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AVISON YOUNG Intelligent Real Estate Solutions

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Green buildings take hold in Canadian and U.S. office markets

As the Canadian and U.S. commercial real estate markets continue to recover from the effects of the global recession, the goal of developing more green buildings and sustainable work environments remains an integral part of the corporate real estate decision matrix.

The history of developing more environmentally-friendly office buildings is rooted in the U.S. office markets. In particular, the United States Green Building Council (USGBC) developed the Leadership in Energy and Environmental Design (LEED) program, a set of guidelines that dictates environmentally-friendly development practices.

The LEED rating system is based on several categories, including effective water use, energy savings, indoor environmental conditions, carbon dioxide emissions and resource conservation. These standards can be applied to new buildings as well as building retrofits. There are four levels, in ascending order, in the LEED certification process: certified, silver, gold and platinum. The goal of LEED certification is to promote the development of green buildings and to improve the health of the tenant as well as the global environment.

In 2005, BOMA Canada created the four-level BOMA Building Environmental Standards (BOMA BESt) certification program, which spread across the country while focusing on energy consumption and environmental standards. In essence, BOMA BESt sparked the adoption of green practices and the launch of LEED certification in Canadian office buildings. Also, according to the Canadian Green Building Council, more than 10,000 individuals have become LEED-accredited professionals in Canada since 2001.

Thus far, developers as well as tenants are embracing LEED and green buildings. With more than 2,400 LEED building projects in Canada and over 5,500 in the U.S., the evidence is clear that sustainability is not the flavour of the month, but an important and growing trend in corporate and social responsibility. There are several examples of LEED-certified buildings across Canada and the U.S., including Bay-Adelaide Centre West, Toronto's first and only LEED-certified core and shell gold high rise office building; and Chicago's FBI facility, which received LEED-platinum certification for energy and environmental design for existing buildings.

All of these advancements have implications for both tenants and landlords. On the tenant front, green buildings and sustainable work environments are here to stay and will continue to play a key role not only in retaining, but also attracting new employees. For the most part, landlords are continuing to respond to tenants' need for sustainable and energy-efficient premises with the goal of reducing their overall operating costs and increasing their rental income stream.

In other words, the Canadian and U.S. office markets will LEED the way to a greener future.

Vancouver

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Developers plan long-awaited Downtown office towers

Grosvenor Americas sold ***South Point Exchange*** *shopping centre in Surrey, BC to a Canadian private investor for $91 million in August 2010.* ***Avison Young*** *acted on behalf of the buyer.*

The race is on to build Downtown Vancouver's next new office tower. At least three developers – Bentall Capital, Oxford Properties Group, and Aquilini Development and Construction – are proceeding with plans to construct office buildings on properties that they already own, while attractive downtown market conditions are expected to lure other players. When – or if – a project is complete, it will be the first downtown office tower built since Bentall V in 2007.

Bentall Capital is awaiting a development permit for its proposed 420,000 square foot (sf) tower at 745 Thurlow Street, which would include two to three floors of retail space. Bentall anticipates construction will commence in 2012 at the earliest for completion in 2015.

Meanwhile, Oxford is laying the groundwork for two potential downtown office projects. The first project is slated to be built on the former University Club site near the downtown waterfront. A development permit application has been submitted to the city for a 37-storey, 260,000 sf tower slated for occupancy in 2014.

The goal appears reachable as Downtown Vancouver's average class AAA net rental rate ($28-$44 psf) and gross occupancy cost ($48-$64 psf) rank among the highest in the country, while its downtown vacancy rate (5.1%) falls well below the national average (8.2%).

Oxford's second potential downtown project is the redevelopment of the office/parkade complex at 1133 Melville. The company acquired the property in summer 2010 as a long-term development site. On the eastern edge of downtown, Aquilini, operated by the family of the same name that owns the Vancouver Canucks, is proposing to build a retail/office building at 800 Griffiths Way adjacent to Rogers Arena. Recent sketches called for 236,000 sf over 22 storeys. In early 2010, the company announced that it would resume development after postponing the project in 2008 due to unfavourable economic conditions.

A few blocks away, Austeville Properties is proposing a 19-storey, 481,000 sf office tower on the 400-block of West Georgia for completion by early 2015. And Telus has apparently entered into discussions with a Vancouver developer to construct 500,000 sf of office space on the 700-block of Richards, where Telus may be a tenant in the new development. The project could include the city-owned parkade on the same block.

Looking forward, it is expected that market fundamentals will enhance the viability of new office development as declining downtown vacancy rates apply upward pressure on net rental rates. Moreover, with few large blocks of contiguous space available, tenants and landlords alike may become frustrated by their inability to secure or provide suitable premises.

Some office components within mixed-use developments at Delta Group's Hotel Georgia (71,500 sf) and Bosa Properties' Jameson House (60,000 sf) are expected to alleviate supply pressures by spring 2011. However, with most of downtown's sublease space now absorbed and head lease space leasing up steadily, it is just a matter of time before another office tower rises.

Who will win the race to build it? All bets are on hold until the cranes start swinging.

Recent Lease Transactions

TransLink Head Office and Transit Police (office) - 145,000 sf
PWGSC (office renewal) - 140,000 sf
Sanitherm Engineering Ltd. (industrial) - 33,000 sf
Amec America (office) - 33,000 sf
International Play Company Inc. (industrial) - 28,500 sf

Recent Exclusive Lease Listings

Gateway Business Park (office) - 500,000 sf
915 Cliveden Avenue (industrial) - 85,000 sf
Canada Way Business Park (office) - 69,200 sf
1500 West Georgia (office) - 28,000 sf

Recent Properties Sold

3033-3191 152nd Street, South Point Exchange, Surrey (retail) - 267,000 sf
Westbank Hub Centre North, Westbank (retail) - 240,000 sf
900 Parker Street (industrial) - 116,000 sf
Tulsa Winch 22nd Avenue & 192nd Street, Surrey (BTS – industrial) - 110,000 sf
542 First Avenue, Reedo Building, Seattle (office) - 54,000 sf
1450 West Georgia, Georgian Towers (multi-residential) - 162 units
Whistler Highway (land) - 78 acres
Burrard Motor Inn (hotel/retail) - 72 units

Recent Sale Properties Listed

Hotel Georgia (office leasing/ investment) - 72,000 sf
948 Homer Street (office) - 45,000 sf
1550 East Hastings Street (auto dealership/ development site) - 36,000 sf
1881 Sumas Way (hotel/retail) - 99-unit hotel plus 12,000 sf of retail space
North Island Highway, Campbell River (land) - 33 acres
847 Howard Avenue, Nanaimo (multi-residential) - 32 units
7770 & 8398 North Fraser Way (land) - 17.6 acres

Dayhu Investments Ltd. *acquired the warehouse and distribution facility at 450 Derwent Place in Richmond, BC from* ***Rimrock Investment Corp.*** *for $16.5 million in spring 2010.* ***Avison Young*** *negotiated the transaction.*

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Calgary

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Large-bay industrial vacancy begins to decline

*Avison Young negotiated a 10-year, 79,500-sf lease for **Shanahan's Limited Partnership** at **Morguard Investments Ltd.'s Foothills West** industrial warehouse complex.*

As tenants begin to show confidence again, larger companies are beginning to expand in Calgary's industrial marketplace.

Consequently, vacancy in large-bay space (50,000 sf and up) is starting to decline at a faster rate than smaller bays. Small-bay tenants are also active in the market, although vacancy in this sector has remained lower than large-bay space over the past two years.

The largest contributor to vacancy is large-format distribution space. However, moderate growth and absorption are now being witnessed as leases are being completed with tenants taking advantage of rental rates that have been discounted from their 2007 to 2008 peaks. Improvement over 2009 is clearly present, but vacancy and rental rates are still nowhere near 2007 to 2008 levels.

