



partnership.  
performance.

# British Columbia Real Estate Investment Review Year-End 2008



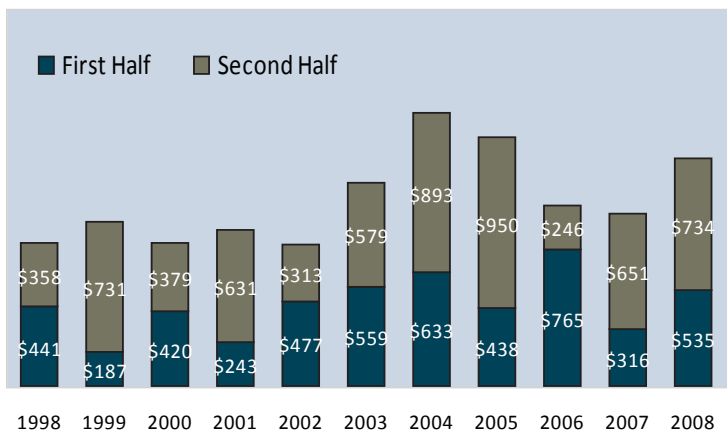
Intelligent  
Real Estate Solutions

	<b>2nd Half 2008</b>	<b>2008 Total</b>
<b>Total value (sales &gt; \$5 million):</b>	<b>\$734 million</b>	<b>\$1.27 billion</b>
<b>Total number of transactions:</b>	<b>30</b>	<b>68</b>
<b>Most active buyers:</b>	<b>Private</b>	<b>Private</b>
<b>Most active sellers:</b>	<b>Private</b>	<b>Private</b>
<b>Most active asset class:</b>	<b>Office</b>	<b>Office</b>

**Global economic downturn will take steam out of commercial real estate investment sales in 2009; 2008 deals represented high water mark**

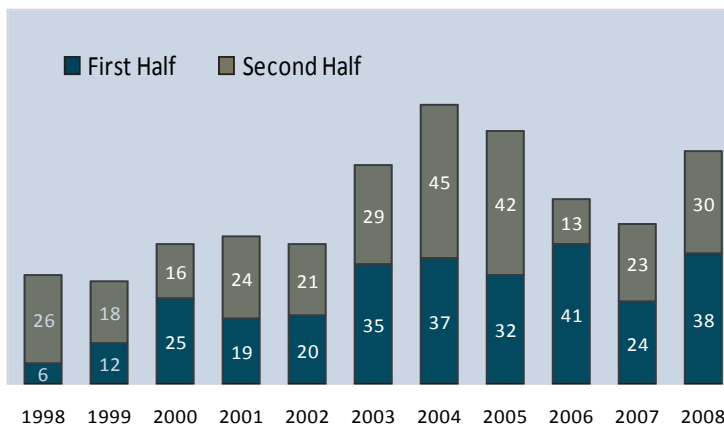
Commercial real estate investment deals in British Columbia in mid-2008 likely represented the high water mark for prices in this cycle. The still-unfolding global credit crisis, which began as a U.S. sub-prime mortgage crisis in summer 2007 and resulted in a global financial meltdown in fall 2008, will take the steam out of BC's commercial real estate investment sales in 2009, and indications are that capitalization rates will rise.

**BC Investment Sales by Dollar Volume (\$ Millions)  
(Properties >\$5 Million)**



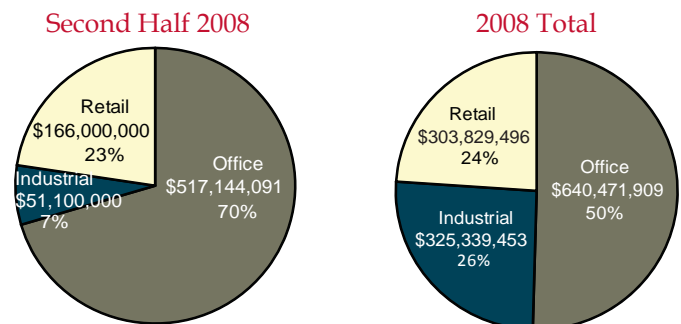
The last quarter of 2008 witnessed unprecedented levels of disruption in the global credit markets whereby the lack of available financing significantly impacted all commercial real estate product types worldwide. Although Canada held up better than most markets and the underlying fundamentals of BC are among the strongest in North America, the repercussions of global asset repricing and waning investor confidence will continue to perturb BC's commercial real estate sector in 2009.

