



Newsletter

Fall/Winter 2005

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

Expo Real 2005: International Platform For Cross Border Business

By Robin White

Expo Real has been one of Europe's leading trade fairs since its inception in 1998, and I have been lucky enough to have been to most of them. This year there were approximately 18,000 visitors from 60 countries with more than 1400 exhibitors from 35 countries.

It is difficult to explain to those who have never been to Expo Real why I have been such a proponent of the event. Imagine four interconnecting halls the size of large aircraft hangars, full with booths of various shapes and sizes and always stocked with plenty of food, beer [this is Germany after all!] and other beverages and many helpful staff who are fluent in English and who are eager to assist the weary visitor.

This is the perfect venue to meet with investors from all over Europe who are interested in the Canadian market place. The key is to find out who the appropriate people are that deal with North America and to make appointments to see them. They are busy people, and rarely will they be available at short notice. They are interested in understanding what product is available and an update on the current market conditions.

After three days, I have memorised where all of the main investors' booths are located, I have met with over 20 potential investors, and have presented a number of opportunities for their consideration. Upon reflection if I had to physically meet with all of these investors in their home towns I calculate that it would take almost three weeks to carry out this task and a significant air travel budget to boot!

Clearly, the proof of the pudding is in the eating, as the saying goes, and time will tell how much business we transact this year as a result of the fair. But there is no question in my mind that this event represents an opportunity to meet with numerous European investors under one roof, and is therefore an extremely efficient use of one's time and resources.

Further information on Expo Real can be found at www.exporeal.de

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Montreal
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Tightening Market Fuelling The Rise of New Office Towers

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Vigorous Office Market

Over the past few years, Quebec City's real estate market has witnessed exceptional growth. Low rates, along with high prices of properties elsewhere in Canada, provoked the arrival of a number of buyers looking for opportunities with good returns on investment. The residential and retail markets were the first to benefit from this phenomenon.

Office properties are now winning the popularity contest among new investors considering the Quebec City market. This sudden interest is a result of vacancy rates that are among the lowest in Canada; factors include:

- The provincial government withdrew from a number of new construction projects to house civil servants, forcing them to renew leases with existing landlords for 5 to 10 year terms. This contributed in stabilizing vacancy rates in existing properties.
- Conversion projects came to a halt since the end of government incentives aimed at high-tech companies.
- Large surfaces (over 10,000 square feet) available for rent are close to non-existent.

This situation is expected to continue for years to come, resulting in an increase in rental rates. Speculative construction should start in the near future if demand is maintained and the economy reaches the anticipated growth rate.

In conclusion, the office market in Quebec City is healthy. The good news for landlords is that the value of their properties is expected to rise, resulting in increased profits.



390 9th Avenue, Quebec City

Recent Lease Transactions

Telus Communications Inc. – 20,298 sq.ft.

Ricoh - 16,548 sq.ft.

Telus Communications Inc. – 2,688 sq.ft.

Recent Investment Properties Listed

700-710 Place D'Youville – 133,000 sq.ft.

Boulevard Hamel - 96,000 sq.ft. of land

65 St-Vallier East - 56 unit apartment building

1005 chemin Ste-Foy – 78,000 sq.ft.

205 Montmagny – 36,000 sq.ft.

390 9th Avenue – 30,000 sq.ft.

Montreal

Harbourfront Mega Project

Montreal's "Vision 2025" is a proposal for a mega-project that would create huge investment opportunities for visionary developers. The plan is to change the urban geography of the city, by reuniting Montreal with its river, eliminating the barriers that separate downtown from the harbourfront, and reclaiming the urban area torn apart by expressways. With investments totalling over \$8 billion, the project aims to have a major impact on Montreal's future.

The plan includes relocating the Bonaventure Expressway behind the Technoparc and dismantling the elevated highway into a tunnel and an urban boulevard to extend University Street to the Peel basin and reclaim the urban area. The objective is to create tremendous real estate development potential by freeing up more than one square kilometre of land that would be added to other unused harbourfront land, such as the Canada Post, Cité-du-Havre and the Faubourg Québec properties. Another potential major real estate development is Loto-Québec's casino, hotel and entertainment centre in collaboration with Cirque du Soleil, which would be built on a vast unused piece of land south of the Peel Basin.

