

National Newsletter

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Investment flow cools as buyers and sellers struggle to string together deals

To everyone's surprise, in its quarterly Monetary Policy Report released in July, the Bank of Canada proclaimed the end of the recession, indicating the return to growth after three quarters of decline. For many Canadians and those in the commercial real estate sector, the announcement may be a bit premature, given that real estate lags the general recovery in the economy.

From an investment perspective, the buying and selling of property has been stuck in neutral due to a number of factors, including the collapse of the debt market; the unwillingness by many investors to trade devalued assets; a slowdown in executive decision-making; tight industry-lending conditions; financial weakness amongst tenants; and buyer perception versus vendor expectation. The buyer-vendor expectation gap is clearly evident in the deal flow, which has fallen off dramatically from the run-up that took place between 2005 and 2007.

Investment volumes for office, industrial, retail and multi-residential properties across Canada's major markets dropped by almost 60% in the first half of 2009 to \$3.5 billion from \$8.4 billion in the first half of 2008. Moving from West to East, investment volumes totalled \$872 million in Vancouver (-10%); \$363 million in Edmonton (-76%); \$415 million in Calgary (-75%); \$923 million in Toronto (-67%); \$228 million in Ottawa (-31%) and \$712 million in Montreal (-36%). In all, Vancouver and Toronto captured roughly 51% of the total investment activity.

Office product was the most sought-after investment property in the first six months of 2009, amounting to \$1.3 billion. By comparison, \$2.9 billion worth of office buildings changed hands over the same period one year prior – a 56% decline. Vancouver captured the lion's share of the activity at \$506 million, or 38%, of the overall office total. While this figure is almost three times the volume of last year, it's largely skewed by one acquisition. German investor Deka Immobilien Investment GmbH purchased SITQ's Bentall V in Downtown Vancouver for \$297 million in May of this year – the largest investment deal in Canada in the first half of 2009. The Germans made significant office acquisitions elsewhere as well, this time focusing on recently completed assets. In Montreal, KanAm Group purchased Phase II of the Bell Office Campus on Nuns' Island for \$92 million from Canderel. In Calgary, Commerz Real AG acquired Stampede Station Phase I for approximately \$74 million from Opus Building Corporation and WAM Development Group, although this latter deal closed in August.

Industrial was also top of mind with \$800 million invested, down 64% from \$2.2 billion over the same period last year. Multi-residential and retail product followed with \$730 million (-44%) and \$656 million (-67%), respectively. While Vancouver was the hotbed for office acquisitions, investors flocked to Toronto for industrial and retail assets, generating sales of \$281 million (-69%) and \$206 million (-61%), respectively. Montreal led the way once again in multi-residential investment with \$229 million; however, this tally is off by 51% from last year. Apart from Vancouver office sales, Ottawa was the only other market to witness an increase in sales, with the multi-residential and industrial sectors rising 51% and 29% to \$122 million and \$46 million, respectively.

Notwithstanding the poor investment volumes to date, there's a feeling of optimism in the air as the end of the year approaches. Positive signs include an increased number of bids for assets and, more importantly, a narrowing bid-ask gap – all of which should lead to more transactions in the months ahead.

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Vancouver prepares for post-Olympic influences



Avison Young represented BC Lottery Corporation in its lease negotiations for a new 109,000-sf office/warehouse building at Broadway Tech Centre, which will house BCLC's distribution, marketing and corporate affairs functions.

Capitalization rates, traditionally the lowest in the country, are not expected to influence office investment greatly, although they may prompt some industrial and retail investors to spend their increasingly-available cash in other Canadian markets. But Vancouver's strong appeal to international investors, whose love for the West Coast market often defies global crises and downturns, should help offset declines – and bolster the average sale price, which rose to \$29.2 million in the first half of 2009 from \$24.5 million in the second half of 2008.

Meanwhile, the post-Olympic period is expected to shine more light on long-term investment prospects as a large number of leases and mortgages roll over. Many office tenants negotiated leases that were designed to expire after the Games so that rental rates would not spike, and mortgages are slated to mature as investors continue to deal with the effects of the U.S. sub-prime mortgage crisis.

In the first half of this year, Metro Vancouver sales dipped in all asset classes due to after-shocks from the global financial meltdown, a continuing slowdown in executive decision-making, market perception versus reality, and extra time needed for buyers and sellers to narrow their price expectations. Dollar volume fell 12% to \$643 million from \$734 million during the second half of 2008. (The majority of the second-half 2008 deals were negotiated in the early part of 2008, before the fall 2008 equity market crash.)

Industrial deals (11) outnumbered office (8) and retail (4) transactions from January to June. But office deals accounted for 79%, or \$506 million, of the \$643 million in total dollar volume, while industrial amounted to 15%, or \$96 million, and retail reflected a modest 6%, or \$41 million. German investor Deka Immobilien Investment GmbH's unexpected purchase of the Bentall V tower for \$297 million, the largest investment deal to date in Canada this year, skewed prices upward. Yet, the lack of available office trophy properties kept other international players on the sidelines.

Private investors were again the most active investors on both the buying and selling sides, continuing a trend that prevailed throughout 2008. However, institutional investors dominated higher-priced office transactions while showing little interest in lower-priced industrial or retail properties.

REITs, which have cleaned up their balance sheets and gained access to large amounts of credit in recent months, appear likely to become more active between now and early 2010. Government-sponsored pension plans, relatively quiet in the first half, are also expected to be active buyers as they strive to maintain their portfolio values.

Consequently, brokers are optimistic that the Games will spur an increase in international investment – just like Expo '86 did. If history comes close to repeating itself, foreign players will flock to the West Coast after they discover the city's appealing physical and fiscal features. Until then, the Vancouver market likely faces an ongoing adjustment to global economic forces.

Vancouver's commercial real estate investment market continues to face a shortage of available quality product as the 2010 Winter Olympic Games approach.

The shortage, especially in the coveted office class, is posing challenges for buyers and sellers as they attempt to narrow their price-expectation gap while the market normalizes following last year's period of excessive demand. However, investor confidence shows continuing improvement amidst slightly increasing vacancy.

Recent Lease Transactions

BC Lottery Corporation (office/warehouse)
– 109,000 sf
Sandwell Engineering (office) – 94,000 sf
Marble Gymnastics Academy (industrial)
– 11,000 sf

Recent Exclusive Lease Listings

3260 Production Way, Burnaby (industrial)
– 63,000 sf
1633 Cliveden Avenue, Delta (industrial)
– 32,000 sf
13799 Commerce Parkway, Richmond (office)
– 23,700 sf
13070 115th Avenue, Surrey (industrial)
– 9,500 sf

Recent Properties Sold

1272 Derwent Way, Delta (industrial)
– 148,000 sf
Metrotown Place III, 5945 Kathleen Avenue,
Burnaby (office) – 57,000 sf
8900 Glenlyon Parkway, Burnaby (office)
– 51,000 sf
2575 Barnet Highway, Coquitlam (development
site) – 44,000 sf
Tree Island, 23660 Westminster Highway and
3951 Boundary Road, Richmond (industrial
land) – 12.7 acres
46278 Yale Road, Chilliwack (multi-family)
– 20 units

Recent Sale Properties Listed

1485 Coast Meridian Road, Port Coquitlam
(industrial investment) – 41,000 sf
2450 Ontario Street (office) – 38,000 sf
18917 24th Avenue, Surrey (industrial land)
– 19.6 acres
3399 Bridgeway Street (industrial land)
– 0.87 acres
Dalton Hotel, 759 Yates Street, Victoria (hotel/
retail) – 88 rooms, 11,200 sf retail



Glenlyon Developments acquired 8900 Glenlyon Parkway in Burnaby, BC from Cue Real Property (2) Ltd. for \$9.4 million in July 2009. Avison Young acted on behalf of both vendor and purchaser.

