



National Newsletter

Spring/Summer 2010

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Canadian commercial property returns outpace most world markets

The global recession has taken its toll on commercial real estate markets around the world. To date, Canada's resilient performance has been well documented and remains the envy of many of its peers. One example of Canada's performance is from the Institute of Canadian Real Estate Investment Managers (ICREIM) and Investment Property Data (IPD) Canada. The ICREIM/IPD Canada Annual Property Index is one of 23 country indices of the IPD Global Property Index, which measures the returns of directly-held property investments from one market valuation to the next.

Based on nearly \$91 billion of directly-held commercial real estate in Canada, the ICREIM/IPD Canada Annual Property Index recorded a total return of -0.3% in 2009, down from 3.7% in 2008 and the first time since 1993 that the total return has entered negative territory. For perspective, the REIT and equity market returned 53.1% and 33.6% in 2009 according to the FTSE EPRA/NAREIT and MSCI Index for Canada, respectively. Commercial real estate managed to outperform bonds, which returned -1.8%, as measured by the JP Morgan 7-10 Year Government Bond Index. However, over a three-, five- and 10-year time horizon, commercial real estate has outpaced the aforementioned indices, posting annualized total returns of 6.2%, 10.9% and 10.6%, respectively. Of the two components of total return, income return remained high at 6.8%, up marginally from 6.2% in 2008, while capital growth decreased to -6.7%. This drop comes on the heels of a -2.4% return in 2008, bringing the total capital decrease to -9.1% from 2007 when real estate values were at their peak. This situation reflects the ongoing downward adjustments to asset values.

A closer look at the major sectors reveals retail was the best performer in 2009, with a total return of 3.5%, up from last position in 2008 (-0.1%). Residential held on to second place with a 1.9% return, though down from 6.4% one year prior. Office and industrial both posted total returns of -2.6% and -4.4%, respectively. These results compare with a positive total return of 7.6% for office and 2.2% for industrial in 2008. The industrial sector witnessed the most noticeable capital decline, returning -10.7%. On a market-by-market basis, total returns were lower than one year ago, except for Montreal, which improved slightly to 1.3%. Calgary recorded the poorest performance with a total return of -7.4%, while the nation's capital Ottawa took top spot at 3%. The country's largest commercial real estate market, Toronto, managed a 0.2% total return, while Vancouver and Edmonton came in at -0.2% and 1.1%, respectively.

Despite the marginally negative return last year, Canada fared well against global real estate markets. For example, the total return in the U.S. was -18.7%; the Netherlands posted a -0.2% return; Ireland, the worst-hit market, returned -23.3%; while Australia and New Zealand registered -2.2% and -4.1%, respectively. As other international results continue to come in, the impact of the global recession is becoming more apparent, and the world's commercial real estate prices are clearly adjusting to 2005-2007 bull property market levels.

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Vancouver

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West Coast retail real estate activity accelerates



GWL Realty Advisors' sale of 900 Howe to a private buyer in December 2009 represented the only sale of a class A building downtown in the fourth quarter of 2009. The 103,000-sf building is 100% leased.

British Columbia's retail property sales and leasing market is enjoying a renaissance after a sluggish start to 2009.

In the second half of 2009, the total number of retail investment deals rose to 16 from only four in the first half of 2009. The sale of Surrey's Grandview Corners outdoor shopping centre to joint-venture partners RioCan REIT and the Canada Pension Plan for \$182 million spiked the local retail sales dollar volume, bringing BC's total retail investment volume to \$458 million in the second half of 2009 from \$41 million in the first half.

Many, if not most, of the transactions in the latter half of 2009 could be attributed to some sellers reallocating assets as part of their usual business operations and other sellers questioning the depth of the retail leasing market. Astute buyers, meanwhile, strategically acquired properties next to malls and shopping centres likely to expand in the future.