The harbourfront plan includes a tramway, to decongest traffic and facilitate travel between the harbourfront and downtown. The proposal also calls for developing a large area for boating and recreation downstream of the Concorde Bridge, and building a run-of-the-river 350 megawatt hydroelectric generating station, which will generate revenues for development and maintenance of green areas.

To paraphrase the Montreal Grand Prix, "Developers, start your engines."

New Additions

Ricardo Moretti joined Avison Young's office leasing team in September. Ricardo has an MBA from HEC Montreal and over 14 years of management experience.

Recent Lease Transactions

Abitibi-Consolidated Inc. – 32,750 sq.ft.

SITA (Airline Communications and Information Services) – 20,857 sq.ft.

MedCases – 14,485 sq.ft.

Angel Seafoods – 13,330 sq.ft.

Convera Canada – 11,030 sq.ft.

HSBC Bank of Canada – 10,782 sq.ft.

Phocus Solutions Inc. – 6,138 sq.ft.

Sajy Communications – 5,639 sq.ft.

Black & Decker - 4,620 sq.ft.

Recent Exclusive Lease Listings

55 Prince, Montreal – 11,030 sq.ft.

700-712 Chemin du Golf, Île-des-Soeurs – 9,000 sq.ft.

Recent Investment Properties Listed

275 Kesmark, Dollard-des-Ormeaux – 60,000 sq.ft.

Recent Investment Properties Sold

Vaudreuil-Dorion – 38 acres of land



275 Kesmark, Montreal

Tightening Market Fuelling The Rise Of New Office Towers

With vacancy rates in the downtown core falling to a three-year low, long anticipated plans for new office projects are being announced. There is approximately a million square feet of office space being constructed currently, with another three to four million square feet envisioned in the next five years. Most of the construction activity in the Greater Toronto Area (GTA) over the past decade has been focused in the suburbs, but current demand and lack of options for large contiguous space downtown are spurring developers to return to the core.

Brookfield Properties (Bay-Adelaide Centre), Cadillac Fairview Corporation Limited (Simcoe Centre) and Menkes Developments (Union Tower) have all recently announced plans for new office-towers downtown.

When will they rise? Cadillac Fairview has already announced their plans for a \$400-million, 48-storey office tower, adjacent to the already planned 53-storey Ritz-Carlton condo and hotel, in which it also holds a stake. These two towers together with the proposed neighbouring 42-storey building (future home of the Toronto International Film Festival and a condo block) will add some muscle and glitz to the skyline at a hitherto uninspiring block along King Street West, making locals and visitors crane their necks upward again.

Cadillac Fairview is in pre-leasing mode and plans to begin construction when sufficient space is committed. This is the second major GTA project announced by Cadillac Fairview – they had already announced plans for Maple Leaf Square, a mixed-use development adjacent to the Air Canada Centre. Menkes plans to begin construction on Union Tower by Fall 2006.

The local government and the business community are excited about the prospect of new, Class A office space being created downtown and the anticipated job-growth it will bring, and hope this will help stem the tide of companies moving out to the suburbs.

Following years of torrid construction and conversions of condominiums in the downtown area, along with new arenas, retail space and media and film production facilities, the planned office towers will be a welcome and timely addition to the downtown skyline, and the business community is looking forward to the myriad tenant options they promise to deliver.

New Additions

Nicholas Kendrew joined Avison Young in October and will be assisting David Stiles. Nicholas graduated with a BA (Hons) degree in Marketing Management and an MSc in Property Appraisal and Management from Sheffield Hallam University in the UK.

Nick Macrae joined Avison Young in November and will be assisting Mark Fieder and Tim Hooton with business development. Nick holds an honours degree in Political Science from Queen's University.

Eric Su has joined the Toronto Accounting group as Corporate Accountant. Eric graduated with a Bachelor of Commerce degree from the University of Toronto.

Charles Chung joined the Avison Young Asset Management team in October. Charles has a diploma in accounting and is finishing up his BAS (Hons) Accounting degree.

John Tzortzis joined the Commercial Mortgage and Capital division of Avison Young in September. John has a Bachelor of Commerce degree from the University of Toronto and has commercial financial services experience with a major international bank.



Simcoe Centre, Toronto



161 Eglinton Avenue East, Toronto
Sold by Avison Young

Recent Lease Transactions

ORC - 70,000 sq.ft.

Royal & Sun Alliance - 35,574 sq.ft.

