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Greater Vancouver Office Market Report



Market Overview

Record six month absorption - 1 Million Square Feet

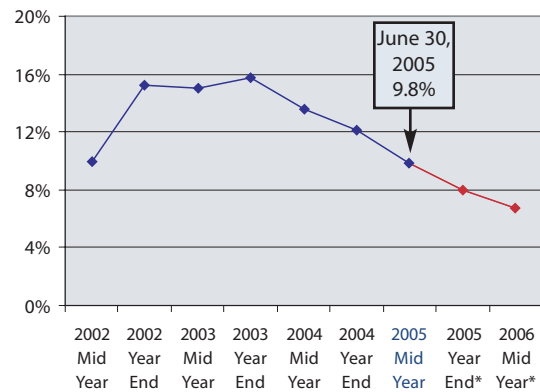
Economic growth and general optimism continues to fuel job creation and correspondingly strong office absorption throughout the region. Nearly 1 million square feet of absorption occurred in the six months ending June 30, 2005 - a record -- just slightly above the 930,000 square feet absorbed in the previous six months ending December 31, 2004. Vacancy rates declined 2.3 percentage points since January 2005 and nearly 4 percentage points since mid year 2004.

Absorption resulted from numerous existing tenants expanding over the past six months. Demand has come from a broad cross section of industries, indicating a healthy, balanced market. These include: software, life sciences, mining, accounting, financial services, architecture, engineering, insurance and real estate as well as the public sector.

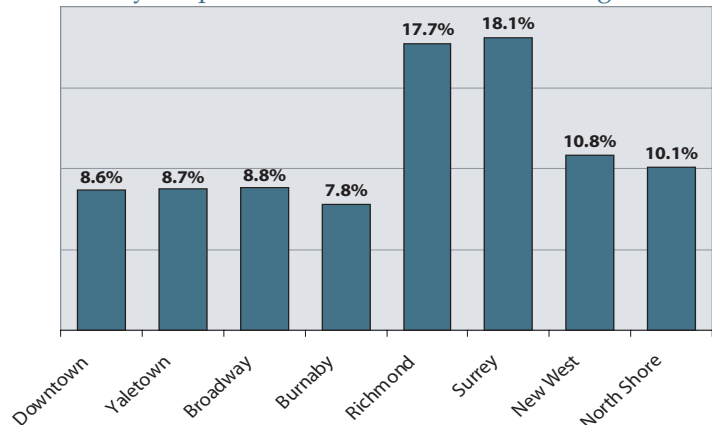
The only significant new tenant to the Greater Vancouver office market -- Disney's Buena Vista Studios -- is presently pursuing a large block opportunity for occupancy in 2006.

The major concern for tenants is the diminishing supply of large block opportunities. In 18 months the vacancy rate has dropped from its recent peak near 16% to 9.8% as illustrated in the above chart. Larger tenants now have few options in most districts. Even small- and medium-sized tenants may wish to plan for future expansions now to ensure they can find adequate space.

Vacancy Trend, Greater Vancouver



Vacancy Snap Shot: Greater Vancouver Leasing Districts



Inside Feature: Olympic Impact Update - Page 11.

Vacancy Summary (June 30, 2005)

DISTRICT	INVENTORY (SQ. FT)	HEADLEASE VACANCY (SQ. FT)	SUBLEASE VACANCY (SQ. FT)	TOTAL VACANCY (SQ. FT.)	VACANCY RATE	ABSORPTION (SQ. FT.) 6 months
Downtown	19,280,234	1,408,049	256,071	1,664,120	8.6%	321,715
Yaletown	2,500,252	190,862	27,157	218,019	8.7%	78,150
Broadway	5,793,264	492,991	19,386	512,377	8.8%	225,117
Burnaby	8,082,610	602,238	29,343	631,581	7.8%	131,725
Richmond	3,249,047	480,843	95,398	576,241	17.7%	101,625
Surrey	2,320,315	405,450	14,610	420,060	18.1%	72,759
New Westminster	1,501,907	162,709	0	162,709	10.8%	36,330
North Shore	1,425,609	128,348	15,435	143,783	10.1%	27,915
TOTALS	44,153,238	3,871,490	457,400	4,328,890	9.8%	995,336

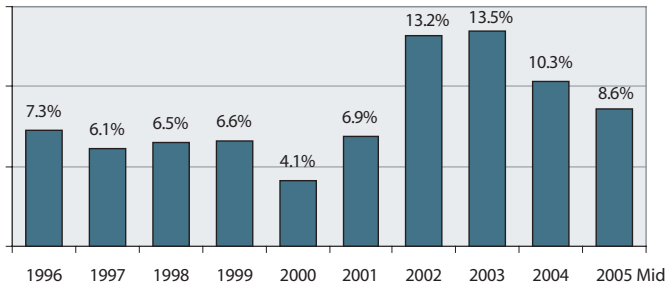
Vacancy Trends

The downtown vacancy rate declined over 4 percentage points in the 12 months since mid year 2004 (from 12.6% to 8.6%). More importantly, the overall vacancy rate dropped below the 10% level for the first time since 2001.

Net effective rates (NERs) for AAA- and A-Class space have edged upwards over the past six months by \$2 to \$4 per square foot -- a trend that we expect to continue. Meanwhile, rents for B-Class space have generally held steady and can offer a significant price advantage over the higher class buildings.

With most of the large block vacancies spoken for in the AAA- and A-Class buildings, the B and C class options are expected to experience a surge in demand over the next six months. Tenants in these buildings would be well advised to negotiate soon for space needed for future expansions or even consider early renewals.

Historic Vacancy Chart



The new SHAW Tower has four full floors available for sublease, creating a premier, large block opportunity in an AAA-Class tower.