Approaching the midway point of 2010, retail real estate activity is accelerating on the West Coast. Well-capitalized REITs and private companies continue to pursue acquisitions, and the region's traditionally-low capitalization rates have led to an increase in vendors as buyers, due to increased confidence, are more willing to pay a higher price for a lower return on investment.

As a result, early 2010 deals are outpacing first-half 2009 retail transactions by a wide margin, and two acquisitions valued over \$100 million are currently being negotiated. In a deal slated to close in April 2010, Vancouver-based Shape Properties and a large Ontario-based pension fund partner reached unconditional agreement on the purchase of Brentwood Town Centre in Burnaby from OPB Realty Inc. of Toronto for \$100 million. Meanwhile, Lougheed Mall, also located in Burnaby, is under contract for approximately \$135 million. In all of 2009, Grandview Corners was the only Metro Vancouver retail property that sold for more than \$100 million.

The brisk activity is expected to continue into the second half of 2010. Some major U.S. retailers' ongoing struggles are also expected to spur more Metro Vancouver retail sales and leasing deals. In the case of properties anchored by struggling large American chains, investors face ongoing pressure to minimize the loss of tenancies – and ensure that tenants' businesses remain viable.

Landlords are expected to face ongoing challenges to maintain rent levels and offer tenants more renewal inducements. But most of the survivors of the global economic fallout in late 2008 and early 2009 have already been identified, and lease rates and sale prices are expected to remain relatively stable.

Canadian retailers, recognizing that they have more opportunities to move into prime locations vacated by U.S. chains, or expand into BC from other provinces, should also have an ongoing positive effect on demand and prices. Barring unforeseen circumstances, the revival will likely continue for the rest of 2010.

Recent Lease Transactions

Legal Services Society (office) – 46,600 sf
Powerex Corp./BC Hydro (office renewal) – 40,000 sf
Raute Canada Ltd. (industrial) – 32,000 sf
Ricoh Canada (office) – 19,700 sf
Cobalt Engineering (office) – 18,300 sf

Recent Exclusive Lease Listings

Royal Centre (retail) – 95,000 sf
The Offices at Hotel Georgia (office) – 71,500 sf
26835 Gloucester Way, Langley (industrial) – 59,300 sf
1132 Hamilton Street (office) – 50,000 sf
27090 Gloucester Way, Langley (industrial) – 44,400 sf
4585 Canada Way, Burnaby (office sublease) – 12,800 sf

Recent Properties Sold

900 Howe Street (office) – 103,000 sf
2450 Ontario Street (office) – 38,000 sf
1925 McCallum Street, Abbotsford (office) – 28,000 sf

Recent Sale Properties Listed

9255 194th Street, Surrey (industrial investment) – 185,000 sf
12294-104th Avenue, Surrey (industrial investment) – 70,000 sf
Gladwin Crossing, Abbotsford (office) – 67,000 sf
220 Cranbrook Street North, Cranbrook (office investment) – 48,900 sf
1550 East Hastings Street (auto dealership/industrial) – 40,000 sf
31450 Peardonville Road, Abbotsford (industrial) – 20,100 sf
North Fraser Way, Burnaby (industrial land) – 17.5 acres
Dalton Hotel and Suites, Victoria – 92 suites
Shaughnessy Lodge (apartment building) – 69 units



Avison Young is representing Brookfield Properties with the retail leasing of Royal Centre (95,000 sf) in downtown Vancouver. National tenants include Staples, Rexall, McDonald's and Starbucks.

Flight to quality takes off as office vacancy rises



Avison Young is acting as the exclusive listing agent for 329,000 sf of sublease space in Jamieson Place, a newly completed class AA office tower in Downtown Calgary.

During previous market downturns, Calgary witnessed an interesting phenomenon where, as rents started to decline, tenants in the Downtown and Beltline districts moved up in quality of building, and a greater-than-normal percentage of suburban tenants moved into the central core.

This phenomenon is called “flight to quality” – which remains unique to the office market. Tenants in the industrial market are driven by price and desired location; and in retail, the asset class with the lowest vacancy, tenants are driven by availability and target market.

