

INVESTMENT REVIEW

**AVISON
YOUNG**

2nd Half 2004

British Columbia Commercial Real Estate Investment Review

2004 IN REVIEW

Sales Exceeding \$5 Million:
82

Total Transaction Value:
\$1.5 Billion

Most Active Class:
Retail: \$871 Million

Most Active Investors:
Private

PAST SIX MONTHS

Sales Exceeding \$5 Million:
45

Total Transaction Value:
\$893 Million

Most Active Class:
Retail: \$528 Million

Most Active Investors:
Private



A property in the ACM portfolio of self-storage facilities that sold in 2004 for \$35,700,000. Avison Young represented the buyer.

MARKET SUMMARY

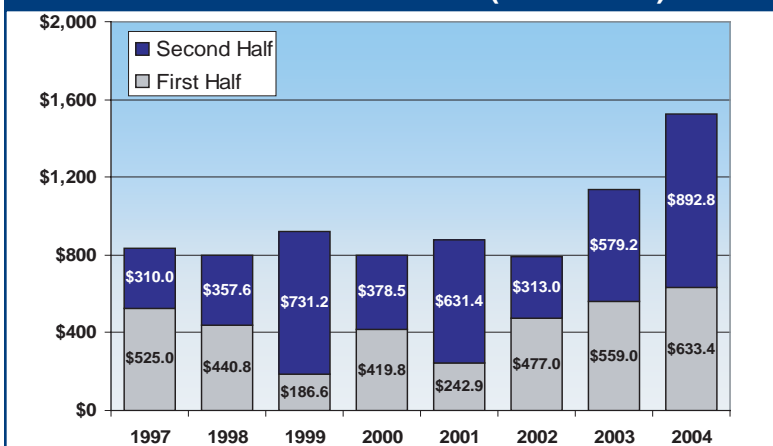
Record year. Over \$1.5 Billion worth of investment transactions greater than \$5 Million occurred in 2004.

Capitalization rates declined significantly in 2004.

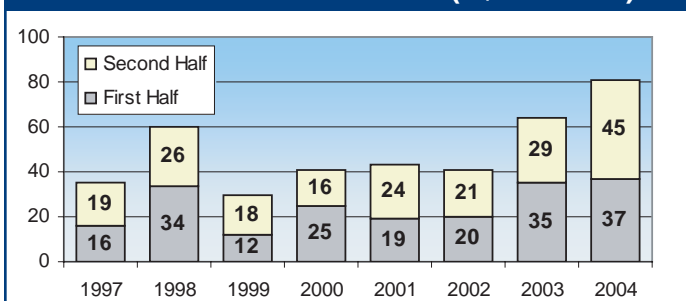
The second half of 2004 brought more balanced demand as REITs, Pension Funds, Public Real Estate Companies, Mutual Funds, Users as well as Private Investors purchased properties.

Private investors selling and institutions buying is the predominant trend at year-end 2004.

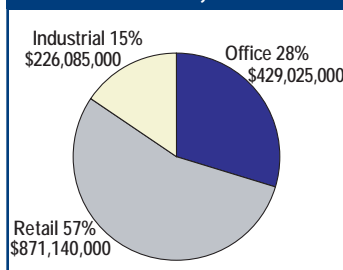
Investment Sales Value (in Millions)



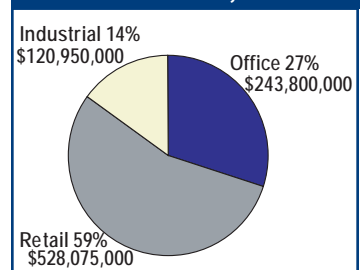
Investment Transactions (>\$5 Million)



Sales by Property Type Full Year, 2004



Sales by Property Type Second Half, 2004



E. & O.E.: The information contained herein was obtained from sources deemed reliable. While thought to be correct, it is not guaranteed by Avison Young Commercial Real Estate (BC) Inc.

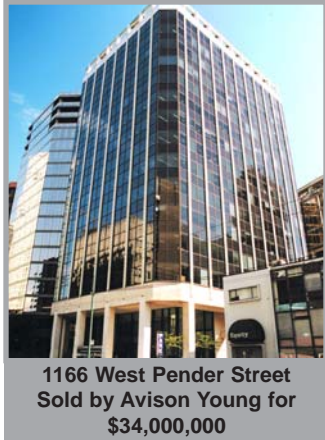
Avison Young tracks all commercial property transactions over \$5 Million dollars. This review is published semi-annually.

OFFICE

In 2004 vacancy rates declined significantly across Greater Vancouver's office market. This is expected to attract increased investor interest in office assets in 2005.

Slight cap rate compression could occur in 2005 as a result.

Yields: Held steady in the 2nd half of 2004 and range from 7.5% to 9.75%.



