investment activity over the past few years, and ongoing interest in industrial property is expected to continue.

Recent Appointments

Robert Antymniuk has joined the Manitoba team as a Senior Negotiator. Prior to joining Avison Young, Robert was the owner and broker of a commercial real estate services company based in Winnipeg for 17 years.

Larry Hecht has joined the Manitoba team as a Senior Negotiator. Larry has extensive commercial real estate experience and is an Accredited member of the Appraisal Institute of Canada.

225 McPhillips Street is an industrial property recently brokered by Murray Bonk and Jamie McPetrie.

Recent Lease Transactions

CUETS (office) 28,900 sq. ft.
Nightclub at 323 Portage (retail) - 15,500 sq. ft.
E-Care Contact Services (office) - 9,600 sq. ft.
Summit Salon (retail) - 5,000 sq. ft.

Recent Exclusive Lease Listings

323 Portage Avenue (office) - 43,000 sq. ft.
2595 McPhillips Street (land) - 25,000 sq. ft.
293-301 Chambers Street (industrial) - 18,000 sq. ft.
669 Logan Avenue (industrial) - 10,000 sq. ft.
618 Dufferin Avenue (industrial) - 7,200 sq. ft.
1330/1336 Clifton Street (industrial) - 5,200 sq. ft.
3043 Portage Avenue (retail) - 3,800 sq. ft.

Recent Investment Properties Listed

440 Jarvis Avenue (industrial) - 33,000 sq. ft.
3713-3715 Portage Avenue (retail) - 3,500 sq. ft.
RL 66 & 67 Wilkes Avenue (land) - 192.8 acres
Day Street & Risque Avenue (land) - 29.97 acres
1406 Plessis Road (land) - 1.79 acres

Recent Investment Properties Sold

730/740 Century Street (industrial) - 32,000 sq. ft.
Condominium Development Land - 24,000 sq. ft.
55 Donald Street (office) - 22,000 sq. ft.
330 King and 341 Princess (industrial) - 10,800 sq. ft.
26-28 Keewatin (industrial) - 5,800 sq. ft.

AVISON YOUNG Intelligent Real Estate Solutions

Regina

2550 12th Avenue, Suite 300
Regina, SK S4P 3X1
T 306.359.9799 **F** 306.352.5325

Regina Industrial Land In High Demand

Regina industrial land prices are among the most reasonable in the country; however prices have increased approximately 50% within the past 12 months due to rising servicing costs and shortage of available land. The demand for industrial land is driven by tenants developing or purchasing their own buildings as well as new businesses moving into Regina. A major challenge in the Saskatchewan market is the shortage of industrial land as well as the shortage of trades, which is also increasing development costs.

Serviced land sales in 2006 equaled the cumulative land sales of the last 18 years. Serviced land is currently being sold for between $100,000 and $150,000 per acre and substantially more for smaller parcels. Rental rates have increased and now range from $5.00 to $8.00 net for single user facilities and from $6.00 to $10.00 net for flex space and $10.00 to $14.00 net for office/industrial space.

5104 Donnelly Crescent

New supply and strong demand will place upward pressure on existing building rents.

Regina has an industrial inventory of 14.5 million square feet. Vacancy rates are below 3% and increased demand combined with skyrocketing construction costs will contribute to rental rates rising even higher by year-end.

On the commercial-industrial-institutional side, 333 building permits were issued in 2006 with a value of $157.6 million. Regina will experience a good year in 2007, both in terms of construction activity and other economic indicators.

Land immediately west of the Regina Airport and two other areas close to the existing Ross Industrial Park in northeast Regina are being considered for future use.

Regina Airport Authority is considering the development of a large multi-tenant facility at Regina International Airport to accommodate existing and future demand of potential airport operators. In addition, a proposed multi-modal transportation facility on land west of the Regina Airport has been proposed and the Federal Government has been asked to assist in the project. These plans include rail, air and trucking operations working in close proximity to each other.

A new quadrant in the Ross Industrial Park area is being considered to allow for expansion in this area by the City of Regina. The City is working with a consultant to study issues regarding the amount of land that will be needed, where it should be situated and how to manage the pace of industrial development. The report will provide suggestions about how industrial development could be handled for a period of 20 years and longer.

Melcor Developments Ltd., Alberta's largest publicly traded real estate developer, has just acquired 687 acres of undeveloped land on the northeast boundary of the city in Sherwood, directly adjacent to Regina's Ross Industrial Park. Melcor plans to apply to the City of Regina to have the land annexed into the city upon completion of the engineering and master plan for the development.