During the past 18 months, office vacancy has steadily increased and asking rents have steadily decreased, prompting many businesses to adopt the flight-to-quality mantra and improve their office environments. An improved

office environment benefits staff and the organizations’ corporate images, which many businesses find appealing as they come out of the recession.

The flight to quality has been driven by the reduction in rents in better quality buildings. It has also been influenced by the strong fundamentals of many businesses – and their willingness to pay a premium to be in better quality space. This strategy has been sparked by the perception that two to three years ago tenants were paying between \$30 to \$50 per square foot (psf) net for Downtown office space, with class C space being at the \$30 level. Today, tenants can be located in the best buildings in Calgary for that same \$30 psf. Companies planned for these types of rates in their budgets and are now able to justify paying for some of the best space in town, accommodating their business strategy and improving conditions for their staff.

Prime examples are: MEG Energy Corporation, Murphy Oil Company, and the Energy Resources Conservation Board (ERCB). These tenants will be relocating from class B buildings into newly completed class AA buildings. The opportunity to be in affordable new space was too tempting a prospect to pass up.

One thing that has not yet been witnessed this time around is the shift between areas of the city. While the Downtown market is still considered the premier location, some tenants have realized there is more to their space utilization than just location. The suburban market is usually able to offer lower rental costs than its Downtown and Beltline counterparts, and ample inexpensive parking also offers a big advantage to suburban locations. With vacancy forecast to continue rising in all Calgary markets for at least the next 18 to 24 months, companies will focus on seeking better quality options to take advantage of the rental changes. Movement between the submarkets is not anticipated however, unless one area offers a considerable discount.

Recent Lease Transactions

Tera Environmental (office) – 49,300 sf
Staples (industrial) – 41,500 sf
Best Buy Canada (retail) – 36,000 sf
Trinidad Drilling (office) – 30,300 sf
Salvation Army Canada (industrial) – 23,000 sf
Can Am Geomatics (office) – 20,500 sf
Shoppers Drug Mart (retail) – 16,200 sf
Joe Johnson Equipment (industrial) – 15,200 sf
Glamis Resources (office) – 14,000 sf
Les Pieces D’Auto Transit (industrial) – 12,500 sf

Recent Exclusive Lease Listings

Jamieson Place (office) – 329,000 sf
608 – 7th Street S.W. (office) – 221,000 sf
Palliser South (office) – 208,200 sf
Stampede Trail (retail) – 180,000 sf
Sierra Springs, Airdrie (retail) – 140,000 sf
4000 – 106th Avenue S.E. (industrial) – 136,000 sf
1891 – 15th Street S.E. (industrial) – 60,000 sf

Recent Properties Sold

Windfire Building (industrial) – 50,000 sf
Taber, Grande Prairie & High River Buildings (office) – 47,700 sf
6204 – 6A Street S.E. (industrial) – 40,000 sf
1245 – 73rd Avenue S.E. (industrial) – 29,100 sf
Sunridge Centre (retail) – 23,700 sf

Recent Sale Properties Listed

4907 & 4915 – 77th Avenue S.E. (industrial) – 55,300 sf
1108 – 4th Street S.W. (office condos) – 193,000 sf
634 – 6th Avenue S.W. (office condos) – 69,500 sf
2874 Kingsview Boulevard S.E. (industrial) – 45,100 sf
Silverwing Business Centre (industrial) – 30,200 sf



Sierra Springs, a 140,000-sf shopping centre in Airdrie, is being marketed for lease by Avison Young on behalf of a local developer.

Edmonton

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Downtown becomes focus of new development



An artist's rendering of a one-acre pedestrian footbridge that would be part of the proposed Downtown Edmonton arena district.

northernmost metropolitan market as plans for redevelopment are slowly being put together to offer a more vibrant and urban downtown experience.

