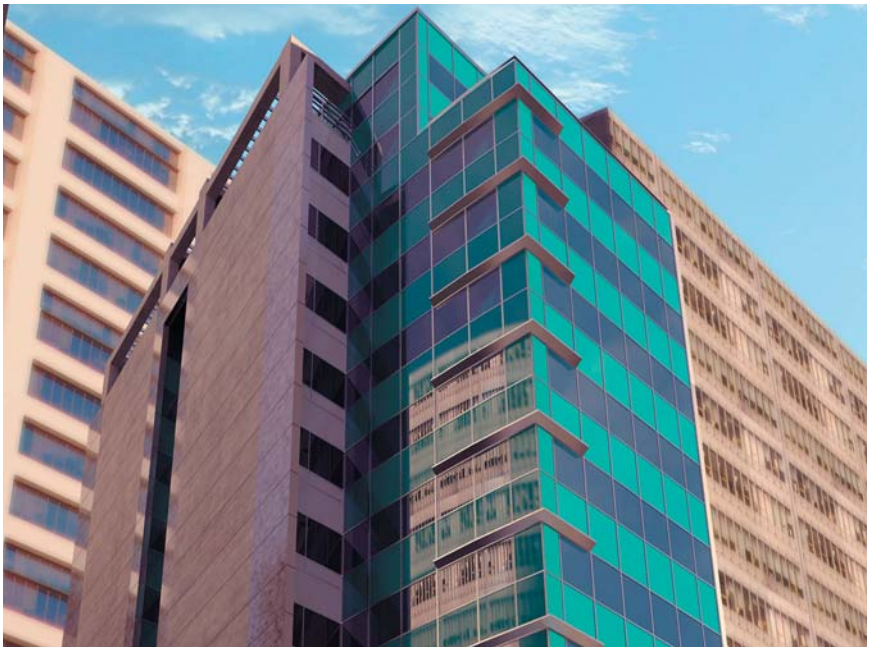

Newsletter

Spring/Summer 2008

AVISON YOUNG Intelligent Real Estate Solutions

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Canadian Real Estate Returns Outperform in 2007

Since the summer of 2007, financial markets around the world have experienced a realignment in lending practices or a "credit crunch" causing countries to revise their economic growth forecasts downward. In the fourth quarter of 2007, U.S. economic activity slowed to an annual rate of 0.6%. In comparison, Canada performed slightly better at 0.8%. Over the past several years, Canadian commercial real estate has experienced steady increases in activity and returns. While returns decreased slightly in 2007 from previous historic highs, the effect of an economic downturn on Canadian real estate for 2008 and beyond remains to be seen.

Investment Property Databank, a world leader in real estate performance measurement and analysis, measures total annual returns (income plus capital growth) on directly held standing property investments. Among the countries tracked, the 2007 data shows that Canada generated the second highest returns, just behind Australia. The total returns on Canadian commercial real estate were 15.6%, down from a recent historic high of 18.7% in 2005. Mixed-use properties had the highest return of 19.8%, down slightly from a high of 22.0% in 2006. Office properties returned 13.6%, down from a record 21.7% in 2005. Industrial properties returned 14.3%, slightly lower than the record return of 17.7% in 2005. Retail properties had the lowest return at 13.6%, down from a high of 17.2% in 2005. Despite these decreases, Canadian properties performed exceptionally well in comparison to 2007 S&P / TSX index returns of 7.1%, government bonds return of 4.7% and REIT index returns of -12.3%.

The decrease in 2007 returns is attributed to a slowdown in capital growth created by a shrinking purchaser universe. While there are still many domestic and foreign institutional investors in the market, there are notably fewer leveraged buyers. Good quality buildings with high quality tenants are still very desirable and continue to attract competitive bids. Although cap rates have increased, commercial Class A property across all markets continues to attract aggressive offers. Class B and C properties have been more affected by financing issues resulting in fewer completed transactions and a larger disconnect between vendors' expectations and purchasers' willingness to pay.

The future performance of Canadian real estate looks exceptionally good. ING Real Estate Investment Management continues to rank Canada at the top of their best performing list because Canada's resource based economy is showing strength despite the world wide credit crunch.

The most attractive property continues to be concentrated in Western Canada where high commodity prices are fuelling economic activity. The resulting demand from tenants and users has driven down vacancy rates to historic lows across the region, pushing up rental rates and consequently property values.

Above photo:
New Development, 634 - 6th Avenue SW, Calgary

Vancouver

1055 West Georgia Street, Suite 2100
Vancouver, BC V6E 3P3
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Vancouver's Industrial Land Shortage

Planners, politicians and pundits are concerned with the high price and scarcity of industrial land in the Lower Mainland.

Metro Vancouver is land constrained. There are mountains to the North, ocean to the West, an international border to the South and more mountains to the East. The geography is complicated by the Agricultural Land Reserve (ALR) and by the complexity of 22 municipalities determining land use.

A new seven-storey, 153,300 sq. ft office building and Red Truck brewery at 688 Terminal Avenue, Vancouver to be completed by 2010

Both the population and economic activity are growing. Immigrants move to the region often in search of employment. People need land for housing, commercial services, transportation and recreation. Industry requires land for factories and warehouses.

The conflict between the scarcity of land and an increasing demand for it is resolved in the market. Sellers obtain what the market will bear and buyers pay the going rate, or find an alternative location. A 1.5% vacancy rate suggests that industrial users are not fleeing the region.

Over the last twelve months, the median price of industrial land in Metro Vancouver was $890,000 per acre. The policy question is whether or not industrial land is allocated an appropriate share of the total land inventory, not whether prices are too high.

Land, while relatively expensive, is not the major cost for business. However, if the region is to be economically viable over the long term, there must be an optimal allocation of land allowing for a balance amongst competing land uses.

One of the difficulties in Metro Vancouver is its governance structure. Land use and transportation policy are not the responsibility of a single jurisdiction, and industry participants speculate that a single regional planning authority may be the answer to the fragmented approach that exists.