Speculative construction increases vacancy rate



Stampede Station, Calgary

Calgary office vacancy has increased dramatically since fall 2008, and is projected to rise through the next couple of years. From 2007 to 2012, inventory is expected to increase by 30%, which equates to an additional 14.8 million square feet (msf) of office space. (Of note, this is less than 50% of the construction activity seen during the construction boom of 1979 to 1983.) As a result of this new office space entering the market, vacancy will be significantly impacted over the next decade.

As vacancy increases due to a slower economy and new construction being completed, Calgary landlords will face some difficult issues. Calgary's overall vacancy rate at the end of second quarter 2009 was 5.7% (9.3% including sublease space), up considerably from 3.1% (3.9% including sublease space) at the end of third quarter 2008. However, given the current market and economic conditions,

Avison Young is forecasting that vacancy could reach as high as 16% (18.3% including sublease space) by spring 2012. This would be the highest office vacancy seen in Calgary since the National Energy Program and the collapse of world oil prices decimated the economy in the early 1980s.

Global market conditions, which combined to cause the current level of vacancy, will continue to affect the market as long as the world remains in recession. The rapid economic downturn has resulted in corporate downsizing, merger and acquisition activity, reduced growth plans, and low oil and gas prices. All of these factors have resulted in more space being returned to the market as either head lease or sublease space, growth into new space being halted, and negative absorption being recorded for the first time in six years. Many businesses are also postponing decisions on their office space needs until the last moment as they attempt to capitalize on softening lease rates.

Over the next two or three years, speculative new construction will be one of the biggest issues facing the Calgary office leasing market. Between October 2009 and early 2012, approximately 6.3 msf will be added to the city's office space inventory, an increase of 11%; but only two-thirds of the space has been leased, with 2.3 msf not yet spoken for.

Once occupancy does begin to occur, both the vacancy created by new construction and any resulting backfill space will add to the existing vacancy. This combined vacant space will impact the market heavily.

Until positive economic growth results in job creation, corporate growth, and increasing commodity prices, vacancy levels are expected to remain high. The one counterpoint to the increase: as vacancy rises, asking rents will decline. Declining rents tend to entice tenants sitting on the fence regarding expansion plans to capitalize on the opportunity. Some tenants are expected to take advantage of lower rents available in the market to expand their space needs. Should sufficient movement into positive absorption be achieved in the next two years, vacancy will still increase, but at a reduced rate from the current forecast.

Recent Lease Transactions

Energy Resources Conservation Board (office) – 189,200 sf
Belron Canada (industrial) – 100,000 sf
Credit Union Central Alberta (office) – 86,500 sf
Enmax Corporation (office) – 73,500 sf
AMEC (office) – 46,300 sf
Techno Trash Alberta (industrial) – 25,000 sf
Travel Alberta (office) – 20,700 sf
Powerhouse Sports Calgary (retail) – 18,500 sf
CDL Systems (office) – 17,000 sf

Recent Exclusive Lease Listings

608 – 7th Street SW (office) – 221,000 sf
Palliser South (office) – 202,200 sf
Stampede Trail (retail) – 180,000 sf
1108 – 4th Street SW (office) – 150,000 sf
Sierra Springs (retail) – 140,000 sf
4000 – 106th Avenue SE (industrial) – 136,000 sf
Barron Building (office) – 80,600 sf
634 – 6th Avenue SW (office) – 50,000 sf

Recent Properties Sold

North Rail Building (industrial) – 252,000 sf
Stampede Station I (office) – 161,700 sf
East Calgary Health Centre (office) – 75,000 sf
700 – 33rd Street NE (industrial) – 59,600 sf
4315 – 72nd Avenue SE (industrial) – 30,100 sf
Wal-Mart Distribution Site (land) – 29.11 acres

Recent Sale Properties Listed

608 – 7th Street SW (office condos) – 221,500 sf
1108 – 4th Street SW (office condos) – 193,000 sf
634 – 6th Avenue SW (office condos) – 69,500 sf
2874 Kingsview Boulevard SE (industrial) – 45,400 sf
6204 – 6A Street SE (industrial) – 40,000 sf
Springbank future residential (land) – 152 acres



Palliser South, Calgary

Edmonton

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

Retail demand outpaces supply in Edmonton



Southgate Centre, Edmonton

Edmonton's high demand for retail space shows no signs of letting up in spite of the global recession. Alberta continues to lead the country in retail space per capita with 17.8 square feet (sf) per person, a number that continues to far outpace the national average of 13.5 sf per person. Edmonton exceeds the provincial average with 22 sf of retail space per capita.

The recently completed 130,000-sf expansion of Southgate Centre adds to an already impressive amount of retail space; the significant inventory can be mainly attributed to Edmonton being home to West Edmonton Mall (5.3 msf) and South Edmonton Common (2.3 msf). Despite the abundance of retail space in the Edmonton area, vacancy rates have declined steadily since 1999 as retailers strive to meet the consumer's seemingly relentless demand. As the Gateway to the North, Edmonton also benefits from servicing a much larger trade area that spans Northern British Columbia, Northern Alberta, the Northwest Territories and Saskatchewan.

Edmonton retail sales are forecasted to reach approximately \$20.5 million for 2009 – 45% higher than the national average for a major metropolitan area. This total equates to average household spending of approximately \$45,000 per year.

Smaller retailers have dominated retail activity in 2009 as they seek to capitalize on lower build-out costs and stabilized rents. Recent turnover in higher-demand areas has also created opportunities in shopping districts where vacancy has traditionally been extremely low. Conversely, big-box retailers have been quiet for the most part, largely due to many U.S. based retailers having been harder hit by the global recession. The downturn has limited the availability of capital for Canadian expansion.

Regardless, vacancy rates in Edmonton remain steady, holding at 3.0%, compared with 3.1% and 2.9% for the same periods in 2008 and 2007 respectively.

Moving forward out of the recessionary period, the majority of expansion appears to involve retailers who focus their businesses on food, drug and necessities. Consumer spending has shifted towards these commodities, as opposed to luxury or discretionary items. With vacancy remaining low, it is clear that Edmonton's retail market has weathered the downturn well, and there is continued demand for retail space. Despite the ample inventory of existing space, the Edmonton retail market is not over-built and further increases in square footage would be positively supported by the large, diverse trade area. While larger retailers display ongoing caution, move slowly and wait for market stability, smaller retailers will continue to grow at a brisk pace.