Market Forecast

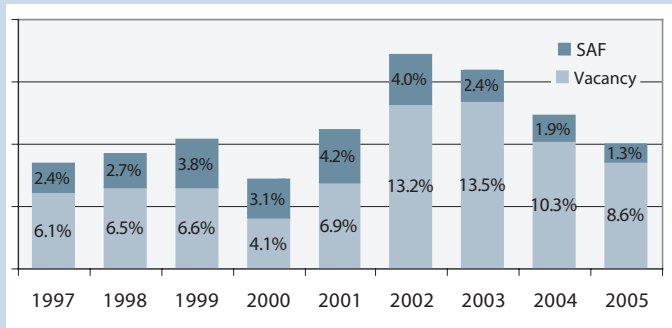
With the local and national economy showing continued strength and generating jobs, demand for quality office space is outpacing supply in the downtown core. As a result, we are forecasting vacancy rates to decline to below 6% by Mid Year 2006. A further indicator of demand exceeding supply is the Space Availability Factor (see chart), which has declined to 1.3%, its lowest level in eight years.

Most leasing activity will result from tenant shuffles among medium-sized organizations seeking modest expansion space. The majority of these relocations will be within an asset class as a significant cost spread now exists between the classes. There are still some good options for small- and medium-sized tenants in B- and C-Class buildings. We also project increasing demand from tenants directly and indirectly related to the 2010 Olympic Games.

The tightening supply of office space will provide landlords with the opportunity to increase their NERs in A and AAA buildings.

We have moved SHAW Tower (278,000 Square Feet) from A Class to AAA Class in our inventory. The negative absorption in AAA space is solely the result of SHAW offering four unimproved surplus floors to the market.

*Space Availability Factor (SAF)



Space that is either not physically vacant (such as unused space resulting from a corporate downsizing) or not yet finished (such as a new office tower) but is actively being marketed and therefore competes with other vacant space for tenants. Sometimes referred to as "Ghost Vacancy" when combined with vacancy rates, SAF usually provides a more accurate representation of the total space available in the marketplace.

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Absorption Vacancy	(sq. ft.)	SAF (Sq. Ft.)	SAF %	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
AAA	4,095,094	207,533	85,987	293,520	7.2%	-4,245	49,738	1.2%	\$22 - \$25	\$38 - \$43
A	6,686,228	278,224	109,535	387,759	5.8%	140,794	117,413	1.8%	\$17 - \$20	\$30 - \$35
B	5,742,784	528,748	51,135	579,883	10.1%	142,902	41,359	0.7%	\$12 - \$15	\$23 - \$28
C	2,756,128	393,544	9,414	402,958	14.6%	42,264	45,856	1.7%	\$7 - \$10	\$15 - \$22
Total	19,280,234	1,408,049	256,071	1,664,120	8.6%	321,715	254,366	1.3%		

Downtown

Phase II of Bentall V Underway

Law firm Fasken Martineau has preleased four floors in the high rise of Bentall V in a deal negotiated by Avison Young. Combined with an earlier pre-lease commitment from Bell Canada, this provided Bentall Real Estate Services with the confidence to proceed with Phase II on behalf of its client, SITQ. 220,000 square feet of new supply is scheduled for completion in the Fall of 2007.



New Construction

Developer	Building	Sq. Ft.	Date
Bentall (SITQ)	Bentall V, Phase II	220,000	Fall 2007

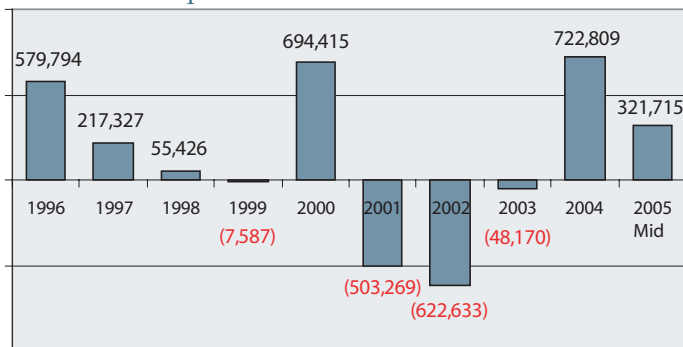
In addition, Jameson Development has applied to construct a mixed use building at 848 West Hastings Street that will include 75,000 square feet of office space on 7,000 square foot floor plates. Assuming the project goes ahead, completion is anticipated for 2008.

Absorption Trends

Downtown recorded 321,000 square feet of absorption in the first half of 2005 as a result of existing tenants expanding upon renewal or relocation. Unlike in past years, no significant suburban tenants relocated to the downtown market, primarily due to limited space options.

We expect slower absorption in AAA- and A- buildings over the next 12 months owing to diminishing supply. Medium-sized tenants occupying less than two floors are starting to find their expansion needs stifled from a lack of suitable space. However B- and C-Class leasing should experience increased activity over the next six months bringing substantial absorption.

Historic Absorption Chart



Downtown Office Space Crisis Looming?

Despite low (and rapidly declining) vacancy rates for AAA- and A-Class product, there are no large, new office tower projects under consideration in downtown Vancouver. Several factors are hampering this process. First, developers have opted to construct residential condominiums on office tower sites because of the higher returns. Second, few adequate sites remain within the existing CBD (with the two best future sites now under development as residential towers). Third, owners and developers of buildings in the CBD-East are awaiting the City of Vancouver's re-visioning planning process for the area.

The business and real estate communities require an unambiguous policy and message from the City before any future office development is likely. This policy will need to halt the erosion of future commercial sites by restricting -- with no exceptions -- residential development in particular areas. If no option existed to build more lucrative residential developments, the strong office market fundamentals would encourage the development of office buildings on downtown peninsula sites.