For example, there are currently three municipalities on the North Shore setting policy, making choices and allocating land within their compartmentalized boundaries. The same is true for the region as a whole.

In the absence of a regional planning authority, the land supply for industry may only be increased by increasing density on land already zoned for industry, or re-allocating land to industry from other allocated land uses.

The challenges are clear – Vancouver is land constrained, the economy booming and prices rising. It is an appropriate time for a policy debate on how to make the region economically sustainable. The process is underway but it will require difficult political choices. It remains to be seen if politicians are up for the challenge.

Recent Appointments

Douglas McMurray, with 30 years of international real estate experience, has joined as Managing Director with the mandate to expand Avison Young's business in the Lower Mainland.

Nicole Rigler is the new office receptionist.

Nancy Aguirre is the new office assistant.

Struan Saddler will be supporting John Lecky and the industrial team, focusing on due diligence and client relations.

Michael Brodie is assisting Rob Greer on multi-family and office investment sales.

Michael Buchan is assisting Darrell Hurst and will focus on office leasing.

Samuel Fogell is assisting Mark Hannah and is focusing on investment sales and research.

Bal Atwal, Associate, has joined the Investment Team to assist Robert C. Levine and Michael Gill.

Josephine Kwan, Sales Assistant, has joined the Industrial Team to assist Greg Lane and Ross Marshall.

Recent Lease Transactions

Brewers Distributor Ltd. – 451,000 sq. ft.
Moulding & Millwork – 101,000 sq. ft.
Aritzia – 85,000 sq. ft.
Vancouver Coastal Health – 58,300 sq. ft.
Sport B.C. – 30,000 sq. ft.
Vancouver Coastal Health – 28,000 sq. ft.
Save-on-Foods – 25,000 sq. ft.
JUMP Logistics Inc. – 22,150 sq. ft.
Electronic Arts Canada – 22,000 sq. ft.
Cardiome Pharma Corp – 19,200 sq. ft.
Gateway Casino – 18,600sq. ft.
Shoppers Drug Mart – 17,500 sq. ft.
Meyers Norris Penny – 16,500 sq. ft.
Shoppers Drug Mart – 15,800 sq. ft.
CFIA –14,500 sq. ft.
Commerce & Industry Insur. Co. – 14,400 sq. ft.
PWGSC – 14,400 sq. ft.
Stantec Consulting – 11,000 sq. ft.
Meyers Norris Penny – 11,000 sq. ft.

Recent Exclusive Lease Listings

680 - 688 Terminal Avenue, Vancouver – 153,300 sq. ft.
333 Terminal Avenue, Vancouver – 130,000 sq. ft
1110 Hamilton Street, Vancouver – 25,000 sq. ft

Recent Investment Properties Sold

Longwood Station Shopping Centre, Nanaimo – 105,900 sq. ft.
King Edward Centre, Vancouver – 81,650 sq.ft.
Abbotsford Strata Apartment Building – 89 units
TransLink Land, Burnaby – 17.55 acres
TransLink Land, Burnaby – 7.4 acres

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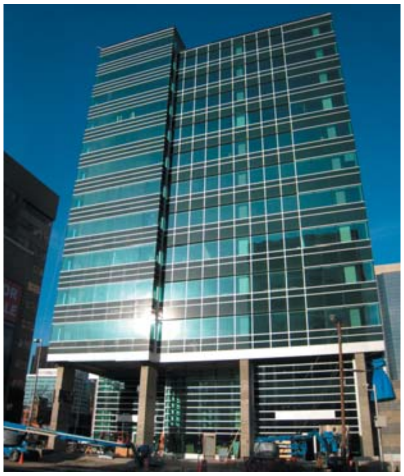
Calgary's Questions of the Day



Concrete Equities Place

Barron Building, 610 8th Avenue SW

The Calgary commercial real estate market has been extraordinarily robust for a number of years, causing industry participants to ponder the state of the marketplace and where it may be going. Where are we in the real estate cycle? The traditional wisdom indicates we are coming off the peak in the market. But have real estate cycles changed? For years industry participants have been saying that we are at or near the peak in the market, but we have yet to see any sort of downturn. It is possible that the cycle, as we know it, has changed.

As oil continues to reach historic highs and vacancy rates in the City remain in the low single-digits, Calgary is still viewed as a market of opportunity and it continues to attract a steady flow of investors. The outlook remains extremely positive for the underlying strength and stability of our economy and will continue to make real estate in Calgary a prudent long-term investment.

Given Calgary's low vacancy rates, questions regarding new inventory are often asked. There has been much discussion about what's being built, where it's being built and whether it's enough. To date, prudent decisions have been made and the continuing increase in supply is well matched to future demand.

As tenants move into newly completed buildings, increasing sublease availability is pushing vacancy rates upwards and creating more opportunity and options for tenants. This is applying slight downward pressure to the rental rates, as there is no longer the same shortage of supply. In the meantime, vacancy remains favourable from a landlord perspective and is currently around 3% including sublease space.

While the demand for land has not diminished, prices for serviced industrial land have stabilized. As smaller developers struggle with the higher prices per acre, there is still a general agreement that there is a shortage of appropriately zoned sites. This is pushing the market further and further to the North and East areas of town. With some landlords taking an aggressive speculative approach, the industry is curious to see how some large projects will play out without any pre-leasing in place.

For further commentary on the issues above, please do not hesitate to call any agent at Avison Young for a full market synopsis.

Recent Appointments

Khalil Ebrahim has joined the Investment Team at Avison Young as Assistant to James Miller.

Cayley Puzanoski *has joined the Office Team at Avison Young as Assistant to Larry Gurtler.*

Kristen Heimdahl has joined the Industrial Team at Avison Young as Assistant to Steve Vesuwalla.

Matt Henderson has joined the Retail Team at Avison Young as Assistant toJeff McGinley.

Matt Wiens has joined the Investment Team at Avison Young as Assistant to Andy Melton.

Teresa Matys has joined Avison Young as our Receptionist.

