



# Avison Young Commercial Real Estate Newsletter

(Canada, U.S.)

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Partnership. Performance.

## Canada-United States cross-border capital flowing from north to south

For Canadian consumers, bargain-hunting in the U.S. is a tradition – in the worst and best of times. However, since the onset of the credit crisis in 2008 and subsequent poor economic recovery south of the border, another kind of bargain-seeker has emerged – one who covets commercial real estate assets. Canadian investors, who have a limited history of shopping stateside, are being lured south of the 49th parallel in greater numbers, largely due to discounted prices.

Unlike its U.S. counterpart, Canada's commercial real estate investment sector has rebounded strongly from the market trough, with investment sales volumes and pricing reminiscent of pre-credit crisis levels. At the market's peak in 2007, approximately \$30 billion worth of commercial real estate transacted across Canada. With the recession in 2008, sales dropped to \$20 billion, bottoming out in 2009 at \$12 billion. Since then, buyers have come off the sidelines, deploying \$18 billion in 2010 and \$8.5 billion through mid-2011. Solid property-market fundamentals, a continued low-cost and high-availability debt environment, and sellers looking to capitalize on escalating values have led to competitive bidding wars for top-tier assets in Canada's finite investment marketplace.

As a result, some buyers are identifying opportunities to expand their portfolios beyond Canada's borders, especially into the U.S. While U.S. assets are currently available at enticingly-low prices, their value is expected to rebound in the coming years, making them a good longer-term hold and convincing many that this is the time for cross-border deployment of capital.

Since the start of 2010, Canadian investors have purchased, directly or through joint

ventures, more than \$8 billion U.S. worth of commercial real estate south of the border, acquiring properties in all asset categories, in such markets as Manhattan, Washington DC, Boston, Atlanta, Houston, Phoenix, Minneapolis and San Francisco, to name a few. The purchaser profile ranges from pension funds (Canada Pension Plan Investment Board) to real estate operating companies (Brookfield Properties), life insurance companies (Manulife Financial), private companies (Triple Five Group), equity funds (Sunstone Advisors), and REITs (Artis, H&R, RioCan and Whiterock).

While pension funds and life insurance companies have been active in the past, REITs have emerged as major players and, up until the recent turmoil, easily raised capital to finance accretive acquisitions. Lenders value the structure and transparency of Canadian REITs. Higher returns, coupled with debt, have proven to be worth the effort of acquiring property in the U.S. However, U.S. lenders are very fragmented in their approach to underwriting real estate. Leverage amounts are generally comparable to those in Canada, but rates charged and security requirements are higher.

Higher property yields, slightly higher interest rates and tougher security requirements add up to a net positive for the REITs' investments in the U.S. REITs' relatively conservative debt-level restrictions make the current financing structure and availability very viable for expansion into the American market. Until U.S. acquisitions are no longer accretive, Canadian investors, especially REITs, will continue to benefit from the current investment climate. However, given the ongoing jitters in the stock market, the REITs' appetite for commercial real estate may be tempered on both sides of the border.

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Intelligent  
Real Estate Solutions



## Vancouverism alive and well in new mixed-use developments



*The College of Physicians and Surgeons of British Columbia purchased seven floors in the Hotel Georgia redevelopment in June 2011, representing Vancouver's largest strata office space sale to a single user.*

Driven by high land costs and municipal planning policy, mixed-use developments are becoming the dominant option in Metro Vancouver as developers combine office, residential, hotel and retail uses into ever-more complex projects that characterize the Vancouverism architectural aesthetic.

Tracing its roots to renowned Canadian architect Arthur Erickson and subsequently expanded upon by Erickson associates such as Bing Thom and James Cheng, Vancouverism is as much a product of architectural vision as it is of urban planning and the constrained land supply particular to the region. Defined by the *New York Times* in 2005, Vancouverism is "characterized by tall, but widely separated, slender towers interspersed with low-rise buildings, public space, small parks and pedestrian-friendly streetscapes and facades to minimize the impact of a high density population."

That high density is largely the by-product of expensive land. In order to secure the density developers require to cover land costs, municipal policy has pushed a mixed-use component into projects. As property costs in Vancouver are higher than in most North American markets, developers are encouraged to use mixed-use projects to "creatively unlock

value in the urban environment," said the Vancouver chapter of NAIOP in a preface to its spring 2011 seminar on mixed-use developments.

Examples of such developments in Metro Vancouver abound and include:

**Marine Gateway on Canada Line:** Approved in July 2011 and developed by PCI Group, the 820,000-square-foot (sf) project combines two residential condominium towers, rental housing, a 240,000-sf office building and 220,000 sf of retail uses plus public space in a public-transit-oriented development. Marine Gateway is slated for completion in 2014-2015.

**Telus Garden:** At approximately 1 million square feet (msf), Telus Garden will result in the redevelopment of an entire downtown block and the construction of a 22-storey office tower and a 44-storey residential tower in the largest mixed-use project currently on the books in the core. Developed by Westbank Projects, Telus Garden, which includes two elevated roof forests and 10,000 sf of green roofs, is scheduled to come on stream in 2014-2015.

Local developers are currently embarking on a cycle of "upzoning" – changing a lower zoning classification to a higher one – at underutilized sites throughout the region. It is necessary to do so in order to achieve the high density (with a mixed-use component) needed for projects to succeed in the region's land-constrained market. Going forward, design and function will continue to meet vision and commerce in the many and varied building forms being contemplated and constructed in Metro Vancouver.

### Recent Lease Transactions

*KPMG Management Services (office) – 162,600 sf*  
*AmGen (laboratory) – 66,000 sf*  
*Canamex International (industrial) – 55,600 sf*  
*Odyssey International (industrial) – 41,100 sf*  
*Triple F Investment Corp. (office) – 40,000 sf*  
*Provincial Health Services Authority (office) – 27,500 sf*

### Recent Exclusive Lease Listings

*NorthWoods Business Park (industrial) – 322,000 sf*  
*Capilano Business Park (office/flex) – 285,000 sf*  
*The Brewery District (office) – 170,000 sf*  
*Merchant Square (office) – 130,000 sf*

### Recent Properties Sold

*1050 & 1090 West Pender (office) – 315,000 sf*  
*9255 194th Street, Surrey (industrial) – 185,100 sf*  
*15055 54A Avenue, Surrey (industrial) – 90,700 sf*  
*Keith Business Centre, North Vancouver (office/industrial) – 78,800 sf*  
*The Pemberton Building (office) – 68,000 sf*  
*The Offices at Hotel Georgia (office) – 60,000 sf*  
*The Chintz Building (office/retail) – 45,000 sf*  
*5810-5830 Vedder Road, Chilliwack (multi-family) – 117 units*

### Recent Sale Properties Listed

*Whitgift Gardens, Coquitlam (multi-family) – 311 units*  
*2372 Townline Road, Abbotsford (industrial) – 47,400 sf*  
*Dollarton Business Park, North Vancouver (strata – office/industrial) – 80,000 sf*



*Capilano Business Park offers 285,000 sf of office/flex space for lease in North Vancouver.*

# Calgary



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## Warehouse rental rates return to pre-2008 levels



*Avison Young's exclusive 24,000-sf listing at 7111 6th Street SE. Large bay warehouse properties are in high demand.*

The Calgary industrial market continues to grow as demand for large-bay warehouse space outpaces existing supply. With vacancy less than 4%, the Calgary market has witnessed rental rates return to pre-2008 levels in several size categories, including the large-bay market.

The current inventory of 115 msf of total industrial space includes a mix of warehouse and manufacturing facilities. Of these, it is the warehousing sector that has experienced the most growth in recent years. Mergers and acquisitions within the warehousing industry have led to demand for larger space and more modern facilities. A number of developers

have undertaken new projects in anticipation of continued growth and demand for larger buildings.

WAM Development Corp. is completing a 454,000-sf warehouse that will be available in late 2011, while Hopewell Development Corp. will deliver another 601,000 sf in the first half of 2012. Oxford Properties will construct a further 536,000 sf in early 2012. Additional projects by Tonko and Bentall will see 400,000 sf come to the market in 2012. The majority of these buildings are targeting tenants in the 25,000 sf to 100,000 sf range. A number of very large user groups (150,000 sf-plus) are soliciting proposals for new buildings as well.

The newer generation of large warehouse bays typically features 32-foot clear ceiling heights; T-5 high output fluorescent lighting; and Early Suppression, Fast Response (ESFR) sprinkler systems as well as paved areas for trailer storage. The new facilities are more energy efficient than their predecessors, largely due to lighting technology and better insulation factors and heating systems.

Calgary has long been a distribution hub for Western Canada. Its central location allows for timely, effective distribution to all areas of western North America, reducing the need for multiple facilities for many user groups. Recent upgrades to Calgary's road network include the soon-to-be-completed Stoney Trail ring road which will alleviate congestion on major transportation arteries currently serving both commuter and shipping traffic. Further upgrades to Calgary's transportation infrastructure include a new Canadian National Railway (CN) intermodal hub and logistics park and major upgrades to the Calgary International Airport.

These upgrades are directly related to Calgary's growth over the last two decades, in terms of increased population and economic expansion, and will further solidify the city's position as the distribution hub of Western Canada.