If a change in direction to support office development does not happen soon, downtown is heading toward a space crunch with significant implications for the city, regional and provincial economies.

Notable Lease Deals in 2005

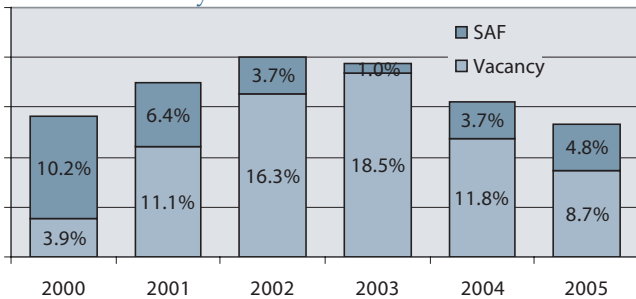
Tenant	Lease Type	Area (sq. ft.)
Fasken Martineau	Relocation	73,500
Accenture	Renewal	53,000
Grant Thornton	Relocation	32,500
Kiewit & Sons	Sublease	29,000
Hatch Engineering	Relocation	22,000
Watson Goepel Maledy	Expansion	20,000
Ainsworth Lumber	Renewal	17,000
Stewarts Insurance	Relocation	16,500
Dundee Securities	Relocation	16,500

Tenant	Lease Type	Area (sq. ft.)
BHP Billiton Diamonds	Relocation	16,500
YMCA	Renewal	15,000
Wheaton River	Expansion	15,000
Hankinson Shapiro	Renewal	12,000
CEI Architecture	Sublease	11,000
Legacy Tax Advisors	Relocation	11,000
Cadillac Fairview	Relocation	9,000
BC Transmission Corp	Expansion	8,000
Morneau Sobeco	Relocation	7,500
Western Silver	Sublease	7,000

Vacancy Trends

The vacancy rate in Yaletown has plummeted over the past 12 months. This has left few quality options in existing inventory for tenants requiring greater than 4,000 square feet. As a result of the diminishing supply and continued demand, rental rates are edging upwards. It is also noteworthy that most discussions of office space being converted to residential have gone quiet.

Historic Vacancy Chart



*Space Availability Factor (SAF)

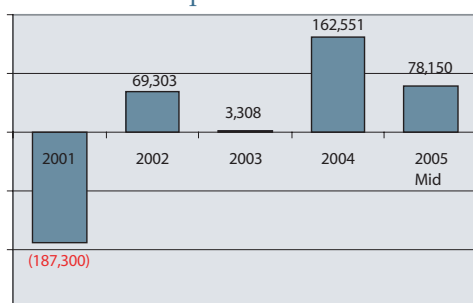
Space that is either not physically vacant (such as unused space resulting from a corporate downsizing) or not yet finished (such as a new office tower) but is actively being marketed and therefore competes with other vacant space for tenants. Sometimes referred to as "Ghost Vacancy" when combined with vacancy rates, SAF usually provides a more accurate representation of the total space available in the marketplace.

Absorption Trends

Yaletown has gone from fringe to mainstream. Where once only creative and technology tenants sought Yaletown offices, today all variety of tenants are selecting the district. Over the past six months Intercon Security and West Fraser Timber, for example, have moved into the neighbourhood. They will soon be followed by Canadian Direct Insurance.

Several reasons account for Yaletown's attractiveness to mainstream tenants. During the past half year, several large blocks of space became available for lease, increasing the spectrum of options. Improved access to parking -- created by residential developments -- has also contributed to the increased appeal of Yaletown among more traditional businesses.

Historic Absorption Chart



Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Absorption Vacancy	Total Absorption (sq. ft.)	SAF (Sq. Ft.)	SAF %	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	291,126	0	0	0	0%	25,918	0	0%	\$18 - \$24	\$29 - \$35
B	1,495,708	139,615	4,541	144,156	9.6%	33,686	115,499	7.9%	\$10 - \$18	\$19 - \$27
C	713,418	51,247	22,616	73,863	10.4%	18,546	4,209	0.6%	\$7 - \$12	\$13 - \$18
Total	2,500,252	190,862	27,157	218,019	8.7%	78,150	119,708	4.8%		

Market Forecast

We expect continued steady absorption in Yaletown over the next half year, although likely at a slower pace than in recent months owing to the rapidly diminishing supply of quality opportunities.

New Inventory

In early 2006 new inventory will be available at 840 Cambie Street. The landlord will commence a substantial renovation later this year after Business Objects completes its relocation and expansion into 910 Mainland and 855 Homer Street. The new building will offer 76,000 square feet of office space -- down from 100,000 at the present time -- as additional parking is being added. Pre-leasing of the renovated space is underway (www.840cambie.com).



858 Beatty Street - now fully occupied.
New location of West Fraser Timber.

Notable Lease Deals in 2005

Tenant	Lease Type	Area (sq. ft.)
Canadian Direct Insurance	Relocation	33,000
Business Objects	Relocation	22,000
West Fraser Timber	Relocation	21,000
Command Post and Transfer	Renewal	17,000
Aston Group	Relocation	5,700
Kirk & Co.	Relocation	3,200
Chartwell REIT	Relocation	3,000

We have moved 840 Cambie Street from the C-Class inventory to the B-Class inventory and placed 75,666 square feet into B-Class Space Availability Factor. We have left the old total inventory of 100,600 for the purposes of calculating existing vacancy and will update this number at year end to the new building square footage. The majority of Yaletown SAF is this one opportunity.