At the centre of the redevelopment is a proposal to build a new arena as part of a \$1 billion downtown entertainment district just north of the current financial core. The idea behind the project is to continue adding pieces that will turn Downtown Edmonton into a destination and complement new developments such as the Art Gallery of Alberta, which opened amongst much fanfare in February 2010. The south end of the proposed development would include shops, restaurants, and two office towers leading to a one-acre pedestrian bridge that would connect to the north section of the development. The arena district would not only include a new stadium-style arena, but a second community arena as well as two hotels, a casino, and new student residences for nearby Grant MacEwan University.

Just a few blocks away, land that had previously been used by automotive dealerships has been coming back to the market in the last year, as two longtime fixtures in Edmonton automotive sales move from the downtown to the suburbs, freeing up a combined total area of just less than nine acres. The first site, just under three acres, is located across the street from Grant MacEwan University and would be an attractive location for more student residences. The second site, just over six acres, sits west of the government district and is best suited for more high-density residential and retail space.

Back in the financial core, Jasper Avenue will be getting a new look. The city has put forth a vision for Edmonton's central corridor to make the avenue more pedestrian-friendly by enlarging the walkways, increasing the amount of streetfront retail space, and incorporating a more residential focus in future developments. In addition to the improved streetscape, renovations will begin in 2013 on the Light Rail Transit's (LRT) Central station as Edmonton continues to expand LRT service across the city. To top off the redevelopment, it is anticipated that when the new EPCOR Tower opens in 2011, the current EPCOR Centre, and the block it occupies with two other buildings, will undergo a major retrofit.

In a city historically known for growing outward, a return of development dollars to the city core is expected to give Edmonton's downtown a new sense of purpose, returning the focus back to the centre. Bringing people back to the core will once again add significance to Edmonton's downtown.

Edmonton, one of North America's largest centres by area, with one of the lowest population densities for a major city, has constantly seen its development pushed towards the suburbs.

The result is a city core that has lost some of its life; the downtown succeeds as a centre for doing business, but it is no longer the city's heart. A new identity, however, is being forged in the core of Canada's

Recent Lease Transactions

Westpoint Corporate Centre (industrial) – 94,400 sf
CGI Information Systems (office) – 65,700 sf
CWS Logistics Renewal (industrial) – 63,300 sf
Witten Management (office) – 38,700 sf
Mission Industrial Services Limited (office) – 23,600 sf
World Health Club (retail) – 19,500 sf
Forzani's Intersport/S3 (retail) – 19,000 sf
Welsh's Saddlery & Western Wear (retail) – 12,600 sf

Recent Exclusive Lease Listings

Finesse Home Furnishing Building (retail) – 100,000 sf
Intuit Building (office) – 92,400 sf
Canus Building (industrial) – up to 88,900 sf
Triton Building (office) – 30,500 sf
Yellowhead Industrial Park (industrial) – 21,000 sf future development and 29,700 sf planned development
Century Crossing (retail) – 40 acres

Recent Properties Sold

Yellowhead Honda Property (industrial) – 33,300 sf on 3.97 acres
Ellerslie Landing Shopping Centre (retail) – 25,400 sf on 3.14 acres
Namao Town Site (land) – 115 acres
Broadview Meadows (multi-family) – 93 units
Nova Villa (multi-family) – 61 units

Recent Sale Properties Listed

Natural Rest (industrial) – 59,900 sf on 2.99 acres
S&D International Group Inc. (land) – 760 acres (7 properties)



Located in the Southside district, the Intuit Building offers a 92,400-sf campus-style office setting.

Lethbridge

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Lethbridge Centre enters new era of development



Rendering: Shops on 4th gives a fresh look to Lethbridge Centre and serves as a convenient access point for the retail portion of the property.

Lethbridge Centre has been an asset to Downtown Lethbridge since 1975.