Overall, the Edmonton economy is rebounding nicely after a difficult start to the year. Consumer spending dropped 10% in the first half of 2009 compared to the same time period in 2008. However, since the end of June, economic indicators are once again showing positive growth, which should translate into increased future sales in the retail-friendly Edmonton market.

Recent Lease Transactions

ATB Financial – 190,383 sf
Sobeys Capital Corp. – 96,804 sf
Shoppers Drug Mart (2) – 37,284 sf
Giant Tiger – 18,872 sf
Funds Administrative Services – 15,667 sf
TD Canada Trust (2) – 13,206 sf
TR Labs – 12,699 sf

Recent Exclusive Lease Listings

10158-103 Avenue (office) – 63,385 sf
North Rail Building – 58,344 sf
Canadian Western Bank Place (office) – 30,741 sf
Yellowhead Industrial Park – 16,000 sf
& 3.48 acres
Broadmoor Properties (Plaza A&B, Place III-VI) (office) – 15,388 sf

Recent Properties Sold

Former International Truck Building – 70,570 sf
Dresser Rand (industrial) – 38,308 sf
IKON (office) – 32,925 sf
Clark Builders Property – 23,585 square feet
Southwest Edmonton (land) – 80 acres
Baccarat Casino Lands – 10.82 acres

Recent Sale Properties Listed

Sobeys Building (office) – 42,000 sf
Home Depot Outparcels / Land (2) (retail) – 1.75 acres



Canadian Western Bank Place, Edmonton

Regina demand climbs as vacancy stays tight



1846 Scarth Street, Regina

Positive economic activity in Regina continues to withstand negative external forces, while retail spending and development have surprised many followers of the asset class.

Demand remains high, based on the overall vacancy rate of 2.7% in a market with 7 msf of retail space. The retail market continues to grow in several sectors of the city.

With a vacancy rate of 3.5%, the northwest area has less new development than other areas,

but there are plans for more expansion in the quadrant by early 2010. Land is available for development, along with other opportunities.

The prime retail corridor on Regina's east side currently has a vacancy rate of 2.1%, despite some recent exiting of businesses from the market. Two prime parcels of land are currently available for development, so one can expect developers to continue to assess the right mix for this area before making any commitments.

The most exciting development currently underway lies in the southwest area of the city, in the newly-developed commercial sector known as Grasslands. Formerly titled Harbour Centre in the \$1-billion Harbour Landing development, this major project consists of approximately 86 acres of land and a projected 950,000 sf of leaseable area.

Once complete, Grasslands will add about 13% of space to the city's retail inventory. The area will feature modern mixed-use development, including retail shops, hotels, entertainment and an urban village at its heart.

A new 185,000-sf Walmart supercentre, slated to open in early 2010, is under construction in Grasslands. The supercentre is one of two (the second is in Saskatoon) that Walmart is planning for Saskatchewan by 2010. While the current location in Southland Mall will close and relocate operations to the west, the new supercentre is expected to create an additional 150 retail jobs.

Persistent rumours abound regarding the market penetration of a Lowe's Home Improvement Warehouse, and the commencement of a 143,000-sf store in the near future.

Much of the remaining planned or confirmed Grasslands lease space will include new stores and businesses not currently operating in the region. The developer of Grasslands, Harvard Developments, has stated the south end of Regina is under-serviced in terms of retail business and could see up to 30 more businesses come on board in the next two years. The move would lift retail space ratios from the current 15 sf per capita closer to the national average of 30 sf per capita.

Meanwhile, hotel growth is also a key part of the plans at Grasslands. Saskatoon-based Dimension 3 Hospitality has confirmed plans to bring approximately 250 rooms on stream with the construction of two hotels, the Days Inn Regina West and Homes Suites. The Days Inn is expected to open in fall 2010, with Homes Suites to follow a year later.

Recent Lease Transactions

5875 Rochdale Boulevard (retail) – 17,600 sf
2621 Gottsleig Road (industrial) – 9,000 sf
2010 – 11th Avenue (office) – 5,700 sf
100, 2500 Victoria Avenue (retail) – 2,877 sf
5875 Rochdale Boulevard (retail) – 1,494 sf
303 Albert Street (retail) – 1,360 sf

Recent Lease Listings

1275 Albert Street (retail/office) – 9,600 sf
1846 Scarth Street (office) – 5,600 sf
Pasqua Street & Highway 11 (land) – 3.99 acres

Recent Properties Sold

2401 Saskatchewan Drive (office) – 37,900 sf
1602 - 12th Avenue (other) – 3,900 sf
RM of Sherwood (land) – 135 acres
5875 Rochdale Boulevard (land) – 1.437 acres
332 Broadway Street West, Yorkton (land) – 0.41 acres

Recent Sale Properties Listed

Parkland Greenhouse, Yorkton (retail) – 118,200 sf
1516 - 6th Avenue (industrial) – 5,400 sf
Bronco Plumbing (retail) – 5,200 sf



Royal Bank Building, Regina

Winnipeg's restaurant market remains resilient



Moxie's Restaurant and patio at MTS Centre, Downtown Winnipeg

effects of the economic slowdown is the downturn occurring with some local manufacturers of U.S.-bound goods.

Restaurants generally do not fare well in recessionary times, yet in the Winnipeg market there is apparent strength. New openings are diverse and reflect a variety of themes and menus. Local and national coffee chains continue to expand in the city amidst ongoing construction of mid-price-point chains and fast food drive-through locations.

Winnipeg has long been known for its abundance and diversity of restaurants. Some of this market saturation can be attributed to the city's diverse ethnic population. This diversity is evident in the world-class success of local cultural events, including Folklorama, a multicultural summer festival that attracts more than 400,000 pavilion visitors from all over the globe. The local ethnic and cultural diversity is the result of the province attracting 50,000 new immigrants since 1999.

The influx has been spurred by a strong Provincial Nominee Program, which fast-tracks immigrant-entry applications. Many new immigrants choose to pursue the restaurant business, and the number of Japanese (sushi), Korean, and Vietnamese restaurants in Winnipeg is exploding despite an ongoing shortage of available quality spaces.

The irony of this growth is that lenders, particularly the chartered banks, tend to want little to do with restaurant financing. This lender opposition, combined with continued high demand for quality skilled trades and a steady rise in construction material costs, creates a challenging scenario for many of these emerging businesses.

Meanwhile, land prices continue to rise in Winnipeg due to ongoing scarcity of available and well-located development parcels. Values of \$500,000 to \$1 million per acre are now commonplace in the busy retail nodes. Net asking rates for existing vacant stand-alone restaurants are in the \$14 to \$25 per square foot (psf) range, and have been steadily rising. Increasing values and rates are also driving up meal costs, and the market is seeing growing markups on alcoholic beverages.

However, overall sizes of large restaurants seem to be levelling off as smaller, more efficient kitchens become the norm. This focus on efficiency also appears to be reducing menu offerings, and more and more family restaurants are utilizing theme months and other creative food promotions in an attempt to stay competitive and profitable.