**BC Investment Sales by No. of Transactions  
(Properties >\$5 Million)**



Deal activity is anticipated to decrease significantly in the first half of 2009 due to a slowdown in executive decision-making, market perception versus reality, and as the price expectation gap between buyers and sellers takes time to narrow. Current challenges for buyers include finding vendors with lower (i.e. realistic) price expectations and the lack of direction/benchmark pricing. While many investors are sitting on the sidelines awaiting economic clarity, many also view the next 12 to 18 months as a great buying opportunity. However, redefined pricing will have to materialize first. As is the case with cyclical downturns, aggressive investors will target distressed situations for higher, long-term yields. Commercial property sales are anticipated to pick up later in 2009 as sellers become more realistic about valuations.

**Sales by Property Type**

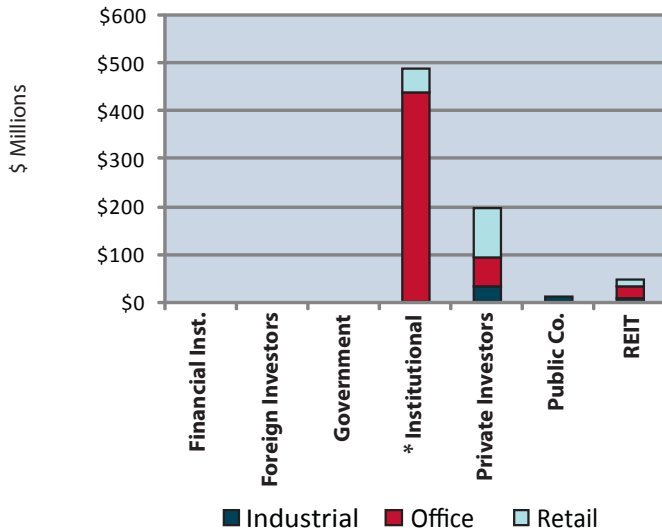


## Overall Trends

### 2008 deal volume surpasses 2007 level

During the second half of 2008, the total value of office, industrial and retail investment transactions amounted to \$734 million, up from \$535 million in the first half of 2008 and \$651 million in the latter half of 2007. This brought the total value of sales in 2008 to \$1.27 billion— up from \$967 million in 2007 and \$1 billion in 2006, but below the decade-high levels recorded in 2004 and 2005. (Avison Young tracks investment sales in BC greater than \$5 million.)

#### Second Half 2008: Buyer Purchases by Asset Type



**What is important to note is the majority of the deals that completed in the second half of 2008 were negotiated in the early part of 2008— before Lehman Bros. filed for bankruptcy.** Deals were already firm before the credit markets imploded (or purchasers elected to proceed with deals) and, therefore, year-end sale prices did not reflect current values.

The total number of transactions dipped from 38 in the first half of 2008 to 30 in the second half, bringing the total number of trades in 2008 to 68. This is up from 47 in 2007 and 54 in 2006. Average sale price between July 1 and December 31, 2008 rose to \$24.5 million from \$14.1 million in the first six months of 2008. For 2008 as a whole, average sale price was \$18.7 million, down slightly from \$20.6 million in 2007.

As was the case in the first half of 2008, private investors dominated both the buying and selling sides in the second half of 2008. Office properties were at the forefront of asset types traded in the second half, whereas industrial property trades were most prevalent in the first half. The sale of Crestwood Corporate Centre (Richmond, BC) for \$203.5 million accounted for 40% of the total value of office deals closed in the second part of 2008.

In 2008, the number of trades was evenly split between office (21), industrial (23) and retail (24). Office transactions accounted for 50% (or \$640 million) of the total dollar volume, while industrial contributed to 26% (or \$325 million) and retail accounted for 24% (or \$304 million).

Overall, most of 2008's transactions represented sellers who wanted to take advantage of the market at its perceived peak. In the final two months of 2008, many deals fell apart due to severe changes in equity markets, lack of financing, and fear.

Although new deal activity slowed in the second half of 2008, there was still significant capital seeking a limited number of prime properties. The barriers to more activity were the lack of supply, difficulty in securing the requisite level of financing and, particularly for non-prime property, the bid-ask gap.