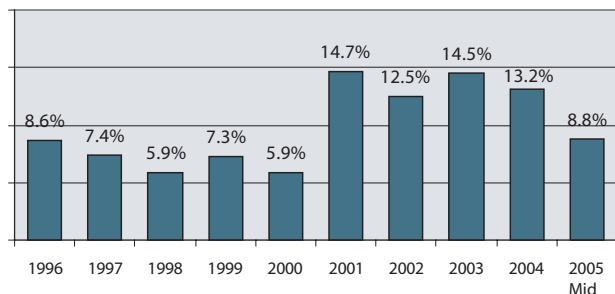


Vacancy Trends

Outside of a few buildings on the district's fringe (including Kingswood Atrium and Airport Square), limited quality options exist for tenants requiring more than 8,000 square feet. For tenants seeking less than 6,000 square feet, a variety of options are available -- although diminishing steadily as vacancy falls.

In past reports, we've noted the discrepancy between low vacancy rates in the Broadway Core and higher availability in the eastern and southern periphery. The gap is quickly narrowing. Broadway Tech Centre is now fully leased, as is 369 Terminal Avenue (The Radical Entertainment Building).

Historic Vacancy Chart



Notable Lease Deals in 2005

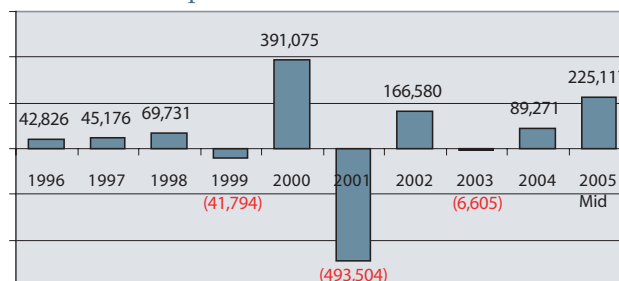
Tenant	Lease Type	Area (sq. ft.)
Polygon Properties	Renewal / Expansion	45,000
BC Ambulance Service	Relocation	33,000
Radical Entertainment	Expansion	21,000
Vancouver Coastal Health	Expansion	20,000
Read Jones Christofferson	Renewal / Expansion	17,500
Cardiome Pharma	Expansion	15,000
D & H Group	Renewal	12,500
NGrain	Renewal	12,000
PHSA	Relocation	12,000
Rogers Group Financial	Renewal	10,000
Syreon Corp	Relocation	9,000

Absorption Trends

Absorption has been strongest in the buildings between Cambie and Oak Streets and from West Broadway to 5th Avenue, especially from health care and life science tenants. Over the past six months, the Vancouver Coastal Health Authority, Syreon and Perceptronics have expanded or leased new space in the area. Additionally, new owners of the Fairmont Medical building at 750 West Broadway have attracted interest and deals from doctors and other health related users.

Steady absorption near Broadway & Cambie will continue, aided by anticipated new inventory at 590 West 8th Avenue (from a renovation) and from the new PCI development at Broadway & Cambie Street.

Historic Absorption Chart



New Construction / Inventory

Developer	Building	Sq. Ft.	Date
Wesgroup	590 West 8th Avenue	30,000	Fall 2005*
PCI	Broadway & Cambie Street	100,000	2008

*renovation of existing building.

In addition, the BC Ambulatory Care Facility under construction next to Vancouver General Hospital will offer up to 80,000 square feet of office space for lease to medical tenants, some of which are expected to come from buildings in the Broadway Core.

Bentall has also indicated interest in constructing a third building at Broadway Tech Centre as soon as sufficient pre-leasing commitments materialize.

We have adjusted the inventory of 3585 Graveley Street (The Kingswood Atrium) to 139,000 square feet from the original projection at construction of 168,000 square feet.

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy (%)	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	3,304,583	277,124	19,386	296,510	9.0%	138,265	\$18 - \$22	\$29 - \$34
B	1,897,382	136,794	0	136,794	7.2%	59,271	\$14 - \$17	\$25 - \$28
C	591,298	79,073	0	79,073	13.4%	27,581	\$9 - \$13	\$18 - \$23
Total	5,793,264	492,991	19,386	512,377	8.8%	225,117		

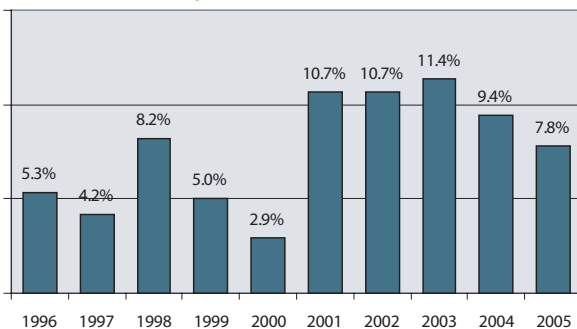
Vacancy Trends

The Burnaby office market has changed rapidly over the past four years. Tenants are now faced with a diminishing supply of quality space, especially in large blocks. Only two contiguous options exist for tenants over 25,000 square feet in current inventory or under construction -- Metrotower I and Centrepoint.

Ample opportunities remain in the B- and C-Class inventory, whereby a sizeable spread has emerged between A- and B- Class net effective rates (NERs).

With limited A-Class supply and continued strong demand, net effective rental rates have moved upwards. They now approach levels that make speculative new construction viable.

Historic Vacancy Chart



Market Forecast

Burnaby's office market inventory has grown over the past 5 years to become the largest market outside of the downtown core. This momentum as an alternative to downtown will continue as Burnaby has several prime office development sites ready to proceed upon pre-lease commitments.