Accordingly, it is important to forecast cautiously, as the Calgary industrial market is one with many different components. While overall averages are showing moderate absorption, asking rental rates have experienced little change in the past six months and demand for land remains limited.

Assumptions cannot be applied equally. Different types of properties and different locations, as well as building age, design and quality, all affect how properties react to changes in the economic environment.

With the exception of build-to-suit developments, construction of industrial space came to a complete stop at the beginning of 2009. This situation is not expected to change in the immediate term.

Absorption of mid- to large-bay vacancies will need to continue through 2010 into 2011 – and create upward pressure on rental rates – before speculative, financially viable construction can commence. However, a number of projects are in the planning stages or development permit process in anticipation of increased demand and in preparation for the spring construction season in 2011.

Future demand can easily be addressed with an abundance of readily available and zoned land in Calgary and surrounding areas. While demand for land, particularly unserviced land, has dropped off, this situation has created an ideal opportunity for purchasers with long-term vision to acquire future development sites. In direct contrast to the reduced demand is the fact that the price for land in areas such as the central industrial districts and the Northwest continues to increase. Due to previous shortages, pent-up demand has absorbed most of the availability in these areas, keeping the prices up. The Northeast and Southeast industrial districts, meanwhile, have recorded distinct decreases in price per acre due to an abundance of newly-released sites from the City of Calgary.

Worth noting is that while the industrial market is one of the quickest market sectors to react when the economy suffers, largely due to the shorter construction timelines for properties, it is also the quickest to show recovery.

Recent Lease Transactions

StatOil Canada (office) - 209,000 sf
Stantec Consulting (office) - 194,100 sf
Shanahan's Limited (industrial) - 79,500 sf
Fairbone Energy (office) - 53,500 sf
Schlumberger Canada (industrial) - 41,500 sf
Habitat for Humanity (industrial) - 29,000 sf

Recent Exclusive Lease Listings

Sierra Springs (retail) - 256,000 sf
608 – 7th Street S.W. (office) - 221,000 sf
Palliser South (office) - 208,200 sf
Stampede Trail (retail) - 180,000 sf
1108 – 4th Street S.W. (office) - 170,000 sf
4447 – 46th Avenue S.E. (industrial) - 99,800 sf

Recent Properties Sold

8 West (office) - 138,100 sf
Uplands Common (retail) - 53,400 sf
2930 – 32nd Avenue N.E. (retail) - 50,000 sf
4444 Builders Road S.E. (industrial) - 16,700 sf
Symons Valley Ranch (land) - 31 acres
91 Commercial Court (land) - 6.89 acres

Recent Sale Properties Listed

608 – 7th Street S.W. (office condos) - 221,500 sf
1108 – 4th Street S.W. (office condos) - 193,000 sf
634 – 6th Avenue S.W. (office condos) - 69,500 sf
4907-4915 – 77th Avenue S.E. (industrial) - 55,300 sf
Strathmore Canal Crossings (land) - 90 acres
Commercial Court Lands (land) - 27 acres

***Avison Young** acted as the exclusive agent in completing the judicial sale of 8 West (903 – 8th Avenue S.W.) and became the exclusive leasing agent for the subsequent office lease listings with the new owner/landlord.*

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Retail market continues to grow as economy gains momentum

Leduc Common *is one of many recent regional shopping centres to be built in the Greater Edmonton Area.*

Despite an abundance of shopping venues, competition for quality retail space remains tight in Alberta's capital as the vacancy level hovers around 3% for the third consecutive year.

Not only is the strong demand contrary to the rise in vacancy rates in the Edmonton industrial, office and residential markets, but it was achieved after 590,746 sf of new construction was added to the marketplace in 2009. Fuelled by Edmonton's active consumer population, which spends 45% more per household on annual retail purchases than the Canadian average, the market is on the verge of experiencing even more growth in the next few years.

In spite of a drop in consumer spending of 8.8% in 2009, retailers are continuing to view Edmonton as a strong platform for launching new stores for their brands. Retail sales are expected to increase by 1.5% for 2010 followed by a 6.6% increase in 2011 as the economy continues to gain momentum. With over 1.1 msf of new retail construction underway and another 400,000 sf proposed, the Edmonton market will continue to have a strong appetite for retail businesses.

The Edmonton retail marketplace encompasses an inventory of nearly 26 msf consisting of 9.7 msf of arterial shopping and strip centres, 7.7 msf of neighbourhood retail stores, 7.1 msf of regional malls or power centre space, and 1.1 msf located in the downtown core.

Locally-owned and national businesses looking to increase their market share have fuelled demand for new space to be built in some of the high-traffic areas of the city. The south side of Edmonton, in particular, has witnessed strong growth with exceptionally high demand for new retail space along the Anthony Henday Freeway Corridor and Ellerslie Road. Lower construction costs and improving business fundamentals have allowed developers to focus on meeting that demand and adding to the growing number of neighbourhood retail centres around the city.

The suburban retail centres anchored by national grocery chains are having the most success as new neighbourhoods around the Capital Region continue to demand services close to their epicenters. One of the most notable developments is the Currents of Windermere project, located at the intersection of the Anthony Henday Freeway and Terwillegar Drive in the city's southwest. With 60% of all household growth occurring in the south of Edmonton, the 700,000 sf development is well-positioned to service the rapidly-expanding corner of the city.

Recent Lease Transactions

Bioware ULC (office) - 60,600 sf
Rosedale Transport (industrial) - 45,900 sf
Power & Telephone Supply of Canada (industrial) - 30,100 sf
Upside Software Inc. (office) - 24,700 sf
Staples (retail) - 20,000 sf
Alberta Treasury Branches (office) - 18,600 sf

Recent Exclusive Lease Listings

GE Place (office) - 206,700 sf
Canus Building (industrial) - 90,000 sf
Bank of Montreal Building (office) - 55,800 sf
Barrett Building (industrial) - 44,200 sf
North Town Centre (retail) - 22,000 sf
Mill Creek Centre (retail) - 20,000 sf

Recent Properties Sold

Heritage Square (retail) - 36,200 sf
Veka Canada Building (industrial) - 32,000 on 6.50 acres
Strongco Building, Red Deer (industrial) - 21,500 sf on 4.99 acres
North Point on Ninth (retail) - 15,200 sf
Timberlea Development Land, St. Albert (multi-residential) - 89 acres

Recent Sale Properties Listed

Century Park (retail/office) - 86,400 sf on 7.02 acres
Triton Building (office) - 30,500 sf
Nisku Industrial Site (industrial) - 21,000 on 13.13 acres
Forest Heights Development Land, Beaumont (multi-residential) - 78 acres

Avison Young *assisted national restaurant chain* ***Cora Breakfast and Lunch*** *in entering the Edmonton market.*

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Retail supply rising on west side of city

*The opening of the **University of Lethbridge** spearheaded the development of the west side. For the last 10 years, West Lethbridge has contributed to 80% of the city's population growth.*

In 1969, the "Urbanization of West Lethbridge" report outlined a vision for West Lethbridge as a series of neighbourhoods that would offer a variety of housing types, open spaces, schools, medical offices and commercial centres.

True to its mandate, West Lethbridge has developed exponentially. The University of Lethbridge was established in 1967 and in 1998, the west side welcomed its first and only power centre anchored by Safeway and Home Hardware. Today, West Lethbridge continues to be a desirable location for residents, increasing the demand for commercial retailers.