The strength of the restaurant industry in Winnipeg is due to some extraordinary local operators, dedicated staff, strict controls, and proven locations. The downtown core continues to see a boom in restaurant openings spurred by the completion of MTS Centre in 2004 and the seemingly non-stop concerts and sporting events hosted there. Parking is still paramount in the suburbs, with most new restaurant openings, particularly those involving larger chains, focused on major retail nodes.

Winnipeg continues to be quite resilient to the recessionary pressures found elsewhere in the country.

According to the Conference Board of Canada, Winnipeg ranks first among major Canadian urban centres for GDP growth, and 2009 is expected to be the city's fourth consecutive year of employment expansion. The only indication that the market is experiencing the

Recent Lease Transactions

Manitoba First Nations Education (office) – 14,600 sf
Altered Minds (office) – 5,900 sf
Home Tex Fashions (industrial) – 5,000 sf

Recent Exclusive Lease Listings

1800 Corydon (retail) – 11,400 sf
979 Fife (industrial) – 5,000 sf
224 Hutchings (industrial) – 4,400 sf

Recent Properties Sold

287 Broadway (office) – 56,000 sf
880 Century (industrial) – 22,300 sf
885 Wall (retail) – 11,600 sf
262 Marion (office) – 3,500 sf
75 Stadacona (industrial) – 3,000 sf
7355 Wilkes, Headingley (land) – 1.84 acres
74-84 Main, Steinbach (land) – 1 acre
1270 Archibald (land) – 0.91 acres
2001 Portage (land) – 0.58 acres
230 Marion (land) – 0.53 acres
2051 McPhillips (land) – 0.46 acres
1040 25th, Brandon (land) – 0.41 acres
174 Provencher, (land) – 0.37 acres

Recent Sale Properties Listed

1328-38 Clifton (industrial) – 35,400 sf
909 Jarvis (industrial) – 34,000 sf
3605-3623 Roblin (retail) – 12,000 sf
787 Leila (retail) – 8,800 sf
Camp Woodlands (recreational) – 40 acres
Day and Risque (land) – 29.97 acres



787 Leila - Restaurant property currently offered for sale by Avison Young

Mississauga

30 Eglinton Avenue West, Suite 300
Mississauga, ON L5R 3E7
T 905.712.2100 F 905.712.2937

Metrolinx Big Move plan calls for large investment



Mississauga City Centre Transit Terminal

Hamilton. Metrolinx operates within the Greater Toronto Transportation Authority Act, and also adheres to the province's Places to Grow Act.

The Government of Ontario, through its Move Ontario 2020 initiative, announced a list of rapid transit improvements and expansion projects for the GTHA in June 2007. Many key projects, including several in the Greater Toronto Area (GTA) West, are also to be completed as part of the Metrolinx Big Move plan.

In the GTA West, Metrolinx will focus on implementing rapid transit along Hurontario Street (Highway 10) from Port Credit northward to Brampton, with a major hub at the Mississauga City Centre. Rapid transit is also being planned along Dundas Street through Oakville and Mississauga, linking to the Kipling subway station in Etobicoke. In addition, Metrolinx has emphasized the need for rapid transit to Pearson International Airport from all directions. This initiative aims to increase the percentage of people who get to and from the airport via public transit, which currently sits below 1%. Rapid transit would connect to Pearson from Eglinton Avenue, Finch Avenue, Highway 403, and Highway 427.

Although there are no set timelines associated with any of the Metrolinx plans so far, all of the initiatives mentioned above are listed as being priorities and fall within the group of projects to be completed within the first 15 years of implementation of the Big Move plan.

In the meantime, Metrolinx will work on getting its quick-win projects off the ground. Quick-win projects are Metrolinx board-approved initiatives that support the Move Ontario 2020 vision and aim to achieve tangible benefits within the next two to five years. Back in 2007, the province committed \$744 million in funding towards these projects.

The Big Move plan has a staggering \$50-billion budget to achieve the proposed design over the course of its 25-year implementation. Initial funding for the projects will come from the provincial government, which committed \$11.5 billion to finance the plan's early implementation. An additional \$6 billion in funding may come from the federal government, but is not guaranteed yet. Federal funding would push total government investment to \$17.5 billion.

The remaining \$32.5 billion is to be covered by the public, after the original cash injections have been drained by Metrolinx.

Metrolinx plans to spend \$50 billion on transportation infrastructure in the Greater Toronto and Hamilton Area (GTHA) over the next 25 years.

Metrolinx was created by the Government of Ontario to develop and implement a transportation plan for the metropolitan region, including the regional municipalities of Durham, Metro, York, Peel and Halton, as well as the City of

Recent Lease Transactions

Atomic Energy of Canada Limited (office) – 26,000 sf
KCI Medical (office) – 25,000 sf
Evans Martin (office) – 10,000 sf
PPG Canada Inc. (office) – 8,000 sf
Doxess (office) – 4,200 sf

Recent Exclusive Lease Listings

75 Queenston Road (retail) – 27,000 sf
5090 Commerce Boulevard (office) – 21,400 sf
8069 Esquesing Line (industrial) – 11,000 sf
26 Eglinton Avenue West (retail) – 5,200 sf
1945 Dundas Street East (office) – 2,400 sf

Recent Sale Properties Listed

30 Eglinton Avenue West (office/retail) – 164,700 sf
2465 Skymark Avenue (office/industrial) – 142,700 sf
880 Avonhead Road (industrial) – 131,000 sf
1799 20th Street, Owen Sound (industrial) – 612,500 sf
3109 American Drive (industrial) – 95,600 sf
750 Douro Street (industrial) – 46,400 sf
71 King Street West (office) – 42,000 sf
Jaylake Camping & RV Park, Minden – 105 acres
Lionshead Lakefront Resort & Yacht Club, Lake Simcoe, Jacksons Point – 5.85 acres



1799 20th Street, Owen Sound

**AVISON
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Vacancies trend upward in major office towers



Toronto's Financial Core

With 2008 marking the end of an exceptional period of growth, Toronto's major office towers appear to be entering the current real estate cycle downturn from a position of weakness.

Rising from the heart of the financial district at King and Bay streets, a handful of large towers – often dubbed by many in the business and real estate communities as the Bank Towers, Triple A Towers or Towers of Power – span a two-block radius. This select group includes Oxford Properties' TD Canada Trust Tower and Royal Bank Plaza complex; the Bank of Nova

Scotia's Scotia Plaza; Cadillac Fairview's TD Bank and Royal Trust Tower; GWL Realty Advisors' Commerce Court West; and Brookfield Properties' First Canadian Place, Brookfield Place and the recently completed Bay Adelaide Centre West Tower, which offers 1.1 msf over 51 storeys.

At a combined 12 msf, these complexes house the country's top five banks as well as major professional services and law firms. With the exception of the Bay Adelaide Centre and the TD Canada Trust Tower, built in 1990, and Brookfield Place, constructed in 1992, the remaining buildings are between 20 and 42 years old. Over the years, they have attracted high-profile tenants at premium rents and, for the most part, maintained high occupancy levels.