### Investors seek benchmark pricing

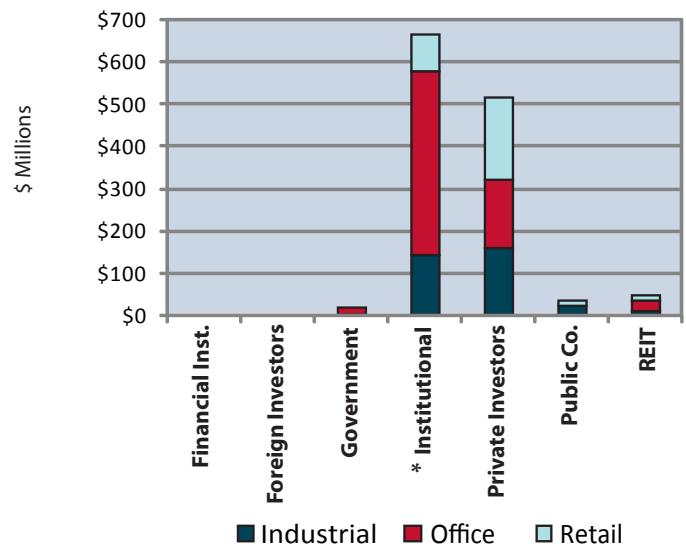
The availability of quality sale product remains light in early 2009 but is picking up as vendors begin to acknowledge buyers' expectations. A price shift is underway; however, due to the limited number of transactions completed, there are few benchmark prices available. As a result, many investors are waiting and watching. Currently driving the market are vendors who are forced to sell because they need to raise equity to offset debt maturities. Other vendors may choose to sell to redeploy capital, or to meet redemption calls from investors who wish to exit the commercial property market.

### Cap rates trending upward

Sellers can't reap as much as they could a year ago. Capitalization rates, which have been steadily declining since 2004, held fairly constant for premium properties in Vancouver in 2008, while properties in the secondary and tertiary markets started to experience a more rapid rise in capitalization rates. Today, in early 2009, prime properties are witnessing a reduction in value as capitalization rates trend up. Less-than-prime properties and troubled properties are seeing a more significant reduction as capitalization rates move toward more historical levels.

The market is also witnessing a return to the traditional "list price and no bid date" process. Buyers are resisting pricing in upside potential for rental rates in their offerings due to concerns those rate increases will not materialize. Rental rates have peaked and are, in fact, on the downside. More emphasis will be put on tenant credit by buyers as they will be much more vigilant in their underwriting of assets. Lenders will be just as tough and demanding. With construction costs generally down 10% to 20% over 2007 rates, replacement costs— while still higher than sale prices —are also trending down.

#### 2008 Total: Buyer Purchases by Asset Type

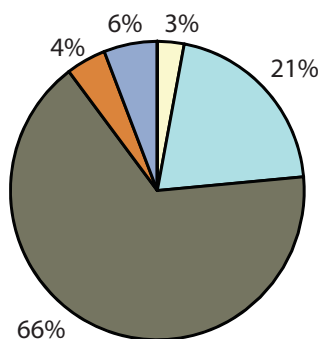


\* Institutional investors includes pension funds and life insurance companies

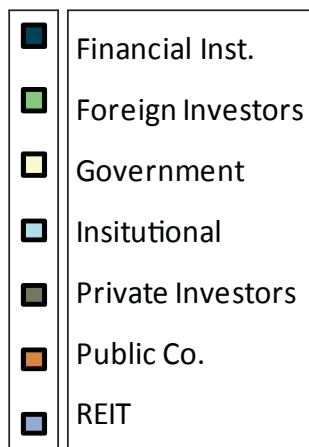
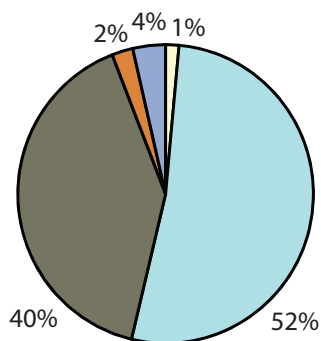
## Buyer Profile

In the second half of 2008, private buyers accounted for 63% (19 of 30) of the transactions and 26% (\$194 million) of the total \$734 million in dollar volume. Eleven of those 19 purchases involved retail properties, primarily in Metro Vancouver.

2008: Number of Transactions by Type of Buyer



2008: Value of Purchases by Type of Buyer



Meanwhile, institutional investors contributed to 20% (6 of 30) of the deals, but accounted for 66% (\$485 million) of the total dollar volume. Five of those six institutional investors (which include pension funds and life insurance companies) acquired office properties, primarily in Burnaby (plus Crestwood Corporate Centre in Richmond for \$203.5 million). Four REITs purchased a combined \$45 million worth of office, industrial and retail properties, while one public company acquired a \$9.75 million industrial property in the second half of 2008.