In comparison to North and South Lethbridge, the west side has experienced the greatest increase in population – from 68 residents in 1971 to more than 30,000 in 2009. With this kind of growth, one retail centre has been insufficient, forcing the residents to rely on the variety of competitive retailers that the south side offers, particularly along Mayor Magrath Drive South.

Both the city and developers recognize the need for infrastructure and commercial development for the West Lethbridge population. It has been informally announced that the Overwaitea Food Group will develop six acres of land and intends to open the doors of a new Save-on-Foods in 2011. In addition, other retail locations will be available at the sites for interested parties.

An area structure plan has been established for the most westerly point of Whoop-Up Drive. Public infrastructure is rapidly moving forward with two new high schools uniquely adjoined by the first public library in West Lethbridge. The area structure plan also includes residential and commercial components. A timeline for this development has not been established.

The City of Lethbridge announced the development of the West Lethbridge Employment Centre Area Structure Plan in January 2010. The intention of this development is to provide employment opportunities in the city, especially to the population of the west side. The northern portion of West Lethbridge is an ideal location with rail access and Highway 3 accessibility. The commercial real estate industry can expect to see light/medium industrial, residential, highway commercial and business/research parks established. This development is currently in the public consultation phase and a final area structure plan is expected to be completed in 2011.

These future developments are a draw for housing expansion and opportunities for commercial retailers. It is anticipated that over the next three years immense changes will be witnessed in retail shopping on the west side. More than likely, these improvements will impact the south side of town.

Recent Lease Transactions

Tongue and Grove (retail) – 4,000 sf
InspectaCar (industrial) – 3,700 sf
CIBC Wood Gundy (office) – 2,900 sf
CCL Homes (office) – 1,500 sf
Avalon Closet & Storage Design Ltd. (retail) – 1,100 sf
Bromwich (office) – 1,100 sf
Tangle Media (office) – 900 sf

Recent Exclusive Lease Listings

Lethbridge Centre (office/retail) – 50,000 sf
Centre Village Mall (retail) – 17,600 sf
421 Mayor Magrath Drive South (office/retail) - 17,100 sf
615 WT Hill Boulevard South (office) – 10,000 sf
608-5 Avenue South (office) – 3,800 sf
236-36 Street North (industrial) – 3,500 sf

Recent Properties Sold

740721 Alberta Ltd. (land) – 84,500 sf
Hilmen Properties Ltd. (office/retail) – 25,200 sf
Pulse Nightclub/ McGinty's Irish Pub (retail) – 15,000 sf
K Diamond Investments (retail/industrial) – 14,500 sf
Metrix Land Corp. (land) – 2.11 acres

Recent Sale Properties Listed

1820 31 Street North (industrial) – 110,200 sf
2930 – 9 Avenue North (industrial) – 77,000 sf
2525 – 36 Street North (industrial/land) – 41,715 sf + 4 acres
611 – 619 4 Avenue South (retail) – 11,900 sf
Highway 6 & Highway 3, Pincher Station (land) – 2.3 acres
1103 – 3 Avenue South (retail) – 7,500 sf

The retail/office building located at 444 5 Avenue South was purchased by a local buyer in spring 2010.

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Demand for industrial space to continue beyond 2011

Rendering of new development at 620 Vennels Street

Industrial space in Regina continues to be in short supply as demand for new product remains strong heading into 2011.

Lack of new inventory, in part due to a record year of rainfall that slowed land development and building construction, has created a shortage of supply and will invariably continue to push rental rates up. Rents have held firm in the $8 psf to $9 psf range for existing space being redeveloped or coming on the market, and $11 psf to $13 psf for new construction. Land remains in good supply at $225,000 to $250,000 per acre.

The demand for new and redeveloped space will likely continue through 2010 and beyond. The current vacancy rate of 2%, as well as the strong rebound in the financial markets and regional economy, should work together to force new development. Renewal rates are expected to continue on a gradual climb for at least the rest of 2010 as the market rate correction that began in 2007 continues to work through the system. Construction costs have flattened and are expected to hold constant as an influx of labour and new competition in the construction industry help to ease the labour shortage and workload delays.

Resistance to a lift in pricing for city-owned lots in Ross Industrial Park has deteriorated, resulting in an acceptance of the cost structure to acquire and develop land – and build new industrial space. The City of Regina's 2007 Industrial Growth Study remains a testimonial of the benefits – and need – for long-term planning in this sector.

In the north, 1,000 acres of industrial land are under development. The $2 billion expansion at Consumers' Co-operative Refineries Limited continues on schedule for 2012 completion, and while the outcome will not create new industrial space, the sector can expect to face downstream implications in oil, gas and related services.

To the west of the city in the Global Transportation Hub, construction continues on the 1-msf distribution warehouse for Loblaw, valued at $350 million. The "Hub" will alleviate pressure on future inventory demand from 2011 to 2014, as several announcements are pending and expected to be unveiled before year-end 2010.

Construction is underway on a new 25,650 sf industrial single or multi-tenant building adjacent to Ross Industrial Park and will be available by early 2011.

Building permits are on pace for a sixth consecutive record-setting year, and combined with RBC's recent economic projection for the province to lead Canada in GDP growth, the future appears very positive.

Recent Lease Transactions

SaskEnergy (office) – 147,100 sf
Min Fan (retail) – 6,000 sf
Royal Bank (office) – 5,600 sf
Southeast Regional College (office) – 5,600 sf
Regina Qu'Appelle Health District (office) – 5000 sf
Farm Credit (office) – 2,800 sf
Granite Developments (office) – 2,500 sf
Insulcana Contractors (industrial) – 2,400 sf
Wawanesa Mutual Insurance (office) – 2,100 sf
Nite Staging & Sound (industrial) – 2,000 sf
Adonai Resources (office) – 1,800 sf
Sierra Foods (retail) – 1,800 sf
HCI Ventures (office) – 1,500 sf
A Tymeless Event (retail) – 1,500 sf
University Park Pharmacy (retail) – 1,200 sf
Rivard Investments (retail) – 1,000 sf
Herbal Magic (retail) – 1,000 sf
Nu Image Media Spa (office) – 900 sf
Hiring Hands Employment (office) – 900 sf
Raven Oil Corporation (office) – 800 sf
Impact Security Group (office) – 600 sf
Rolo Farms (land) – 135.2 acres

Recent Exclusive Lease Listings

Harbour Landing Business Park (office) - 160,000 sf
5875 Rochdale Boulevard (retail) - 22,800 sf
495 Henderson Drive (industrial) - 19,000 sf
2024C Albert Street (office) - 8,400 sf
1445 Park Street (office) - 4,900 sf
6807 Rochdale Boulevard (retail) - 4,400 sf
637 Dewdney Avenue (industrial) - 1,900 sf

Recent Properties Sold

435 Henderson Drive (industrial) - 17,600 sf
NW 9-17-17 (land) - 150 acres
NE 6-18-19 (land) - 5.3 acres
Butler Trailer Park (land) - 5 acres
1042 Athabasca Street (land) - 0.5 acres
808 – 1st Avenue (land) - 0.5 acres

Recent Sale Properties Listed

1516 – 6th Avenue (industrial) - 5,400 sf
King Farm Land (land) - 107 acres

Loblaws Distribution Centre

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Portage and Main area enjoys renaissance

(Courtesy of 5468796 Architecture Inc.)

*Rendering of **Hample Building** and **Avenue Building***

Downtown Winnipeg is experiencing a flurry of development activity with visions of more to follow.

Much of the action is happening near the historic corner of Portage Avenue and Main Street, a commercial district that played a pivotal role in the growth of the Canadian West during the 19th Century. The former centre of the region's banking industry, Portage and Main hosts occasional festivals and receives mentions in Randy Bachman and Neil Young's hit song "Prairie Town" as well as Stompin' Tom Connors' ditty "Red River Jane."