## Recent Lease Transactions

*Apache Canada Ltd. (office) – 209,000 sf*  
*Canadian Natural Resources Ltd. (office) – 178,000 sf*  
*Baker Hughes Canada (office) – 95,000 sf*  
*Burnaby Insulation Ltd. & Premium Line Express Inc. (industrial) – 75,000 sf*  
*Veresen Inc. (office) – 45,900 sf*

## Recent Exclusive Lease Listings

*Sierra Springs Shopping Centre, Airdrie (retail) – 256,000 sf*  
*608 7th Street SW (office) – 221,000 sf*  
*12th Avenue SE & Stampede Trail (retail) – 180,000 sf*  
*1108 4th Street SW (office) – 170,000 sf*  
*634 6th Avenue SW (office) – 50,000 sf*  
*Northwest Centre I & II (office) – 46,300 sf, 8,900 sf*

## Recent Properties Sold

*Stampede Station I (office) – 162,500 sf*  
*380 & 550 University Drive West, Lethbridge (retail) – 130,600 sf*  
*3160 Fairway Street South, Lethbridge (retail) – 25,200 sf*  
*16 Technology Way, SE (industrial) – 12,500 sf*

## Recent Sale Properties Listed

*61st Avenue SE (industrial condo) – 103,000 sf*  
*634 6th Avenue SW (office) – 69,500 sf*  
*8800 Venture Avenue SE (industrial) – 10,800 sf*  
*Stonegate Industrial (industrial land) – 155 acres*



*Avison Young represented **Oxford Properties** in negotiations to lease three large bay industrial units totalling 75,000 sf.*

# Edmonton



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## Royal Alberta Museum spearheads downtown revitalization



Rendering of the proposed design for the new **Royal Alberta Museum**, to be located at the northwest corner of 104th Avenue and 97th Street in Downtown Edmonton.

Historically, 104th Avenue has been considered the northern border of Edmonton's downtown business district. Going back to the early 20th century, land to the north of that line was, quite literally, on the wrong side of the tracks as CN's rail yards formed a distinct barrier to growth in north Edmonton. Over the past five years, developers, builders and the local and provincial governments have come to recognize the value of land now available north of 104th Avenue. New building projects are demonstrating the area's potential as a key driver of the revitalization of central Edmonton.

Despite the opening of the new EPCOR Tower at Station Lands, and speculation surrounding the

construction of a new arena and entertainment district, the project that could determine the future of the area north of 104th Avenue is the new Royal Alberta Museum (RAM), which is expected to open its doors in 2015. The RAM is currently located to the west of Edmonton's downtown core, but the new building will be centrally located in proximity to the existing arts district and will feature direct pedestrian access to the city's light-rapid-transit (LRT) lines.

The initial competitive-design phase of the \$340-million project has just been completed with the design-build partnership of the Ledcor Group and Dialog Designs announced as the winning team. The original designs submitted by the four competing builders were met with mixed reviews. Due to a set budget, which will not compensate builders in the event of cost over-runs, the RAM's designers have been very cautious in their approach. The integration of the surrounding neighbourhoods, as opposed to building aesthetics, is what critics need to focus on.

The land immediately north of the new RAM site presents an outstanding opportunity to renew and repopulate neighbourhoods surrounding the financial core. Currently, these neighbourhoods are littered with parking lots, vacant brown fields, unused parks and empty buildings. A new RAM that opens itself up to the surrounding community – and creates new outdoor public space for Edmontonians to enjoy – will certainly improve an area badly in need of a new look and attitude. There are also good locations for infill development further to the west beyond the land currently earmarked for the Station Lands and entertainment districts.

As a city continuing to expand and develop a new central identity, the RAM project is expected to be a vital component in continuing downtown revitalization. The success of the project, and ultimately the surrounding community, will depend largely on a forward-thinking design.

### Recent Lease Transactions

ATB Financial (office) – 257,500 sf  
Flame X Inc. (industrial) – 72,000 sf  
EBA Engineering Consultants (office) – 58,600 sf  
Delton Cabinet Mfg. Ltd. (industrial) – 58,000 sf  
Kids & Company Ltd. (office) – 15,000 sf  
Medical Imaging Consultants (retail) – 14,700 sf

### Recent Exclusive Lease Listings

First & Jasper (office/retail) – 216,000 sf  
Horizon Business Park (industrial) – 213,000 sf  
Medical Wellness Centre (office) – 80,000 sf  
Mill Creek Centre (retail) – 55,000 sf  
Emerald Hills (retail) – 38,000 sf  
Pinnacle Centre Phase I (industrial) – 33,000 sf

### Recent Properties Sold

Intuit Building (office) – 97,000 sf  
Century Park (retail) – 86,500 sf  
Market at Magrath (retail) – 76,400 sf  
Saveco Building (office) – 63,000 sf  
Namao Centre (retail) – 33,600 sf  
St. Albert Power Centre (retail) – 27,600 sf

### Recent Sale Properties Listed

Cecil Place (office/retail) – 66,800 sf  
Sturgeon Investment Land (industrial) – 324 acres  
Quail Ridge Land (development land) – 215 acres  
Northridge Village (multi-family) – 96 units  
Landrex Hunter Ridge Lands (retail) – 49 acres



The **Pinnacle Centre Phase I** is a showcase industrial development in Northwest Edmonton with flexible warehouse, office, and retail opportunities.

# Lethbridge



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## Outlook for 2012 looks bright



Downtown Lethbridge's new **Community Arts Centre** will be located at 3rd Avenue and 8th Street South.

Lethbridge has all the amenities of a large city, but is small enough to enjoy a slower pace and high quality of life. This lifestyle is helping the city grow at a steady and sustainable rate, which is reflected in all areas of development.

With agri-business central to the local economy, businesses in the downtown core are aware of the difficulties farmers and others in agriculture face when it comes to finding suitable parking for larger vehicles. This awareness has companies, particularly agriculture-

related financial institutions, looking to business parks for new office space that will accommodate their companies' growth and meet the specific needs of these clients.

In the office sector, Chinook Business Park is the busiest. Investors Group will take possession of its new office premises later this fall and construction of a new office building for an engineering firm is underway. In anticipation of increased demand, several projects are also in the planning stages at the business park.

Meanwhile, downtown revitalization is moving forward with the commencement of a \$20-million community arts centre forecast for completion in 2012. This centre is designed to meet the performance requirements of theatre groups, musicians, dance companies and promoters. Downtown retailers are looking forward to the centre's opening and the ensuing increase in foot traffic in the downtown core.

In the near future, West Lethbridge will undergo substantial changes. The announcement of the winning bidder of the four-acre Sunridge commercial development is expected soon. The Crossings, home to two new high schools and the Crossings public library, is under consideration as a potential location for a public-private partnership (P3) venture. If the city is successful in attracting private investment, this project could proceed very quickly from the drawing board to reality.

Another exciting development in Southern Alberta and the Lethbridge trading area is the Alberta Bakken oil play. Keith Schaefer, editor and publisher of The Oil & Gas Investments Bulletin, identified the Alberta Bakken as "the best new shale oil play you've never heard of." This formation, a geological zone below the earth's surface, has energy companies scrambling to secure as much land as possible, with millions of dollars being spent on land sales and leases. For Lethbridge and area, oilfield-service vehicles are becoming increasingly visible, along with interest in office, retail and warehouse properties.

The outlook for 2012 does, indeed, look bright.

## Recent Lease Transactions

*San Francisco Gifts Ltd. (retail) – 10,000 sf*  
*Investors Group (office) – 7,000 sf*  
*Planet Clean (retail) – 6,700 sf*  
*Extreme Pita (retail) – 5,600 sf*  
*Liu Ling International (retail) – 4,200 sf*

## Recent Exclusive Lease Listings

*Lethbridge Centre (office/retail) – 50,000 sf*  
*1820 – 31 Street North (industrial) – 35,000 sf*  
*2912 – 26 Avenue South (office/retail) – 24,000 sf*  
*2825 – 2 Avenue South (retail) – 21,000 sf*  
*2930 – 9 Avenue South (industrial) – 20,800 sf*  
*Centre Village Mall (retail) – 17,600 sf*  
*601 – 4 Avenue South (office/retail) – 15,000 sf*

## Recent Properties Sold

*2525 – 36 Street North (industrial) – 41,700 sf*  
*1821 – 13 Street North (retail) – 38,000 sf*  
*619 – 4 Avenue South (retail) – 12,000 sf*  
*561 – 2 Avenue South, Fernie, BC (retail) – 4,100 sf*  
*1104 – 2 Avenue South (retail) – 3,100 sf*

## Recent Sale Properties Listed

*1820 – 31 Street North (industrial) – 110,000 sf*  
*2930 – 9 Avenue North (industrial) – 77,000 sf*  
*2825 – 2 Avenue South (retail) – 52,000 sf*  
*2912 – 26 Avenue South (office/retail) – 24,000 sf*  
*601 – 4 Avenue South (office/retail) – 15,000 sf*  
*515 Highlands Boulevard West (retail) – 10,400 sf*  
*4015 Mayor Magrath Drive South (retail) – 10,000 sf*



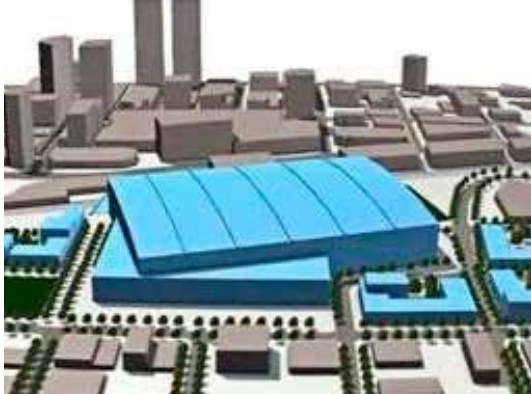
**Nikka Yuko Gardens** represents contributions by Japanese ancestry to Lethbridge's multi-cultural community.