Goodlife Fitness - 25,000 sq.ft.

Lee Valley Tools - 24,000 sq.ft.

Telus Communications - 20,790 sq.ft.

Altana - 18,538 sq.ft.

Garfinkle, Biderman Barristers & Solicitors
- 10,336 sq.ft.

Recent Exclusive Lease Listings

438 University Avenue - 116,303 sq.ft.

789 Don Mills Road - 49,314 sq.ft.

Recent Investment Properties Listed

40 Baker Street, Guelph - 3 storey downtown office property

134 Lawton Boulevard - 42-suite multi-residential property

Mud Street West, Stoney Creek - residential development opportunity

Bonnie Boats Marina located on a 3.1 acre site in Jackson's Point.

Recent Investment Properties Sold

Camwood Properties Ltd. - \$56 million Downtown Office Portfolio consisting of ten brick and beam buildings with GLA over 285,000 square feet

161 Eglinton Avenue East - 64, 575 square feet midtown office building, with ground floor retail

880 & 884-886 St. Clair Avenue West - Two commercial properties with 6,000 square feet

174 Bedford Road - Brownstone office property

321 & 349 Marland Avenue, Oshawa - 158 suite multi-residential property

Recent Financing Completed

Term Loan - 84,040 sq. ft. food-anchored plaza, Silvercreek Parkway Guelph

Construction and Term Loan - 104,000 sq. ft. retail centre, Midland Avenue, Toronto

Term Loan - 152 Room Days Inn, Niagara Falls

A Leading Logistics Hub



30 Eglinton Avenue West, Mississauga
Leasing Opportunity

The Greater Toronto Area, and in particular, Mississauga and Brampton, is considered to be a leading market in North America for logistics facilities because of its excellent transportation links and its proximity to the U.S.A., which together allow for products to be quickly distributed throughout Canada and the North-Eastern United States. The arrival of several U.S. developers to the GTA over the past 24 months emphasizes the GTA's position as a leading industrial and logistics hub.

The entire development community, Canadian and U.S., continues to bring

forward new ideas on how logistics facilities are built. With logistics costing up to an average of 15 to 25% of total production costs, companies require optimum facilities to make their production more effective. Recent developments in the GTA, led by Orlando, AMB Property Corporation, Prologis, Pannatoni and others, are incorporating new features to accommodate logistics type tenancies. Larger building sizes, higher ceiling heights, larger bay sizes and increased trailer parking are swiftly becoming the new normal.

Over time the design of the logistics facility has trended towards a significant growth in size. Distribution facilities continue to get bigger (often 500,000 square feet or more) and ceiling heights have risen to 28' and beyond. This is to allow for maximum storage and larger internal systems used to transport products. Larger buildings also allow developers to justify increased construction costs, land costs and development charges.

The recent drive to build new product has seen a significant increase in speculative construction in the GTA. In Mississauga and Brampton alone there are over 25 buildings under construction totaling over 4.3 million square feet. With new development comes increased vacancy and downward pressure on rental rates.

Developers are betting that tenants will see the inherent value created by moving into facilities that have a stronger ability to meet their business needs. Only time will tell whether the ever-increasing supply of modern alternatives will be met with the appropriate demand.

New Additions

Stephen Chodos joined Avison Young in August of 2005. He recently attended the University of McGill where he studied Political Science and Geography. He works closely with Joe Almeida and the Leasing Group.

Rebekah Dalziel joined Avison Young in September 2005 as the Research Coordinator for the office. Rebekah is a graduate of Wilfrid Laurier University where she completed her Bachelor of Arts in Communication Studies.

Charles Ferkranus joined the company's sales office in Mississauga in September 2005. Charles has over 25 years experience as a business entrepreneur in Canada and the U.S.A., and is looking forward to applying his considerable business acumen to the field of corporate real estate.

Sean Fiset joined Avison Young, after nearly a decade in the financial services industry. Most recently, Sean was Vice President of Foreign Exchange Sales at BMO Nesbitt Burns. Prior to this, Sean held various sales and business development roles, first with RBC Royal Bank, and then with RBC Capital Markets.