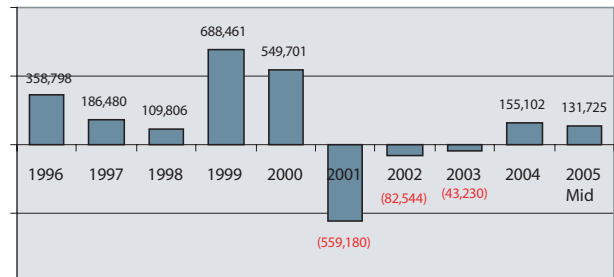
Notable Lease Deals in 2005

Tenant	Lease Type	Area (sq. ft.)
BC Housing	Renewal	55,000
Lancashire Financial	Relocation	32,000
Electronic Arts	Expansion	25,000
eBay	Expansion	20,000
Health Canada	Relocation	13,000
Microcel	Relocation	11,000
Pitney Bowes	Relocation	10,000
R.F. Binnie & Associates	Relocation	8,000

Absorption Trends

Absorption this past half year resulted from a mix of existing tenants expanding and new tenants arriving. Electronic Arts and HSBC took occupancy of expansion space this half year while eBay inked deals to expand by a further 20,000 square feet in 4321 Still Creek Drive. Health Canada, Lancashire Financial and KPMG signed deals to relocate to the Burnaby market.

Historic Absorption Chart



New Construction

In 2006, Centrepoint, across from Metrotown, will introduce 75,000 square feet of office space to the Burnaby market, 15,000 of which is pre-leased. This project currently offers the only 60,000 square foot contiguous block available for lease. This project is expected to lease quickly due to the strong demand and short supply of A-Class space in



An artist's rendering of Centrepoint at 4789 Kingsway, Burnaby.

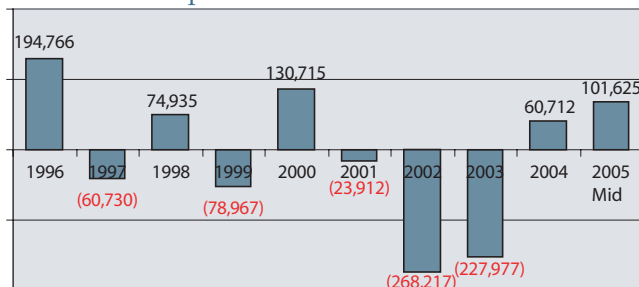
Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy (%)	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	5,877,129	260,317	14,718	275,035	4.7%	100,514	\$18 - \$22	\$28 - \$34
B	1,574,656	218,887	1,400	220,287	14.0%	24,057	\$12 - \$16	\$23 - \$28
C	630,825	123,034	13,225	136,259	21.6%	7,154	\$9 - \$13	\$17 - \$23
Total	8,082,610	602,238	29,343	631,581	7.8%	131,725		



Absorption Trends

Richmond experienced nearly 100,000 square feet of absorption during the first half of 2005, pushing vacancy rates down by 3 percentage points. Harmony Airways leased 20,000 square feet in 3600 Lysander Lane and Dermamed took 13,000 square feet in Crestwood Corporate Centre. The remainder of the absorption primarily resulted from expansions among existing, smaller and medium sized tenants in the business parks.

Historic Absorption Chart



Notable Lease Deals in 2005

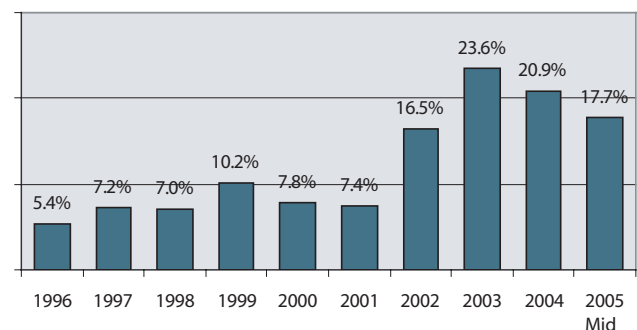
Tenant	Lease Type	Area (sq. ft.)
McKesson Medical Imaging	Renewal	80,000
BC Lottery Corp	Renewal	67,000
Harmony Airways	Relocation	20,000
Developmental Disabilities Association	Renewal	13,500
Dermamed	Relocation	12,800
Accpac	Expansion	5,000
Killix	Expansion	5,000

Vacancy Trends

The majority of Richmond's vacant space sits in large blocks in the suburban business parks. Tenants requiring 15,000 square feet or greater ironically may have more options than tenants seeking 5,000 square feet or less. It may be time for some owners or managers to break up larger opportunities in favour of multi-tenant options.

New owners and property managers have assumed control of several Richmond business parks, bringing new energy to leasing and managing. This change has likely contributed to the downward trend in vacancy over the past few quarters.

Historic Vacancy Chart



Market Forecast

Over 200,000 square feet of space will become available in Richmond over the next 24 months from vacating tenants and new construction. Coast Capital Savings will depart 40,000 square feet in two buildings on Cooney Road later this year, relocating to Central City in Surrey. The Workers' Compensation Board (WCB) is gradually consolidating operations into their own campus, departing 8100 Granville Road. And, BCIT will construct approximately 90,000 square feet of office space on the YVR lands as part of their Aerospace Education Centre, scheduled for completion late in 2006.

Although adding more inventory to a market with over 17% vacancy sounds daunting, Richmond will benefit from tightening in other Greater Vancouver office leasing districts. Few large blocks of space remain outside of Richmond and A-Class rental rates elsewhere are rising, making Richmond options more attractive.

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy (%)	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	2,061,556	229,972	93,488	323,460	15.7%	88,602	\$13 - \$16	\$21 - \$26
B	987,017	220,701	1,910	222,611	22.6%	14,444	\$10 - \$12	\$17 - \$21
C	200,474	30,170	0	30,170	15.1%	-1,421	\$9 - \$12	\$16 - \$25
Total	3,249,047	480,843	95,398	576,241	17.7%	101,625		



Vacancy Trends

Surrey's A-Class inventory is almost fully leased and few large block options remain available. Station Tower has a few tiny units. Central City only has smaller spaces remaining in the tower, with the last large blocks having been leased by Coast Capital Savings and the Canada Revenue Agency (CRA) who will take occupancy later this year.