Until recently, that is.

As more than 3.5 msf of new office supply comes on stream and the market favours the tenant over the landlord, some of the towers will see their occupancy levels decline dramatically over the next 12 to 18 months. The new developments, built in accordance to the Leadership in Energy and Environmental (LEED) gold standard, offer the latest in building-system technology and workplace efficiency.

At 73% preleased, Bay Adelaide Centre West has attracted major accounting and legal firms, including KPMG, Heenan Blaikie, Goodmans and Fasken Martineau DuMoulin out of Commerce Court West, Royal Bank Plaza, 250 Yonge Street and TD Bank Tower, respectively. Elsewhere, RBC Financial will soon consolidate a large portion of its workforce from the Royal Trust Tower, Royal Bank Plaza and Citigroup Place into the new 43-storey, 1.2-msf RBC Centre, just blocks away.

The new Telus tower, rising 30 storeys and totalling 752,000 sf, has lured Kinross Gold from Scotia Plaza and the traditional confines of the core to what many are now calling the south core. Apart from Heenan Blaikie, which moved in August, most of these tenants have already commenced work on their new premises.

However, the new buildings have not landed all of the big deals. The increase in supply and decrease in demand means that tenants have the ability to benefit from lower rates, bigger incentives and favourable lease terms. Some companies have found efficiencies in the existing rental stock.

Prominent law firm Fraser Milner Casgrain struck a deal that will see it move from First Canadian Place to the Royal Trust Tower across the street, leasing a portion of the premises to be vacated by RBC Financial. CIBC, a long-time tenant at Commerce Court West, will reduce its presence and relocate some 210,000 sf next year into Bell Trinity Square.

As a result, the vacancy rate amongst the towers has climbed to almost 12%, while the availability rate sits much higher at 17%. For perspective, going into the previous real estate market downturn in 2001, the towers were in much better shape, displaying vacancy and availability rates of just 3.2% and 5.3%, respectively.

It will be interesting to see what strategies the landlords of these towers employ to lease the more than 2 msf of residual vacancy resulting from all of the movement.

Recent Lease Transactions

Alterna Savings (office) – 32,444 sf
PYR Software Ltd. (office) – 16,582 sf
Cancer Care Ontario (office) – 14,434 sf
nD-Insight Corporation (office) – 13,383 sf
Pharma Plus Drugmarts Ltd. (retail) – 11,230 sf
Teck Metals Inc. (office) – 10,000 sf
The Bank of Nova Scotia (retail) – 8,500 sf
LOGIQ3 Inc. (office) – 5,800 sf

Recent Exclusive Lease Listings

Woodcliffe Landmark Properties Portfolio (office) – 378,000 sf
CNIB Building (office) – 250,000 sf
23 Fraser Avenue (office) – 41,290 sf
519 Jarvis Street (office) – 15,347 sf

Recent Properties Sold

West Lynde Plaza, Whitby (retail) – 43,800 sf
TSE Stores, Sault St. Marie (retail) – 31,400 sf
709 Milner Avenue, Scarborough (office) – 30,000 sf
185 Sheppard Avenue West (office) – 16,000 sf
9724 Yonge Street, Richmond Hill (retail) – 5,000 sf
715 Milner Avenue, Scarborough (land) – 1.5 acres

Recent Sale Properties Listed

519 Jarvis Street (office) – 15,347 sf
49 Dundonald Street (multi-residential) – 32 units
96 Isabella Street (multi-residential) – 28 units

Recent Management Additions

Bayfield Realty Advisors Portfolio (retail) – 750,000 sf
Adgar Investments, (office - 4 properties) – 500,000 sf
Toronto Life Square (entertainment/office/retail) – 330,000 sf



Toronto Life Square at the intersection of Yonge Street & Dundas Street

Ottawa rides perfect subleasing storm



Best Building, 411 Legget Drive, Ottawa

Ottawa is caught up in the subleasing trend witnessed in other major Canadian markets.

In recent months, Ottawa's sublease market has increased noticeably – and numerous opportunities exist. No asset class is immune, but the majority of quality opportunities are in class A office space.

Subleasing activity in the most affected area, the suburban Kanata West market, picked up soon after the U.S. credit crunch hit and capital became scarce. The Kanata West market primarily serves technology firms that are mainly funded by venture capital companies, whose own funding has also dried up. The combination of reduced capital and Dell putting 250,000 sf of call centre space on the market has helped create a perfect subleasing storm.

In addition, several other U.S.-based firms are continuing to downsize their Ottawa operations and looking to recover whatever they can financially on the sublet market. Prominent sub-lessors include Dell; Quebecor, parent of Sun Media, which has reduced space; and a host of small companies looking to boost their bottom lines.

As with other soft office markets, Ottawa brokers and tenants are often presented with several very attractively-priced space options complete with early-occupancy bonuses, gifts of existing furniture and discounted net rental rates. Since the space is usually surplus to the sub-lessor's operations, any recovery achieved via a sublet is found money that goes right to the bottom line.

Although nothing is guaranteed, the abundant sublease market is likely to persist for another eight to 10 months. By and large, sub-lessors have adjusted to the ultra-competitive nature of subleasing activity.

The realization that the first offer is usually the best offer has certainly sunk in.

But Ottawa investors, landlords and tenants have faced many challenges while entering into sublease agreements. The problems that arise with many sublet scenarios revolve around the existing contractual obligations of the sub-lessor as stipulated in the existing lease.

As a result, a sub-tenant must carefully review the existing lease. It is important to keep in mind that, under normal circumstances, a landlord will not agree to renegotiate existing lease clauses.

In a sublease, prospective sub-tenants must assume the obligations of the lease. While rent may be adjusted by the parties involved, the landlord will remain whole. Obligations to restore the space and any number of other provisions contained in the head lease must be adhered to.

That is why sublease agreements usually cover the remaining term of a lease, less one day. This way, the sub-lessor takes back possession of the space from the sub-tenant prior to the end of the original lease term, and will be bound by the terms of the original surrender clauses.

These factors are particularly important in Ottawa, where low vacancy rates continue to favour landlords. At some point, a renewal will be necessary.

Commercial real estate professionals will be able to assist with forecasting renewal terms. Remember: it is better to have all the facts going in. There is no substitute for advance due diligence.

Recent Lease Transactions

Marks & Clerk, (office) – 11,100 sf
Marks & Clerk, Kanata (office) – 4,200 sf

Recent Exclusive Lease Listings

2 Antares Drive (office) – 53,000 sf
Lincoln Fields Shopping Centre – 20,000 sf
40 Hines Road (office) – 10,800 sf
7 Capella Court (office) – 5,100 sf

Recent Sale Properties Listed

2211 Thurston Drive (office/industrial) – 24,800 sf
1174 Carp Road (land & building) – 4.51 acres /
11,500 sf



Dell Building, 1001 Farrar Road, Kanata

Montreal

2000 McGill College Ave., Suite 1950
Montreal, QC H3A 3H3
T 514.940.5330 F 514.940.5331

New Chabanel gives birth to diverse business opportunities

Montreal's historic Chabanel-de-Louvain district (Chabanel) is experiencing a renaissance as improved access and new amenities attract increasingly diverse businesses.