Maria Ferreira has joined the Research Team at Avison Young as Assistant to Susan Thompson.

Recent Lease Transactions

Exel Canada Ltd. (industrial) – 90,000 sq.ft.
The Home Depot of Canada (industrial) – 75,000 sq.ft.
Calgary Cooperative Association Ltd. (retail) – 50,650 sq.ft.
Meyers Norris Penny (office) – 38,700 sq.ft.
Dufresne Furniture & Appliance (retail) – 33,350 sq.ft.
Accurate Screen Ltd. (industrial) – 21,350 sq.ft.
ARAM Systems Ltd. (office) – 19,200 sq.ft.
Belsher Equipment Ltd. (industrial) – 15,000 sq.ft.
Golf Town Canada (retail) – 14,000 sq.ft.
Marble Creations & Kitchen (industrial) – 10,700 sq.ft.

Recent Exclusive Lease Listings

Former Rosenau Transport Facility (industrial) – 168,700 sq.ft.
10905 – 48th Street SE (industrial) – 92,550 sq.ft.
Barron Building (office) – 80,600 sq.ft.
403 – 33rd Street NE (office) – 46,000 sq.ft.
New Okotoks Retail (retail) – 17,400 sq.ft.
The Shoppes of Marda Loop (retail) – 8,800 sq.ft.

Recent Investment Properties Listed

1108 Office Condos (office) – 193,000 sq.ft.
285120 Duff Drive SE (industrial) – 73,400 sq.ft.
634 Office Condos (office) – 69,500 sq.ft.
Wrangler Condos (industrial) – 57,000 sq.ft.
Lower Mount Royal Dev. Site – 0.5 acres

Recent Investment Properties Sold

Concrete Equities Place (office) – 147,000 sq.ft.
Glenmore Commerce Court – (office) 59,400 sq.ft
Hibbert Building (industrial) – 53,700 sq.ft.
Hillsboro Tower (multi-family) – 95 units & 211 parking stalls
17th Avenue and 84th Street SE – 104 acres
11640-11750 – 18th Street NE – 10 acres

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Edmonton

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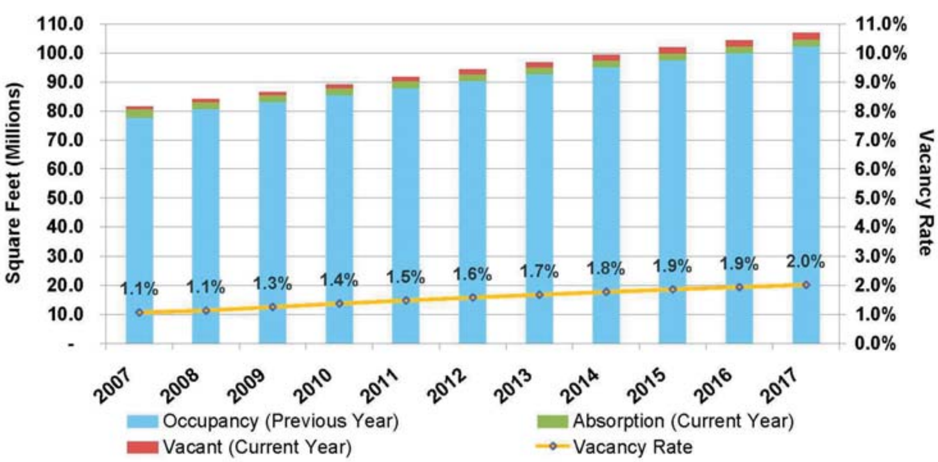
Industrial Building Space – What is in store for the future?

Talk to veteran industrial real estate brokers and they will tell you that a healthy market vacancy rate is approximately 4%. At this rate there is a sufficient amount of vacant space to facilitate the search requirements of both new and existing tenants and the search needs of landlords looking for tenants. This level of vacancy is referred by economists as the natural vacancy rate. At the end of 2007, total vacant space in the Edmonton industrial market dropped below 1 million square feet and the vacancy rate stood at 1.1%.

Why has the market reached such a low vacancy? Between 1996 and 2007 the average absorption has exceeded new construction by 300,000 square feet per year. During that period, the average absorption rate was 2.2 million square feet and new inventory totaled only 1.9 million square feet. In fact, new inventory has only exceeded absorption in 1998, 2004 and 2005.

Edmonton Industrial Market Forecast: Base Case Scenario
(New Inventory 2.6M Sq.Ft., Absorption 2.4M Sq.Ft.)



What is in store for Edmonton's industrial real estate market? If current trends continue, Edmonton will run out of space in 2010. Given the Edmonton market is below the natural vacancy rate and Edmonton Economic Development Corporation is forecasting economic growth to average 4.3% over the next five years (almost double Canada's rate in 2008), it is expected there will be a continued increase in demand for industrial real estate causing more upward pressure on lease rates and building and land values.

In the most likely scenario, the vacancy rate is expected to remain below 2% until 2017, giving Edmonton the lowest industrial vacancy rate in North America.

Even in the worst-case scenario, vacancy rates are not expected to exceed the natural vacancy rate of 4% during the 10 year forecast period. Developers wanting to take advantage of Edmonton's favorable market conditions should be actively looking to position their development plans accordingly. Developers should plan for continued strong leasing of new industrial product.

Recent Appointments

Waldo Bezuidenhout has joined the Research team. Waldo completed his Bachelor of Management, Finance Degree from the University of Lethbridge and has recently passed the Canadian Securities Course.

Sheena Howard has joined the Edmonton team as a Graphic Designer.

Recent Lease Transactions

Petroleum Plaza 1 & 2 (office) – 289,200 sq.ft.
Westpoint Corporate Centre Phase IV (industrial) – 102,300 sq.ft.
South Central Business Park A, B, and C (industrial) – 95,700 sq.ft.
Bell Tower (office) – 52,000 sq.ft.
Staples 3 locations (retail) – 50,000 sq.ft.
Canadian Western Bank Pl. (office) – 39,000 sq.ft.
51 Avenue Business Centre (office) – 36,300 sq.ft.
Ashley Furniture (retail) – 21,000 sq.ft.
Alberta Treasury Branch (retail) – 12,500 sq.ft.