Overall, as was the case in 2007, private investors dominated the buying side in 2008, accounting for 66% (45 of 68) of the deals and 40% (\$513 million) of the total \$1.27 billion in dollar volume. Institutional investors made up only 21% (14 of 68) of the trades in 2008 but outspent other buyer-types with 52% (\$664 million) of the total dollar volume. REITs came in third at \$45 million followed by public companies at \$29 million and government agencies at \$18 million. Financial institutions and foreign investors were non-participants in 2008.

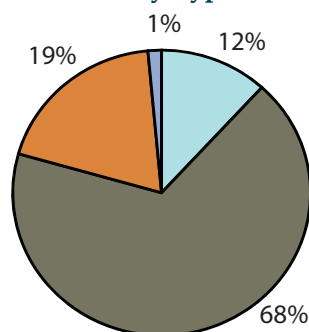
While some institutional investors have been pushed to the sidelines because of redemption issues, institutions and private investors will continue to be prevalent players in BC's investment market. The challenge in the marketplace is not so much the lack of buyers, but simply finding the right price point.

## Seller Profile

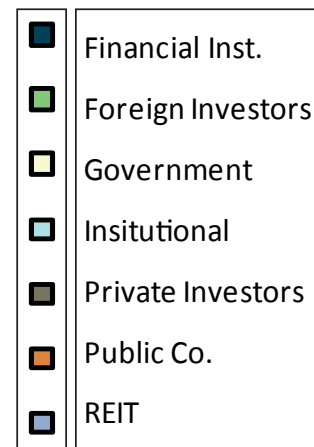
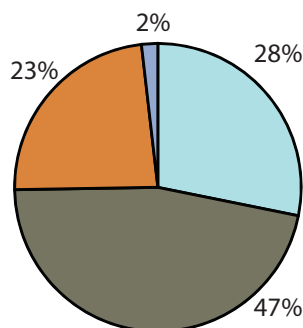
As was the case on the buying side, it was also private investors who made up two-thirds (67%) of the sellers in the second half of 2008. Twenty of the 30 deals were represented by private investors who sold \$255 million worth of office, industrial and retail properties. This accounted for 35% of the \$734 million in total dollar volume. Ten of those 20 deals involved retail properties.

Of the 30 properties sold in the second half of 2008, institutional investors accounted for 17% (5 of 30) of the sellers and 41% (\$299 million) of the total dollar volume. Four public companies sold a combined \$157 million worth of investment-grade real estate (primarily office product), while one REIT sold a \$23.5-million retail centre in Abbotsford, BC.

2008: Number of Transactions by Type of Seller



2008: Value of Sales by Type of Seller



Looking at 2008 as a whole, private investors dominated the selling side both in number of transactions and dollar volume. Of the 68 deals closed in 2008, private investors represented 68% (46 of 68) of the sellers and 47% (\$592 million) of the total \$1.27 billion in dollar volume. Public companies accounted for 19% (13 of 68) of the sellers and 23% (\$297 million) of the total dollar volume, while institutional sellers made up 12% (8 of 68) of the sellers and 28% (\$357 million) of the dollar volume.

Overall, the majority of the properties bought and sold in the second half of 2008 were located within Metro Vancouver, with only a few retail centres trading in the Fraser Valley (Abbotsford) and in the BC Interior (Kelowna and Williams Lake). Financial institutions, foreign investors and government agencies did not dispose of any office, industrial or retail properties greater than \$5 million in 2008. Concerned about their real-estate allocations, some institutional investors may curtail future investments due to decreasing values of their other investments (equities, bonds, mortgages etc.), which may now leave institutional investors over-allocated in real estate.



The sale of **Crestwood Corporate Centre** in Richmond, BC for \$203.5 million represented BC's largest investment transaction in the latter half of 2008

The BC investment market in 2008 witnessed strong demand from investors to acquire office product. During the second half of 2008, office property investments accounted for 40% (12 of 30) of the transactions and 70% (\$517 million) of the total dollar volume. This was largely influenced by the sale of Crestwood Corporate Centre (Richmond, BC), which represented \$203.5 million of the dollar volume. The majority of deals involved properties in Burnaby and Vancouver, excluding the downtown financial core.

For 2008 as a whole, office trades represented 31% (21 of 68) of the deals, and 50% (or \$640 million) of the total dollar volume. This is more than double the \$267 million worth of office product traded in 2007. On a dollar volume basis, institutional investors dominated the office buying side in 2008, spending \$435 million, followed by private investors at \$164 million, REITs for \$23 million and the government sector at \$18 million. Capitalization rates hit a market peak at sub 6% for quality product in 2008. Most of the deals completed in the latter half of the year were negotiated before the October 2008 equity market meltdown. Hence, capitalization rates did not reflect the financial calamity.