201 County Court Boulevard, Brampton
Sold by Avison Young

Recent Lease Transactions

- Estee Lauder Cosmetics – 78,627 sq.ft.*
- Atomic Energy of Canada Limited – 26,116 sq.ft.*
- Hagemeyer Canada Inc. – 13,282 sq.ft.*
- Popware – 9,389 sq.ft.*
- Ontario Realty Corporation – 6,500 sq.ft.*
- Sudler & Hennessey – 6,300 sq.ft.*
- Patheon – 6,024 sq.ft.*
- Canspec Group Inc. – 5,753 sq.ft.*

Recent Exclusive Lease Listings

- 7070 Mississauga Rd. – 16,000 sq.ft. (office)*
- 8 Nelson Street- 30,000 sq.ft. (office)*
- 30 Eglinton Avenue West – 60,000 sq.ft. (office)*
- Auction Lane – 120,000 sq.ft. (industrial)*

Recent Investment Properties Listed

- Stoney Creek – 41.83 developable acres land*
- South Blair Street, Whitby – 9 acres land*
- 1111 Speers Road, Oakville - 47,410 sq ft. manufacturing facility*

Recent Investment Properties Sold

- 201 County Court Boulevard, Brampton – 66,306 sq.ft. office building*
- 8 Nelson Street, Brampton – 78,337 sq.ft. office building*

\$1.7 Billion in Major Projects Underway

With over \$1.7 Billion in major projects under construction in the first three quarters 2005, and nearly \$460 million in major projects in the planning stages, Winnipeg's construction industry is thriving. This is a substantial increase from the nearly \$370 million in large-scale construction that was completed in 2004 and the first half of 2005.

One of the largest projects currently underway is the \$560 million redevelopment program at the Winnipeg International Airport that will include a new 550,000 square foot airport terminal and a 1,600 stall parkade. Another impressive undertaking, and Winnipeg's largest office tower to-date, is the \$258 million, 696,000 square foot Manitoba Hydro Head Office Tower currently under construction in the downtown. Of the projects presently in the planning stages, the largest is the \$250 million Canadian Museum for Human Rights. Other noteworthy developments include the \$80 million Nygard Fashion Village in the Downtown's East Exchange District, over \$66 million in new construction at the University of Manitoba, a \$50 million retail power centre development in the south end of the City, and \$48 million in condominium construction in the Downtown along Waterfront Drive. Winnipeg hospitals are also part of the boom, with over \$127 million of total expansions and renovations from 2003 to 2005.



Manitoba Hydro Tower
Winnipeg

Recent Lease Transactions

MTS Allstream Inc. - 19,165 sq.ft.
ADAPSYS Inc. - 13,203 sq.ft.
Great West Life - 11,860 sq.ft.
NewWest Enterprise - 6,796 sq.ft.
Versatech Industries - 5,907 sq.ft.
Altered Minds - 5,700 sq.ft.
Fusion Communication - 4,500 sq.ft.
Province of Manitoba - 4,200 sq.ft.

Recent Exclusive Lease Listings

112 Market Avenue (office) - 45,000 sq.ft.
55 Donald Street (office) - 22,000 sq.ft.

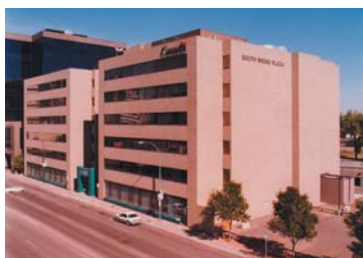
Recent Investment Properties Listed

55 Donald Street (office) - 22,000 sq.ft.
7 Sylvan Way (office/warehouse) - 6,600 sq.ft.

Recent Investment Properties Sold

115 Bannatyne Avenue (office) - 40,000 sq.ft.
220 Omands Creek (office/warehouse) - 19,000 sq.ft.
Castlegate Estates - 24 unit building
1919 Portage Avenue (retail/office) - 2,600 sq.ft.

Very Hot Investment Market



2045 Broad Street, Regina
Recent Investment Property Listed

The shortage of investment grade, commercial real estate in major Canadian markets has created a very competitive environment in Regina during the second half of 2005. Investors are competing on properties, with most properties generating multiple offers and many properties being taken to market unpriced.