OFFICE PROPERTY TRANSACTIONS (Second Half 2004)

Property	Price	Sale Date	Buyer	Seller
Willington Business Park Burnaby	\$80,000,000 (50% interest)	October 2004	Pension Fund	Private
1166 West Pender Street Vancouver	\$34,000,000	October 2004	Pension Fund	Pension Fund
4250 Canada Way Burnaby	\$25,500,000	December 2004	Pension Fund	User
1618 Station Street Vancouver	\$21,500,000	December 2004	REIT	Private Investor
1122 Mainland Street Vancouver	\$17,300,000	December 2004	Public Real Estate Co.	Pension Fund
855 Homer Street Vancouver	\$13,000,000	November 2004	Private Investor	User
570 Dunsmuir Street Vancouver	\$11,200,000	November 2004	Private Investor	Private (receivership)
Ambleside Place West Vancouver	\$11,200,000	July 2004	Private Investor	Private Investor
32071 South Fraser Way Abbotsford	\$11,200,000	September 2004	Private Investor	User
611 Agnes Street New Westminster	\$7,000,000	November 2004	Private Investor	Private Investor
20338 65th Avenue Langley	\$6,200,000	July 2004	User (Gov't)	Private Investor
175 West Cordova Street Vancouver	\$5,700,000	October 2004	Private Investor	Private Investor
Total	\$243,800,000			

INDUSTRIAL

INDUSTRIAL PROPERTY TRANSACTIONS (Second Half 2004)

Property	Price	Sale Date	Buyer	Seller
ACM Portfolio Lower Mainland	\$35,700,000	November 2004	Private Investor	Private Investor
17848 & 17858 66th Avenue Surrey	\$9,200,000	December 2004	Pension Fund	Private Investor
140 West 1st Avenue Vancouver	\$9,000,000	October 2004	Private Investor	Private Investor
6700 Southridge Drive Burnaby	\$8,200,000	November 2004	Private	User
9291 & 9311 River Drive Richmond	\$7,200,000	October 2004	Private Investor	Private Investor
465 Fraserview Place Delta	\$7,000,000	September 2004	Private Investor	Private Investor
2555 Douglas Road Burnaby	\$6,900,000	July 2004	User	User
850 West Kent Ave. South Vancouver	\$6,750,000	July 2004	Public Real Estate Co.	User
7310, 7370 MacPherson Ave Burnaby	\$6,700,000	August 2004	Private Investor	Private Investor
6165 River Road Delta	\$6,600,000	July 2004	Pension Fund	Private Investor
4, 6, 18 Spruce Street New Westminster	\$6,350,000	July 2004	User	Private Investor
2440 Canoe Avenue Coquitlam	\$6,000,000	October 2004	Private Investor	Pension Fund
12111 Jacobson Way Richmond	\$5,350,000	July 2004	Private Investor	User
Total	\$120,950,000			

Robust demand exists for industrial product. Owners, however, have not reacted to this strong demand by placing product on the market, in the manner as office and retail asset holders have done.

If owners marketed "higher quality" industrial assets, they would likely achieve cap rates below 7 percent.

Yields: Returns seen in 2004 for fully leased investment properties range from 7.5% to 9%, down from 8% to 9.5% in 2003.

For more information on the industrial market, see Avison Young's [Industrial Overview](#) for Fall 2004



465 Fraserview Place
Sold for \$7,000,000

RETAIL

Retail cap rates declined significantly in 2004. This compression will encourage investors to consider other asset classes.

16 of 20 vendors were private investors, while 11 of 20 buyers were institutional (including a German open real estate fund categorized as "foreign."). By contrast at mid year 2004 only 3 of 13 buyers were institutions. This trend of institutions buying and private investors selling is expected to continue.

Yields: 6.75% to 9% in Greater Vancouver, down from 8.25% to 9% at year end 2003.

In secondary markets yields have declined to the 9% to 11% range.

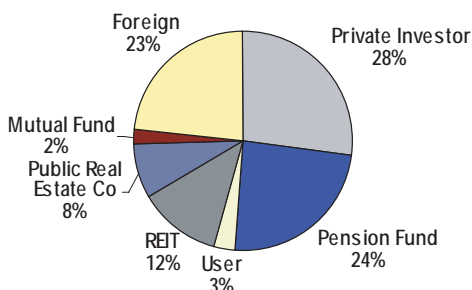


**Royal City Centre
Sold by Avison Young for \$36 Million**

RETAIL PROPERTY TRANSACTIONS (Second Half 2004)