The availability of downtown class A investment properties was low the last three years. As of February 2009, the Grosvenor building (1040 West Georgia Street) has been under contract and is anticipated to close by mid March 2009. The transaction will provide a much-

anticipated benchmark price for the marketplace. (The building first became available in fall 2008 but collapsed in December with a potential pension fund buyer. It is now under contract with a private buyer.)

As the real estate market typically lags the economy, the first half of 2009 will witness limited office product available for sale. Financing rollovers may cause some properties to come to the market and sellers still seeking yesterday's price will have to re-set their expectations. Purchasers will challenge rental rate assumptions as office vacancies start to tick up in 2009. Also of concern will be the rise in the amount of sublease space offerings and potential tenant defaults.

Capitalization rates for all classes are anticipated to rise in 2009 to more historic levels (depending on the asset, location and tenant profile). Buyers have generally adjusted their capitalization rate expectations to above the 7% level for quality product and 8% or higher for class B and C product. However, Metro Vancouver's relatively low office vacancy rate of 5.4% (2.5% downtown); the cost of debt— which while difficult to source is less than property yields; and controlled new development will help mitigate the rise of capitalization rates. Positive leverage is still very beneficial to the investor, ranging from 150 to over 400 basis points.

Private buyers/syndicators will continue to be dominant players in 2009 as they were in 2008, although the current lack of attractive financing will initially reduce the number of buyers in the market. Institutional investors were a prominent buying group last year as they are predominantly cash buyers. However, many of the institutions have had redemption requests and/or their equity portfolio was severely impacted by the credit crisis. With their ratios offside, some institutions may change roles from active buyer to active seller.

Financial Institutions were not big players in 2008 but are anticipated to be sellers in 2009. The government sector is still an active buyer as it requires returns for its pension funds. Severely impacted by the equity market downturn and difficulties in raising capital, REITs are expected to move from active buyer in 2008 to active seller in 2009. Foreign Investors were not a big factor in 2008 but may view Canada/BC as a potential buying opportunity in 2009.

Property	Municipality	Price	Vendor Type	Buyer Type	Date
Discovery Green - 4200 Canada Way	Burnaby	\$64,635,000	Institutional	Institutional	August 08
9500 Glenlyon Parkway	Burnaby	\$66,659,091	Public	Institutional	August 08
4370 Dominion Street	Burnaby	\$11,500,000	Institutional	REIT	August 08
Crestwood Corporate Centre - 13711 International Place	Richmond	\$203,500,000	Institutional	Institutional	August 08
Heritage House - 1280 Homer Street	Vancouver	\$9,800,000	Private	Private	August 08
Plaza 15 - 145 West 15th Street	North Vancouver	\$6,200,000	Private	Private	September 08
Lake City Centre - 3292 Production Way	Burnaby	\$35,000,000	Private	Institutional	September 08
7-11 Building - 3185 Willingdon Green	Burnaby	\$11,500,000	Public	REIT	September 08
QLT Building - 887 Great Northern Way	Vancouver	\$65,500,000	Public	Institutional	September 08
SoHo Building - 1132 Hamilton Street	Vancouver	\$12,750,000	Private	Private	September 08
Churchill Building - 570 Dunsmuir Street	Vancouver	\$25,000,000	Private	Private	October 08
528-530 West Broadway	Vancouver	\$5,100,000	Private	Private	August 08
<b>TOTAL</b>		<b>\$517,144,091</b>			

# Retail

In the second half of 2008, retail property trades represented 43% (13 of 30) transactions and 23% (\$166 million) of the total dollar volume. Transactions involved retail properties throughout Metro Vancouver, the Fraser Valley and BC Interior. The largest deal in the last six months of 2008 was the sale of Kelowna Central Park (Kelowna, BC) for \$49 million.

For the 12 months of 2008, retail trades accounted for 35% (24 of 68) deals and 24% (\$304 million) of the total dollar volume. This is comparable to the \$282 million worth of retail product traded in 2007. Private investors spent the most on retail investment product in 2008 at \$194 million, followed by institutional investors at \$89 million, REITs at \$14 million and public companies at \$7.5 million.

In the latter half of 2008, the retail investment market witnessed fewer properties available, with interest dwindling considerably in the final quarter of 2008 due to uncertainty over values and as buyers wait for higher quality product (i.e. food- and drug-anchored centres). No enclosed malls traded hands in 2008. Demand also started to shift to the established primary markets, leaving the secondary and tertiary markets mainly to local participants.