Recent Appointments

Richard Jankowski has joined the Saskatchewan team as Vice-President, Operations. With 30 years of diverse professional experience in all aspects of commercial & industrial facility operations, property management and project & construction management, his focus will be on value-added growth.

495 Henderson Drive

Recent Lease Transactions

Public Works & Government Services – 49,600 sq.ft.

Sask. Property Management – 15,500 sq.ft.

Public Works & Government Services – 14,300 sq.ft.

Law Society of Saskatchewan – 6,200 sq.ft.

Recent Exclusive Lease Listings

495 Henderson Drive – 19,600 sq.ft.

1731 Ross Avenue East – 12,600 sq.ft.

1400 McIntyre Street – 12,300 sq.ft.

2810 Quance Street East – 5,300 sq.ft.

Recent Investment Properties Listed

Sherwood Mall – 100,800 sq.ft.

Market Mall – 42,600 sq.ft.

400 Broad Street – 19,900 sq.ft.

140 – 2nd Avenue NW, Swift Current, SK – 10,000 sq.ft.

Recent Investment Properties Sold

600 Fentons Crescent, Swift Current, SK – 99,000 sq.ft.

5104 Donnelly Crescent – 64,300 sq.ft.

316 – 1st Avenue East – 54,000 sq.ft.

Industrial Land – Regina – 687 acres

AVISON YOUNG
Intelligent Real Estate Solutions

Edmonton

2500 Scotia Place, Tower I
10060 Jasper Avenue
Edmonton, AB T5J 3R8
T 780.428.7850 **F** 780.424.5815

Edmonton's Economic Boom Spawns New Office Construction

The Steppes Office Campus
1253 – 1259 – 91st Street

As the economic boom in Alberta continues, rental rates for office space in Edmonton have risen in both the downtown and suburban markets. In the downtown core, monthly fees for parking have also increased, with rates for underground stalls at $300 in some buildings. This fact, coupled with the comparatively higher cost of being located downtown, is forcing some tenants to relocate to suburban offices when their downtown leases expire. Many of these tenants moved downtown from suburban offices during the mid 1990s to take advantage of the lower rates.

The resulting low vacancy rates and strengthening rents have inspired developers to invest in three new suburban office buildings. The Steppes Office Campus, Commerce South Office Park Building D and St. Albert Trail Place are all currently under construction for completion in 2007 and will add a total of approximately 190,000 square feet to the market.

The Steppes Office Campus is located at 1253 and 1259 – 91st Street in the Southside district. It consists of two three-storey buildings, the east building being 46,149 square feet and the west building 29,084 square feet for a total of 75,233 square feet. The building has been designated a green building by The Canada Green Building Council. This designation is awarded to environmentally friendly buildings that implement sustainable design and construction practices. Some features the building incorporates include geothermal heating and cooling, and rainwater collection, treatment, and use; reducing energy usage. The campus also incorporates extensive green spaces and water features as well as atriums, skylights, and balconies. Construction began in November 2006 with occupancy planned for December of 2007.

Commerce South Office Park (formerly known as Albrumac Business Centre) is on the north side of Whitemud Drive on 86th Street, also in the Southside district. Building D adds a total of 74,175 square feet on three floors to the existing park. Ground breaking took place in September and completion is expected for fall of 2007. Plans are also underway for a proposed Building E in the park. This fifth building will be three storeys and 60,000 square feet.

The 149th Street district will also be getting a new office building with St. Albert Trail Place. This building will be located at 13151 – 146th Street and offers a total of 40,874 square feet on two floors. Leasing has already begun on the building with an expected occupation date of June 2007.

All three of these new buildings are being built on speculation with no tenants signed prior to construction. The city has not seen projects of this type in sixteen years.

Recent Appointments

Victoria Pun comes to Edmonton from the Calgary office. Victoria holds a Bachelor of Commerce degree from the University of Toronto and will join the multi-family team as assistant to Paul Chaput.

HSBC Building, 10055 Jasper Avenue

Recent Lease Transactions

Dover Canada (Alberta Oil Tool Division) – 124,000 sq.ft.
Home Depot – 108,300 sq.ft.
Connect Logistics Services Inc. – 97,000 sq.ft.
Hughes Canada Inc. – 91,000 sq.ft.
Sunbelt Supply Canada Inc. – 90,500 sq.ft.
Chatur Holdings Ltd. – 87,000 sq.ft.
CoLinx Canada ULC – 66,000 sq.ft.
Schlumberger Canada Ltd. – 40,000 sq.ft.
Crane Carrier (Canada) Ltd. – 27,000 sq.ft.
Trek Inc. – 25,000 sq.ft.
Flint Energy Services Ltd. – 16,000 sq.ft.
Federal Government – 10,000 sq.ft.
ACS Public Sector Solutions – 7,900 sq.ft.
Ricoh Canada Inc. – 7,800 sq.ft.