The intersection even comprises a featured property on the Canadian version of the *Monopoly* board game. However, Portage Avenue is also home to several long-vacant buildings that hold the opportunity to redefine the downtown streetscape.

With help from local philanthropists, construction is near completion on two new buildings within the downtown campus of the University of Winnipeg. Buhler Centre and Richardson College for the Environment, both located on Portage Avenue, kick off the transformation at the entrance to the downtown core.

Red River Community College's nearby Princess Street campus is also playing an important role in the expansion and revitalization of the Portage and Main area. Built in 1903, the Union Bank tower is in the midst of its transformation to the 21st Century. The redeveloped tower will house the college's new culinary school while also serving as an on-campus residence for approximately 100 students.

Meanwhile, Centre Venture, the city's downtown development agency, has been working with a local developer to convert a block of Portage Avenue located directly across from the MTS Centre, Winnipeg's premier sports and entertainment complex, into a future mixed-use development.

For more than a decade, Winnipeggers have endured the dilapidated sites of the six-storey Avenue building and the failing 105-year-old Hample building, located in the 200 block of Portage Avenue – a mere block and a half from the city's financial core and class A office buildings. Two ambitious and passionate local developers, bolstered by $2 million in grants from the city and province, are providing the expertise to proceed with the $8.5 million project. This redevelopment is anticipated to result in approximately 70 multi-residential suites, ground-floor commercial space, a 40-stall underground parkade and a rooftop patio.

All of these projects demonstrate that confidence in Downtown Winnipeg is growing, with a vital part of the city's past laying the foundation for a promising future.

Recent Lease Transactions

Great West Life (office) - 11,800 sf
FASD Life's Journey Inc. (office) - 4,900 sf
Rita's Custom Stonework (industrial) - 4,900 sf
Flo-Crest (industrial) - 2,700 sf
MPC Marina Press (Canada) Inc. (retail/office) - 1,600 sf

Recent Exclusive Lease Listings

550 Century Street (office/industrial) - 14,000 sf
117 King Edward Street (industrial) - 5,300 sf
2130 Notre Dame Avenue (office) - 4,900 sf
Dayton Building, 323 Portage Avenue (office) - 3,500 sf
1800 Logan Avenue (office/retail) - 3,400 sf
354 Portage Avenue (retail) - 3,100 sf
1107B Henderson Highway (retail) - 1,100 sf

Recent Properties Sold

The Hample Building, 271 Portage Avenue (office/retail) - 15,300 sf
980 – 992 Portage Avenue (retail) - 10,600 sf
787 Leila Avenue (retail) - 8,800 sf
110 Princess Avenue (retail/office condos) - 2,900 sf
407 Des Meurons (land) - 1.2 acres
548 Salter Street (land) - 0.35 acres

Recent Sale Properties Listed

190/200 Disraeli Freeway (land) - 85,300 sf
251 Saulteaux Crescent (industrial) - 71,600 sf
765 Main Street (land) - 31,000 sf
188 Princess Street (office/retail) - 8,200 sf
550 Sargent Avenue (retail) - 5,600 sf
1462 Regent Avenue (retail) - 2,800 sf

Portage Place Shopping Centre

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Industrial market still trying to gain traction

Avison Young *assisted in the lease of 76,000 sf at 190 Annagem Boulevard to* ***Woodwyant Inc***.

The effects of the economic downturn are still being felt in the Mississauga industrial market.

While there have been some positive signs, the volume of transactions has not rebounded to pre-recession levels. One of the positive signs is that the availability rate in Mississauga declined to 6.9% at the end of the second quarter of 2010; however, average rental rates in this marketplace declined as well, down to $5.45 psf at mid-year 2010 compared to $5.84 psf at mid-year 2009.

Nonetheless, lease deals are still getting done at historically low net rental rates as aggressive landlords offer such tenant inducements as cash incentives and free rent. In some notable large lease deals, Moore Canada took up 246,587 sf at 6100 Vipond Drive in Mississauga; LG Canada leased 709,811 sf at 20 Norelco Drive in North York; Colgate Palmolive signed up for 253,196 sf at 4 Manchester Court in Caledon; and Best Buy agreed to move into 627,791 sf at 86 Pillsworth Road in Bolton. Consolidations included Olympia Tile taking up 700,000 sf at 100 Royal Group Crescent in Vaughan.

In addition, this market is experiencing “shadow vacancy” – industrial space that is leased but not occupied and not on the market – particularly in the third-party logistics (3PL) sector. Although shadow vacancy is not as extensive as it was during the recession, the current situation is expected to continue as the Mississauga industrial market tries to gain traction.

New construction has also ground to a halt based largely on two factors that are impacting the decision-making process: above-average land values and increased development charges. The City of Mississauga collects these fees to help pay for new infrastructure as the city continues to grow. Currently, Mississauga's industrial development charges are approximately $11 psf compared to Oakville's development charges at approximately $20 psf. This fact is helping Mississauga to remain competitive. However, the higher development charges have deterred some developers from new construction.

Going forward, new development will likely continue to be non-existent, primarily due to low rental rates in this marketplace. It is anticipated that rents would have to increase to pre-recession levels of $6 to $7 psf before any construction takes place. Currently, tenants are not willing to pay higher net rental rates for new product when they can stay in their existing facility for a lower net rental rate.

With deals still being completed across the GTA West and shadow vacancy having less of an impact, Mississauga’s industrial market is striving to regain its footing. However, new construction will likely not occur until rental rates begin to recover.

Recent Lease Transactions

Woodwyant Inc. (industrial) - 76,000 sf
Jevco Insurance (office) - 61,200 sf
A-1 Bags & Supplies (industrial) - 45,900 sf
Jaguar Landrover Canada (office) - 11,300 sf
Dematic Limited (office) - 9,000 sf

Recent Exclusive Lease Listings

60-74 Gervais Drive, Toronto (flex office) - 73,000 sf
6701 Financial Drive (office) - 30,000 sf
2100 Derry Road (office sublease) - 29,250 sf
5600 Keaton Crescent (industrial sublease) - 20,000 sf
2645 Skymark Avenue (office sublease) - 19,700 sf
1945 Dundas Street East (retail) - 15,800 sf
1291 Speers Road, Oakville (industrial) - 15,600 sf
1625 Drew Road (industrial sublease) - 15,000 sf
180 Sandalwood Parkway East, Brampton (office) - 14,900 sf
8069 Esquesing Line, Milton (office) - 11,000 sf
1122 International Boulevard (office sublease) -10,500 sf
5585 McAdam Road (office) - 5,000 sf
1100 Burloak Drive, Burlington (office) - 4,900 sf
2150 Meadowvale Boulevard (office) - 3,900 sf
1900 Dundas Street West (retail) - 3,500 sf
4145 North Service Road, Burlington (office sublease) - 3,500 sf

Recent Properties Sold

30 Eglinton Avenue West (office) - 164,900 sf
7420 Airport Road (office) - 39,700 sf
1158 South Service Road, Oakville (industrial) - 14,200 sf

Recent Sale Properties Listed

1799 20th Street East, Owen Sound (industrial) - 612,500 sf
1235 Ormont Drive, Toronto (office) - 177,900 sf
2375 Skymark Avenue (office) - 40,000 sf
Dundas Street West, Oakville (land) - 69 acres
Albion Stage 2, Stoney Creek, Hamilton (land) - 55 acres
880 Avonhead Road (industrial) - 13.39 acres
100 Harbour Road, Oshawa (land) - 9.1 acres
750 Douro Street, Stratford (industrial) - 4.73 acres
Jackson's Point, Lake Simcoe (land) - 2.56 acres
372 Centre Street South, Oshawa (land) - 1.78 acres
52 Macdonelle Street,Guelph (multi-residential building) - 18 units

Avison Young *negotiated the 45,000-sf lease at 6300 Kennedy Road to* ***A-1 Bags & Supplies.***

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Prominent landlords rejuvenate downtown office towers

First Canadian Place

Toronto's skyline has recently undergone considerable changes.