The REITs are particularly aggressive in the Regina marketplace. Recent sales include the purchase of three office buildings (178,500 square feet) by

Whiterock REIT in July for approximately \$19,225,000 with cap rates in the 8% - 8.3% range. In August, Whiterock REIT purchased Chestemere Industrial Park (164,029 square feet) for \$6,740,000 at a 8.9% cap rate. In October, Westfield REIT acquired two unenclosed retail shopping centres, both anchored by a new format Shoppers Drug Mart for \$14,760,000 with a 8.4% and 8.7% cap rate. Earlier in 2005, Westfield acquired Capital City Centre, a multi-tenant retail centre for \$7,750,000 with a cap rate of 9.2%. Huntingdon REIT has recently purchased a 101,360 square feet industrial building for \$2,900,000 with a cap rate of 9.6% and Saskatchewan Place office building for \$7,400,000 with a cap rate of 9.3%. Greystone Managed Investments acquired Victoria Common in August, two new retail complexes at a price of \$9,300,000 with a 8.2% cap rate.

With numerous other properties under conditional sale contracts, the REITs are becoming the owners of a majority of the commercial real estate in Regina.

Recent Lease Transactions

2500 Victoria Avenue - 24,935 sq.ft.
330 Central Avenue N., Swift Current - 20,241 sq.ft.
506 Victoria Avenue - 10,127 sq.ft.

Recent Exclusive Lease Listings

316 - 1st Avenue East - 56,190 sq.ft.
1445 Park Street - 18,000 sq.ft.
1777 Victoria Avenue - 16,060 sq.ft.
496 - 498 Henderson Drive - 7,500 sq.ft.

Recent Investment Properties Listed

2045 Broad Street - 133,923 sq.ft.
438 Victoria Avenue E. - 18,000 sq.ft.
1750 Lorne Street - 12,827 sq.ft.
366 - 3rd Avenue, Saskatoon - 12,350 sq.ft.

Recent Investment Properties Sold

Trimac Property (6 acres) - 24,100 sq.ft.
Odeon Cineplex Theatre - 25,000 sq.ft.
1445 Park Street - 18,000 sq.ft.
2722 Pasqua Street - 12,900 sq.ft.

New Additions

Rick Mitchell brings years of experience and specialized training in financial investigations and securities trading to Avison Young, Regina.

Downtown Growth and its Effects

Calgary has seen a sharp decline in its office vacancy rate as demand for space continues to prove very strong. As of Oct. 27, 2005, overall office vacancy is 5.1% for the greater Calgary market, down from 9.2% at the same time last year. Downtown has been the driving force of the downturn in vacancy, going down from 10.4% to 3.7% over the last year. This is largely due to Calgary continuing as the principal head office city for firms in the energy sector. As this sector continues growing, existing businesses continue profiting and expanding and new firms are persistently appearing. This growth has put a high price on downtown office space, with Class A space valued at approximately \$30.00 per sq. ft. on a net rent basis.

In the last four quarters there has been a lack of new space in the downtown region. Demand is high and without an increase in inventory it is becoming more difficult to find office space, particularly large blocks of Class A availability. While no new space has been added, there are many projects in the pipeline that will address the strong demand in the downtown region. The majority of new developments are posed to begin hitting the market by 2007. Vacancy rates will remain low until this time as absorption will likely continue to average approximately 500,000 sq. ft. per year.

The first development downtown to hit the market is Mancal Properties' 119-6th Ave S.W., bringing 62,700 sq. ft. to the market in 2006. Bentall Real Estate Services' Livingston Place I is currently under construction, with a recent announcement that the second tower will be built. The two 21 storey towers of Livingston Place are currently 44% leased and will bring approximately 860,000 sq. ft. to the market. Also under construction at the time of writing are the 241,822 sq. ft. development by Opus and the 240,000 sq. ft. development by Tonko Properties. Other companies are resorting to more aggressive tactics, such as Encana's purchase of land at 6th Avenue and Centre Street, with plans to develop two office towers, totaling approximately 2 million sq. ft.

The tight market downtown is changing the dynamics of the suburban market, specifically the beltline district. This area is becoming increasingly attractive to tenants for its relative abundance of space, parking options and accessibility. Vacancy rates in the beltline district have dropped to 5.9% from 12.4% at the beginning of the year. Like the downtown district, there has been ample response to the strong demand. New developments are in the pipeline and will bring space as early as 2007. Genco Place at 11th Ave and 4th Street will bring 153,900 sq. ft. of office condos to the market by 2007. The recent announcement of the IBM Campus Buildings at 11th Ave and 2nd Street will bring 246,312 sq. ft. to the market by 2007 as well.