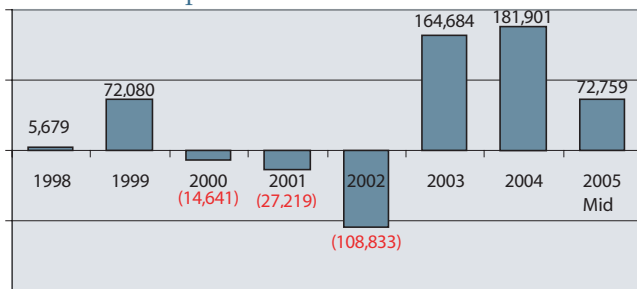
There is one 51,500 square foot block vacant in the podium and 8,300 square feet in the galleria, however JP Morgan Chase and SFU have option rights on these spaces that gradually decline between 2006 and 2008. It is uncertain whether a deal with JP Morgan Chase or SFU -- or an outside tenant -- will result in this space being occupied before 2007-2008. These vacancies (60,800 square feet) represent 2.6% of Surrey's overall vacancy.

Because the CRA deal is shorter term, the 42,000 square foot, three storey, penthouse in Central City will be available for lease starting in 2007. We anticipate that this will be pre-leased prior to 2007 and therefore not impact vacancy rates.

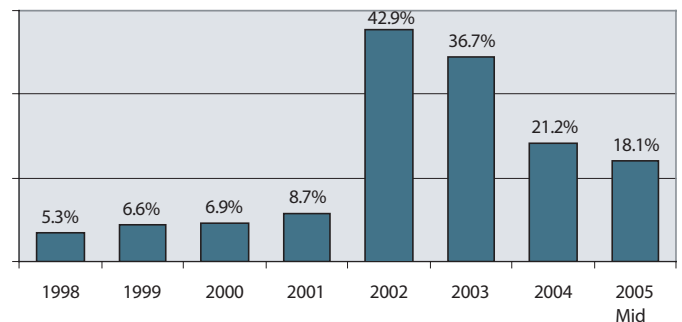
Absorption Trends

Public sector tenants have been an important factor behind Surrey's falling office vacancy rates. With the population in Surrey and municipalities south of the Fraser River expanding, a corresponding need for government and health services has emerged. For similar reasons, private sector tenants have also reconsidered Surrey as a place for office operations -- either their clients or staff often reside in Surrey or nearby suburbs.

Historic Absorption Chart



Historic Vacancy Chart



Notable Lease Deals in 2005

Tenant	Lease Type	Area (sq. ft.)
Coast Capital Savings	Relocation	70,000
Canada Revenue Agency	New Location	42,000

Market Forecast

With A-Class options now largely exhausted, we expect Surrey's absorption to slow in 2006 and vacancy rate declines to level off. No new office construction is on the horizon. However because of the solid demand for quality space, and the continued growth in Surrey's population and business base, we expect that some modest new office development is likely within the next few years.

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy (%)	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	1,365,753	233,551	10,693	244,244	17.9%	98,553	\$13 - \$16	\$23 - \$26
B	796,615	116,086	3,917	120,003	15.1%	-26,233	\$12 - \$14	\$20 - \$24
C	157,950	55,813	0	55,813	35.3%	439	\$8 - \$11	\$14 - \$19
Total	2,320,315	405,450	14,610	420,060	18.1%	72,759		

New Westminster

Retail Conversions

Market Summary

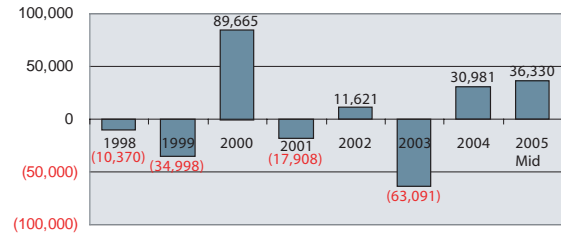
London Drugs leased 40,000 square feet formerly occupied by TELUS, continuing a recent trend of converting office space into retail.



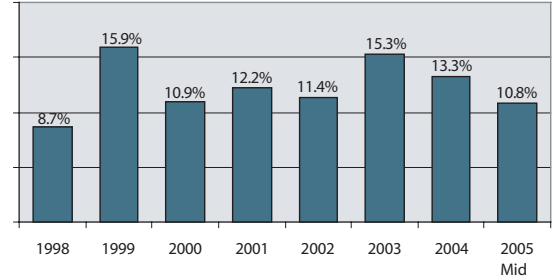
Looking ahead, at least two large blocks of space will become vacant during the second half of 2005. Canadian Direct Insurance and KPMG will vacate space, relocating to other markets.

With the Burnaby office market becoming tight, we anticipate that some traditional Burnaby tenants will consider New Westminster locations, helping to fill this new vacant space.

Historic Absorption Chart



Historic Vacancy Chart

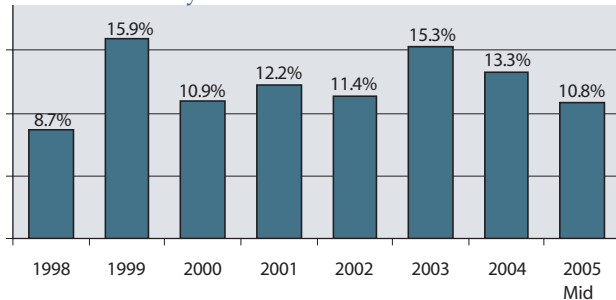


Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy (%)	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	769,074	97,521	0	97,521	12.7%	-2,110	\$13 - \$16	\$23 - \$27
B	553,385	56,322	0	56,322	10.2%	15,940	\$8 - \$12	\$16 - \$22
C	179,448	8,866	0	8,866	4.9%	22,500	\$4 - \$7	\$12 - \$18
Total	1,501,907	162,709	0	162,709	10.8%	36,330		