In 2009, it is anticipated that purchasers will more closely scrutinize the strength of the tenants' financial covenants, and become more risk averse and price accordingly. Initially, supply is anticipated to outstrip demand until pricing aligns with buyers' expectations. Demand is then expected to pick up with more trades occurring in the latter half of 2009. As the retail sector has been badly bruised by the slowdown in consumer spending, some investors are shying away from retail assets altogether. (According to Central 1 Credit Union, BC retail sales are forecast to fall 1.2% in 2009 after rising 1.3% in 2008 and 6.7% in 2007.)

Between 2007 and 2008, capitalization rates in Metro Vancouver remained relatively stable in the 6% to 6.5% range for quality food-anchored and big box centres and in the 6.5% to 7.5% range for quality enclosed malls, while retail product elsewhere in BC began to see capitalization rates rise in 2008. In 2009, capitalization rates are anticipated to increase by 100 to 150 basis points for all retail types in BC's primary markets and more in secondary and tertiary markets.



A private investor acquired **Elgin Corners** in Surrey, BC for \$6 million in fall 2008

Well-situated retail strip centres leased to tenants in the food, drug and liquor categories as well as strong-performing restaurants (which are usually less affected by recessionary pressures than other retail categories) will be in most demand in 2009. Conversely, shopping centres tenanted to struggling US-based chains will face the most challenges. Due to high land and construction costs, mixed-used projects will continue to dominate future developments.

One must also keep in mind that the limited supply of retail product for lease in the Metro Vancouver area is providing established chains an opportunity to secure locations previously not available. As space becomes available, either through new construction, bankruptcy or lease termination, new occupants are arriving to fill the space.

Overall, the BC retail investment market will continue to see a scarcity of quality retail product available for sale in 2009. Retail property values are forecast to decrease due mainly to concerns over the health of retail tenants in discretionary spending categories. Rental income growth is expected to remain flat or increase marginally and owners will be faced with having to help some tenants through these tenuous economic times. While a number of institutions are out of the market, those that are active are moving slowly, which is providing the more nimble private investors an arena with little competition.

Property	Municipality	Price	Vendor Type	Buyer Type	Date
1480-1488 W. 11th & 2706-2714 Granville Street	Vancouver	\$7,900,000	Private	Private	December 08
3050 King George Highway	Surrey	\$6,100,000	Private	Private	December 08
1515 Boundary Road	Vancouver	\$8,200,000	Private	Private	October 08
Bridgeport West - 8555 Sea Island Way	Richmond	\$9,300,000	Institutional	Private	October 08
Lansdowne Village Square	Richmond	\$7,000,000	Private	Private	July 08
Elgin Corners - 14012 32nd Avenue	Surrey	\$6,050,000	Private	Private	September 08
Hyland Creek Mall	Surrey	\$6,350,000	Private	Private	October 08
5064-5072 Kingsway	Burnaby	\$7,000,000	Private	Private	September 08
11969 200th Street	Maple Ridge	\$13,750,000	Public	REIT	September 08
Walnut Gate - 20330 88th Avenue	Langley	\$11,300,000	Private	Private	December 08
Kelowna Central Park - 1500-1575 Bank Rd.	Kelowna	\$49,350,000	Private	Institutional	December 08
Boitanio Mall - 850 Oliver Street	Williams Lake	\$10,200,000	Private	Private	December 08
Bakerview Power Centre - 1425 Sumas Way	Abbotsford	\$23,500,000	REIT	Private	July 08
<b>TOTAL</b>		<b>\$166,000,000</b>			



Private buyers and private sellers accounted for the majority of the transactions in the second half of 2008, including the sale of **35 Burbridge Street** (Coquitlam, BC) in November 2008 for \$9.25 million

Industrial properties achieved record sale prices in 2008, peaking in August and September 2008 and showing up on the charts at year-end 2008. In the second half of 2008, the lack of available industrial investment product continued to tame activity, and as the market cooled, buyers began expecting higher yields. Although the fundamentals were sound, worldwide financial turbulence began to contaminate perception in the market.

While industrial properties dominated sales activity in the first half of 2008, industrial trades only accounted for 17% (5 of 30) of the transactions in the latter half of 2008 and 7% (\$51 million) of the total dollar volume. The five deals involved properties in five different municipalities throughout Metro Vancouver. The major reason for this drop was lack of product.