Among them are the construction and recent completion of three new LEED-gold-certified office towers in what appears to be an expanding downtown core. Recent developments such as Bay-Adelaide Centre West, RBC Centre, Telus Tower and 18 York Street (to be completed in late 2011) have all had successful leasing campaigns to date, attracting the majority of their tenants from the older towers.

In light of this trend, landlords of existing towers must find ways not only to lease up the existing or pending vacant space, but also retain tenants and prevent further defections to the newer buildings.

TD Centre Complex

Two prominent landlords have decided to invest large sums of money in projects directed at improving the aesthetic appeal and environmental performance of their downtown portfolios. Brookfield Properties has developed a plan to refurbish First Canadian Place (FCP), its 72-storey, 2.4-msf office tower located in Toronto's financial core. Now 35 years old, the iconic tower has fallen on hard times, registering a 17% availability rate with the threat of additional space coming back to the market. Brookfield is undertaking a $100-million, multi-stage refurbishment project, which includes plans to replace the 45,000 marble panels with 7,800 glass spandrel panels. The re-cladding process is expected to be completed by the end of 2011. Other renovations include washroom upgrades, lighting replacements and digital controls, to mention a few. It is expected that FCP will receive LEED - EBOM certification (Leadership in Energy and Environmental Design for Existing Buildings: Operations and Maintenance) by the end of 2012.

Meanwhile, Cadillac Fairview, owner of the Mies van der Rohe-designed Toronto-Dominion (TD) Centre complex that comprises six towers and 4.3 msf, recently unveiled a $110 million revitalization project for one of its towers. A multi-stage plan is currently underway to enhance the leasing appeal of 77 King Street West (the former Royal Trust tower), a 46-storey, 970,000 sf structure built in 1969. A significant aspect of the project includes replacing all of the 5,676 windows with thermal double panes and a modern roller-shade system. The new windows and shades will be energy-efficient and are consistent with the property's pursuit of LEED-gold certification. Like FCP, the TD Centre complex has some leasing challenges, reporting an overall availability rate of 20%.

In the end, only time will tell whether these and other aging towers will return to their historical occupancy levels.

Recent Lease Transactions

RSA (office) - 108,000 sf
CUPE (office) - 70,000 sf
Stormtech (office) - 20,500 sf
Shibley Righton (office) - 20,400 sf
Integro Insurance (office) - 10,200 sf
Objectsharp (office) - 9,600 sf
Clean Sheet Communications (office) - 7,500 sf
Prostate Cancer of Canada (office) - 7,000 sf
Concert Properties (office) - 6,600 sf
Reliance Construction (office) - 5,400 sf
GlobeScan (office) - 5,100 sf
CEM Benchmarking (office) - 4,900 sf
State Bank of India (retail) - 3,400 sf
Timothy's (retail) - 1,900 sf

Recent Exclusive Lease Listings

181 Bay Street (office) - 17,600 sf
438 University Avenue (office) - 6,400 sf
1029 Brock Road South, Pickering (office) - 4,200 sf

Recent Properties Sold

30 Eglinton Avenue West, Mississauga (office/retail) - 164,900 sf
1174 Carp Road, Ottawa (retail) - 11,500 sf
125 Nantucket Boulevard (industrial) - 71,000 sf
Comfort Inn & Suites, Windsor (hotel) - 140 units
2955 King Road, King City (land) - 105 acres
162 Queens Quay East (land) - 0.7 acres

Recent Sale Properties Listed

163 Carlingview Drive, Etobicoke (office/industrial) - 20,000 sf
310 Industrial Road, Cambridge (industrial) - 14,500 sf
225-233 Capel Street, Sarnia (multi-residential) - 70 units
ORC Lands, Oakville (land) - 69 acres
Oskar Portfolio, Southern Ontario (land) - 18 parcels/2,700 acres
1475 King Road, Courtice (land) - 18 acres
330 Prince Charles Drive South, Welland (land) - 3.5 acres

***Avison Young** is subleasing the top floor in **Brookfield Place**, one of Canada's premier addresses at the heart of Toronto's financial district.*

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Office users unload large blocks of space

125 Commerce Valley Drive offers 86,000 sf for sublease.

The Toronto North office leasing market continues to feel a major impact from the economic fallout of the last two years.

The availability rate increased to 14.4% in the second quarter of 2010 from a recent low of 11.3% in 2007. A major factor throughout the last two years has been the impact of large-block sublets (over 20,000 sf) on both the statistical data and occupancy costs. In 2009, the market experienced 800,000 sf negative absorption and sublease space represented 17.5% of leased space.

During the worst of the financial meltdown, corporate office users began to dump large blocks of space onto the sublet market primarily to meet cost-saving goals and match reductions in staff levels. The impact on rental rates, however, has been less severe than some would have predicted. The most heavily-discounted sublease space has been picked up by bargain hunters as deals transacted all the way down to negative net rents in some cases.

Several of the largest sublets marketed in 2008 still remain available today, having been passed over by tenants for direct space options. Subleasing space is always a challenge due to competing interests with the head landlord, paying for leaseholds and an inflexible lease term. In many recent cases, brokers have used subleases in order to pressure landlords in renewal negotiations and to compete harder for new tenants in an open-tender process. Tenants that have grown during these tough times, or had leases expire, have benefited from the timing.

While a major drop in asking net rental rates has not occurred, inducements have been increasing, and landlords in the most challenged subnodes (smaller areas within submarkets) are providing major subsidies to tenants to fill vacancy and compete for fewer tenants. Effective rental rates are down 5% to 25% from where they stood three years ago.

Across North Toronto, new construction has been halted in almost every area as landlords wait for availability to return to a more neutral level before adding new supply. While the next 12 months should be better for the economy and the office market than the last 12 months, the likely absorption will still leave availability above 12% and, therefore, the tenant-favoured conditions should persist.

Tenants with lease expiries or real estate needs within the next two years should be actively watching for opportunities, as the right one might not last long.

Recent Lease Transactions

Pinnacle Financial (office) - 8,000 sf
Teachers Pension (office) - 7,500 sf

Recent Exclusive Lease Listings

9133 Leslie Street (industrial) - 21,000 sf
30 Leek Crescent, Richmond Hill (office) - 19,000 sf
3660 Midland Avenue, Scarborough (office) - 12,000 sf
2 Sheppard Avenue East, North York (office) - 10,100 sf

96,000 sf is available for sublease at 50 Minthorn Boulevard.

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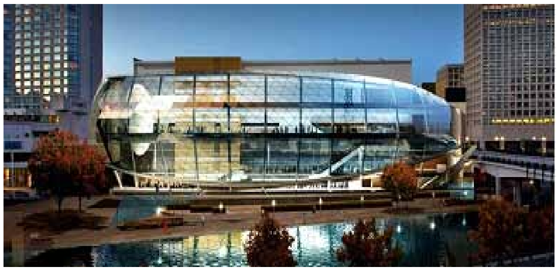
New life in Ottawa's downtown core



Ottawa's newly redeveloped ***Ottawa Convention Centre*** *is taking shape.*

Downtown Ottawa is experiencing an aesthetic, cultural and economic revival thanks to commercial real estate development and redevelopment projects.