While Calgary is experiencing one of its tightest markets ever, the cranes that line the skyline suggest that relief is near. Downtown Calgary and the Beltline are responding to the demand for additional, first class space, creating a more attractive, metropolitan centre.

New Additions

Jeff Buziak joined the Industrial Team in May 2005. Jeff has a commerce degree from the University of Victoria and an urban land economics certificate from the University of British Columbia. He has experience with sales and leasing, investment purchases and development for individual and corporate clients.

Jason Dudas joined Avison Young in July 2005 as Assistant to Peter Merchant. Jason graduated from the University of Calgary with a Bachelor of Commerce and has recently achieved agent status.

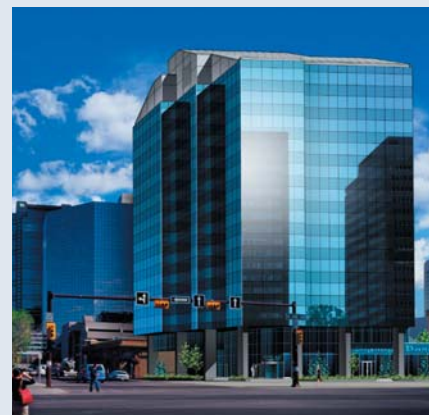
Murray Ion joined the Office Leasing Team in October 2005, specializing in the suburban and beltline markets. Murray obtained a BA from the University of Calgary and has spent the past two years building strong relationships with both tenants and landlords at a local firm.

Kevin Morgans joined the Investment Team in October 2005. Kevin has a Bachelor of Commerce from Eastern Washington University and an MBA from Gonzaga University. Prior to joining Avison Young, Kevin was employed in commercial property management on behalf of a private investment group. Kevin has the CCIM designation.

Nairn Rodger joined Avison Young in September 2005 as Assistant to Alex Wong. Nairn graduated with a Bachelor of Land Economy (Urban Surveying) from the University of Aberdeen and previously worked with Thomas Adamson, Construction and Property Consultants in Scotland.

Karen Thomas joined Avison Young in May 2005 as Assistant to the Tenant Advisory Group. She is currently working towards a business administration diploma at Mount Royal College.

Sheliza Charania joined Avison Young in September 2005 to fill the role of Receptionist.



Genco Place, Calgary - 153,900 sq.ft.
New beltline office condominiums available for sale or lease



Medallion Centre, Calgary - 150,000 sq.ft.
New Class "A" suburban office space

Recent Lease Transactions

WTS Distributions Inc. - 54,288 sq.ft.
NG Management Corp. - 21,077 sq.ft.
Cal-Frac - 18,780 sq.ft.
Urban Barn - 17,665 sq.ft.
West Energy - 15,613 sq.ft.
Stor edge Self Storage - 15,270 sq.ft.
Western Lakota - 10,186 sq.ft.

Recent Investment Properties Sold

Willowglen Business Park - \$30,000,000
604, 301, 417 14th Street NW - \$18,550,000
2626 Country Hills Blvd. NE - \$14,030,000
115th Avenue NE - \$10,706,000
1935 - 32nd Avenue NE - 3313 - 19th Street NE - \$6,900,000
Marda Station - \$4,400,000
7703 - 30th Street SE - \$4,000,000

Resurgence in Edmonton's Core



West Chambers Building, Edmonton
Sold by Avison Young

The robust Alberta Economy continues to be the driving force behind an ever-changing commercial real estate market in the city of Edmonton. While we continue to see unprecedented activity across all sectors of the market in both leasing and sales, perhaps the greatest single change we have seen recently is in the downtown office leasing sector. In the past year, we have seen significant changes in leasing rates, office vacancy and downtown development projects. This activity has created the kind of "buzz" about Edmonton's CBD that has not been heard since the early 1980's.

Edmonton's downtown office vacancy has seen a steady decline over the past number of years and is now at 6.7% (3rd Quarter 2005) which ranks it 4th lowest across 64 North American cities. Of note, vacancy in the Central Business District has dropped 4% over the past 18 months. This decline can be attributed to several factors but has largely been dictated by expansions within the private sector and government sectors. The Provincial Government in particular has been aggressive with their expansion throughout the downtown area absorbing more than 100,000 square feet of space this year. It is now becoming difficult to find large (over 15,000 sq. ft.) contiguous pockets of space within the marketplace.