In the 1800s, Montreal established itself as the base of Canada's garment industry, on par with New York and Los Angeles. By the 1940s, Chabanel had become the city's garment manufacturing and distribution centre and, over time, evolved into a fashion hub. By the late 1990s, globalization, lower international trade barriers, just-in-time production requirements and less expensive labour pools forced many low-end clothing manufacturers out of business; survivors reduced their space requirements as Montreal, still a design and marketing centre, had less need for large production floors. The state of the industry and a challenged urban plan had crippled Chabanel.

Its revival would depend on the ability of local governments, real estate owners and businesses to share a vision. In 1999, several local stakeholders joined forces to lobby the City of Montreal for assistance in redefining Chabanel, which is bound by the Canadian Pacific Railway line to the west, Saint-Laurent Boulevard to the east, Port-Royal Street to the north and Chabanel Street to the south.

An incentive program was provided to owners to help increase occupancy levels. Some used the money for renovations; others to woo new tenants.

In 2004, the city finally approved a renewal program after a green transit-oriented development project was initiated in 2000 for the Acadie-Chabanel area. The new Chabanel was awarded \$17 million, while additional municipal and provincial funding covered the cost of an already-completed commuter-train station.

Other infrastructure upgrades include a viaduct under the CPR line; bike paths; green space; and new underground water, sewer, power and gas lines. Surface work is slated to finish in spring 2010 while the underground lines are complete. A new commuter rail line is also due for completion in 2010.

Ultimately, the new Chabanel's strength lies in its unique location at the crossroads of Montreal's major highways – near metro stations, bus routes and the downtown. As Chabanel's access and commercial activities have expanded, Marcarko Ltd., owner of 555 Chabanel, has successfully adapted its leasing strategy to promote synergy among tenants and centralized a broader range of fashion-industry participants.

Marcarko has also converted former industrial space to meet the back-office needs of corporate tenants. New tenants include the City of Montreal, insurance firm Aviva Canada, fitness club franchise outlet Energie Cardio, office supplies company Lyreco, National Bank and Laurentian Bank. Laurentian's 94,000-sf, 600-employee back office operation represents the largest ever office deal signed in the area.

Meanwhile, Groupe Dayan has purchased stakes in several older, obsolete properties as it re-brands Chabanel as the place where design gets done, expanding on the fashion district's reputation as an intersection for commerce and creativity. Groupe Dayan is also negotiating with world-class high-tech and creative companies as part of an aggressive effort to attract knowledge-based businesses operating within the new economy.

As a result, Groupe Dayan's 433 Chabanel location will cater to businesses involved in all facets of design, while the remaining properties incorporate mixed residential and commercial uses. New tenants at 433 Chabanel include software developer Cantel, economic development agency CDEC-Ahuntsic-Cartierville, medical technology firm Exam One, clothing manufacturer Zuki Furs and retailer Jeans Castle.

While fashion continues to shape Chabanel's history, exciting new and diverse business opportunities will have a lasting impact on its future.

Recent Lease Transactions

800 René-Lévesque Boulevard West (office) – 7,400sf
5250 Décarie Boulevard (office) – 4,600 sf
2000 McGill College Avenue (office) – 3,600 sf
1188 Ste-Catherine Street West (retail) – 3,500 sf
1392-94 Ste-Catherine Street West (retail) – 3,500 sf
4050 Lesage Street, Sherbrooke (office) – 2,700 sf
5250 Décarie Boulevard (office) – 2,500 sf
2114 de la Montagne Street (retail) – 2,400 sf
1323 Ste-Catherine Street West (office) – 2,200 sf
1323 Ste-Catherine Street East (retail) – 2,200 sf
1155 Rene-Levesque Boulevard West (office) – 1,400 sf

Recent Exclusive Lease Listings

1253 McGill College Avenue (office sublease) – 16,500 sf
260 St-Raymond Boulevard, Gatineau (office/commercial) – 13,300 sf
4521 Clark Street (office) – 11,400 sf
4 du Commerce Place (office sublease) – 2,900 sf

Recent Properties Sold

5200 Armand-Frappier Street, St-Hubert (industrial) – 79,500 sf
1250 Marie-Victorin Street, St-Bruno-de-Montarville (office) – 28,000 sf
6275 des Grandes-Prairies Boulevard (industrial) – 20,200 sf

Recent Sale Properties Listed

226 Roy Street, St-Eustache (industrial) – 12,600 sf



433 Chabanel Street West, Montreal

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La revitalisation de Chabanel donne naissance à de nouvelles opportunités commerciales

Le secteur historique Chabanel-de-Louvain (Chabanel) de Montréal vit une renaissance alors qu'un meilleur accès au secteur et de nouveaux services attirent des entreprises de plus en plus diversifiées.

Au début du 19^e siècle, Montréal était le centre névralgique de l'industrie du vêtement au Canada, au même plan que les villes de New York et Los Angeles. Au milieu des années 1940, Chabanel était le centre de Montréal en ce qui a trait à la confection, à l'entreposage, à l'importation et à l'exportation de vêtements. Avec le temps, le secteur est devenu une plaque tournante de la mode.

La modernisation de l'industrie et la mondialisation ont provoqué la baisse des barrières commerciales à l'échelle internationale, ont accordé une plus grande importance à la production juste-à-temps et suscité une demande pour une main-d'œuvre à meilleur marché. À la fin des années 1990, de nombreuses entreprises, qui confectionnaient des vêtements bas de gamme, ont cessé leurs activités; d'autres, pour demeurer concurrentielles, ont dû réduire leurs espaces de travail.

Même si les activités de création et de commercialisation demeuraient centralisées à Montréal, les grands espaces industriels étaient moins en demande. L'état de l'industrie, de même qu'un plan d'urbanisme paralysant, constituaient un handicap pour Chabanel.

Sa revitalisation ne pourrait avoir lieu que si les autorités municipales, les propriétaires fonciers et les entreprises partageaient une même vision. En 1999, plusieurs acteurs clés locaux se sont unis afin de faire pression sur la Ville de Montréal pour qu'elle les aide à redéfinir le secteur Chabanel, délimité à l'ouest par le chemin de fer du Canadien Pacifique, à l'est par le boulevard Saint-Laurent, au nord par la rue de Port-Royal et au sud par la rue Chabanel.

Un programme incitatif a été mis sur pied afin d'aider les propriétaires à augmenter les taux d'occupation. Certains ont utilisé ces fonds pour effectuer des rénovations, d'autres, pour attirer de nouveaux locataires.

La Ville de Montréal a finalement approuvé pour ce secteur un projet de revitalisation et un plan d'action tous deux fondés sur le transport en commun. Environ 17 millions \$ ont été alloués dans le cadre de ce projet du Nouveau Chabanel. Les gouvernements municipal et provincial ont aussi contribué pour établir une nouvelle ligne de train de banlieue.