Recent Exclusive Lease Listings

Westpoint Corporate Centre (industrial) – 180,000 sq.ft.
Millbourne Prof. Centre (office) – 41,100 sq.ft.
51st Ave Business Centre (office) – 40,000 sq.ft.
Millennium Centre (office) – 40,000 sq.ft.
AMEC Building (office) – 30,000 sq.ft.
Amity Pro Building (industrial) – 25,200 sq.ft.
114th Avenue Building (industrial) – 20,250 sq.ft.
Gateway Plaza (retail) – 16,000 sq.ft.
SouthPointe - Fort Sask. (retail) – 33.5 acres
Durabuilt Excess Lands (industrial) – 2.1 acres

Recent Investment Properties Listed

Trinity Building (office) – 71,300 sq.ft. on 2.5 ac.
Kerr Building (industrial) – 65,000 sq.ft. on 4.9 ac.
Cannon Building (industrial) – 36,000 sq.ft. on 5.5 acres
Amity Pro Building (office/industrial) – 25,000 sq.ft. on 0.9 acres
Summerside Centre (office/industrial) – 22,000 sq.ft.
Palomar Building (retail/office) – 17,700 sq.ft.
St. Albert Land (mixed use residential) – 144.5 ac.
Sturgeon Rail Lands (industrial) – 53.0 acres
Land S. of Sherwood Park (industrial) – 14.9 acres
CCI Nisku Land (industrial) – 13.8 acres
525 St. Albert Road (multifamily/retail) – 4.7 ac.

Recent Investment Properties Sold

Highfield Place (office) – 100,000 sq.ft.
Barrett Building (industrial) – 44,000 sq.ft.
DMC Building (industrial) – 23,750 sq.ft.
Canadian Tread (industrial) – 20,500 sq.ft.
Jasper Block (office) – 13,000 sq.ft.
Midwest Surveys Building (office) – 8,500 sq.ft.
Retail Land (retail) – 40.57 acres
Ellerslie Industrial Lot (industrial) – 2.99 acres
Gateway Commercial Land (retail) – 1.92 acres

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Regina

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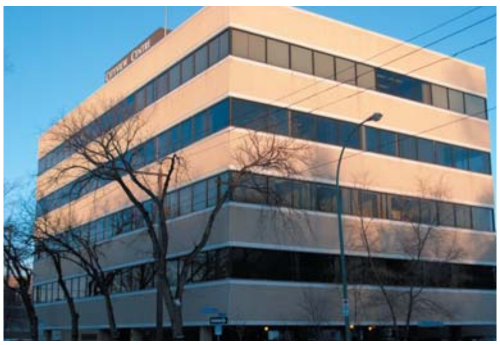
Saskatchewan's Economic Boom: Real & Sustainable

Saskatchewan's economic momentum continues in 2008. Most economic indicators suggest the boom is real and sustainable. An oft used phrase is "the province has what the world wants" – resources, and lots of them in several categories. For example, Saskatchewan is first in uranium production and supplies one third of the world's potash, and up to 5 new mines are planned. Nationally, it ranks second in oil production, third in natural gas production, provides 18% of the country's of crude oil and 16% of its coal.



2550 – 15th Avenue, Regina

The province led the rest of Canada in overall construction growth in 2007, up 42%, and residential construction growth was up by 74%. The province was the top performer in overall income growth, with average weekly earnings increasing by 5.4% compared to the 3.1% growth nationally. Public and private investment in Saskatchewan this year will grow by 18% to a record $12.3 billion.

Saskatchewan has one of the highest numbers of workers per capita with training in the skilled trades and plans to re-invest via immigration and training. In 2007 the province had an employment growth rate of 6.3%.

Over 5,000 businesses and 200,000 residents call Regina their home. Relatively low operating costs, high productivity, and affordable real estate make Regina one of the best places in Canada to conduct business. In 2007, Regina enjoyed its strongest growth in 10 years at 3.5%, and is expected to grow by 2.8% in 2008. Commercial real estate development is robust as the city issued $337.7 million in building permits in 2007, an increase of 22% from 2006. Regina offers some of the lowest office and light industrial lease rates of major cities in Canada.

Saskatoon, with a population of over 210,000, sustained a 2.7% GDP growth rate in 2007. Saskatoon has seen consistent growth of 4.7%, being one of the top 5 growing cities in Canada in the last 5 years. In 2007, building permits increased by 81% compared to 2006, establishing over 900 new commercial or home-based businesses, along with numerous expansions of existing companies. Saskatoon will continue its efforts in the attraction, growth and retention of opportunities as its economy continues its surge through 2008 and beyond.

While the provinces main cities differ in some ways, strong synergies exist. An example is Innovation Place where complementary research parks are thriving. With eight new companies, 190 organizations and 3,700 employees, these parks have been instrumental in bringing heightened awareness to the province's capacity to lead in research, technology and innovation.

Recent Appointments

Matt Dominguez joined Avison Young in Regina as Sales Assistant. Matt attended Sam Houston State University specializing in Education. He plans to co-mingle his real estate career with professional football.

City Centre Mall, Weyburn, Saskatchewan

Recent Lease Transactions

606 Henderson Drive (industrial) – 27,800 sq.ft.
3775 Pasqua Street (office) – 8,200 sq.ft.
City Centre Mall, Weyburn (office) – 3,900 sq.ft.
City Centre Mall, Weyburn (office) – 3,800 sq.ft.
140 – 2401 Saskatchewan Drive (office) – 3,200 sq.ft.

Recent Exclusive Lease Listings

5875 Rochdale Boulevard – up to 27,000 sq.ft.
1400 McIntyre Street – 12,300 sq.ft.
6823 Rochdale Boulevard – 9,000 sq.ft.
2550 –15th Avenue – 5,000 sq.ft.