# Regina



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## City revitalization project pushes ahead



Rendering of proposed **Regina Revitalization Project.**

If you believe the oft-quoted saying that “the best way to predict the future is to create it,” then you are likely onside with Regina mayor Pat Fiacco and the Conference Board of Canada when it comes to the Regina Revitalization project.

The project – often stated by city hall and the mayor himself, among others, to be both generational and transformational – encompasses 53 acres in the heart of the city, including 33 acres of land currently occupied by CP Rail, plus another 20 acres owned by the City of Regina. The project will include significant private-sector

involvement and opportunity, require long-term commitment and planning, and have the complexity inherent in most politically-charged inner-city redevelopments.

Three phases are contemplated for the project. These include finalizing the objectives and governance of the land; relocating the CP intermodal operations and redeveloping the site; and redeveloping the land where Mosaic Stadium operates.

Phase one is well underway with the creation of a purpose-tasks business unit in city hall leading the project. The city project team has engaged the firms of Deloitte and Dialog to provide expertise with finance, urban planning and public-private partnerships (P3s).

Phase two involves construction of a new entertainment facility for professional and amateur sports, along with retail, commercial and multi-family developments. The facility will house significant art, culture, entertainment and trade components to support neighbourhoods including the downtown and warehouse districts. The commercial real estate asset class mix is still being assessed by consultants accompanied by public-sector input.

Phase three involves replacement of the Mosaic Stadium site, home of the Saskatchewan Roughriders of the Canadian Football League. Initial conceptual plans suggest that up to 700 residential units and more than 100,000 sf of commercial space – likely retail and small office – are feasible on the site. There is a need for both based on current vacancy rates in the area.

Timing and co-ordination will be vital to the project’s progress. The current proposed timeline envisions site development and construction of the entertainment facility starting in late 2012 and finishing by year-end 2015. Redevelopment of the remaining CP land would start in 2013 and would be based on market demand and stakeholder mandates. Lastly, the redevelopment of the current Mosaic site would commence in 2016 and proceed in a market-driven manner.

There are mixed views on the Regina Revitalization project, but most agree the province and city need to embrace its potential economic success, which could be truly generational and transformational.

## Recent Lease Transactions

620 Vennels Street (industrial) – 25,600 sf  
495 Henderson Drive (industrial) – 19,100 sf  
302 – 1st Avenue (industrial) – 11,600 sf  
812 Victoria Avenue E. (office) – 6,100 sf  
202 – 2180 Victoria Avenue E (office) – 5,900 sf  
2024C Albert Street (office) – 5,300 sf  
117 Hodsmen Road (industrial) – 5,600 sf  
1445 Park Street (office) – 5,000 sf

## Recent Exclusive Lease Listings

Harbour Landing (office) – 160,000 sf  
1827 Albert Street (office) – 80,000 sf  
Pasqua Street & Dewdney Avenue (office) – 45,700 sf  
804 Gonzey Avenue (industrial) – 25,700 sf  
1850 Stock Road (industrial) – 25,000 sf  
495 Henderson Drive (industrial) – 19,100 sf  
805 Toronto Street (industrial) – 9,800 sf

## Recent Properties Sold

RM of Sherwood (land) – 107.79 acres  
1850 Stock Road (land) – 2 acres  
Canlan Sportsplex (industrial) – 67,300 sf  
468 Lakeview, Yorkton (multi-family) – 20,500 sf  
300 – 1st Avenue (industrial) – 30,000 sf  
2300 Industrial Drive (industrial) – 17,200 sf  
2218 Halifax Street (multi-family) – 10,000 sf

## Recent Sale Properties Listed

RM of Weyburn (land) – 148.63 acres  
510 University Park Drive (land) – 6.03 acres  
1180 Halifax Street (land) – 31,212 sf  
1680 McAra Street (industrial) – 6,500 sf



1827 Albert Street has 80,000 sf of office space for lease.



## Developments bring new life to downtown



*The first national museum to be located outside of the nation's capital, the **Canadian Museum for Human Rights (CMHR)** is projected to attract 250,000 visitors per year upon completion in 2012.*

The Manitoba capital is experiencing a flurry of development activity as Winnipeggers celebrate the return of their beloved National Hockey League franchise, the Jets, after a 15-year absence. The rebirth of the Jets has been instrumental in restoring the city's "swagger," and retailers, hoteliers and restaurateurs are lining up along the city's iconic Portage Avenue (one of Winnipeg's central arterial roads) to capitalize on the euphoria.

In June, Longboat Development Corp. and Groupe Germain Hospitality of Quebec announced plans to develop a 20-storey, 200,000-sf mixed-use tower across from the MTS Centre, the home of the Jets, on Portage. At a cost of \$75 million, this hotel, office, retail and

restaurant development will represent the first private investment in the area in several decades. The project will also include a 450-stall parkade. Clearly, this exciting development is directly linked to the return of the city's storied hockey franchise.

The planned expansion of the 37-year-old Winnipeg Convention Centre (WCC) has also captured the imagination of developers looking to capitalize on the downtown core's untapped development potential. Winnipeg's city council is hoping the 250,000-sf expansion will turn the WCC into a destination attraction, much like the soon-to-be-completed \$310-million landmark Canadian Museum for Human Rights, which is expected to draw visitors from around the globe when doors open in 2012.

City officials would like to incorporate a 230- to 350-room hotel, a parkade and, possibly, a residential component and office and/or retail complex into the convention centre expansion. Developers believe the project could unleash a wave of additional investment in much the same way as construction of the \$125-million MTS Centre did a decade ago.

At 132,000 sf, the WCC was once the largest building of its kind in Canada, almost singlehandedly changing the landscape of the city's downtown. Built in the early 1970s, the WCC led to the construction of the Lakeview Square office tower, the Delta Hotel, a 1,000-stall underground parkade, a small park and two apartment blocks. Needless to say, downtown stakeholders are hoping the coming expansion results in the same type of spin-off developments.

Of course, it takes more than one or two new buildings to revitalize a city. Nevertheless, the Longboat development and the expansion of the convention centre represent another large step in this city's determined, steady march forward.

## Recent Lease Transactions

1600 Regent Avenue (retail) – 23,700 sf  
211 Hutchings Street (industrial) – 10,000 sf  
433 Main Street (office) – 9,600 sf  
2073 Logan Avenue (industrial) – 3,800 sf  
2633 Portage Avenue (office) – 3,400 sf  
745 Wall Street (industrial) – 1,900 sf  
1082 Main Street (retail) – 1,000 sf

## Recent Exclusive Lease Listings

760 Pandora Avenue (industrial) – 27,200 sf  
1140 St. James Street (retail) – 7,300 sf  
275 Portage Avenue (office) – 5,500 sf  
275 Portage Avenue (retail) – 3,500 sf  
3094 Portage Avenue (retail) – 1,400 sf

## Recent Properties Sold

955 Lagimodiere Boulevard (industrial) – 67,200 sf  
78 Hutchings Street (industrial) – 30,000 sf  
695 Berry Street (industrial) – 29,700 sf  
621 Lakeview Drive (retail) – 12,500 sf  
Lot 68 Parish of St. Charles (land) – 98.17 acres  
Parcel B/C Inkster (land) – 9.75 acres  
4100 Portage Avenue (land) – 2.57 acres

## Recent Sale Properties Listed

1539 Logan Avenue (business) – 21,000 sf  
307 Main Street, Morris (industrial) – 7,200 sf  
151 Charles Street, Morris (land) – 7,000 sf  
1100 Pembina Highway (retail/office) – 3,000 sf  
Pandora Avenue and Ravenhurst Street (land) – 87 acres



*Home of the NHL's **Winnipeg Jets**, the **MTS Centre** is attracting developers anxious to capitalize on the city's suddenly vibrant downtown.*



## Companies look outside the box for good returns



**Cambridge investment sale** – 120,497 sf, 21.4 acres.

In the past, users, developers and investors alike have looked to the large suburban centres throughout the Greater Toronto Area (GTA) to locate their properties.

This approach was driven partially by accessibility to customers and employees as well as availability of real estate. The same is true now – companies want to invest their money in real estate and a location that provides them with the best possible return. In addition, companies also want to ensure they can attract the right employees and service their

customers from a superior location. But as many companies operating in Southern Ontario have demonstrated, the best return does not necessarily mean remaining in these larger suburban markets. Instead, it means considering alternatives beyond the traditional GTA suburbs.

Consequently, several companies are locating to Southern Ontario communities such as Waterloo, Cambridge, Guelph and Woodstock, where corporations such as Research in Motion, Toyota and Tim Hortons have located their offices and distribution or manufacturing operations. These cities appeal because of their proximity to large suburban Toronto areas. Located less than an hour away from the GTA, these communities offer immediate access to major highways without the stress and cost of daily traffic congestion. Furthermore, companies that distribute throughout Ontario, Quebec and the eastern United States have ready access to ports and multiple border crossings. These communities also offer significant savings for companies looking to rent or purchase their buildings – and historically-higher returns for investors.

Still, when a company looks to relocate or open a new office, a number of individual business factors must be considered. When a potential tenant or purchaser tours a building, it is not uncommon for senior staff from each department – real estate, finance, human resources, IT, operations, etc. – to examine the property thoroughly. Each person is there to evaluate the building's condition, location, cost, functionality, resources, employment pool and surrounding amenities. So far, these management teams like what they see.