The first phase of construction encompassed an 11-storey office tower and a retail level. In 1988, a second retail level was added. Lethbridge Centre had a reputation as *the* shopping centre in Lethbridge for approximately 20 years. With the introduction of a second mall and popular big-box retailers, Lethbridge Centre experienced a change in retail shopping demand. While the retail portion of the mall struggled, the office

tower continued to flourish and there are currently no vacancies. In contrast, there is an 8% vacancy rate in the retail sector.

In 2008, Melcor and Kingsett exercised an option to acquire Lethbridge Centre. While many thought the property had lost its appeal due to a change in the local retail market, the new owners saw the opportunity to invest in a property integral to Downtown Lethbridge. Rather than continuing with the status quo, they conceptualized a new direction. Focus was set on capitalizing on the downtown location for professional and medical office use and providing a small but sustainable retail component. With the blessing of municipal representatives and the Downtown Lethbridge Business Revitalization Zone, Lethbridge Centre began its journey into a new era.

The revitalization of Downtown Lethbridge coincides with the values that Lethbridge Centre has for its re-birth. Business, community and civic leaders decided they could make Downtown Lethbridge a desirable place to work, shop, live and entertain.

While many exciting developments have been occurring at Lethbridge Centre, it has been important to the landlord to maintain strong relationships with many longtime tenants who have expressed their satisfaction with the property. This contentment results from Lethbridge Centre's accessibility via main roadways, ample parking for tenants and clientele, and exceptional property management staff. Top users include: Hudson's Bay Company (133,043 square feet (sf)), Alberta Health Services (51,012 sf), Alberta Infrastructure (23,338 sf), SWAB Family Services (15,783 sf), TD Canada Trust (13,899 sf), Only Women's Fitness (12,378 sf), KPMG LLP (11,728 sf), Teamwork Training (6,431 sf), Associated Engineering (5,357 sf) and Canadian Blood Services (3,328 sf).

In 2009, conceptual plans were well underway to redevelop the north side of the building into a retail entity. It has been coined Shops on 4th and comprises 29,500 sf. In January, construction began on 10,000 sf for the Family Centre Society of Southern Alberta. Also proposed is a 17,000-sf pharmacy on the ground level to complement a range of medical services.

It is expected that the revitalization of Lethbridge Centre will be completed by 2014.

Recent Lease Transactions

Lethbridge Centre (professional) – 10,000 sf
First West Property (retail) – 4,200 sf
1240 2A Avenue North (retail) – 3,900 sf
1520-36th Street North (professional) – 3,000 sf
5th on 5th (office) – 1,400 sf
2406 Fairway Plaza Road (office) – 1,300 sf
528 6th Street South (retail) – 1,000 sf
College Centre (retail) – 980 sf

Recent Exclusive Lease Listings

Lethbridge Centre (retail/office) – 75,000 sf

Recent Properties Sold

1010 24th Street, High River (office) – 30,000 sf
1602 3rd Avenue South (industrial) – 26,400 sf
2825 2nd Avenue South (industrial) – 14,000 sf
10131 117th Avenue, Grande Prairie (office) – 10,400 sf
5300 47th Avenue, Taber (office) – 7,300 sf
530 – 5th Street South (retail) – 4,200 sf

Recent Sale Properties Listed

444 – 5th Avenue (office/retail) – 25,200 sf
4015 Mayor Magrath Drive South (retail) – 10,000 sf
Box Springs Business Park, Medicine Hat (land) – 40.5 acres
151 & 173 Fairmont Boulevard South (land) – 6.61 acres
411-41st Avenue South (land) – 4.5 acres



Select Recruiting is an example of a professional tenant residing in a renovated suite that was formerly a retail location.

Low vacancy prompts new development



Rendering: future development at 4201 Dewdney Avenue

Office space in the downtown and suburban areas of Regina continues to be a hot topic.

For several years, speculation, planning and re-planning have been a way of life for stakeholders. Rising construction costs, economic uncertainty, financial pressures and a lack of available land all affected new development. Today, with little or no office space available in downtown Regina, it is very difficult for tenants to expand or new tenants to locate to the central business district.