Recent Investment Properties Listed

Western Pizza, Regina Beach
Good Spirit Golf Course, Canora
Development Land, Regina – 14.90 acres
Industrial Land, Regina – 10,600 sq.ft.
Industrial Building, Regina – 6,200 sq.ft.
1220 Scarth Street, Regina – 3,600 sq.ft.

Recent Investment Properties Sold

1900 McDonald Street – 5.62 acres
City Centre Mall, Weyburn – 136,650 sq.ft.

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Winnipeg

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Winnipeg's Retail Sector Continues to Thrive

Even as vacancy levels reach a 17-year low, Winnipeg's retail sector is still expanding. Overall retail vacancy is expected to hover around 3% to 4% this year, which is its lowest level in nearly two decades, despite more than three million square feet of power centre development over the past few years. The economic slowdown and mortgage crisis South of the border combined with high construction costs may affect the expansion of some U.S.-based chains in 2008. However, there are a number of retailers bucking that trend, including Starbucks, as the chain closes stores in the United States while continuing to expand on their 35 locations in the Winnipeg market.

Polo Park Shopping Centre

Winnipeg's Southwest quadrant continues to be the focus of new retail development in the City. The Southwest benefits from the majority of new home developments, including Waverley West and Southwest Charleswood that will add a combined 17,000 new homes to the area over the next decade. The area began to brand itself as a retail destination when Wal-Mart opened a store in 1999, at the 565,000 square foot Kenaston SmartCentre. Since that time well over a million square feet of new retail has been constructed. The second largest development is Kenaston Common, a $50 million retail development that is projected to encompass 450,000 square feet once complete.

The second most active retail node in the City is the Polo Park area, just West of Downtown. Polo Park is the City's largest shopping centre at 1.4 million square feet, including a recently completed 20,000 square foot, $30 million expansion and redevelopment project. In addition, McNally Robinson recently opened a 20,000 s.f. bookstore and restaurant at Polo Park, after closing their 7,500 s.f. Downtown location in March. Polo Park will also have 39,000 square feet available for redevelopment in early 2009 when Safeway vacates its location after 22 years at the mall. Safeway will be opening a new, 49,000 square foot "lifestyle" store in the nearby Madison Square, a 24-year-old office/retail complex, currently undergoing a $20 million redevelopment.

Downtown retail development continues to be strong, with over 40,000 square feet of new leasing and steady growth anticipated to continue. The core's signature roadway, Portage Avenue, has seen the most significant transformation, going from 23 vacant storefronts in 2005 to just seven in 2007. And the Graham Avenue Transit Corridor, which sees 24,000 people at its transit stops each day, has gone from 21 vacant storefronts over a decade ago, to just five. The downtown core also gained a tenant from Polo Park in early 2008, as Birks vacated the shopping centre after being located there for 38 years, and moved to a 3,200 square foot location on the main floor of the 94-year old Union Trust Tower near Portage & Main. Other recent retail openings include a 13,400 square foot Hakim Optical, a 9,000 square foot Shoppers Drug Mart, and 7,900 square foot L.A. Collection on Portage Avenue, a 2,200 square foot Starbucks at Winnipeg Square, and three new nightclubs totaling approximately 35,000 square feet.

Recent Appointments

Steven Paulus is a graduate of the I.H. Asper School of Business at the University of Manitoba where he completed a Bachelor of Commerce Honours degree, and has joined the Manitoba team as an Associate Negotiator.

Lec Mroczek served as the President of the University of Manitoba Economics Association and has a Bachelor's Degree in Economics and Management. Lec has joined the team as an Associate Negotiator.

1205 Sherwin Road, Winnipeg

Recent Lease Transactions

Meyers Norris Penny (office) – 38,700 sq.ft.
NRG Research Group (office) – 11,400 sq.ft.
Investors Group (office) – 8,900 sq.ft.
Winnipeg Regional Health Authority (office) – 7,800 sq.ft.
Hooters (retail) – 6,000 sq.ft.
Commercial Credit Adjusters (office) – 3,600 sq.ft.
Indecor (retail) – 3,000 sq.ft.
1604 St. Mary's Road (retail) – 2,300 sq.ft.

Recent Exclusive Lease Listings

295 Broadway (office) – 16,400 sq.ft.
1512-1514 Regent Avenue (retail) – 15,400 sq.ft.
980-992 Portage Avenue (retail) – 10,600 sq.ft.
200 Tache Avenue (retail) – 7,250 sq.ft.
3510-3518 Roblin Blvd. (retail) – 6,000 sq.ft.

Recent Investment Properties Listed

912 Portage Avenue (retail) – 11,600 sq.ft.
800 Marion Street (retail) – 3,250 sq.ft.
1866 Ellice Avenue (retail) – 2,400 sq.ft.

Recent Investment Properties Sold

1205 Sherwin Road (industrial) v 55,000 sq.ft.
Mordon, Manitoba (land) – 1.15 acres
688 Dufferin Street (industrial) – 2,100 sq.ft.
207 St. Mary's Avenue (retail) – 1,400 sq.ft.

AVISON YOUNG Intelligent Real Estate Solutions

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Development Charges on the Rise in the GTA West

8350 Lawson Road, Milton

With the supply of available and serviced land in the GTA West dwindling, developers are being forced to look further from the larger city centers to places such as Milton, Halton Hills, Guelph, Bolton, Brantford, and Cambridge for future development sites. In addition to the natural progression of development in these areas, the Places to Grow Act, 2005 sets out a number of guidelines for growth in these and other cities in Ontario that will help guide decisions regarding land use and infrastructure planning among other issues. For these municipalities facing future growth issues, the cost of infrastructure and land servicing is a major issue that must be dealt with.