Even in tough economic markets, Ottawa's commercial real estate demonstrates overall resilience, due to relatively steady demand from Public Works and Government Services Canada (PWGSC). While the downtown market has seen large vacancies arise, vacancy rates remain within reasonable levels and development is maintaining its healthy appetite. Developers are promoting their commercial projects, with many firms hoping to attract the ongoing needs of PWGSC and other federal departments, as well as preparing for an eventual private sector recovery and signs of more demand for quality space.

Examples of the downtown renaissance include Morguard Investments' 150 Elgin Street project, a proposed 27-storey mixed-use development that is currently in the pre-leasing phase; Broccolini Construction's proposed 199 Slater Street, a 225,000 sf development located next to the new Telus House; and the new Export Development Canada (EDC) headquarters, which is establishing a notable physical presence at its prominent location.

Ottawa's investors and developers are continuing this trend in the multi-residential market as well. Vacant land parcels and parking lots are shrinking in the core and nearby Centretown with new multi-residential developments being promoted. Examples include the under-construction Tribeca Condominiums near Place Belle and the proposed 150 Elgin Street.

In coming months, public attention will focus on the anticipated revival and the new signs of life caused by redevelopment projects throughout the downtown core and surrounding areas. Multi-residential and retail developers are breathing life into the core and surrounding areas with proposals such as Re on Sparks Street, SOHO Lisgar at the old Canus Plastics site, and the Central already taking shape on Bank Street at the site of the old Metropolitan Bible Church. Corresponding with the new multi-residential projects on Bank Street, a new retail development housing Tommy and Lefebvre opened recently.

The hype surrounding the downtown revival is adding to the buzz about redevelopment at Lansdowne Park, where the city is in the process of finalizing the project. One of the most immediate and measurable signs of life is evident in the redevelopment of Ottawa's convention centre. Construction on the new centre is already well underway as the glass exterior takes form. Reports from the centre's management indicate that bookings have increased and revenue projections are ahead of schedule.

The completion and success of a new convention centre may be seen as an initial indicator of the new life that is being developed and redeveloped in the downtown core and surrounding areas.

Recent Lease Transactions

Ottawa South (retail) - 13,200 sf
Lumenera (office) - 5,000 sf

Recent Exclusive Lease Listings

40 Hines Road - (office) - 27,200 sf
Nepean Crossroads (retail) - 21,000 sf
1101 Prince of Wales Drive (office) - 12,700 sf

Recent Properties Sold

450 Churchill (investment development) - 26,300 sf
2810 Baycrest Drive (special residential) - 26,300 sf
2211 Thurston Drive (office/light industrial) - 24,800 sf

Recent Sale Properties Listed

Bayview Drive Beachfront and Acreage (development land) - 50 acres

Lansdowne redevelopment project

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Downtown office vacancy in eye of beholder

Montreal skyline at night

What you see is not always what you get with Montreal's downtown office vacancy rates these days.

Upon first glance, Downtown Montreal is contradicting an old rule on vacancy that goes something like this: the higher the quality of downtown office property, the lower the vacancy.

According to the current vacancy statistics, the higher the quality, the higher the vacancy in Downtown Montreal. However, the actual office properties reveal a different vacancy picture.

Class A office properties in Downtown Montreal are usually compared to Class B and C properties. However, not all class A downtown properties are comparable. A more precise analysis of the leasing market differentiates buildings typically rated in the class A category as class AAA properties, class AA properties and class A properties.

To differentiate properties, Avison Young considered characteristics such as the size of the tower, its location and overall prestige (lobby, services, amenities etc.). In the revised analysis, class AAA properties would include: 1 Place Ville Marie, 1250 René-Lévesque West, 1000 de la Gauchetière West and 800 Place Victoria. They account for 4.7 msf of rentable area and together have an 11.5% vacancy rate.

In the class AA category, the properties include: 1155 René-Lévesque West, 800 René-Lévesque West, 600 de Maisonneuve West, 1002 Sherbrooke West, 1800 McGill College, 1501 McGill College and 2001 McGill College. They account for 3.5 msf of leasable area and have a 10.2% vacancy rate.

As for the class A category, there are 38 properties that total a leasable area of 14.9 msf with a vacancy rate of 8.6%.

One contributor to the new higher-quality, higher-vacancy trend is the Bell Canada sublease at 1000 de la Gauchetière West. If removed from the analysis, the availability rate for class AAA properties drops from 11.5% to 10% – still a relatively high figure.

However, further analysis shows that, of the 49 properties in all three categories, only seven have more than 30,000 sf of contiguous space. Two have more than 50,000 sf of contiguous space and only one has more than 100,000 sf of contiguous space. Therefore, a tenant looking to lease a large block of space in Montreal in any of the class A properties has limited options. In the class AAA and class AA categories, the largest available block of space is at 1000 de la Gauchetière West with 71,493 sf of contiguous space.

What does all of this mean?

Pending a U.S. economic recovery and subsequent positive impact on the Canadian economy, the arrival or relocation of a large corporate space user could ignite the development of a new office tower in Downtown Montreal.

Recent Lease Transactions

Kids & Company (office) - 10,600 sf
PRGX (office) - 6,700 sf
Me Martin Bernard (office) - 5,000 sf
Symbility Solutions (office) - 5,000 sf
Organizational Solutions (office) - 3,300 sf
Berkley Canada (office) - 1,700 sf
The Capital Hill Group (office) - 1,600 sf
P.E.N.J. (office) - 1,400 sf

Recent Exclusive Lease Listings

7790 Côte-de-Liesse (office) - 100,000 sf
60 Saint-Jacques West (office) - 26,000 sf

Recent Properties Sold

2138 de la Montagne (retail)

Recent Sale Properties Listed

405 de la Concorde (office – data centre) - 37,000 sf

7790 Côte-de-Liesse

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Vacancy remains low in Lévis

Aerial view of Lévis

The office market in the Quebec City suburb of Lévis has become a model of stability despite the recent economic downturn.

Located on the south shore of the St. Lawrence River opposite Quebec City, Lévis reported the lowest vacancy rate in the region for the fifth straight year.

In terms of commercial office offering, Lévis, with its 1.47 msf, comprises only a small sector of the overall Greater Quebec City Area, which totals over 17 msf. Since 2008, Quebec City has witnessed the construction of more than 1.3 msf of office space while Lévis has only delivered two office towers that total 100,000 sf of new inventory.

Throughout its history, Lévis has been the "forgotten sister" of Québec City, but always benefited due to its location. Native Americans are said to have favoured Lévis, now an integral part of the Greater Quebec City Area, due to its ideal location at the junction of the St. Lawrence River and the Chaudière River, which originates in Maine.

At the beginning of the 19th Century, the railroad enabled Lévis to become a major transportation centre for commerce and immigration, connecting with Ontario, Maine and the Maritime provinces. At the beginning of the 20th Century, Alphonse Desjardins founded the first Caisse Populaire Desjardins in Lévis. Today, Desjardins, which conducts extensive activities in Canada and the U.S., is the largest financial institution in the province of Quebec. Lévis remains the official headquarters of the Desjardins Group with 5,000 of the 42,000 employees working on site.

The stability and lower vacancy rate in Lévis are partly due to the important presence of the Desjardins Group, which occupies 800,000 sf (or about half of the office area) with its 5,000 local employees. The company plans to hire an additional 1,000 employees to service its expanding insurance business.

Desjardins is also an important investor in the Lévis market and announced in 2008 that it plans to develop a 1.4-msf business park comprising an additional 350,000 sf of office space.

Recent Lease Transaction

Canon (office) – 6,000 sf

Recent Properties Sold

7 Sainte-Geneviève (residential) - 7 units

Recent Sale Properties Listed

10075 Royale (development) - 50,000 sf

300 St-Paul

Halifax

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Downtown projects include proposed convention centre

Avison Young** completed a renewal for **KPMG** in **Purdy's Wharf.