North Shore

Steady, Stable Market

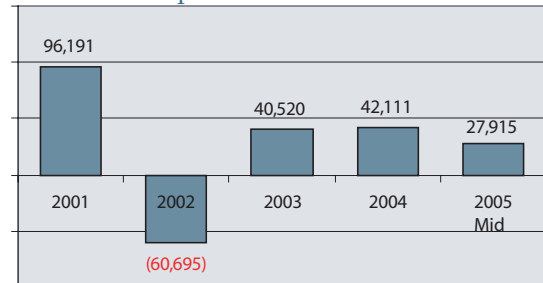
Historic Vacancy Chart



Market Summary

No significant change in demand is forecast for the North Shore. Anticipated new construction at Lonsdale & Esplanade will introduce 68,000 square feet of new inventory in 2006, which will likely cause vacancy rates to rise but will also spark leasing activity as tenants relocate into newer space.

Historic Absorption Chart



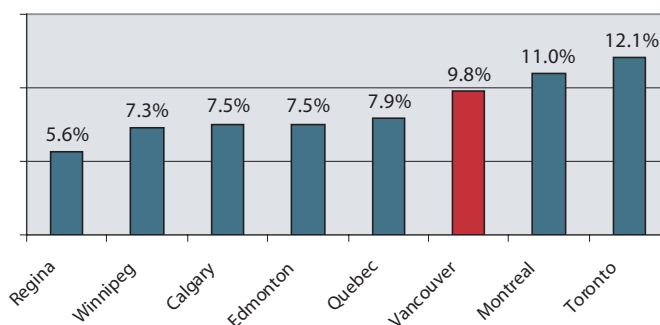
Notable Lease Deals in 2005

Tenant	Lease Type	Area (sq. ft.)
North Shore News	Relocation	11,500
First Nations' Summit	Relocation	10,000
Bowman Employment	Relocation	5,000

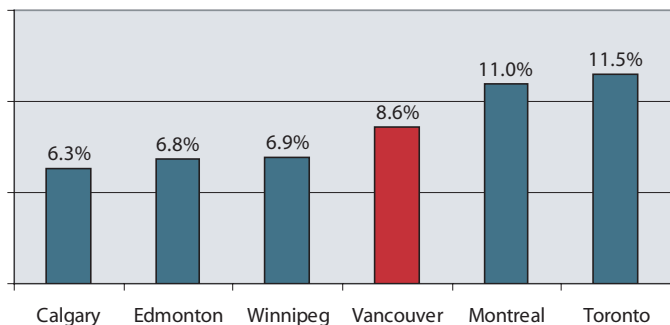
Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy (%)	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	710,350	55,992	13,458	69,450	9.8%	11,616	\$14 - \$19	\$24 - \$29
B	479,077	37,983	0	37,983	7.9%	13,436	\$12 - \$16	\$22 - \$27
C	236,182	34,373	1,977	36,350	15.4%	2,863	\$10 - \$14	\$18 - \$22
Total	1,425,609	128,348	15,435	143,783	10.1%	27,915		



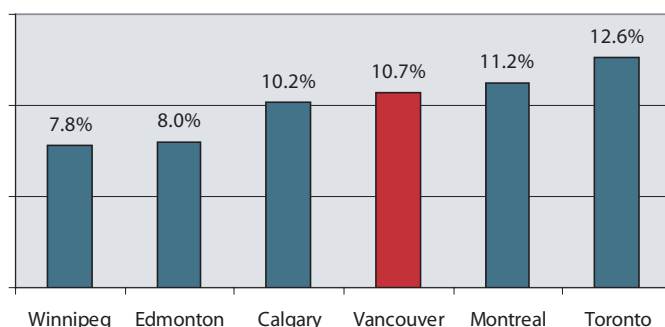
Overall Market Vacancy Across Canada - Mid Year 2005



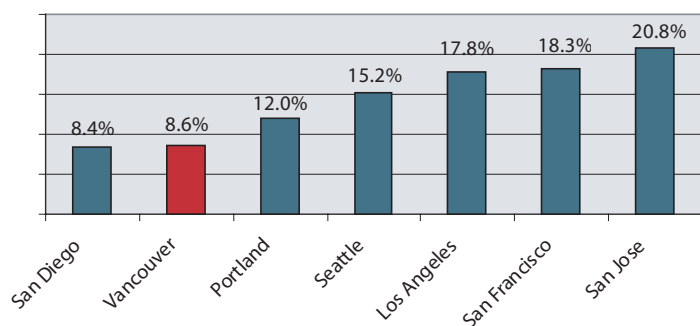
CBD Office Market Vacancy Across Canada



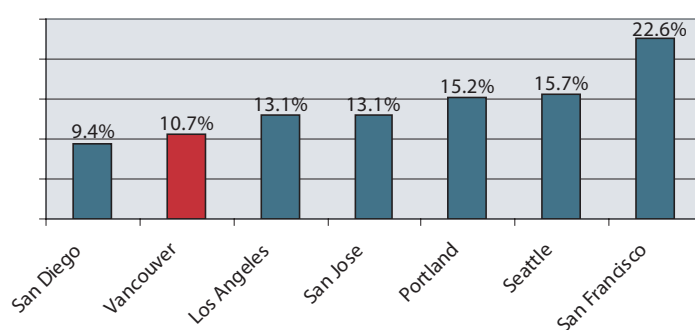
Suburbs Office Market Vacancy Across Canada



CBD Office Market Vacancy, Pacific Coast



Suburbs Market Office Vacancy, Pacific Coast



US data from Grubb & Ellis, *Office Market Trends* (Q1 2005)

Olympic Impact Update

Introduction

In 2002 when Vancouver was a candidate city for the 2010 Olympic Games Avison Young examined the implications for the office market if Vancouver hosted the Games. Two years into Vancouver's status as 2010 host city, we offer a preliminary assessment of how this is impacting office market demand.