Recent Exclusive Lease Listings

Baker Centre – 61,285 sq.ft.
Canadian Western Bank Place – 9,976 sq.ft.
Broadmoor Place V – 4,509 sq.ft
Broadmoor Place VI – 2,593 sq.ft.
HSBC Building – 1,248 sq.ft.

Recent Investment Properties Listed

525 St. Albert Trail – 4.71 acres
St. Albert Multi-family Site – 1.94 acres

Recent Investment Properties Sold

Killam, Slave Lake, and Bonnyville – 50.10 acres
St. Charles Place and Parkview Manor – 50 apartment suites
Hudson Neighbourhood Lands – 17 acres
Home Depot, Lloydminster – 8.00 acres
Canadian Tire, Medicine Hat – 8.00 acres
Canadian Tire, Vegreville – 5.16 acres
BGI Investment Corporation – Portfolio with 5 properties

AVISON YOUNG Intelligent Real Estate Solutions

Calgary

Gulf Canada Square, Suite 309
401 9th Avenue S.W.
Calgary, AB T2P 3C5
T 403.262.3082 **F** 403.262.3325

The Overlooked Element

In a market where office vacancy rates are hovering near 1%, parking is the most expensive in Canada (up to $700/month), and lease rates are climbing to $50 per square foot, why are so few people paying attention to an area of the market that represented nearly 25% of the dollars spent in commercial real estate in 2006 and posted a nearly 75% gain over 2005?

It should be no surprise that land makes up an extraordinary part of the Calgary commercial real estate market. There are currently more than 60 office projects proposed, planned or already under construction in the City of Calgary, with nearly 3.2 million square feet of that scheduled to come on stream for tenant occupancy in 2007. 125 parcels of land zoned or proposed for commercial use, representing nearly 1,350 acres, traded hands in 2006, with a total price tag exceeding $426 million.

608 7th Avenue SW

Given the direction of land prices in the City of Calgary and with construction and labour costs being driven upward by a red-hot economy and oil-sands investments, what is the impact being felt by developers? And what does all this upward pressure mean when investors and developers are looking at the rates that need to be achieved to make a viable project?

The Calgary Economic Region now exceeds one million people as a result of 3.7% population growth in 2006 (13.4% growth between the 2001 and 2006 census) and the City continues to grow at a staggering 2,600 people per month (that's 3.6 people arriving in the city every hour!). While the well-fueled economy in Calgary has generated an annual average increase in wages of at least 10% in the construction industry and the upsurge of jobs resulting from the record-breaking construction activity has created thousands of new positions, the record low 2.6% unemployment rate has eroded employers' ability to fill those job needs. Combine this with an estimated 25% annual increase in construction costs and you get a market where demand is not the only thing that has to be considered when deciding to move forward with a development project.

Tenants and investors are expecting high-quality product when purchasing or leasing new. The small investor/developers backed by private money are being pushed aside by the larger development companies with the financial backing from pension funds and other long-term money. With this backing, these developers are able to justify the lower rates of return in today's market (i.e. 5 – 6%), while still being able to produce a high-quality product. Calgary is very much a landlord's market and space is being pre-leased in some cases before new development projects have even been granted their development permits. A continuing scarcity of well located, properly zoned and fully serviced land makes competition for those new developments that much more fierce.

So far, landlords have been able to pass increased costs along to tenants. However the tipping point for what is economically feasible for both tenants and developers is visible on the horizon. The market will naturally find its own equilibrium and both tenants and developers are willing to look wider afield to places like Airdrie and Rocky View to make their projects and businesses more economically viable. With forecasts for oil sands production to quadruple by 2025, demand for new product is not expected to decrease significantly in the near future and neither is a reduction in lease rates in the forecast. However, where that product is located is becoming a more significant variable in the equation.

908 Prominence Hill SW

Recent Lease Transactions

Core-Mark International – 66,700 sq.ft.
Southbend Ventures – 36,100 sq.ft.
Axxis – 24,000 sq.ft.
Inland Concrete Limited – 22,300 sq.ft.
Meyers Norris Penny LLP – 22,100 sq.ft.
Fasken Martineau – 22,100 sq.ft.
Destiny Resources Services – 11,500 sq.ft.
Sizeland Evans Interior Design – 10,200 sq.ft.