Looking at 2008 as a whole, 34% (23 of 68) of the trades involved industrial product, which amounted to 26% (\$325 million) of the total dollar volume. This is nearly double the \$168 million worth of industrial properties sold in 2007 and exceeds the \$214 million traded in 2006. Private investors were at the forefront of buyers of industrial properties in 2008, investing \$156 million, followed by institutional investors at \$139 million, public companies at \$22 million, and REITS at \$8.7 million.

Going forward, deal velocity will continue to be subdued due to the limited supply of product available for sale, and because buyers' expectations for upward capitalization rate movement will not be matched by vendors, at least not in the short term. Opportunities to acquire industrial properties not normally available will appear, but not at the discounts expected by most buyers. Solid well-located, well-tenanted properties will continue to be most sought after, but while there were still cases of multiple offers for quality sale product in 2008, that will not be the case in 2009.

## CANADA Economic Forecast Annual Average (annualized % change unless otherwise indicated)

	2007	2008	2009	2010
Business investment	3.4	1.2	-2.2	3.1
Machinery & equipment	7.1	4.7	-3.0	4.2
Exports	1.0	-4.2	-2.6	2.3
Imports	5.5	1.2	-1.3	2.9
Inventories (change in \$b)	13.2	5.9	0.1	0.8
Real gross domestic product	2.7	0.6	0.0	2.7

Source: Statistics Canada, RBC Economics Research, December 2008

Over the past couple of years, the average value of an industrial building has risen considerably, with offerings in mid-year 2008 reaching a record \$150 to \$170 per square foot (psf) for well-situated, single-tenant buildings. The strength of the strata market was significant in 2007 and 2008 with units asking \$180 to \$295 psf in 2008— up 60% over the previous three years and 100% over the previous five years.

In 2009, average values are expected to drop moderately, with land and building costs decreasing. As capitalization rates and yields in 2008 represent pre-market collapse, an uptick of 50 to 150 basis points is anticipated in 2009, depending on location, quality and covenant strength. Affected by the lack of confidence, owner-operators are likely the most nervous right now, and user-demand is expected to remain soft until perception changes.

Overall, 2008 was a year which closed out the massive run-up in land prices, strata prices, vacant building prices and low capitalization rates. Demand was robust, but activity was low due to lack of product available for sale. In 2009, the market will offer limited opportunities to acquire quality product not usually available. Those who purchase such assets at yields thought currently to be perhaps too low may appear wise in retrospect.

The lack of industrial-zoned and serviced land, which pushed land values up 75% between 2004 and 2007 before cresting in 2008 and held vacancy in the low 2% range, will continue to drive strong demand in this sector.



Property	Municipality	Price	Vendor Type	Buyer Type	Date
1077 Great Northern Way	Vancouver	\$9,750,000	Institutional	Public	November 08
35 Burbridge Street	Coquitlam	\$9,250,000	Private	Private	November 08
7620-7660 Vantage Way	Delta	\$8,700,000	Private	REIT	September 08
8335 Meadow Avenue	Burnaby	\$16,650,000	Private	Private	September 08
18750 96th Avenue	Surrey	\$6,750,000	Private	Private	September 08
<b>TOTAL</b>		<b>\$51,100,000</b>			

## Market Summary and Outlook

Overall, late 2008 was a period of significant and historic economic events. It was a time of financial deleveraging, extreme market volatility, and uncertainty. Given the lack of debt available for potential purchasers, pricing and activity are assured of getting worse in the first half of 2009 before stabilizing by year-end or first quarter of 2010 when global credit market conditions are anticipated to improve.

The slowdown in deal velocity that began in the latter part of 2008 is more likely a result of perception and macro economics than local market fundamentals. **In spite of the tighter lending environment and cold recession winds from the U.S., the Canadian banking system is ranked the strongest in the world, large pools of capital continue to be available to qualified purchasers, the local commercial real estate market is not overbuilt, and vacancy levels still rank amongst the lowest in North America.** But the crisis of confidence has permeated the commercial real estate market, and hesitant decision-making is at the core of the deal-volume slowdown.

### BC Economic Outlook (annual % change unless otherwise noted)

	2008	2009	2010
Real GDP	1.2	0.4	2.8
Employment	2.2	-0.7	1.3
Unemployment Rate (%)	4.5	6.1	6.0
Housing Starts (000 units)	35.8	24.0	26.0
Retail Sales	2.1	0.7	5.0
BC CPI	2.1	0.6	1.5

Source: Statistics Canada, BC Stats, Business Council of BC December 2008

While investors previously focused on trading values based on anticipated capital appreciation (driven by inflated cash flow) and a positive economic outlook (anticipating continued downward pressure on yields), today, transactions are judged by security of cash flow, anticipation of vacancy on lease rollover and cost compared to replacement. The last two to three years have been an anomaly, as capitalization rates are now steadily increasing. Upward pressure will be somewhat tempered due to the lack of available quality product. While the average sale prices per square foot are still generally less than replacement costs, the gap is expected to narrow as land prices fall and construction costs continue to decrease.