In the past, areas such as Milton have traditionally had very low development charges at around $12.50 per square foot of gross floor area. These low costs may become a thing of the past depending on the outcome of ongoing public meetings regarding the issue. If the new development charges are adopted, rates in Milton would increase to approximately $25 per square foot. The same holds true for other municipalities in Halton Region and Peel Region where development charges are expected to rise beyond the $20 per square foot range. To emphasize the impact that these changes will have on industrial development, consider this; a single acre of industrial land with a buildable area of 45% can be developed in Mississauga today at a cost of approximately $186,000. If development charges were increased to $20 per square foot of gross floor area that number would rise to $392,000 – More than double the original amount. Municipalities have become aware that they can use these revenues to recover the costs associated with infrastructure needed for new development.

This increase in development charges could significantly affect the types of future development in the GTA West. Developers of industrial properties would no longer be able to justify any new projects where high development charges would bump up the rental rates beyond levels acceptable to the market. On the other hand, different kinds of office and retail development may not be affected as significantly due to the fact that the higher net rental rates would still be within the market range despite having to take into account higher development charges. Therefore some markets could see a swing in the types of development undertaken going forward.

A number of real estate professionals (including developers and real estate brokers) pleaded their case to Halton Region officials at a public meeting on March 19. It cannot be said for certain which way the decision will go. However, the prospect of higher development charges will be a common discussion point in many municipalities as they struggle to find capital to finance the ongoing infrastructure costs caused by rapid growth and development as well as costs associated with the need to satisfy growth levels set out in the Places to Grow Legislation.

Recent Appointments

Tim Loch has joined the Mississauga team as Consulting and Research Coordinator. A graduate from the University of Guelph with a Bachelor of Commerce in Housing and Real Estate Management, he will be working closely with Chris Hooper of the Consulting Group.

Natasha Michaelis has joined the Mississauga team as Office Administrator.

Recent Lease Transactions

Sauder Industries (industrial) – 101,500 sq.ft.
Maurice Sporting Goods (industrial) – 76,500 sq.ft.
Becton Dickinson (office) – 70,000 sq. ft.
AECL (Office) – 50,500 sq.ft.
Iris Power (office) – 24,650 sq. ft.
Richardson Partners Financial (office) – 23,300 sq.ft.
Lorus Therapeutics Inc. (office) – 20,500 sq.ft.
Grime Eaters Products Ltd. (Industrial) – 13,800 sq.ft.
Mettler – Toledo Inc. (Industrial) – 13,450 sq.ft.
Vital Insight Group Canada Inc. (office) – 10,750 sq.ft.
ITC Capital Corporation (office) – 8,550 sq. ft.
Environ EC (Canada) Inc. (office) – 6,400 sq. ft.

Recent Exclusive Lease Listings

7030-7060 Mississauga Road (office) – 303,600 sq. ft.
30 Eglinton Avenue West (office) – 35,000 sq. ft.
2180 Speers Road (industrial) – 29,600 sq. ft.
350 Burnhamthorpe Road (office) – 17,300 sq. ft.
2070 Hadwen Road (office) – 14,800 sq. ft.

Recent Investment Properties Sold

438 University Avenue (office) – 300,000 sq.ft. for $90,000,000

2699 Speakman Drive, Mississauga - Avision Young represented the lead tenant in this new LEED design building, which is set to be completed in early 2009.

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Property Tax Ruling has Far-Reaching Implications for Toronto

Part of the complex nature of any city is the fine balance that must be struck between commercial and residential property taxes. Few, whether they are private homeowners or large corporations, enjoy paying taxes, and most taxpayers would prefer to lower their taxes if it were possible. A recent ruling by the Assessment Review Board could signal a shift in the contentious commercial-residential property tax equilibrium in the City of Toronto.

The board's ruling comes as a result of an appeal launched by a group of landlords, owners of the most significant office complexes in the downtown core of Toronto – Brookfield Place, Commerce Court, First Canadian Place, Royal Bank Plaza, Scotia Plaza and TD Centre – against the City of Toronto and the Municipal Property Assessment Corporation (MPAC), over the 2001 and 2002 tax assessments of the twelve towers which make up those complexes. The review board ruled in favour of the landlords, who argued that the valuation must be based on the building being "unencumbered" by tenants and leases. This means that the buildings would be valued as residences are - as vacant buildings without tenants or furnishings. MPAC's current methodology values commercial space based on its value as a "going concern", occupied by tenants paying rent. As the combined value of the buildings in question is over $5 billion, the financial implications for the City are significant. This is particularly true since the ruling could set a precedent for future valuations of many types of property (including commercial, industrial and multi-residential) throughout the province of Ontario, in which MPAC, a not-for-profit agency, prepares assessment rolls for each municipality.

In most cases, tenants are responsible for paying property taxes under the terms of their leases. Businesses in Toronto have argued for years that higher property taxes for commercial space drive up the cost of doing business in the City relative to locating in suburban areas. Some critics have even argued that the imbalance in taxation between the City of Toronto proper and the suburbs has been a major factor contributing to urban sprawl in the Greater Toronto Area. As such, a reduction in property taxes for commercial space could reduce tenants' rent payments and increase the appeal of doing business downtown.

The opposite side of the equation is what this ruling could mean for homeowners and small businesses in Toronto. Any decrease in tax revenues from prime downtown office space would need to be balanced in the City budget by an increase in taxes for residential and smaller commercial properties – a move that would be sure to be unpopular with City residents. But with the Assessment Review Board's ruling potentially forcing the City to reduce taxes on office buildings, Toronto would be left with little option but to increase rates for homeowners and small businesses accordingly. This shift has been taking place gradually over the past few years, but a sudden drop in tax revenues from office buildings will increase the pressure to speed up the process.

This issue continues to be one of great interest to both landlords and tenants of commercial space in Toronto, as the City of Toronto and MPAC are considering appealing the ruling. Whatever the result turns out to be, it will have profound implications for the future of taxation, doing business and living in Toronto.

Recent Appointments

Matthew Polci has joined Avison Young working as Associate to David Warren and Ryan Morein. Matthew has a Bachelor of Commerce degree from Queen's University.