As a result, Regina has some of the lowest vacancy rates in major markets across Canada. Vacancy in class A space is less than one-quarter of one per cent while lower class B space is less than 4%. Since new construction of major significance will not be ready for two or three years, low vacancy rates are here to stay for some time. However, 2010 is expected to be a breakout year in which change – at long last – is set to occur.

Regina Centre Crossing, located on Albert Street just north of the downtown core, is nearing completion. This 12-acre redevelopment offers close to 120,000 sf of space and has approximately 35,000 sf available with numerous office-retail spaces committed to new tenants. Pad sites on the remaining property site are available for new development.

Albert Street and 11th Avenue will be home to a new four-storey office building totaling approximately 80,000 sf. This lot has been vacant for some time and the new office development is welcomed by both new tenants and those already in the downtown area. Construction is planned for 2010 with occupancy in 2011.

Pasqua Street and Dewdney Avenue will be home to a new three-storey, 37,000-sf mixed-use office building, which will be located adjacent to the Pasqua Hospital and is intended to attract tenants that complement the health services industry. Construction is planned for 2010 with occupancy in 2011.

Discussions related to at least two major downtown highrise office towers have continued over the past year and a firm announcement on construction plans is expected in 2010 so that the inventory will come onto the market in 2012 or 2013.

The City of Regina and the Regina Downtown Business Improvement District Board completed the Downtown Neighborhood Plan and Build Form Framework policy documents in 2009. The plans call for downtown Regina to be a lively people-oriented place with new retail, residential, office and hospitality development to complement what the area already has to offer. As well, the City recently released a new marketing and promotion campaign, Infinite Horizons, which will promote Regina as the best place to live, work and play.

Suburban office space has grown somewhat over the past year as new space was added to the Regina Research Park. Developers and tenants have expressed interest in the concept of a multi-building suburban office park with a campus-style environment. Evaluation of preferred locations, building design, tenant mix and ownership options will occur throughout 2010 with a possibility of announcements by mid-year. Regina Research Park is currently evaluating proposals for private public partnerships to expand their property and add new buildings.

Recent Lease Transactions

501 High Street West (industrial) – 20,000 sf
495 Henderson Drive (industrial) – 19,100 sf
435 Dewdney Avenue (industrial) – 10,000 sf
828 Albert Street (office) – 8,700 sf
340 Longman Crescent (industrial) – 6,000 sf
6807 Rochdale Boulevard (retail) – 4,500 sf
5875 Rochdale Boulevard (retail) – 3,300 sf
2010 – 11th Avenue (office) – 3,300 sf
1055 North Stockton (retail) – 2,200 sf
4422 Albert Street (retail) – 1,200 sf

Recent Exclusive Lease Listings

1827 Albert Street (office) – 80,000 sf
1831E Macrae Drive (industrial) – 6,600 sf
1056 Winnipeg Street (industrial) 4,000 sf
1920 Prince of Wales Drive (retail) – 2,000 sf
2631 – 28th Avenue (office) – 1,800 sf

Recent Properties Sold

Lloydminster/Estevan (land) – 1.67 acres
Dewdney & Pasqua Street (land) – 1.65 acres
1827 Albert Street (land) – 0.57 acres
4217 Dewdney Avenue (land) – 3,100 sf

Recent Sale Properties Listed

Residential Sub-division – 150 acres
4600 Grid Road (land) – 40 acres
Development land – 5 acres



Rendering: 1827 Albert Street, new development

Immigrants bolster commercial real estate market



Manitoba Hydro Building

Winnipeg's commercial real estate market is riding the surging residential sector's wave.

A steady influx of 10,000 immigrants per year has created a housing market boom. But Winnipeg's home prices remain well below those in other major and mid-sized Canadian cities.

The result: almost 0% apartment vacancy and a large ripple effect on construction and commercial real estate activity.