Depending on the asset class, most Southern Ontario investment properties have traded recently at 7.4% to 8.5% capitalization rates or higher. With an abundance of serviced developable land available, companies are taking advantage of prices up to 60% less than the rates for GTA parcels, and much lower development charges.

With all of the factors influencing a company's decision to locate, it is evident that many are taking the time and resources required to make an informed decision to invest in Southern Ontario.

### Recent Exclusive Lease Listings

- 575 Conestoga Boulevard, Cambridge (industrial) – 87,500 sf
- 802 St. Clair Street, Chatham (retail) – 41,500 sf
- 280 Holiday Inn Drive, Cambridge (industrial) – 20,200 sf
- 335 Woodlawn Road (industrial) – 19,000 sf
- 9 Winer Road, Puslinch (industrial) – 12,000 sf
- 221 Shearson Crescent, Cambridge (industrial) – 11,800 sf

### Recent Properties Sold

- 55 Taggart Street (industrial) – 93,500 sf
- 7018 Highway 24 (industrial) – 46,400 sf
- 52 Macdonell Street (multi-family) – 23,000 sf
- 1912 Gordon Street (land) – 18.45 acres

### Recent Sale Properties Listed

- 1477 Bishop Street, Cambridge (industrial) – 63,300 sf
- 5095 South Service Road, Beamsville (industrial) – 60,800 sf
- 251 Massey Road (industrial) – 54,800 sf
- 740 Beaverdale Road, Cambridge (industrial) – 29,200 sf
- 6616 Ellis Road, Puslinch (office) – 14,500 sf
- 7468 McLean Road, Puslinch (industrial land) – 46 acres
- 17 Bosworth Court, Brantford (industrial land) – 10.01 acres



**Woodstock industrial lease** – 32,625 sf, eight acres.

# Mississauga



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Suite 300  
Mississauga, ON L5R 3E7  
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## Industrial market remains robust through 2011



*This new 241,600-sf warehouse/distribution facility at 7090 Kennedy Road in Mississauga represents an ideal location for a large industrial tenant.*

The Mississauga industrial market is strengthening as year-end 2011 approaches. A tenant's market dominates the landscape as occupants seek to take advantage of lower rental rates. Consequently, the industrial market has been very active during the past year. Specifically, tenants are negotiating better deals with landlords who are aggressively seeking to appeal to new tenants and to keep existing tenancies.

Several factors are influencing the market's journey to better health. There is a consistent decline in vacancy and rental rates are steadily increasing. The vacancy rate now

sits at 6.8%, down from 7.8% a year ago; and the average asking net rental rate reached \$5.68 psf in the second quarter of 2011. The real news is that certain size ranges in the Mississauga market have virtually no product available. For instance, users looking for 100,000-sf to 130,000-sf functional facilities with ceiling clear heights of 24 feet and higher have eight options to consider. On a diminishing scale, large users looking at buildings between 220,000 sf to 260,000 sf have only three options, and users looking for 300,000 sf and greater have only one option available.

In addition, the increase in occupancy has meant that surplus quality industrial space is no longer prevalent in the market. Changing economic conditions have also had an impact on the Mississauga industrial market. In the last 12 months, a more balanced industrial market has emerged, and it should persist into 2012. This means tenants are now competing for good industrial product or, possibly, looking towards purchasing an industrial building or investing in a design-build facility.

A lack of new speculative construction is also affecting the market. As demonstrated during the past 12 months, developers remain cautious about building speculative projects. As a result, there are fewer options for tenants looking for new product.

One example of a major transaction during the past 12 months is Amazon taking 501,900 sf at 6363 Millcreek Drive. Important factors that may have influenced the decision to locate in Mississauga include excellent access to the major 400-series highways, proximity to Pearson International Airport, and a large educated labour pool.

Based on this positive momentum, Mississauga's industrial market is expected to remain strong as deal velocity intensifies heading into 2012. Developers may consider new speculative construction in late 2012 or early 2013 in order to meet tenant demand for quality industrial facilities. The availability rate will continue its decline, while rental rates are expected to improve. The market will continue to react to economic conditions through 2012.

### Recent Lease Transactions

*Spectrum Supply Chain Solutions Inc. (industrial) – 214,000 sf*  
*FedEx Ground Package System Ltd. (industrial) – 179,400 sf*  
*E.I. du Pont Canada (office) – 80,000 sf*  
*Koambra Canada Inc. (industrial) – 67,900 sf*  
*SGS Canada (industrial) – 36,000 sf*

### Recent Exclusive Lease Listings

*5901 Tomken Road (industrial) – 250,000 sf*  
*7090 Kennedy Road (industrial) – 241,600 sf*  
*80 Van Kirk Drive, Brampton (industrial) – 122,300 sf*  
*1771 Aimco Boulevard (industrial) – 94,800 sf*  
*2185 Derry Road West (office) – 78,200 sf*

### Recent Properties Sold

*95 Walker Drive, Brampton (industrial) – 140,100 sf*  
*612 Welham Road, Barrie (industrial) – 62,100 sf*  
*71 King Street West, Toronto (office) – 41,900 sf*  
*8069 Esquesing Line, Milton (industrial) – 11,700 sf*

### Recent Sale Properties Listed

*1235 Ormont Drive, Toronto (office) – 177,900 sf*  
*60-74 Gervais Drive, Toronto (flex office) – 73,000 sf*  
*2375 Skymark Avenue (office) – 37,100 sf*  
*163 Carlingview Drive, Toronto (industrial) – 19,500 sf*



*Avison Young represented **FedEx Ground Package System Ltd.**, which leased 179,400 sf of industrial space at 6600 Goreway Drive, Mississauga.*



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## Pan Am Games accelerate West Don Lands redevelopment



*The 2015 Pan Am Games Athletes Village in the West Don Lands.*

The Greater Toronto Area (GTA) will benefit tremendously from hosting the 2015 Pan/Parapan American (Pan Am) Games. The event will bring more than 10,000 members of the international athletic community and 250,000 tourists to the city for the duration of the Games, while generating more than 15,000 jobs. Events will be held across and beyond the GTA, in an area ranging from Niagara Falls to Barrie, resulting in more than 25 regional infrastructure, construction and renovation projects. In Toronto, development has begun in earnest in the former industrial area

known as the West Don Lands, the future site of the Athletes Village. By integrating the Athletes Village into the existing plan for the district, revitalization will begin in the West Don Lands years ahead of schedule.

The West Don Lands area is just east of downtown, on the west bank of the Don River along the shore of Lake Ontario. First developed as a residential area in the 1830s, the district was soon overtaken by industry, which predominated until many companies closed or relocated to the suburbs, beginning in the 1970s. The land was expropriated by the province in 1987, with a plan to rehabilitate the area with the construction of a community called Ataritari, but redevelopment was abandoned in 1992 due to the high cost of addressing site-remediation issues. Since then, the West Don Lands have sat vacant.

Over the past decade, a new vision for these old industrial lands has been created. The plan calls for nearly 6,000 residential units, employment and commercial space, 23 acres of parks and green space, schools, and integration with existing public-transit routes. Simply overcoming environmental hurdles, including a century's worth of soil contamination and the site's location on the flood plain of the Don River, has been an enormous achievement. The integration of the 2015 Pan Am Games Athletes Village has shifted the West Don Lands redevelopment into high gear, bringing forward the previously-announced completion date of 2019 by four years. The Athletes Village portion of the development – consisting of varying highrise and low-rise structures on pedestrian-friendly streets – will comprise more than half of the total construction planned for the West Don Lands, and will be converted after the Games into housing and commercial space, forming a major part of the originally envisioned mixed-use neighbourhood.

At the end of September, it was announced that a consortium of builders and architects known as Dundee Kilmer Development Ltd. has been selected to design, build and finance construction of the Athletes Village.

Driven by the preparations for the Games, the West Don Lands area will come full circle, once again becoming a bustling residential and commercial neighbourhood on the doorstep of downtown.

### Recent Lease Transactions

*Department of Justice (office) – 204,000 sf*  
*Children's Aid Society (office) – 87,000 sf*  
*Citibank Canada (office) – 80,000 sf*  
*Altus Group (office) – 56,400 sf*  
*Meyers Norris Penny (office) – 56,000 sf*  
*National Bank of Canada (office/retail) – 53,000 sf*

### Recent Exclusive Lease Listings

*110 Yonge Street (office) – 42,000 sf*  
*207 Queens Quay West (office) – 35,000 sf*  
*1929 Bayview Avenue (office) – 30,000 sf*  
*151 Bloor Street West (office) – 28,000 sf*  
*375 University Avenue (office) – 24,400 sf*

### Recent Properties Sold

*Taunton Gardens, Whitby (retail) – 315,000 sf*  
*79 East Don Roadway*  
*(commercial/residential) – 190,000 sf*  
*111 Gordon Baker Road (office) – 164,200 sf*  
*201 Earl Stewart Drive, Aurora*  
*(industrial) – 148,000 sf*  
*Clearbrook Portfolio, GTA (multi-family) – 1007 units*

### Recent Sale Properties Listed

*1 Riverside Drive, Windsor (office) – 236,000 sf*  
*2540-2570 Matheson Boulevard East,*  
*Mississauga (office) – 126,000 sf*  
*175 Commerce Valley Drive West,*  
*Markham (office) – 107,000 sf*  
*115-135 Matheson Boulevard West,*  
*Mississauga (office) – 74,000 sf*



*Avison Young has been retained to sell 1 Riverside Drive, Windsor – the premium class A asset in the market.*



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## Government agenda draws watchful eye from CRE community



*Morguard's downtown development at 150 Elgin Street.*

Ottawa has once again been buzzing downtown; however, this time the tone has been less optimistic.