Les améliorations apportées aux infrastructures comprennent une nouvelle gare de train de banlieue, un viaduc sous le chemin de fer du Canadien Pacifique, des pistes cyclables, des espaces verts, des trottoirs élargis ainsi que de nouveaux conduits souterrains d'eau, d'égout, d'électricité et de gaz. L'achèvement d'une nouvelle ligne de train de banlieue est prévu pour 2010.

Les atouts du Nouveau Chabanel résident dans son emplacement unique, au confluent des principales autoroutes de Montréal, dans sa proximité aux stations de métro, des circuits d'autobus et du centre-ville. À mesure que l'accès au secteur et que ses activités commerciales se sont améliorés, Marcarco Ltée, propriétaire du 555 Chabanel, a adapté sa stratégie locative pour promouvoir la synergie entre les locataires et y centraliser une plus grande variété d'intervenants de l'industrie de la mode.

Marcarco a aussi converti d'anciens espaces industriels afin de satisfaire les besoins administratifs de sa clientèle locative d'affaires. Parmi les nouveaux locataires, on retrouve la Ville de Montréal, la compagnie d'assurance Aviva Canada, une franchise des centres de conditionnement physique Énergie Cardio, l'entreprise de produits de bureau Lyreco, la Banque Nationale et la Banque Laurentienne.

Entre-temps, Groupe Dayan a acquis des participations dans plusieurs autres propriétés, plus anciennes et désuètes. Groupe Dayan procède à la mise en valeur de Chabanel comme un endroit de création, tirant parti de la réputation du quartier de la mode, carrefour du commerce et de la créativité. Le Groupe Dayan négocie également avec des entreprises de haute technologie et de création d'envergure mondiale dans le cadre d'une offensive visant à attirer de nouvelles entreprises axées sur le savoir et faisant partie de la nouvelle économie.

Ainsi, l'immeuble du Groupe Dayan situé au 433 Chabanel répondra aux besoins des entreprises liées à toutes les facettes du design, alors que les autres propriétés seront à usage résidentiel et commercial mixte. Les nouveaux locataires du 433 Chabanel comprennent le concepteur de logiciels Cantel, le Centre de développement économique communautaire CDEC-Ahuntsic-Cartierville, la société de technologie médicale ExamOne, le fabricant de vêtements Zuki Furs et le détaillant Jeans Castle.

Tandis que l'histoire de la mode se poursuit dans ce secteur, de nouvelles entreprises dynamiques et diversifiées auront des répercussions durables sur l'avenir de Chabanel.

Récentes transactions de location

800, boulevard René-Lévesque Ouest (bureau)
– 7 400 pi.ca.
5250, boulevard Décarie (bureau) – 4 600 pi.ca.
2000, avenue McGill College (bureau)
– 3 600 pi.ca.
1188, rue Ste-Catherine Ouest (détail)
– 3 500 pi.ca.
1392-94, rue Ste-Catherine Ouest (détail)
– 3 500 pi.ca.
4050, rue Lesage, Sherbrooke (bureau)
– 2 700 pi.ca.
5250, boulevard Décarie (bureau) – 2 500 pi.ca.
2114, rue de la Montagne (détail) – 2 400 pi.ca.
1323, rue Ste-Catherine Est (détail) – 2 200 pi.ca.
1323, rue Ste-Catherine Ouest (bureau)
– 2 200 pi.ca.
1155, boulevard René-Lévesque Ouest (bureau)
– 1 400 pi.ca.

Récents mandats exclusifs de location

1253, avenue McGill College (sous-location de bureau) – 16 500 pi.ca.
260, boulevard St-Raymond, Gatineau (bureau/commercial) – 13 300 pi.ca.
4521, rue Clark (bureau) – 11 400 pi.ca.
4, place du Commerce (sous-location de bureau) – 2 900 pi.ca.

Propriétés récemment vendues

5200, rue Armand-Frappier, St-Hubert (industriel)
– 79 500 pi.ca.
1250, rue Marie-Victorin, St-Bruno-de-Montarville (bureau) – 28 000 pi.ca.
6275, boulevard des Grandes-Prairies (industriel)
– 20 200 pi.ca.

Récents mandats de vente

226, rue Roy, St-Eustache (industriel)
– 12 600 pi.ca.



555, rue Chabanel Ouest, Montréal

Quebec City

1300 Ste-Anne Boulevard
Quebec City, QC G1E 3M5
T 418.694.3330 F 418.694.3334

Quebec City market remains relatively unscathed by recession



Ville de Québec

As buyers were hoping the Quebec City market would follow the trends seen in other parts of Canada. Since the downward trend did not materialize, buyers are now considering cap rates similar to those that prevailed prior to the recession.

Development projects now under construction have achieved preleasing levels ranging from 90% to 100%. The only project that has preleased slightly less space is the Cominar REIT development on Laurier Boulevard.

Meanwhile, several of the proposed new construction projects along Lebourgneuf Boulevard are in the design and planning stages, with construction slated to begin by early 2010. In terms of construction of single-family and multi-residential homes, sale prices and rent levels have maintained more than satisfactory levels.

The Quebec City region still presents excellent real estate investment opportunities, providing stable income and long-term security. Occupancy levels in the provincial capital are still among the highest in Canada, and there is no reason to believe that the Quebec City market will look much different over the next few years.

L'économie de la Ville de Québec demeure relativement indemne

Alors que l'économie commence à montrer des signes de reprise et que le secteur de l'immobilier tant au Canada qu'aux États-Unis se stabilise, la Ville de Québec est demeurée à l'abri d'un ralentissement.

En mars 2009, plusieurs investisseurs anticipaient une augmentation des taux de capitalisation. Cette augmentation ne s'est pas réalisée, et les propriétaires-vendeurs n'ont pas de leur côté modifié leurs attentes en matière de prix et les acheteurs demeurent intéressés.

Peu de transactions ont eu lieu au cours des derniers trimestres; les acheteurs espéraient que le marché de Québec suive la même courbe que le marché canadien. Les acheteurs potentiels considèrent actuellement des taux de capitalisation qui avoisinent ceux qui prévalaient avant la récession.

Le marché de Québec présente d'excellentes opportunités offrant une stabilité de revenus et une sécurité à long terme. La construction de nouvelles propriétés sur tout son territoire reflète la confiance des investisseurs.

Les taux d'occupation sont toujours parmi les plus élevés au Canada et aucun signe ne nous amène à croire qu'ils seront différents au cours des prochaines années. Les projets actuellement en construction affichent des taux d'occupation variant de 90 % à 100 %.

Seul le projet de Cominar REIT sur le boulevard Laurier affiche un taux d'occupation légèrement plus bas. Plusieurs propriétaires planifient de nouvelles constructions sur le boulevard Lebourgneuf pour le début de 2010. Quant à la construction domiciliaire et à logements multiples, les prix de vente et de location se maintiennent à un niveau des plus acceptable.