Matthew Steele has joined Avison Young as Associate to Craig Tresham and Jonathan Pearce. Matthew holds a Bachelor of Arts degree from the University of Guelph, and has experience in both residential and commercial real estate sales.

Downtown Toronto

Recent Lease Transactions

TRG Customer Solutions (office) – 23,300 sq.ft.
Toronto Community Care Access Centre (office) – 22,300 sq.ft.
Alliance Films Inc. (office) – 20,000 sq.ft.
McCain Foods (office) – 15,200 sq.ft.

Recent Exclusive Lease Listings

1470 Don Mills Road (office) – 35,500 sq.ft.
MTK condo development (retail) – 18,000 sq.ft.
One City Hall condo development (retail) – 6,800 sq.ft.

Recent Investment Properties Listed

1470 Don Mills Road (office) – 35,500 sq.ft.
469 St. Paul Street, St. Catharines (office/retail) – 5,000 sq.ft.

Recent Investment Properties Sold

70 University Avenue & 11 King Street (2 office buildings) – 400,000 sq.ft.
438 University Avenue (office) – 280,000 sq.ft.
4342 Queen Street, Niagara Falls (office) – 150,000 sq.ft.
250 Superior Boulevard (industrial) – 42,800 sq.ft.

Recent Management Additions

36 Toronto Street – 216,000 sq.ft.
350 Burnhamthorpe Road West – 166,000 sq.ft.
56 Temperance Street – 36,000 sq.ft.

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The Greening of the Capital

As Ottawa closes in on a 38 year record for snowfall in a single season, it seems almost ironic to be talking about the "greening" of the capital. Unless of course we are talking about "green" building construction and the lengths the local development community are being requested to go to meet recently adopted LEED® (Leadership in Energy and Environmental Design) standards for office construction.

Ottawa's major consumer of office space is the Federal Government, represented by its agent, the Department of Public Works & Government Services Canada (DPWGSC). DPWGSC leases just under half of the office space available in the National Capital Region. So when senior management in the department suggests that the Federal Government will look favorably on new office developments that adhere to LEED Silver or better designation, landlords tend to sit up and take notice.

Notwithstanding the significant influence of the Government's interest in sustainable development and efficient design, the fact of the matter is that LEED and other more resource-friendly design standards make good business sense. Bearing this in mind, as taxpayers we should applaud the Government for its initiative in this area. The real pay-off for LEED development will come in the cost of operating a new development, a dividend that will provide the tenants in a building with benefits for years to come. To say nothing of the greater benefit the community will enjoy as these new developments leave smaller carbon footprints, create less waste and consume less energy in their operation.

In the short term, the slightly higher construction costs associated with LEED construction can be offset by savings incurred in the operations of a new building. So who will build to LEED standards in Ottawa? Developers who are serious about winning major government tender for new construction in the National Capital Area had better make sure all their I's are dotted and T's crossed. LEED, like any other program, requires adherence to a rigorous design and construction process, which is one criticism of its evolution. Those who forge ahead regardless will be well positioned to take advantage of the new accommodation guidelines being specified by the region's largest tenant.

One landlord in Ottawa is currently constructing a LEED building, seeking gold designation once the project is complete. Minto Developments is building 360,000 feet of office space in Ottawa's downtown core at 180 Kent Street, part of the final phase of its Minto Place complex, the first completely speculative green building ever produced in Ottawa – or Canada for that matter. This building will be complete with waterless washroom fixtures, fresh air heat exchangers, active and passive solar heating and a myriad of other design features designed to deliver on the promise of being environmentally friendly and energy efficient. With DPWGSC being a regular buyer in this marketplace, it should not be long before there is an interested customer at the door.

Recent Appointments

Michael Church brings 21 years of office leasing experience to Avison Young's Ottawa office, which will officially open on April 10, 2008. Michael will be active in expanding the Ottawa operation through a combination of Sales Associate trainees and active recruiting of seasoned professionals.

Matthew Schultz has joined the Ottawa office from the software industry. He has recently completed Phase II of his licensing with Phase III scheduled to begin in late April. He will assist Michael Church with his office leasing practice.

Kim Wright comes to the Ottawa office with a background in mortgage financing in a support role and will oversee office operations.

180 Kent Street, the first building in the City to target the Canada Green Building Council's Leadership in Energy and Environmental Design (LEED®) Gold certification.

Recent Lease Transactions

Griffiths Rankin Cook Architects – 4,400 sq.ft.
Atomic Energy of Canada Limited – 4,350 sq.ft.
Metro News – 2,250 sq.ft.

Recent Exclusive Lease Listings

2211 Thurston Drive – 24,800 sq.ft.
Terra Choice Environmental Marketing – 4,950 sq.ft.

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Montreal

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Montreal's Griffintown Project

The Griffintown Project, an ambitious plan to rebuild 20 square blocks of one of Montreal's poorest neighbourhoods, is projected to cost $1.3 billion and will be entirely financed by private enterprise. It is the largest single private investment in Montreal real estate, and does not rely on any agency of the provincial or federal governments. In addition to investing $1.3 billion in private money, the developer, Devimco Inc., will contribute $10 million to public transit, the creation of new public green spaces, the renovation and preservation of historic buildings, as well as provide new spaces for artistic and cultural events. The project is expected to generate $33 million a year in tax revenue for the City of Montreal.

The Griffintown Project is located in the Peel-Wellington area, near Old Montreal, bordered by the Bonaventure Expressway to the East, Ottawa Street to the North, rue de la Seminaire to the West and the Lachine Canal to the South. It is part of the area along the Lachine Canal that was once the industrial heartland of Canada.

The project, on 1.1 million square feet of land, will have a leaseable area of 5.3 million square feet of mixed development. Sixty-five percent of the project will be residential, with 3,900 new residential units, in all price ranges. The other thirty-five percent of the project will include office buildings, a 2,000-seat theatre, two hotels, movie theatres, shops and restaurants, and 5,000 underground parking spots. There will be a new marina, a museum and artists' studios. A tramway will connect the project to downtown and to Old Montreal. The plan includes pedestrian walkways lined with shops and restaurants, in the tradition of Montreal's vibrant nightlife.