With such a decline in vacancy, we are now seeing the expected push on leasing rates. We estimate that rates are rising by 5% per month. In the past 12 months we have seen rates for downtown tenants climb by \$3.00-\$4.00 per square foot. Even so, our rates are still below most North American cities. According to a North American survey completed by Grubb & Ellis, Edmonton has the 6th lowest quoted rental rate across 64 cities surveyed. With market rates in Edmonton rising, tenants have been active in looking to lock their rates in long term at today's levels. We expect vacancy downtown will be below 6.0% by early next year, and fully expect leasing rates to continue their upward spiral at a similar pace to what we have seen over the past year.

Along with the resurgence of the downtown Edmonton office market we are seeing significant developmental changes to Edmonton's downtown. Several of these projects are supported by various levels of government and include: the new Royal Art Gallery of Alberta, a \$16.8 million downtown YMCA; the University of Alberta's development of the 350,000 square foot former Hudson Bay store into an incubator for high-tech businesses; Norquest College's \$110 million expansion of their downtown location. In addition to the above projects, we have seen ongoing residential high-rise development that has brought hundreds of new units online over the past year with two separate 30 storey towers being in the works for 2006.

While Alberta's strong economy is expected to continue for many years, one of the most exciting spin-offs is the impact on Edmonton's office market and the resurgence of a downtown that will see significant changes over the next 10 years.

New Additions

Garth Goodwin Garth Goodwin joined the Avison Young Investment Sales team in June 2005. Garth is a 2004 Marketing graduate from the University Of Alberta School of Business.

Phil Payne joined Avison Young in August 2005 and is partnered with Terry Kilburn in heading up AY Capital. He is a chartered accountant, MBA with twenty five years of business ownership. AY Capital arranges capital and brokers business acquisitions and divestitures for our clients.

Adam Kilburn Adam Kilburn joined Avison Young in October 2005. Adam has a B.Sc. from the University of Alberta and has previous experience with a Canadian forestry company. He will be assisting Terry Kilburn in the sale and leasing of Western Canadian properties.

Lana Clancy joined Avison Young in April 2005 to fill the role of Receptionist. She joins us with two years experience in the Insurance field. She is proud to be working with the Avison Young Edmonton Office.



Royal Bank Building, Edmonton
Sold By Avison Young

Recent Lease Transactions

MTE Logistix - 300,000 sq.ft.
Shippers Supply Inc. - 147,000 sq.ft.
Atco I-Tek - 63,000 sq.ft.
Matrikon - 63,000 sq.ft.
Fluoro-Seal International LP - 54,000 sq.ft.
Province of Alberta Infrastructure / Education - 41,000 sq.ft.
Designer Depot - 32,000 sq.ft.
Meyers Norris Penny LLP - 30,000 sq.ft.
Peavey Mart - 25,000 sq.ft.
Global Direct Inc. - 25,000 sq.ft.
RBK Millwork Ltd. - 21,000 sq.ft.
Mark's Work Wearhouse Ltd. - 12,000 sq.ft.

Recent Exclusive Lease Listings

Medicine Hat Power Centre - 175,000 sq.ft.
Lloydminster Power Centre - 167,000 sq.ft.
Prospect Park - 120,000 sq.ft.
Ronin Management - 100,000 sq.ft.
Jackson Warehouse - 27,000 sq.ft.

Recent Investment Properties Listed

Sabo Buildings Portfolio - 620,000 sq.ft.
Baseline Village Excess Lands - 201,000 sq.ft.
White Oaks Square - 160,000 sq.ft.
Clareview Village Shopping Centre - 110,000 sq.ft.
Mercedes Building - 15,000 sq.ft.

Recent Investment Properties Sold

156th Street Industrial Park Portfolio - 290,000 sq.ft.
ATB Place - 160,000 sq.ft.
Royal Bank Building - 110,000 sq.ft.
Western Groceries Building - 105,000 sq.ft.
West Chambers Building - 87,000 sq.ft.
NAIT Industrial Building - 70,000 sq.ft.

Container Shipping Growth Impacts the Industrial Market

Container shipping* between Asia and North America has expanded rapidly over the past 20 years and Greater Vancouver has emerged as a principal hub. With this trade expected to continue growing, Vancouver's ports and terminal operators, along with the BC government, have plans that could triple container traffic throughput by 2020 – with significant implications for the industrial real estate sector.