Downtown Halifax is on the verge of a renaissance – and the skyline is about to change dramatically.

Over the past 15 years, the often-criticized downtown has been in various states of decline. Urban sprawl and out-migration took their toll throughout the 1990's and many large retail outlets closed. Vacant storefronts and empty lots are prevalent throughout the downtown, and Halifax has been criticized for being anti-development, creating fear that the downtown was doomed to failure.

Today, there are more than a dozen approved or proposed developments slated for the downtown and surrounding area. Not all of these projects will go ahead, but increased demand will push a number of them forward. The fate of a proposed new trade and convention centre – which would encompass two city blocks and comprise 1.2 msf – will be determined over the next few months.

Residents and Halifax city council are calling for the provincial and federal governments to support the new convention centre financially in order to avoid a repeat of the early 1990's, when vacant storefronts were as common as occupied stores and storied Barrington Street decayed to an almost embarrassing state. The late 1990's witnessed an improvement as government gave property owners an incentive to make improvements, new tenants filled some of the large vacancies, and life was again restored to the downtown.

However, as the suburbs expanded, office developments also emerged and put further pressure on the downtown. More options were made available and office users were happy to forego downtown locations in favour of the conveniences of suburban buildings. Abundant parking, proximity to the bedroom communities and cost savings have fuelled the demand for suburban office developments.

Currently, at first glance, one would think the downtown was in a 1990's era decayed state. However, in and around the downtown, new residential developments are occurring and many more are proposed. More people are living within walking distance, capitalizing on a chance to shop, eat and work downtown.

While stores remain vacant, they have been left vacant on purpose – in order to accommodate plans for new developments such as Starfish Properties' proposed Espace and Roy building, which will give new life to Barrington Street and the downtown core. Retaining the historical nature of the street and architecture and bringing new residents and retailers into the heart of the central business district is a win for all of Halifax.

Downtown Halifax will continue to revive as redevelopment unfolds.

Recent Lease Transactions

KPMG (office) - 16,000 sf
1533 Barrington (office/retail) - 9,000 sf
Centum (office) - 2,000 sf
NS Council for Families (office) - 1,500 sf

Recent Sale Properties Listed

Waterfront Place, Summerside, PEI (retail) - 157,000 sf
474 Windmill Road (retail) - 3,000 sf
6065-67 Fraser Street (multi-residential) - 4 units

***Avison Young** has leased approximately 15,000 sf in the redeveloped **Freemasons Hall Building** since April 2010.*

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Slow industrial market redefines large deals

4001 Rock Creek – 100,060 sf has been leased to ***Touchpoint Logistics.***

The 1.2 billion-square-foot Chicago industrial market remains stalled with nearly 144 msf of vacant space and little tenant growth.

Chicago industrial vacancy rates are stabilizing, with the overall rate decreasing for the first time in 10 quarters to 11.9% from 12.3%. Unfortunately, stability does not equate to growth. A lack of construction in the market is the main driver behind the decrease in vacancy. With nothing new coming on line, it is only natural that even modest leasing activity has resulted in some vacancy rate reduction.

Meanwhile, traditionally large deals are undergoing a redefinition. Over the last two years, 500,000 sf or greater deals have fallen out of favor with users who regard 100,000 sf to 200,000 sf buildings as better options during this fragile U.S. recovery. With inventories of goods and materials still being closely watched, many companies simply do not need as much space as they once did.

This has left an abundance of large speculative buildings vacant for long periods of time, driving down rental rates in the I-55 and I-80 Corridors. Landlords who were expecting certain returns when they built have had to reevaluate their investments and many are accepting short-term leases to ride out the rough patch until a recovery takes hold. The positive outcome is that most businesses have maximized productivity in their current space and will eventually need to start expanding. With asking prices still historically low, an opportunity exists for many new deals in 2011.

O'Hare, Southeast Wisconsin and the I-55 Corridor were the most active submarkets in the first half of 2010. However, the high activity in Southeast Wisconsin was driven by a 1-msf sale to Uline, Inc. and is not likely to see as much interest as O'Hare and the I-55 Corridor. O'Hare, the largest submarket in the Chicago area, is a good barometer for the market as a whole. In 2010, O'Hare saw a flurry of activity in the first six months followed by a marked drop in activity in the third quarter. Interestingly, in the second quarter of 2010, O'Hare witnessed the lowest amount of excess tenant space returned to market in several years. I-55 was overbuilt during the boom years and is just now absorbing supply that was constructed in 2006 and 2007. As speculative buildings sat vacant, asking prices became more competitive with the historically cheaper I-80 Corridor. This has heightened tenant interest in the I-55 Corridor because of its proximity to the city.

Though challenges in the Chicago industrial market continue, there are a few hopeful signs. Rental rates will continue to drop, offering aggressive deals to opportunistic tenants. In addition, construction will most likely be limited to build-to-suits, since the difficult financing conditions have weakened the appetite for new speculative developments. This trend creates an interesting dynamic of shrinking inventory and decreasing asking rates.

Will this seemingly inefficient marketplace provide opportunities for growth? That remains to be seen, but 2011 should provide the industrial real estate sector with a definitive answer.

Recent Lease Transactions

McCollister's Transportation Group (industrial) – 150,000 sf
FedEx (industrial) – 104,600 sf
Touchpoint Logistics (industrial) – 100,000 sf
Lighten the Load (industrial) – 53,200 sf
DOT Transportation, Inc. (industrial) – 50,000 sf
George Menlo Logistics (industrial) – 50,000 sf
M&G Industries (industrial) – 24,500 sf
Ragnar Benson (industrial) – 20,000 sf
Delta Structures (industrial) – 15,000 sf

Recent Exclusive Lease Listings

1470 Brummel Drive, Elk Grove Village (industrial) - 146,600 sf
3225 Corporate Drive, Joliet (industrial) - 91,200 sf
2250 Arthur Avenue, Elk Grove Village (industrial) - 76,400 sf
860 Thomas Drive, Bensenville (industrial) - 67,800 sf

Recent Exclusive Sale Listings

1825 Greenleaf Avenue, Elk Grove Village (industrial) - 81,500 sf
521 Santa Rosa Drive, Des Plaines (industrial) - 50,200 sf
1445-1447 Howard Street, Elk Grove Village (industrial) - 10,000 sf
Delany Street, Gurnee (industrial land) - 6.6 acres

525 Shingle Oak** – 150,000 sf has been leased to* ***McCollister's Transportation Group

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Federal projects offset construction slowdown

*2200 Pennsylvania Avenue NW is a 432,900-sf class A office building being developed by **Boston Properties** in Washington's CBD. Delivering in February 2011, the building was substantially preleased to law firm **Hunton & Williams**.*

The pace of construction in the Washington region has slowed considerably in 2010; however, it would be a mistake to think that overall development is at a standstill.

The area's largest occupier, the federal government, has multiple new and renovation projects underway around the National Capital Region.

In 2009, 10.6 msf of privately-owned and competitive office space was delivered, including 6.1 msf in the District of Columbia. Completed new developments totaled 2.8 msf by mid-year 2010 and another 1.8 msf is slated to be completed by year-end 2010. Most (3.4 msf) of this year's 4.6 msf of construction will again be in the District of Columbia. In 2011, development will take another plunge, with less than 2 msf currently in the pipeline for the entire metropolitan region.

The federal government's General Services Administration (GSA) is the largest owner and occupier of space in the area. The GSA manages real estate and related services for more than 300,000 federal workers and has approximately 97 msf of owned and leased space under its control. The GSA received $5.6 billion from the stimulus bill for modernization and green building projects. Importantly, $1.2 billion of this money is for the renovation of several specific buildings in Washington, D.C. The renovation projects are expected to spur demand for swing space as federal agencies vacate to accommodate the construction.