Support for the project is coming from the Chamber of Commerce as well as well-known Quebec artists. Devimco has executed the project expertly, in a City where projects too often have fallen by the wayside because of conflicting demands or unrealistic expectations.

Devimco is headed by Serge Goulet and Jean-Francois Breton with solid financial backing from the Beaudoin-Bombardier family trust and long-term money from the employee pension funds of Quebec City and the Montreal Transit Corporation.

The Griffintown Project is first part of Le Havre, one of three major projects identified by the Mayor of Montreal as part of the Montreal 2025 Vision, the other two being Quartier des Spectacles and Montreal Technopole. There have been many "plans for Montreal's future" that have been quickly forgotten. However, this time, entirely financed by private investments, the multi-purpose Griffintown Project has received widespread support, and is well on the way to dramatically transforming a large section of Montreal.

Recent Appointments

Kevin Dopp joined the Leasing team at the end of 2007. Kevin brings with him over 18 years of work experience within the time management sector where he specialized in labour distribution and job cost tracking solutions.

Erica Giesbrecht joined Avison Young as an Analyst working closely with the Leasing and Investment sales teams. Erica holds a Bachelor of Commerce degree in international business from Concordia University's John Molson School of Business.

Melissa Noël joined the Montreal office as Receptionist / Administrative Assistant in December 2007.

400 de Maisonneuve West

Recent Lease Transactions

Pareto Corporation - 13,000 sq.ft.
Phocus Contact Solutions – 12,170 sq.ft.
United Stationers Supply Company – 12,000 sq.ft.
Seville Pictures – 11,000 sq.ft.
Diesel Canada (retail) – 7,000 sq.ft.
Barsalou Lawson – 6,600 sq.ft.
Lamarre Linteau Montcalm – 4,700 sq.ft.
Marquez Transtech – 4,350 sq.ft.
Groupe Comagest – 3,850 sq.ft.
Adidas Canada (retail) – 3,500 sq.ft.
The Missing Children's Network – 2,520 sq.ft.

Recent Exclusive Lease Listings

1253 McGill College Avenue (office sublease)
3575 St-Laurent Boulevard (office sublease)
694 Ste-Catherine Street West (retail)

Recent Investment Properties Listed

Industrial portfolio – 5 buildings – 410,000 sq. ft.

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Quebec City's 400th Anniversary Influences Real Estate Market

2008 will be an eventful year for Quebec City as it celebrates its 400th anniversary. In anticipation of the festivities, several investments were made to government buildings and transportation infrastructures, as well as to public parks and walkways.

Project in Levis on Quebec City's South Shore

These investments created a favourable climate for private investors. Numerous projects have been completed with many others in the planning stages or under construction.

Of the sites presently under construction, the most important is Cominar REIT's retail/office project on Laurier Boulevard. Also on this major thoroughfare, the addition of a new office building to the Mutuelle des Fonctionnaires' existing complex is underway.

In Lebourgneuf, Cagim is in the final phase of the construction of a major flex space building on Pierre-Bertrand Street. Cagim is also breaking ground on the construction of an avant-garde project in collaboration with Carttera Management Inc., consisting of 180,000 square feet. In April, Immostar will begin the construction of the first of two office buildings next to Les Galeries de la Capitale.

In the residential market, several projects are expected to be completed in 2008, including 700 residential units on the former St-Laurent Cement site.

Real estate investors' optimism continues to translate into major investments throughout the City.

Recent Lease Transactions

Century 21 Quebec – 2,800 sq.ft.
Suzie Aubert – 1,000 sq.ft.

Recent Exclusive Lease Listings

475, de l'Atrium Blvd. (retail) – 3,000 sq.ft.
475, de l'Atrium Blvd. (office) – 3,000 sq.ft.

Recent Investment Properties Listed

65 St-Vallier – 60-unit Apartment Building
Industrial Property Portfolio – 5 buildings – 410,000 sq.ft.
3 Retirement Homes – 146 Units
Shopping Centre – Ste-Apollinaire – 20,000 sq.ft.

Recent Investment Properties Sold

Land – Beauport, QC – 5.6 million sq. ft.

Halifax

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Downtown Halifax – Design and Economics Collide

The Town Clock, Halifax

With an abundance of historically recognized buildings scattered throughout the downtown, making way for new development in Halifax usually comes with some controversy. As a result, developers wanting to build new buildings are often mired in a lengthy development process and are beholden to the public, heritage groups, and local politicians.

Halifax is in the process of developing a new urban plan (HRM by Design) which offers some hope that the future will offer a clearer vision of acceptable development in the downtown. Goals of this plan include introducing new design guidelines and to "bring clarity and predictability to the development review process."

While some aspects of the plan are welcome news to the development and commercial real estate community, concern is now being raised about the future development of office space allowed for in this new plan. Ensuring that Halifax has the capacity to accommodate future growth in the office sector will be vital to the market's long-term success.

Under the stewardship of the Greater Halifax Partnership and with input from the commercial real estate community, efforts are underway to address these concerns and ensure that this plan will accommodate future growth. We are optimistic that some changes will be made to the current plan that will benefit the City from both historic and economic perspectives.

Recent Appointments

Jennifer Filliter has joined us as our new Office Administrator.

Recent Lease Transactions

Laserworks (office) – 1,700 sq.ft.
Cargo and James (retail) – 900 sq.ft.

Recent Exclusive Lease Listings

41 Gurholt Drive (office) – 3,000 sq.ft.
2642 Agricola Street (industrial) – 1,900 sq.ft.
5687 Charles Street (retail) – 1,000 sq.ft.

Recent Investment Properties Listed

37 Payzant Avenue (industrial) – 13,600 sq.ft.

Recent Investment Properties Sold

Block H-1 Windsor Street (land) – 37,000 sq.ft.
1137 Cole Harbour Road (office) – 2,000 sq.ft.

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