Recent Exclusive Lease Listings

5350 86th Avenue SE – 345,000 sq.ft.
Palliser South – 290,300 sq.ft.
608 7th Avenue SW – 221,500 sq.ft.
Genco Place – 65,500 sq.ft.
Fish Creek Centre – 50,000 sq.ft.
Chestermere Station – up to 21,000 sq.ft.
Blackfoot Vista – 16,800 sq.ft.
The Shoppes of Marda Loop – 15,600 sq.ft.
Westwinds Crossing – 15,500 sq.ft.

Recent Investment Properties Listed

2626 12th Street NE – 45,000 sq.ft.
Parkside Place – 16,900 sq.ft.
Highway 2 @ 547 South – 35 acres
Boundary Industrial Park – up to 24 acres
Barlow Trail @ 48th Avenue NE – 12.5 acres
908 Prominence Hill SW – 3.9 acres

Recent Investment Properties Sold

Executive Terrace, Regina – 42,800 sq. ft.
Deerfoot Plaza – 15,400 sq.ft.
1111 42nd Avenue SE – 4.48 acres
7810 51st Street SE – 14,000 sq.ft.
1207 & 1215 13th Street SE – 31,000 sq.ft.
Highway 566 & Highway 762 – 9.4 acres

AVISON YOUNG Intelligent Real Estate Solutions

Vancouver

1055 West Georgia Street, Suite 2100
Vancouver, BC V6E 3P3
T 604.687.7331 **F** 604.687.0031

Institutional Investment Activity Slows

Vancouver's commercial real estate market is hot. One would expect to see strong interest from institutions, both as buyers and sellers. One would expect institutions to seek assets being sold by sellers taking advantage of high valuations. Similarly, one would expect to see institutions acting as sellers as they either take profits, or re-balance portfolios blown off-side by escalating real estate values.

With apologies to Shakespeare, institutions seem to have adapted the dictum of Lord Polonius to read "neither a buyer nor seller be".

Canadian pension funds are invested in real estate to the extent of 5 -10% of their funds' gross asset values. The funds have been increasing their relative asset weightings in favour of real estate, on account of yield. During 2005, typical of the larger pension funds, HOOPP earned a record 28.8%, against a benchmark of 18.3%. HOOPP's long bond portfolio showed a 2005 return of 12.8%.

Rona home improvement store, Abbotsford

This level of return for real assets has found favour with institutions attempting to match their actuarial requirements in a climate where yields from the major asset classes have been relatively low.

Notwithstanding the attractiveness of real estate in general, one of the main reasons why institutions have been absent in the real estate investment market in Vancouver over the last year is because purchasing at current asking yields does nothing to meet the funds' future obligations.

In Vancouver, prime office yields are in the range of 6% - 6.5%. Some investors are trying to pry loose 'B' class office buildings at cash yields, which are closer to 5%. Buyers with this mentality would appear to be betting on rapidly rising rents in a market increasingly starved for space. A second reason why funds have been absent in the market is that Alberta probably offers an equally attractive destination for funds wishing to balance geographic risk.

On the sell side, institutional funds have also been inactive in Vancouver. Presumably, portfolios have been re-balanced without a need to dispose of significant real estate holdings in this market. Maintaining core assets in this market remains a prudent strategy.

Most portfolios were cleansed in the last market downturn and what was left are considered solid "keepers". Institutions are probably recognizing that there is limited liability to holding in the Vancouver market as income returns are expected to increase in step with rising rents.

In summary, while it is unusual to see institutions out of the game, it is only a matter of time before they return. The British Columbia commercial investment market is and will remain an integral part of the asset mix of most Canadian funds engaged in real estate ownership.

Recent Lease Transactions

Teck Cominco – 92,000 sq.ft
Armstrong Hospitality Group – 43,200 sq.ft
BMO – 20,100 sq.ft
Cardiome Pharma Corp – 19,200 sq.ft
H-Careers – 13,600 sq.ft
OSI – 12,800 sq.ft
Sita – 12,300 sq.ft
Stantec Consulting – 11,000 sq.ft

Recent Exclusive Lease Listings

Westminster Centre South – 60,000 sq.ft

Recent Investment Properties Sold

Rona, Abbotsford – 301,700 sq.ft
Birks Building, Vancouver – 96,000 sq.ft
Queen's Court, Burnaby – 86,000 sq.ft
3133 Sumner Avenue, Burnaby – 43,700 sq.ft

AVISON YOUNG Intelligent Real Estate Solutions

Across the Country,
Around the World

Halifax
Quebec City
Montreal
Toronto
Mississauga
Winnipeg
Regina
Calgary
Edmonton
Vancouver

USA
Mexico
United Kingdom
Continental Europe
Asia-Pacific

www.avisonyoung.com

AVISON YOUNG
Intelligent
Real Estate Solutions

Grubb & Ellis
Global