Heading into the fourth quarter of 2011, the market is beginning to witness the impact of the Conservative government's focus on Canada's evolving economy coming out of the lows of 2008 and 2009. Some observers have been skeptical of what government restructuring may look like for Ottawa's commercial real estate market, especially in the downtown core. In contrast, trends within the government agenda have clearly demonstrated there is no cause for alarm.

Current and future changes to be implemented by the Conservative government tend to reflect a type of downsizing that may be gradual and subtle, resulting in a calm and relatively insignificant impact on downtown Ottawa's commercial real estate market. Downsizing by Prime Minister Stephen Harper's government during recent times has often taken place as a result of programs coming to the end of their life cycles, at which point they are not renewed. The result is a saving or freeing-up of public funds and, potentially, the temporary loss of employment positions for government workers involved in shuttered programs.

These employees usually go on a priority waiting list and are eventually re-hired, often as a result of someone retiring. This trend suggests a temporary and minor flux that should not have a significant long-term impact on office space. Some recent cuts include those aimed at the National Gallery of Canada and Environment Canada. Due to the nature of these targets, there is likely to be less of a disruption to the office market than some observers have predicted.

The downtown core is also seeing signs of activity that refute predictions of a significant shift in the office market. One such example is Morguard Investments potentially launching its 150 Elgin Street project (totalling an additional 360,000 sf of office space) with a lead tenant potentially already in place. The Public Service Alliance of Canada's planned office relocation is also being put on hold indefinitely. While some observers are doubtful, the evidence indicates continuing stability. The Ottawa market has demonstrated relatively stable downtown rental rates, and that trend is expected to continue in the near term.

### Recent Lease Transactions

*Canadian National Institute for the Blind (office) – 18,700 sf*  
*Ottawa Children's Treatment Centre (office) – 15,900 sf*

### Recent Exclusive Lease Listings

*63 Glencoe (office) – 15,000 sf*

### Recent Properties Sold

*2180 Baycrest Drive (multi-family) – 26,300 sf*

### Recent Sale Properties Listed

*1653 Laurier Street, Rockland (retail) – 2,800 sf*  
*2885 Carp Road (land) – 2.98 acres*



*Redevelopment of the Lorne building in Downtown Ottawa.*

# Montreal



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## Creative developers finance office projects through condo sales



Manager and real estate developer **Kevric** recently announced plans to move ahead with **Altoria** – a new 35-storey office and residential complex comprising 230,000 sf of office space and 25 storeys of residential condominiums.

Montreal's skyline has been largely shaped over the decades by government-subsidized office towers and residential condominiums.

1350 René Lévesque was erected in 2003, but only after the provincial government offered substantial rental tax credits to CGI and IBM – the anchor tenants – in an effort to generate jobs. The new head offices of the Caisse de dépôt et placement du Québec (the Caisse), built in 2002, represent modern downtown architecture, but the company itself is a government entity founded in 1965 which manages Quebec's pension fund. And what of the Cité du Multimédia – an eight-phase complex built in the 1990s which has succeeded in converting an abandoned industrial area into an information-technology hub? Construction was funded by the real estate arms of the Caisse and the FTQ (Quebec Federation of Labour), and the provincial government gave 10-year payroll tax credits to employers for moving into these buildings.

And while government spending has fuelled office development, private developers have concentrated on the asset class that delivers the highest returns: residential condominiums. Record-low

interest rates and skyrocketing demand have continually increased the value of residential condominiums in Montreal over the last decade. What bought a triplex four years ago can no longer purchase a 1,000-sf condo unit in the same neighborhood today.

Developers need to get creative when facing a stagnant office development market, consistently low office vacancy rates and a booming residential condo market.

Real estate developer Kevric recently announced plans to move ahead with Altoria – a new 35-storey office and residential complex comprising 230,000 sf of office space and 25 storeys of residential condominiums. The project offers a creative way to finance office space construction thanks to a buoyant condo market. By taking advantage of a strong demand for strata properties, residential sales will effectively fund the office space – a strategy that will turn any office leasing deal into pure profit.

If Altoria is a success, similar mixed-use developments will pick up steam in Montreal. Residents save commuting to and from work. From the developer's point of view, revenue diversification allows for a less-risky investment.

As long as demand for residential condominiums remains strong, similar mixed-use developments will follow suit and people could find themselves working and living in the same building.

### Recent Lease Transactions

- Milgram & Company (office) – 32,000 sf*
- SITA (office) – 31,500 sf*
- 260 St. Raymond, Gatineau (office) – 14,000 sf*
- Praxair (industrial) – 12,000 sf*
- Irving Mitchell Kalichman (office) – 11,600 sf*
- Raymond James (office) – 7,500 sf*
- Behavior (office) – 6,050 sf*
- Nike Canada (office) – 6,000 sf*

### Recent Exclusive Lease Listings

- 2075 University (office) – 130,000 sf*
- 60 St. Jacques (office) – 28,000 sf*
- 85 St. Paul (office) – 10,000 sf*

### Recent Properties Sold

- St. Raymond, Gatineau (office/land) – 99,000 sf*
- 3807 St. Martin, Laval (land) – 12,200 sf*
- 2418-2150 de la Montagne (retail) – 5,000 sf*
- 565 René-Lévesque (office) – 2,400 sf*

### Recent Sale Properties Listed

- 5757 Cavendish Boulevard (185 rental units) – 224,500 sf*
- Montée Piemont, Gatineau (development site) – 140 acres*
- Maloney, Gatineau (development site) – 23 acres*
- René-Lévesque Boulevard (development site) – 37,508 sf*



**770 Sherbrooke West**

# Quebec City



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Quebec City, Quebec G1E 3M5  
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## Investors can't lose money in Quebec City



**Complexe Bois-Fontaine** is one third of a 97% occupied office building portfolio currently being sold in Quebec City's stable real estate market.

What do you get when you mix a municipal economy centred on government jobs and insurance companies, a business language that is unique in North America, and a political mindset that leans towards socialism? The most stable office real estate market in the country.

That's why Cominar REIT, the largest real estate owner and manager in the province of Quebec, has 32.6% of its 20.9-msf portfolio located in Quebec City. Cominar owns 95 buildings in Quebec City and has enjoyed consistently low vacancy rates and stable rental rates as a result.

Quebec City's overall office vacancy was only 4.5% at the end of the

second quarter of 2011, but this staggeringly low number is not surprising. Since 2006, the vacancy rate has averaged 3.7% and has never surpassed 6.2%. These results have come in the midst of a severe global economic downturn.

The consistency of Quebec City's real estate market, however, has gone largely unnoticed by most global investors. In 2009, there were absolutely no office building sales in the entire region. But times are changing.

In March 2010, BTB REIT acquired CAGIM Real Estate Corporation. The acquisition increased BTB's assets by \$49 million and added six properties to its portfolio. One of these assets was a 50% interest in Complexe Lebourgneuf, a 160,000-sf office tower built in 2009. In April of 2011, BTB REIT purchased the remaining 50% of the building from Urban Intensification Fund LP for a lump sum of \$19.35 million.

Currently, there is a 741,759-sf office portfolio for sale. The three-building portfolio (410 Charest Boulevard East, Le Cartier building and Bois-Fontaine complex) is representative of Quebec City's office tenancy: 97% occupied, with the Government of Quebec and its agencies occupying 72%. The sale of this portfolio, coupled with BTB REIT's stronger presence, has renewed interest in a market that offers consistent returns in an era of economic uncertainty.

With its proven history of stability, the Quebec City office real estate market is poised to become a magnet for investment capital. Though Quebec City properties have offered only nominal growth in value, they have not suffered any declines, either. And in uncertain economic times, investors are seeking stability and peace of mind, not inflated returns.

## Recent Properties Sold

2880 Industriel, Sherbrooke (office/land) – 926,900 sf  
825 Lebourgneuf Boulevard (office) – 232,300 sf  
226 Roy Street, St. Eustache (industrial) – 46,000 sf  
7 Ste-Geneviève (multi-family) – 42,000 sf  
41 d'Auteuil (office) – 15,000 sf  
Charlevoix (land) – 638 acres

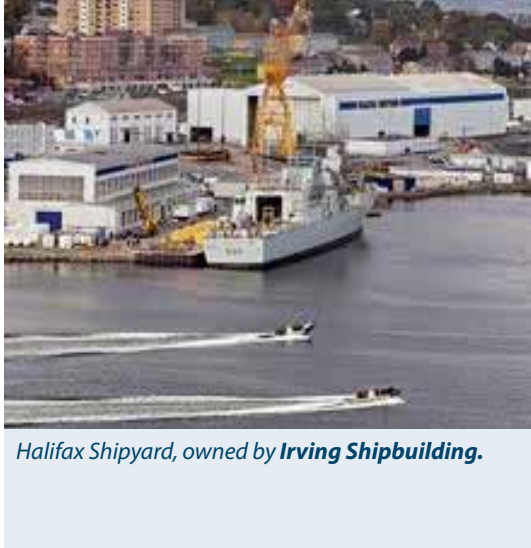


**Complexe Lebourgneuf**



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1533 Barrington Street  
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## Historic shipbuilding industry leads to prosperous future



Halifax Shipyard, owned by Irving Shipbuilding.