Le marché immobilier commercial de Québec présente toujours d'excellentes opportunités offrant une stabilité de revenus et une sécurité à long terme. Les taux d'occupation sont toujours parmi les plus élevés au Canada, et aucun signe ne nous amène à penser qu'ils seront différents au cours des prochaines années.

As the economy begins to show signs of recovery and the Canadian and U.S. real estate sectors continue to stabilize, the Quebec City economy remains fairly sheltered from the downturn.

In March 2009, several investors anticipated drastic capitalization rate increases, which did not come to pass. Despite this unrealized forecast, seller price expectations did not change and buyers maintained their interest.

However, few transactions took place during the last few quarters

Recent Lease Transactions

850 Pierre-Bertrand Boulevard (industrial)
– 10,500 sf
825 Lebourgneuf Boulevard (office) – 3,700 sf

Recent Exclusive Lease Listings

3175 chemin des Quatre-Bourgeois (office
sublease) – 1,800 sf



Édifice Saint-Mathieu, 3175 chemin des Quatre-Bourgeois

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Halifax investors confident in times of uncertainty



Avison Young acted on behalf of Sobey Leased Properties in the sale of the 30,000-sf neighbourhood strip centre at 70 Lacewood Drive to a local investor.

As a result of its diverse economy, Halifax has a very stable employment environment which helps keep confidence high in times of uncertainty. In fact, Statistics Canada reported that employment levels in Halifax reached an all-time high in July 2009, and these gains comprised full-time positions. While some companies were laying people off, such international firms as Lockheed Martin, Admiral Insurance, and Flagstone Reinsurance have continued with their job growth and expansion plans.

More good news for the Halifax economy: the construction industry remains strong. Previously announced projects are moving forward, providing additional stimulus. These projects include new housing communities in Bedford, new industrial buildings in Burnside, a new head office for Nova Scotia Power, continued expansion of Dartmouth Crossing, university infrastructure additions, and new schools for the Halifax Regional Municipality. Many other announced developments continue to move ahead – with no sign that they will be cancelled or delayed.

However, there were some bumps along the road to progress. Halifax's commercial real estate industry experienced a slowdown as companies around the world paused to see how the crises would unfold. After three or four months of few deals, by the second quarter of the year, business leaders surmised that activity will, indeed, pick up. As a result, activity over the past few months has increased noticeably, and this trend should continue for the balance of the year.

On the sales front, most activity has involved companies buying properties for their own use or some sort of development or redevelopment play. Avison Young's Halifax office has been very active in these types of transactions.

Values for such properties have not declined over the past year. In certain instances, they have actually increased over the period. This uptick would have been almost impossible to predict at the start of the year, but as more transactions are completed in the market, it has certainly proven to be true.

Potential buyers should consult a bank or mortgage broker early in the process. Equity and underwriting requirements have increased, and the timelines for decisions are stretching. These are realities that everyone involved in commercial real estate must deal with – and adjust for – during the process.

Meanwhile, the leasing market remains relatively stable. Vacancy rates in the downtown core have increased slightly, due mainly to a number of larger sublets that are currently available. Rental rates have not changed significantly, but landlords are expected to be more aggressive in their pursuit of larger tenants with good covenants than in years past.

Avison Young forecasts little change in the Halifax commercial real estate market for the remainder of 2009.

As predicted last fall, Halifax has fared much better than other parts of the country in the wake of the global financial meltdown.

While not immune to the international effects, the local economy has weathered the storm because it has little reliance on manufacturing and resources. Instead, it is fuelled by a large proportion of military, government and university jobs and infrastructure.

Recent Lease Transactions

*Nova Scotia Gaming Foundation
Atlantic Oilfield and Workwear Limited
Excel Physiotherapy
Community Foundation of Nova Scotia
John White Enterprises Inc.
Centum Home Lenders Limited*

Recent Properties Sold

*1606 Edward Street (multi-unit residential)
4 Lynette Street (multi-unit residential)*



Avison Young acted for CNIB in the sale of the 17,000 sf office building at 6136 Almon Street to a local developer.

Chicago's strong industrial market can't escape downturn

Chicago's usually strong industrial market has not been immune to the current economic trends.

While Chicago and the surrounding Midwestern cities typically resist large economic swings, the severity of the current downturn has profoundly affected the industrial market. Despite the gloom of the past two years, there are signs that the market may be reaching the bottom soon.



Crossroads of DuPage, 525 Shingle Oak Drive, West Chicago

The U.S. manufacturing index rose to 52.9 from 48.9 in August – the first expansion in 19 months – but dipped below 50 again in September, according to the Chicago Purchasing Managers' Index. (Index readings above 50 mean that manufacturing is expanding.) Companies engaged in third party logistics (3PLs) have posted generally positive results during the current recession. Few sectors of the economy can make this boast.

The need to reduce headcount and implement a more flexible distribution model has led many manufacturers to eliminate company-owned warehousing and turn this function over to 3PLs. Chicago is well-positioned, being one of the top three logistics markets in the country, to take advantage of the demand for space generated by 3PLs.

The CenterPoint/Burlington Northern Santa Fe Intermodal yard in Southern Will County (suburban Chicago) is the largest in North America, with 1.5 million containers annually moving through the inland port, and has helped to drive positive absorption in the area. For the same reason, construction in Will County tripled to 120 msf from 40 msf during the boom years, beginning in 1997 and continuing through the current recession. Therefore, despite positive absorption in 2009, the vacancy rates have risen due to a larger amount of construction deliveries.

In the Chicago market as a whole, construction deliveries have almost completely halted. While this standstill provides a gloomy future for developers, it is expected to drive up demand as space is absorbed from the glut in supply that accumulated during the boom years of 2005 to 2007. Many brokers are predicting that equilibrium will be reached in 2010.

Sale-leasebacks have seen a rise in popularity during 2009 as owners are looking for new ways to improve cash flow to their businesses. The influx of capital from a building sale, an alternative to restrictive bank financing, has become necessary for many companies as they attempt to increase working capital and survive the recession. Chicago real estate investors are also seeing the positives of a sale-leaseback deal; severely depressed prices are providing excellent opportunities for investors to acquire properties producing significantly improved capitalization rates with stable tenants and long-term leases.

Meanwhile, leasing activity has started to pick up in the Chicago market. Tenants are becoming more assertive in trying to find better lease terms.

Blend-and-extend lease renewals are the order of the day as some tenants consolidate out of current facilities and into new locations. In some cases, this movement results in positive absorption; but for the most part, companies are just exchanging spaces with no positive effect on the market. Landlords are being pressed to drop prices in order to pull in new business. While this situation is currently pushing prices down, rates are expected to stabilize as the inventory starts filling up and the landlord regains bargaining power.

When employment increases, consumer spending, shipping activity and demand typically also pick up. Since there has been a lack of any new development in the Chicago market, when demand for industrial space returns, lease rates should rise rapidly.

Recent Lease Transactions

Rock Run #8 (VIII) Rock Run Business Park, Joliet (industrial) – 202,400 sf



ProLogis Park O'Hare #1, 1001 Busse Road, Elk Grove Village



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 Engineers & Architects

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