Office Absorption Directly Related to Hosting the Games

Hosting the Games requires office space to house a variety of administrative, organizational and service roles. This includes the organizing committee (VANOC) itself, international sporting bodies (the IOC, the sports federations, etc.), construction management, engineering and architecture work, government positions, and professional and technical services (including those provided by sponsors). **In 2002 we estimated that this activity would absorb between 500,000 and 900,000 square feet by 2009.**

2005 Observations: Direct Office Absorption

Absorption directly related to hosting the Games will likely meet our estimates by 2009. Below is a summary chart of space leased to date (using actual figures as well as some estimates of how much growth from existing companies is Olympic related). Our estimates include companies and organizations involved in Olympic-induced infrastructure construction of the Sea-to-Sky Highway upgrade, the RAV line, and the new convention centre. (None of these projects would have received the required funding without the Olympics, so we include them here.)

Absorption to date, and revised estimates to 2009

Office User Type:	2005 est.	2009 est.
VANOC	20,000	200,000
International sports bodies	0	50,000
Construction, architecture, engineering	70,000	120,000
Government Secretariats (Olympic and infrastructure construction offices)	50,000	100,000
Professional & Technology Services	25,000	50,000
Sponsors	0	80,000
Security / RCMP		60,000
TOTALS	165,000	660,000

Induced & Indirect Office Absorption

This category includes office absorption created by the above groups requiring other services as well as generating economic multipliers. If we use a conservative multiplier of 25%, we can assume that an additional 40,000 square feet of office absorption today is likely indirect or induced from the Olympics and that number will grow to 160,000 by 2009.

The most important component in this category -- as discussed in our 2002 report -- is the companies and organizations establishing or expanding operations in Vancouver because of increased publicity or Olympic-related business attraction programs.

In 2002 we estimated that pre-games, Vancouver could receive 250,000- 600,000 s.f. of absorption from induced and indirect absorption between 2005 and 2009.

The Sydney & Atlanta Comparisons

In our 2002 report we discussed the experiences of Sydney (2000 Games Host) and Atlanta (1996 Games Host) at attracting broader business expansion.

The City of Sydney along with the New South Wales government attracted 214 international companies through specific targeted programs in the five years leading up to the games, accounting for approximately 1 million to 1.6 million square feet of office absorption. An equivalent achievement by smaller Vancouver would be approximately 100 companies and 600,000 square feet of related office absorption.

Atlanta did not create an Olympic-related corporate attraction program per se, instead relying on - and benefiting from - the increased exposure and the newfound confidence that the Games gave the city and business community. Atlanta experienced tremendous business growth including the creation of over 200,000 jobs (of all types) in the six years prior to the Olympics. Because Vancouver is half the size Atlanta was in 1996, an equivalent achievement would be approximately 100,000 jobs. If we place 20% in offices, then 400,000 square feet of absorption is possible.

Vancouver Update

To date, Vancouver and BC are relying mostly on the more passive Atlanta approach - although not without results. Since July 2003 when Vancouver was awarded the Games, the city has increased its status as a global city, known for tourism, conventions, and particular business clusters.

Economic development and office absorption have also increased dramatically since July 2003. Separating Olympic-related office space demand from that resulting from economic growth, which might have happened regardless, is impossible. However, if we assume that being 2010 Host has generated the confidence and optimism that serves to attract business, then we can probably also assume that some of the 2.5 million square feet of absorption since July 2003 is related.

For example, some prominent global companies have substantially expanded their Vancouver operations including eBay, Electronic Arts and Business Objects. Combined these three companies' expansions account for over 250,000 square feet of absorption (in addition to their economic multiplier impacts). It's reasonable to assume that smaller national or global companies have added or expanded operations in Vancouver as well. Looking ahead, the Canadian Tourism Commission has announced intentions to relocate to Vancouver from Ottawa and Disney's Buena Vista Games is establishing a large facility here.

Vancouver may in fact be ahead of the pace set by Sydney and Atlanta (converted to Vancouver's smaller size). Once the BC government's Sydney-style trade and investment program gets underway in 2006, induced office absorption could easily exceed our 2002 estimates. At least one million square feet is conceivable.

About This Report

Office Market Districts Tracked



Avison Young separates suburban office market districts using the municipal boundaries.

The Avison Young *Office Market Report* is based upon information from the company's databases, Space4lease.com, as well as on discussions with developers, owners, tenants and our clients. We thank everyone who contributed.

The information contained herein was obtained from sources which we deem reliable. While thought to be correct, it is not guaranteed by Avison Young Commercial Real Estate (BC) Inc.

Building Inventory and Classification

Inventory: Avison Young tracks headlease and sublease inventory and vacancy in non-government buildings over three storeys in height with at least 20,000 square feet of space.

Classification: Avison Young classifies buildings as either "A," "B," or "C" based on the building's location, age, quality and tenant profile. For the Downtown office market, we also use the "AAA" classification for profile buildings.

Definitions

Absorption: Absorption is the net change in occupied space over a given period of time. New space is not considered absorbed until it is physically occupied.

Vacancy: Office space that is physically unoccupied at the time of the survey, regardless of its contractual leasing state.

Net Effective Rates (NER): Net effective rates are calculated by taking the annual rental rates per square foot payable by a tenant and deducting all tenant inducements such as free rent periods, lease takeover costs, improvement packages, etc. using discounted cash flow analysis.

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