More assets are expected to be offered for sale in 2009, and deal activity is anticipated to pick up later in the year as the pricing gridlock between sellers and buyers begins to loosen, and as debt becomes more readily accessible. Although the global credit meltdown has sideswiped BC and altered the dynamics of the commercial real estate industry in the short-term, there is still significant capital seeking opportunities. Well-located, well-tenanted properties continue to attract interest, even though buyer urgency has temporarily left the market.

Investors requiring high leverage may be sidelined for now, but there are still plenty of interested buyers waiting in the wings. There is still considerable interest from private buyers and pension funds for prime assets, and the market is expected to witness an increase in

funds from private buyers to real estate limited partnerships due to disillusionment with stock market investments. Due to the change in lending parameters, acquisitions will be executed with a more prudent strategy, and disciplined, well-financed buyers requiring lower leverage will have the advantage. Some vendors will have to provide "take-back" financing to facilitate the completion of sales transactions.

The global credit malaise will also continue to fuel the "flight to safety" among investors, with prime properties in primary markets remaining the least vulnerable to any major price correction. Although global capital markets are still unsettled, Canada (and BC in particular) have held up better than most countries in this latest economic tailspin, and once perception returns to meet reality, transaction volumes are expected to increase. Commercial real estate has still generally outperformed other sectors in holding value. Losses are less significant, and quality properties that would not normally be available are now being offered to the market. The 2010 Olympics, which will put BC on the world stage, may also result in more foreign investment.

After several years of hefty annual appreciation, the commercial real estate investment market was due for a cool-off. Downturns eventually end, and this period of correction is expected to create tremendous buying opportunities and add to the investor appetite. Once the credit markets stabilize, investors will be looking to redeploy capital, and it is expected that BC's commercial real estate investment properties (with their favorable long-term returns) and BC's strong market fundamentals will attract a new round of capital. ■

## Predictions

- *Capitalization rates will increase, less so for prime assets*
- *Vendors will become more realistic about valuations*
- *Bid-ask gap will narrow*
- *More product will become available through 2009*
- *Credit markets will improve later in 2009*
- *Deal activity will remain subdued in first half of 2009 due to crisis of confidence, lack of debt, and uncertainty on pricing*
- *There will be opportunities to acquire product not usually available*
- *Buyers will challenge rental rate assumptions*
- *Vacancies will generally tick up*
- *Private investors will continue to dominate market*

- investment portfolio strategies
- operational reviews
- revenue and expense analysis
- due diligence
- lease reviews
- service contract reviews
- options analysis
- sales analysis
- rent reviews
- real estate dispute resolution
- rent arbitrations
- portfolio valuations
- asset management plans
- demographic studies
- financial analyses
- highest and best use studies
- location studies
- cash flow analysis
- development studies

## Avison Young (Canada) Inc.

VANCOUVER  
 #2100 - 1055 West Georgia Street  
 PO Box 11109, Royal Centre  
 Vancouver BC V6E 3P3  
 TELEPHONE: (604) 687-7331  
 FAX: (604) 687-0031  
 www.avisonyoung.com

For more information please contact:  
 Sherry Quan  
 Director, Corporate Communications (B.C.)  
 Direct Line: (604) 647-5098  
 squan@ay-bc.com

## International Real Estate Advisory Services

- professional liaison
- bid evaluations
- lease audits
- lessons learned analysis
- risk management analysis
- general consulting advice
- lease optimization studies
- portfolio strategies
- expansion and consolidation strategies
- mergers and acquisition advice
- relocation analysis
- ownership versus leasing strategies
- sales and leaseback analysis
- acquisition / disposition advice
- asset re-positioning
- valuation

VANCOUVER  
 CALGARY  
 EDMONTON  
 REGINA  
 OTTAWA  
 WINNIPEG  
 TORONTO  
 MISSISSAUGA  
 MONTREAL  
 QUEBEC CITY  
 HALIFAX  
 CHICAGO



**AVISON  
 YOUNG** Intelligent  
 Real Estate Solutions

**Grubb & Ellis**  
 Global