Now that all three levels of government have committed funding for Halifax's new convention centre project, all attention is focused on the \$25-billion combat vessel procurement package recently awarded to Nova Scotia as part of Canada's National Shipbuilding Procurement Strategy (NSPS). While the new convention facility will be the centrepiece in what could be a \$500-million project, the NSPS dramatically changes the Nova Scotia economy for decades.

The NSPS, which was developed through consultations with industry stakeholders, encompasses three streams – large-ship construction;

small-ship construction; repair, refit and maintenance projects. The federal government recently established long-term strategic relationships with two Canadian shipyards (owned by Irving Shipbuilding in Halifax and Seaspan Marine Corp. in British Columbia) for the procurement of the large ships – one to build combat vessels, the other to build non-combat vessels.

With a long and successful history of building ships, the Halifax Shipyard secured the largest portion of the NSPS. The result: Nova Scotia's economy will be unrecognizable for at least the next three decades.

The larger of the two contracts is worth \$25 billion – which will be spread over a 30-year project timeline. This amount of investment changes all aspects of the Halifax economy. There will be more money for research and development, education and training, and more money spent on consumer goods. At its peak, the large contract will mean a net addition to Nova Scotia's annual GDP of \$800 million, add more than 11,500 full-time jobs, and increase demand for all goods and services, including real estate. NSPS will create stable employment for a generation of Nova Scotians and provide a huge confidence boost to the entire business community.

The impact on the real estate market is far-reaching. Annual demand for housing stock, both owned and rented, will increase dramatically. Increased consumer expenditures will drive demand for retail space, and it is easy to correlate how suppliers will require additional space and drive demand in both the office and industrial sectors.

### Recent Lease Transactions

*First Canadian Title (office) – 15,000 sf*  
*R.A.D. Distribution (industrial) – 9,000 sf*  
*The Postman (office) – 4,300 sf*  
*Precision Outsourcing (office) – 2,500 sf*

### Recent Exclusive Lease Listings

*2559 Agricola Street (retail) – 10,000 sf*  
*3681 Kempt Road (office) – 6,700 sf*  
*1533 Barrington Street (office) – 6,000 sf*  
*6390 Lady Hammond Road (retail) – 4,200 sf*

### Recent Properties Sold

*Waterfront Mall, Summerside (retail) – 160,000 sf*  
*474 Windmill Road (retail) – 10,000 sf*  
*1300 Hollis Road (office) – 6,000 sf*

### Recent Sale Properties Listed

*Exit 24, Stellarton (land) – 75,000 sf*  
*19 Akerley Boulevard (industrial) – 22,000 sf*  
*50 Queen Street (office/retail) – 4,000 sf*



Avison Young's exclusive retail redevelopment listing at 2559 Agricola Street, Halifax.



## Midtown Mile retail epicenter: looking towards the future



A 9,520-sf direct lease with an 11- year term was signed at **Monarch Tower** – a class A office building located at 3424 Peachtree Road NE in Atlanta.

**D**iscussion of a retail epicenter on the Peachtree corridor in Midtown Atlanta began 20 years ago. Nicknamed the Midtown Mile, the corridor begins on North Avenue near the Fox Theatre and ends past 15th Street on Peachtree. The vision of the Midtown Mile is 1 msf of retail space with a 17-mile streetcar system running from downtown to Buckhead.

After two decades, there have been significant improvements in Midtown in general, but there is still work to be done. The Midtown Mile still lacks connectivity, much like the rest of the city. There are pockets of solid retail and restaurants, but still more gaps in between than most people would like. Some of the finished projects on Peachtree Street include 1010 Midtown, 12th and Midtown and the Loews Hotel. The developments are well done, attract quality tenants, have generally outperformed the competition and can be considered a success, especially when one considers the market conditions at the time of delivery.

CB2 has recently opened a 14,000-sf furniture store at the 12th and Midtown complex alongside some new restaurants that include RiRa Irish Pub, Ra Sushi and Piola. Exhale Spa recently opened across the street, occupying more than 20,000 sf.

STK restaurant is slated to open in December at the Loews Hotel in the 12th and Midtown development. Located at 1075 Peachtree, STK will occupy 12,000 sf on two levels. The steakhouse also has locations in New York, Los Angeles and Miami.

An Apple Store and Saks Fifth Avenue are rumored to be joining the mix. The addition of either would completely change the dynamics, spurring other top retailers to invest in the development.

There is tremendous potential to ultimately fulfill the Midtown Mile vision; however, given the current economy, highrise development will continue to be on hold due to high land values along Peachtree Street, and one-off retail developments are still a challenge. Vertical mixed-use retail component developments will accelerate as the economy continues to recover and more capital is available.

### Recent Lease Transactions

7780 Spence Road, Fairburn (industrial) – 599,700 sf  
4400 Westpark (industrial) – 277,100 sf  
5003 Terminus Drive, Fairburn (industrial) – 226,300 sf  
4665 Coates Drive, Fairburn (industrial) – 74,300 sf  
1255 Kennestone Circle, Marietta (industrial) – 33,000 sf to 57,000 sf  
6590 Shiloh Road, Alpharetta (industrial) – 15,000 sf  
Monarch Tower, 3424 Peachtree Road NE (office) – 9,500 sf

### Recent Exclusive Lease Listings

Kingsport Town Center, Tennessee (retail) – 600,000 sf  
5395 Oakley Industrial Boulevard, Suite B, Fairburn (industrial) – 150,900 sf  
2155 Barrett Park Drive, Suite 215, Kennesaw (industrial) – 100,600 sf  
1869 S. Cobb Industrial Boulevard, Smyrna (industrial) – 50,000 sf  
4791 Wright Drive, Smyrna (industrial) – 16,000 sf

### Recent Sale Properties Listed

Coronet Manor (multi-family) – 20 acres



2155 Barrett Park Drive, Suite 215: 100,646 sf with 18,034 sf of office sf available in Kennesaw, GA.

# Boston



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## Mega-deals attract institutional investors to Boston



*Downtown Boston skyline*

**D**uring the first three quarters of 2011, the Boston commercial real estate investment market was characterized by mega-deals, profit-taking, a flight to quality and finally, opportunity. The mainstays of Boston's economy – healthcare, life science, high-technology and finance – are diverse and not always positively correlated. This is a big part of why Boston has become a pre-eminent destination for institutional buyers, including REITs, private equity funds and foreign capital.

Recent investment activity was testimony to the market's attractive fundamentals. Since December 2010,

approximately \$5 billion has traded. Comprising 80% of the sales volume, super-sized deals have dwarfed middle-market transactions. Canada Pension Plan Investment Board's purchase, with JP Morgan, of a 49% interest in 10 regional malls from the Simon Property Group accounted for \$1.8 billion. Blackstone's acquisition of nine retail properties from Australian REIT Centro comprised another \$138 million. Earlier in the year, Normandy/Five Mile Capital JV sold the John Hancock Tower to Boston Properties for \$930 million (\$532 psf) and Prudential sold Bay Colony Corporate Center to Boston Properties for \$185 million (\$191 psf). Both assets were distressed-asset acquisitions in 2009.

Asset quality and location were driving factors in SITQ Immobilier's purchase of 33 Arch Street, a class A tower, from TIAA-CREF for \$365.8 million (\$610 psf). The reported cap rate was 5%. Hines' decision to purchase the Campus of Marlborough from Eaton Vance for \$103 million (\$194 psf) was premised on a diverse roster of high-credit tenants and superb asset quality, despite the I-495 location where vacancy is more than 20%. In downtown Boston, JP Morgan and Samuels Associates paid \$530 million (\$558 psf) for the Landmark Center, and Ashkenazsy Acquisition Group paid \$136.6 million to purchase the ground lease rights to Faneuil Hall from General Growth Properties.

However, despite the high dollar concentration in a handful of mega deals, another 70 transactions occurred with purchase prices from \$5 million to \$50 million – over \$1 billion in aggregate. Core acquisitions and opportunistic value-added strategies with local expertise were two dominant themes, with the high-quality assets more highly valued.

Abundant low-priced debt, with rates in the 4.5% to 5.5% range, fueled core acquisitions and turnaround strategies throughout the market. Downtown class B office buildings and deeply discounted inner suburban office buildings with class A locations attracted plenty of interest. Market inefficiencies in the middle-market deal stratum affords the nimble, well-capitalized operator many foreseeable opportunities for a prolonged period as the gates of the distressed banking industry creak open.

## Recent Exclusive Lease Listings

*Clock Tower Place, Maynard (office) – 1,100,000 sf*  
*North Wilmington Business Park, Wilmington (industrial) – 350,000 sf*  
*299, 300 & 301 Ballarvale Street, Wilmington (office) – 312,000 sf*  
*10 Presidential Way, Woburn (office) – 163,000 sf*  
*10 & 20 Mall Road, Burlington (office) – 160,000 sf*  
*400 Fifth Avenue, Waltham (office) – 115,000 sf*  
*30 Upton Drive, Wilmington (industrial) – 80,000 sf*  
*One Moody Street, Waltham (office) – 60,000 sf*  
*54 Cambridgepark Drive, Cambridge (office) – 26,000 sf*

## Recent Properties Sold

*Hayden Woods, 1272 Derwent Way, Waltham (office) – 190,000 sf*



*The 13-msf Back Bay office market has an overall vacancy rate of 6.1%.*

# Chicago



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## Storm the norm in Windy City industrial market



**Rock Run VII**, 4100 Rock Creek Boulevard, Joliet

The winds of change are blowing in Chicago's industrial market. But instead of a nice westerly breeze, this sector is expected to feel gusts – in other words, fluctuations – over the next six to eight quarters. Instability will likely be the new norm, and it will be difficult for investors, users and owners to predict the direction in which the market is headed on a quarter-by-quarter basis.