Two of the many GSA developments in progress underscore the scope of local federal construction, and both will have an impact on the private office market over the next five years. The first is the massive multi-phased St. Elizabeth's campus in the city's southeast for the Department of Homeland Security's consolidation between 2013 and 2016. When complete, the secure campus will house 14,000 employees within 4 msf and include the U.S. Coast Guard headquarters, Federal Emergency Management Agency (FEMA) and Transportation Security Administration. This consolidation will create both vacancy and renovation opportunities as DHS occupies mostly leased space in more than 40 buildings in the Washington region today.

The second, dubbed BRAC-133, is in the Mark Center complex in Alexandria, Va. BRAC refers to the federal government's 2005 Base Closure and Realignment legislation. While sited in a private business park, the secure facility will become part of Fort Belvoir and be the home of the 1.7-msf Washington Headquarters Services (WHS) and other Department of Defense (DoD) agencies. As over 20,000 DoD employees are to be relocated to secure facilities before the end of 2011, BRAC's impact on Northern Virginia will soon be felt.

BRAC-133 alone is expected to bring approximately 6,400 new jobs to Alexandria from over 2 msf of leased space in the National Capital Region.

Recent Lease Transactions

Northern Virginia Community College, Manassas, VA (office) - 11,600 sf
Indyne Corporation, Reston, VA (office) - 7,000 sf
Inova Hospital, Tysons Corner, VA (office) - 5,000 sf

Recent Exclusive Lease Listings

10300 Spotsylvania Avenue, Fredericksburg, VA (office) - 154,000 sf
17932 Fraley Boulevard, Woodbridge, VA (office) - 40,000 sf

Recent Properties Sold

14491 Rabbit Run Drive, Culpeper, VA (development site) - 30 acres

Recent Sale Properties Listed

915 Maple Grove Drive, Fredericksburg, VA (office) - 60,000 sf
8230 Boone Boulevard, Tysons Corner, VA (office) - 12,500 sf

***Avison Young** is representing **Bernstein Management** with the office leasing of 10300 Spotsylvania Avenue, part of the **Lee's Hill Corporate Office Park**. Lee's Hill is strategically located approximately halfway between Washington, D.C. and Richmond, Va. in the growing market of Fredericksburg. The large amenity-filled park includes restaurants, child care, shopping, grocery stores and medical offices.*

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Volume of U.S. transactions to increase in 2011

Downtown Atlanta's skyline

As 2010 winds down, it is apparent that the capital markets in commercial real estate are slowly healing – and the Atlanta market should soon start to reap the benefits.

In August 2007, the first of a number of financial strokes occurred as BNP Paribas announced that it was stopping investors from withdrawing money from three funds because it could not determine the market for their holdings. Three years later, the shock of the credit crunch has subsided, and although there are potential economic pitfalls for the U.S. ahead, the sales volume of commercial real estate across the country will greatly increase through the remainder of 2010 and into 2011.

Like the national market, Atlanta's commercial real estate investment sector seems to have bottomed along with the U.S. unemployment rate, putting a floor on market rents. On a nationwide basis, the first increase in market activity has already occurred with yield-hungry investors in a 0% short-term rate environment. They are seeking core assets to take advantage of current capitalization rates that are an average 450 basis points above the 10 year treasury bond yield.

Also, with likely income and capital gain tax rates set to increase, commercial real estate performs a highly accretive role as a tax hedge in the face of large income and capital gains increases over equities and fixed-income assets.

Lastly, with volatile equity and debt markets, and the fact that commercial real estate values are more than 40% below peak, Atlanta investors seeking hard non-paper investments will pick up on the national trend and move to commercial real estate as other hard assets, such as precious metals and commodities, are at historically high pricing levels.

The turn in investor focus to commercial real estate comes at a crucial time when the flattening of the yield curve on U.S. treasuries has motivated banks to look at allocating more capital into commercial assets, further opening up the financial markets.

On the supply side, as is the case nationally, the increase in Atlanta investment sales will be driven by those banks that have more flexibility in their balance sheets to unload assets due to consecutive quarters of earnings, which have allowed them to accumulate the resources to take the necessary write-downs to unload distressed assets.

In keeping with national trends again, local recovery rates are also increasing on distressed assets, further motivating lenders and servicers to unload inventory as commercial real estate owners feel more confident in the Atlanta market.

Recent Exclusive Lease Listings

7780 Spence Road, Fairburn, GA (Industrial) - 798,300 sf
5005 Terminus Drive, Fairburn, GA (Industrial) - 569,900 sf
2155 Barrett Park Drive, Bldg 1 & 2, Kennesaw, GA (Industrial) - 291,400 sf
4250 Boulder Ridge, Atlanta, GA (Industrial) - 146,100 sf
4175 Boulder Ridge, Atlanta, GA (Industrial) - 142,400 sf
1640 Airport Road, Kennesaw, GA (Industrial) - 138,400 sf
6580 Jimmy Carter Boulevard, Norcross, GA (Industrial) - 85,500 sf

7780 Spence Road is a 798,296-sf class A industrial warehouse building located in Fairburn, GA

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Texas Medical Center sets the development pace

The **Texas Medical Cente**r complex

As the U.S. economy continues its recovery, the Texas Medical Center (TMC) is spurring more construction in Houston than all other areas of the city combined.

The need for expansion is obvious with the complex receiving over 5 million annual patient visits, including 10,000 from other countries. To meet increasing demand, the TMC has 26 new projects valued at $7.1 billion slated for construction between 2008 and 2014.

Accordingly, this new development will create employment for 27,000 more professionals, thus pushing the total workforce within the complex to well over 100,000. Another 12,000 individuals collectively donate roughly $4 million of volunteered services each year.

Located in the heart of Houston, the TMC is the largest medical complex in the world. The entire property encompasses more than 1,000 acres (approximately the size of Chicago's Loop district) and has more than 140 permanent buildings. Established in 1945 with funds endowed by the M.D. Anderson Foundation, the TMC is now the home to 49 medical-related institutions, including 13 renowned hospitals; four nursing schools; two medical schools; schools of dentistry, public health and pharmacy; and virtually all other types of healthcare-related career training facilities.

To quantify its growth from a real estate perspective, the TMC – as of year-end 2008 – registered nearly 30 msf of commercial space, equivalent to the 12th largest business district in the U.S. Growth projections show that, by the end of 2014, this figure will inflate to nearly 41 msf (excluding parking facilities). At this rate, the TMC would overtake Houston's central business district for top billing citywide.

While increasing its efforts to meet the demands from all over the world, the TMC is also doing its part to help out the environment. Recently, the Thermal Energy Corporation announced completion of its first combined heat and power plant at the TMC. The new facility will be powered by an aeroderivative gas turbine made by General Electric. It is estimated that the plant will decrease carbon dioxide emissions by 304,455 tons per year, which is equivalent to removing 53,000 vehicles from the streets.

All of this ongoing expansion will enable the TMC to continue to provide patients around the world with the best medical advice and services. Every medical-related institution in the TMC is a not-for-profit entity and strives to provide the best patient care available to patients from all walks of life.

The expansion efforts will not only help this center continue to set the example for patient care all over the world, but also solidify its stature as a Houston landmark.

*Two construction cranes in the **Texas Medical Center** provide a sampling of the 26 new projects either under construction or slated for construction prior to 2014.*

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About Avison Young

Founded in 1978, Avison Young is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Headquartered in Toronto, Ontario and ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 700 real estate professionals in 23 offices across Canada and in the U.S. The company provides value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-residential properties.

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