Direct and indirect impacts of container shipping expansion will be numerous. Some ports and terminals will require additional waterfront land to operate cranes, load and unload containers and provide facilities for lease to shipping companies. Shippers will need additional industrial lands to pack containers or store them, preferably on or near port facilities. More importantly, expanded container shipping implies that Greater Vancouver will convince more companies to establish warehouse - distribution facilities in the Lower Mainland, which will generate additional demand for industrial space. With industrial vacancy rates already at a North-American low 2.1%, lease rates can be expected to rise.

To help our clients better understand the potential changes ahead, Avison Young researched the present impact of the container shipping industry on industrial real estate demand and then developed a forecasting model to estimate the impact of future shipping growth.

Our findings suggest that the industry uses between 8 and 18 million square feet of warehouse space in 2005 (or 800-1400 acres). This represents between 5% and 11.5% of the industrial inventory. By 2020, between 12 and 38 million square feet will likely be required, necessitating an additional 4 million to 13 million square feet of industrial space – an average of 260,000 to 1,200,000 square feet of new warehouse space annually. The higher estimate represents a 50% increase in annual demand for new warehouse facilities over the ten-year average from 1994 to 2004.

Indeed, container shipping growth is already being felt in the industrial real estate market. New warehouse construction continues to expand. As land supply diminishes, land values for industrial-zoned sites are rising rapidly (reaching \$900,000/acre in central area municipalities and \$3 million/acre in Vancouver city itself). Several prominent industrial land owners who previously sold industrial lots are now retaining ownership, offering only build-to-suit options.

The geographically-constrained Greater Vancouver region will come under pressure from industry as well as the provincial and federal governments to set aside industrial land. Demands from the public and developers for new retail, office, residential and park land could otherwise squeeze out industrial uses including shipping related activity. Our research assumed sufficient industrial land will be found.

Our complete report is available at www.avisonyoung.com/research/ or by contacting anyone at Avison Young.

**Shipping containers are 20' X 8.5' X 8' (1 Twenty-foot Equivalent Unit [TEU]) or 40' X 8.5' X 8' (2 TEUs). They can be offloaded from ships to trucks or rail cars seamlessly.*

New Additions

Kyle Blyth joined Avison Young in April 2005 immediately after graduation from the British Columbia Institute of Technology. Kyle is working as an assistant to John Lecky and is rapidly building his knowledge of the real estate industry.

Lenia Calico commenced her career with Avison Young in August 2005. Graduated with honours from the British Columbia Institute of Technology. Lenia is working as an assistant to Matt Walker and is looking forward to expanding her knowledge of the Real Estate industry and advancing her career with Avison Young.

David Bellringer joined Avison Young in August 2005. Graduated with honours from the University of Guelph with a Bachelor of Commerce degree, majoring in Real Estate. David is working as an assistant to Bill Elliott and has worked on several major leasing transactions to date.



Georgia Hotel, 687 Howe Street, Vancouver
Sold by Avison Young

Recent Lease Transactions

Teck Cominco – 84,000 s.f.
Fasken Martineau – 74,000 s.f.
Canadian Art Prints – 47,000 s.f.
Great-West Life – 40,000 s.f.
Electronic Arts – 24,500 s.f.
Business Objects – 22,000 s.f.
Lancashire Financial – 21,600 s.f.
Canadian Western Bank – 19,600 s.f.
Talent Technology – 13,700 s.f.
eBay – 12,400 s.f.
Provincial Health Services – 12,000 s.f.
IP Applications – 12,000 s.f.
International Water Guard – 11,700 s.f.
Absolute Software – 11,500 s.f.
Provincial Health Services – 10,000 s.f.

Recent Exclusive Lease Listings

3800 Cessna Drive, Richmond
620-640 Royal Avenue, New Westminster

Recent Investment Properties Listed

620-640 Royal Avenue, New Westminster (office)
Falconridge, Abbotsford (residential subdivision)

Recent Investment Properties Sold

Rona Store, Abbotsford (retail)
Georgia Hotel/687 Howe Street, Vancouver (hotel renovation / residential highrise development)
1420-1440 Derwent Way, Delta (industrial)
Terra Nova Village, Richmond (retail)
320 Granville Street, Vancouver (parkade)
1272 Derwent Way, Delta (industrial)