Case in point: second-quarter 2011 net absorption was negative 3,619,200 sf compared to positive 6,499,666 sf in the first quarter of 2011, negative 741,787 sf in the fourth quarter of 2010, and positive 2,036,391 sf in the third quarter of 2010. The vacillations were enough to cause motion sickness, or at least make investors, users and owners very cautious about the market. This see-sawing vacancy trend is expected to continue until mid-to-late 2013.

Still, glimmers of positive information are floating about the market. Available sublease space has decreased, but it is difficult to qualify whether the reduction was due to market activity or leases burning off. However, it's a positive trend to monitor in the upcoming quarters.

Meanwhile, rental rates continued to be victimized by the sector's uncertainty, dipping to an overall market average of \$4.81 psf from \$4.85 psf in the last quarter. Based on recent history and tenant activity, rents will likely continue to experience downward pressure.

Ironically, year-to-date sales activity has actually improved. Both users and investors are making purchases – a definite boost for the market – and the price per square foot is up overall, to \$41.90 from \$37.39 in the same period in 2010. This increase is due largely to lower cap rates on some significant industrial portfolio sales – but it's an upward statistic and another sign of eventually clearer skies.

Inventory remains relatively constant due to discipline the development community displayed when market fundamentals were stronger and its quick reactions when the market decline started. Chicago's industrial inventory remained at approximately 1.15 billion square feet with no new building inventory having come on line in the first half of 2011.

Looking ahead, calmer winds will prevail and gradual improvement will become the norm. Until then, investors, users and owners will just have to ride out the storm.

### Recent Lease Transactions

*UICO (industrial) – 38,400 sf*  
*Miller Canfield (office) – 25,400 sf*  
*Centrax Corp. (office) – 20,200 sf*

### Recent Exclusive Lease Listings

*1470 Brummel Avenue (industrial) – 669,700 sf*  
*2580 Prospect Court (industrial) – 650,000 sf*  
*4100 Rock Creek Boulevard (industrial) – 509,200 sf*  
*1717 Harvester Road (industrial) – 474,400 sf*  
*804 E. Park Avenue (industrial) – 463,000 sf*  
*4000 Rock Creek Boulevard (industrial) – 352,000 sf*  
*4101 Olympic Boulevard (industrial) – 339,700 sf*  
*2200 West Haven Avenue (industrial) – 204,000 sf*  
*901 Oakton Street (industrial) – 172,000 sf*  
*1501 Morse Avenue (industrial) – 145,300 sf*  
*2545 Northwest Parkway (industrial) – 110,000 sf*  
*2001 Lunt Avenue (industrial) – 106,000 sf*  
*3225 Corporate Drive (industrial) – 91,200 sf*  
*2250 Arthur Avenue (industrial) – 76,400 sf*  
*1600 Pratt Boulevard (industrial) – 72,700 sf*  
*3939 South Karlov (industrial) – 65,200 sf*

### Recent Properties Sold

*600 Knightsbridge (industrial) – 61,100 sf*  
*1900 Estes (industrial) – 21,400 sf*



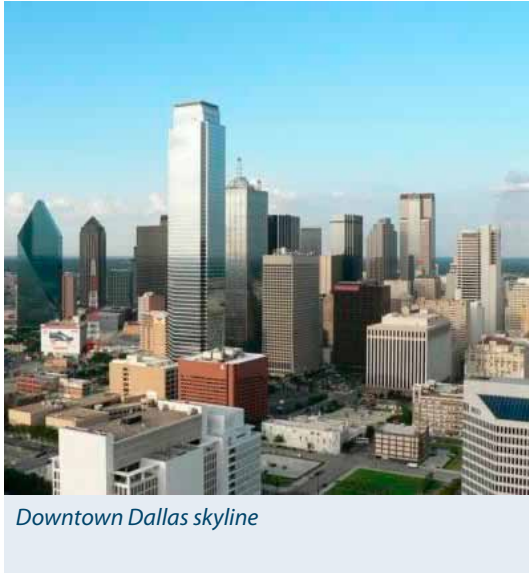
**Elk Grove Village**, 1460-1470 Brummel

# Dallas



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## Dallas distribution market on the rise



*Downtown Dallas skyline*

The Dallas/Fort Worth (DFW) region has historically been a big player in the distribution arena, and that continues to be the case in 2011. Companies have benefitted from DFW's central location within the United States, allowing product to flow from the Southwest to the Northeast. With fuel prices elevated, companies continue to retool their supply chains by utilizing rail as both a short-term and long-term solution for moving products to the major consumption zones in the U.S. An obvious indicator of this shift to rail from long-haul trucking can be seen when one considers that one of the largest trucking companies in the U.S., JB Hunt Transport, has been

Burlington Northern Santa Fe's (BNSF) single largest customer since 2008. With two large intermodal yards, one belonging to BNSF and one owned by Union Pacific, coupled with DFW's location, the future of the Dallas-area distribution hub looks very positive.

Supporting evidence includes 5.2 msf of absorption during the first half of 2011, which was 1 msf more than during the same period from 2008 through 2010. The warehouse/distribution sector reigned supreme during the last several quarters, raking in the lion's share of absorption gains with more than 6.1 msf of positive absorption in the last 12 months.

The South Dallas submarket experienced the region's greatest space demand in the second quarter with 1.145 msf of leased-space gains, due mostly to Whirlpool's occupancy of 1.02 msf in the company's new build-to-suit development.

The DFW Airport submarket had 718,135 sf of positive absorption due in large part to two tenants taking occupancy in Freeport. S.P. Richards occupied 212,766 sf and Intechra took up 117,000 sf. The DFW Airport and South Dallas industrial submarkets will be the beneficiaries of several third-quarter 2011 moves, including KidKraft's relocation to 334,010 sf in Irving, Mars Pet Foods' move into 393,899 sf in Lancaster, and Shaw Industries Group's relocation to 263,635 sf in Coppell.

Available sublease space fell to approximately 5.9 msf, marking the region's lowest level of sublease inventory since early 2008. There are also several big deals expected in the market right now with just three buildings large enough to accommodate their requirements: Kohl's Department Stores is looking for a 1-msf distribution facility while Kellogg is looking for 600,000 to 1 msf, and Georgia-Pacific is in the market for 500,000 to 1 msf.

This increased activity even has developers hinting about new developments in the near future. Many developers have started ramping up their offices, bracing themselves for new opportunities.



*Alliance Texas Intermodal Distribution Hub*

# Houston



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## Panama Canal expansion begins to impact Port of Houston



The **Panama Canal** expansion will result in a 15% increase in cargo from the Pacific Rim coming through Houston.

**H**ouston is poised to benefit from the upcoming \$5.25-billion expansion of the Panama Canal.

Noting that the city sits at the geographic epicenter of the expansion, Greater Houston Partnership CEO Jeff Moseley has called the upgrade a “game changer” for the port.

Most Houston-area companies with any connection to the port are predicting the expansion will produce long-term business benefits. Some are already detectable across the region, as major retailers – including Home Depot (750,000 sf) and Walmart (4 msf) – have built, or indicated they will build, large distribution

centers throughout the city.

Together with the Suez Canal and U.S. intermodal system, the Panama Canal is one of three primary routes connecting Asian consumer-goods manufacturers with major U.S. Gulf and East Coast markets. Accordingly, the Panama Canal’s expansion will have a major impact on Houston (which ranks as the world’s 10th largest container port) as well as on all other Texas ports, their communities and their transportation infrastructure.

Slated for completion in 2015, the expanded canal will feature a new set of locks, one each on the Atlantic and Pacific, to transfer longer (up to 1,200 feet) and wider (up to 160 feet) ships. Megaships, formally defined as “Post Panamax” because the canal has been unable to accommodate them, will be able to travel directly to Houston instead of having to access the port via alternate routes as they do now.

In the future, Post Panamax vessels will be capable of transporting 12,000 20-foot-equivalent units (TEUs) and, in some cases, up to 18,000 TEUs through the canal. (TEUs are units of measurement applied to standard containers that fit on rail cars and 18-wheeler trucks.) In contrast, only ships with a maximum capacity of 5,000 TEUs can fit through the canal today.

Even without the expansion, the Port of Houston, which handles roughly 80% of the state’s container cargo, anticipates its containerized traffic will grow between 16% and 23% over the next several years, according to the Houston Port Authority. With the expansion, Houston’s container traffic is expected to almost triple to 4.5 million TEUs per year by 2030 from the current 1.8 million TEUs per year (according to the publication *Community Impact*).

As a result of this pending increase, the Panama Canal expansion will enhance Houston’s competitive advantages, promote job creation, accelerate employment growth, and continue to revitalize the region’s economy.