Property	Price	Sale Date	Buyer	Seller
Guildford Town Centre Surrey (50% interest)	\$126,000,000 (Approx.)	July 2004	Foreign	Pension Fund
Mayfair Plaza Victoria (50% interest)	\$83,000,000 (Approx.)	July 2004	Foreign	Pension Fund
Royal City Centre New Westminster	\$36,000,000 (Approx.)	August 2004	Private Investor	Private Investor
Scott 72 Centre Delta	\$34,600,000	November 2004	Public Real Estate Co.	Private Investor
POCO Place Port Coquitlam	\$33,700,000 (Approx.)	November 2004	REIT	Private Investor
Canwest Mall Langford	\$32,000,000	November 2004	Pension Fund	Private Investor
7488 King George Highway Surrey	\$27,250,000	July 2004	Pension Fund	Pension Fund
3199 Cliff Avenue Courtenay	\$27,200,000	July 2004	REIT	Private Investor
Panorama Village Centre Surrey	\$20,000,000	September 2004	Mutual Fund	Private Investor
Lougheed Centre Penticton	\$18,500,000	December 2004	Private Investor	Public Co. / User
Valley Centre Langley	\$13,000,000 (Approx.)	November 2004	REIT	Private Investor
Time Marketplace North Vancouver	\$12,700,000	July 2004	Public Real Estate Co.	Private Investor
Richlea Square Richmond	\$12,600,000	November 2004	Private Investor	Private Investor
Riverside Heights Surrey	\$12,500,000 (Approx.)	November 2004	REIT	Private Investor
Coronation Mall Ladysmith	\$9,900,000	July 2004	Private Investor	Private Investor
2425 Fir Street Vancouver	\$6,300,000	July 2004	Private Investor	Private Investor
Meadow Fair Plaza Abbotsford	\$6,300,000	July 2004	Private Investor	Private Investor
3507-3525 West 4th Avenue Vancouver	\$6,000,000	July 2004	Private Investor	Private Investor
Crest Shopping Centre Burnaby	\$5,500,000	July 2004	Private Investor	Private Investor
Pioneer Plaza Langley	\$5,000,000	December 2004	Private Investor	Private Investor
Total	\$528,075,000			

BUYER PROFILE



- Increased activity from institutional investors and REITs, especially for higher valued assets
- Foreign investors are actively seeking BC investment property.
- Private investors continue to be the dominant purchasers of lower valued assets.
- Early indications suggest that Asian-based buyers have begun to regain their interest in BC investment properties.

2005 PREDICTIONS

- Strong BC economy will continue to attract investor interest.
- Demand will continue to exceed the amount of investment product available.
- Cap rates will hold steady in 2005 after a dramatic decline in 2004.
- REITs will become less active purchasers.
- Investors acquiring or selling partial interests in properties will increase.
- Buyers will begin to shift away from retail because of its low yields.

AVISON YOUNG CURRENT OFFERINGS



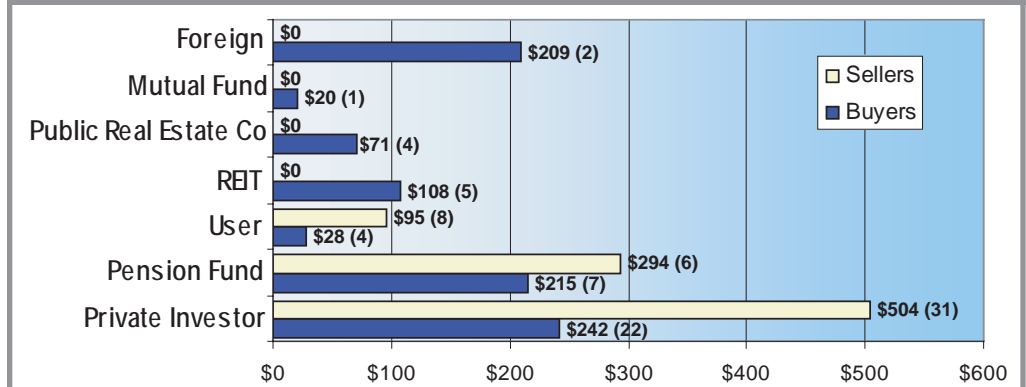
**New 80,000 sq. ft. shopping centre
Nanaimo
Adjacent to Woodgrove Centre**



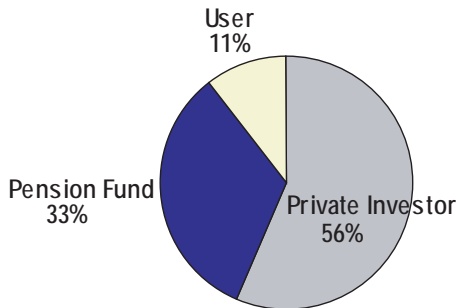
**Vista Royale
62 Unit Apartment Bldg
Victoria**

Buying and Selling Compared

In Millions since 1 July 2004 -- Number of transactions in brackets ()



SELLER PROFILE



- Increasingly, sellers are private investors.
- Institutional owners appear reluctant to dispose of their lower quality assets despite the buoyant market citing a lack of alternative investments as their reason.
- Based on their strong selling activity, private investors appear to believe we are at the peak of the market.

For more information, additional copies of this report, or to be added to our mailing list, please contact Wendy Waters, Research Director, at 604-647-5084 or wwaters@avisonyoung-van.com

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