### Recent Lease Transactions

*K2 Logistics (industrial) – 143,700 sf*  
*Polytex Fibers (industrial) – 102,000 sf*  
*Fleenor Company (industrial) – 46,800 sf*  
*KUBCO Decanter (industrial) – 30,300 sf*  
*Fuel Streamers Group (office) – 23,100 sf*  
*IES (office) – 17,000 sf*  
*Long Lake Ltd. (office) – 13,000 sf*  
*Flint Energy (office) – 9,500 sf*

### Recent Exclusive Lease Listings

*Nine Greenway Plaza (office) – 23,800 sf*  
*Williams Tower, 28 Post Oak (office) – 23,100 sf*  
*900 Town & Country (office) – 19,900 sf*  
*11450 Corporate Drive, Sugar Land (industrial) – 11,700 sf*  
*1402 Vanderwilt Lane, Katy (industrial) – 11,300 sf*

### Recent Properties Sold

*114900 Westheimer (office) – 225,700 sf*  
*601 Sawyer (office) – 84,000 sf*

### Recent Sale Properties Listed

*Jacobson Logistics Portfolio, Sioux City (industrial) – 721,400 sf*  
*World Houston Plaza (office) – 214,300 sf*  
*Cornerstone Tower & Northchase Centre (office) – 200,000 sf*



Avison Young represented **K2 Logistics** in securing a new 142,743-sf distribution facility for the relocation and expansion of K2’s Houston operations.

# Los Angeles



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Los Angeles, CA  
USA 90024  
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## Tech and entertainment sectors continue to fuel leasing activity



*Travelzoo.com* now calls 1100 Glendon Avenue home. The firm anticipates its staff will grow from six in an executive-suite operator to more than 60 by year-end 2011.

The technology and entertainment sectors continue to fuel Los Angeles leasing activity. The West Los Angeles market comprises 50 msf and the overall Los Angeles market totals more than 180 msf. For the first time in the last three quarters, the Los Angeles office market witnessed positive net absorption. This increase in activity was largely driven by entertainment and technology firms that made significant moves. Even though employment statistics remain flat, creative firms are showing more confidence and taking advantage of the conditions in the market, allowing them to capitalize on significant concessions offered by landlords.

This trend has resulted in numerous transactions throughout the Los Angeles area. Recent notable transactions include: Fox Sports Interactive Media's lease of 57,700 sf in West Los Angeles; Riot Games absorbing 88,000 sf and GK Films relocating into 28,400 sf, both in Santa Monica. Other Los Angeles-area tenants are taking advantage of the significantly lower rents and incentive packages that building owners are willing to provide to users who are willing to move out of the heart of Los Angeles. For example, Universal Music Group relocated to the suburban market of Woodland Hills in the San Fernando Valley and committed to 159,000 sf of office space.

Travelzoo.com recently relocated from a small executive suite to nearly 10,000 sf of long-term space. Travelzoo anticipates its growing staff will increase from six to nearly 60 people by year-end 2011. This is an example of a technology-based company that is taking advantage of the real estate market and planning for the future. Additionally, Techspace (an executive-suite operator that caters to creative and entertainment clients), in an attempt to take advantage of the current climate and associated concessions, is in the market for nearly 40,000 sf of new space to grow its business. The company's space requirements allow for a more creative feel rather than that of a traditional executive-suite operator.

Los Angeles has largely been a business community driven by the entertainment and creative sectors. While the market has yet to see signs of recovery, these sectors are contributing to increased activity and office-space absorption. It is hoped that the two sectors will drive overall market recovery in the near term; however, labor statistics and the lack of new jobs could slow the return of a stabilized office market in Los Angeles.



*Los Angeles skyline looking from the west to east focusing on Westwood, the Wilshire corridor and Century City with Downtown Los Angeles in the background.*

# Washington, DC



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## Modest tenant growth despite several positive factors



*In September, **Alliant Techsystems Inc.**, a defense contractor, announced that it would be relocating its headquarters from Minneapolis, Minnesota to **Commonwealth Tower** in Rosslyn, Virginia.*

Over the last 24 months, several newsworthy tenants have chosen to relocate their headquarters to Northern Virginia, most notably Hilton Hotels Corp. (from Beverly Hills, CA to McLean, VA; 323,000 sf), Northrop Grumman (from Los Angeles, CA to Falls Church, VA; 334,000 sf), Verisign Inc. (from Mountain View, CA to Reston, VA; 221,000 sf), and Alliant Techsystems, Inc. (from Minneapolis, MN to Arlington, VA; approximately 50,000 sf total).

However, beyond these remarkable stories of expansion, the difficult economy has not allowed for much net growth in Northern Virginia. This is evidenced by Northern Virginia's 163-msf market recording a modest 661,000 sf of net absorption since year-end 2010.

In this tenant's market, occupiers who are willing and able to move are being extremely selective,

often opting to upgrade to higher-quality space. A number of tenants are downsizing to maintain space efficiencies and control costs; few are expanding. There is less demand for class B buildings, as tenants are demonstrating a preference for the best buildings in each respective submarket. Due to this flight to quality, class A buildings and new properties in the Rosslyn-Ballston Corridor have witnessed rent growth in the past year. However, these deals often come with a corresponding increase to the concession packages, including tenant-improvement allowances and rent abatement.

Even aside from the normal late-summer slowdown, recent tenant tours and activity have been markedly lower when compared with the activity experienced in late spring. Some tenants seem only to be testing the market by initially embarking on tours and then adopting a wait-and-see posture.

Amid the slow overall conditions, several submarkets in Northern Virginia are performing well. Markets such as Springfield are receiving increased interest due to the federal Base Realignment and Closure Act (BRAC) and infrastructure improvements. Also, Tysons Corner is maintaining its tenancy level in spite of the crippling rush-hour congestion caused by the construction of High Occupancy Toll (HOT) lanes on the Capital Beltway (I-495) and the Metrorail expansion.

For Northern Virginia tenants, there is still a great deal of uncertainty with respect to government contractors due to the current political environment, proposed defense spending cuts, and the upcoming election in 2012. It is anticipated that the slower market will persist through year-end 2011.

### Recent Lease Transactions

*Accenture, Ballston (office) – 99,700 sf*  
*Booz Allen/Metropark, Springfield (office) – 87,900 sf*  
*Sentrana, Inc., DC, CBD (office) – 24,500 sf*

### Recent Exclusive Lease Listings

*MetroPark, Springfield (office) – 1,168,100 sf*  
*2070 Chain Bridge Road, Tysons Corner (office) – 433,000 sf*  
*Founders Square, 4040 Wilson Boulevard, Ballston (preleasing office) – 410,000 sf*  
*Sequoia Plaza I, II, III, Arlington (office) – 368,400 sf*

*8111 Gatehouse Road, Merrifield (office) – 281,700 sf*

*NRECA Building, 4301 Wilson Boulevard, Ballston (office) – 278,100 sf*

*Millcourt, 1555 Wilson Boulevard, Courthouse (office) – 170,800 sf*

*1945 Old Gallows Road, Tysons Corner (office) – 163,500 sf*

*5904 Richmond Highway, Alexandria (office) – 78,200 sf*

*4420 North Fairfax Drive, Ballston (office) – 57,900 sf*

*The Thomas Building, 2020 North 14th Street, Courthouse (office) – 28,000 sf*



*The **Shooshan Company** is developing 4040 Wilson, a 400,000-sf office building located in Ballston, Virginia. Developers are seeing more value in providing urban, mixed-use developments to attract tenants in all product types.*



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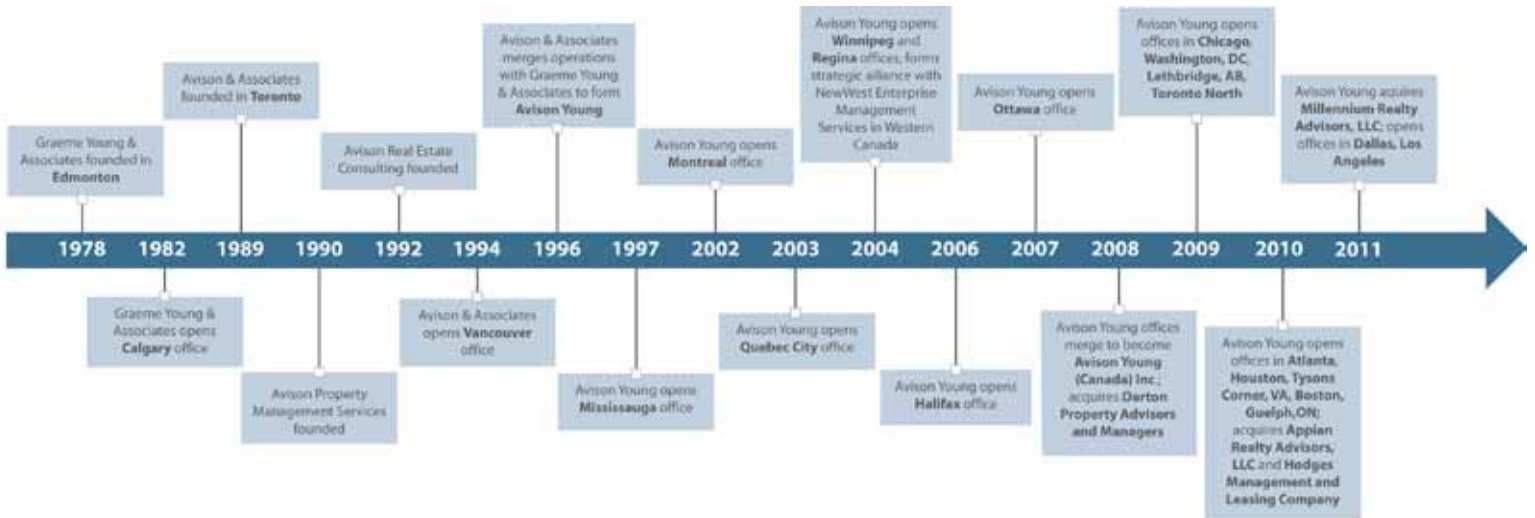
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# Avison Young Location Map & Timeline





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