Construction prices remain high, making it a challenge to retrofit commercial space; however, demand for commercial real estate is increasing as many new businesses grow increasingly frustrated with a lack of retail and office space improvement options.

Developers face challenges when trying to modernize old structures, so some buildings are

just sitting idle, as they are functionally obsolete, or have been classified as historic. These factors are not deterring major commercial real estate transactions.

Investors recognize that the city's positive economic fundamentals – even after a recession – favour the commercial market over the long term. In late February, Artis REIT acquired a 49% interest in the Winnipeg Square Parkade for \$11.8 million and purchased an additional 11% share of the retail-office property above it at 360 Main Street for \$12.5 million, increasing its total ownership stake in the Shops of Winnipeg Square to 49%. In another notable deal in December 2009, RioCan REIT acquired a 30% interest in Garden City Shopping Centre for \$150 to \$200 million.

These transactions, and Winnipeg's strong housing market, are based on competitive strengths unique to the city. While there may still be a bit of doom and gloom floating around following the global economic downturn, the total gross domestic product (GDP) of industry sectors in Winnipeg is expected to grow significantly. All industry clusters, except advanced manufacturing, should more than double over a 10-year period.

Office, retail and industrial users alike are attracted to Winnipeg's central North American location, and the city's links to air, road, rail and sea transportation routes provide an important distribution advantage. Business costs (including accommodation and human resources) rank among the lowest in developed countries while energy expenses are among the lowest in North America – trends that are expected to continue.

Thanks to the influx of immigrants, the city's well-educated workforce of 54,000 and extensive research infrastructure have produced a very stable and static professional knowledge bank, and an affordable, high quality of life has enabled firms to retain top talent.

The newcomers have helped establish Winnipeg as a regional centre with a diversified economy that includes strong finance, manufacturing, transportation, food and beverage production, culture, government, retail, and tourism sectors.

According to the Conference Board of Canada, Winnipeg will have the third fastest growing economy among Canada's major cities in 2010 with real GDP growth of 2.5% – after the city resisted many negative effects of the global economic slowdown.

As immigrants continue to arrive on a daily basis, Winnipeg's commercial real estate market can look forward to a promising and profitable future.

Recent Lease Transactions

909 Jarvis Avenue (industrial) – 34,200 sf
330 Portage Avenue (office) – 24,000 sf
979 Fife Street (industrial) – 5,000 sf

Recent Exclusive Lease Listings

Portage Place (office/retail) – 220,000 sf
Tuxedo Park Shopping Centre (office/retail) – 132,000 sf
Maples Marketplace (office/retail) – 57,000 sf
Waverley Professional Centre (office) – 30,000 sf
999 Fife Street (industrial) – 12,400 sf
1345 Pembina Highway (office) – 11,500 sf
984 Portage Avenue (office/retail) – 10,700 sf

Recent Properties Sold

Camp Woodlands, Woodlands (recreational facility) – 40 acres
1505 1st Street, Brandon (land) – 1.08 acres
73 Hargrave Street (office/retail) – 3,700 sf
1110 Chevrier Boulevard (industrial) – 2,000 sf

Recent Sale Properties Listed

Ashberry Place, Thompson (multi-family/land) – 103 units
56 Copper Road, Thompson (office/land) – 23,000 sf
Gallant Family Foods and Del's Specialty Meats, Letellier (business/land) – 13,600 sf
Downtown Restaurant and Bar (retail) – 3,200 sf
402 Notre Dame Avenue (commercial condo) – 1,100 sf
3537 Pembina Highway (multi-family/land) – 0.7 acres



Rendering: Waverley Professional Centre

Solar panel technology generates luke-warm reaction



The LoyaltyOne call centre at 6696 Financial Drive in Mississauga features the largest rooftop solar panel installation in Canada.

As Ontario battles to become the greenest province in Canada, more and more green technology is being introduced into the Greater Toronto Area (GTA) West – one of the largest industrial markets in North America.

One of the most talked about trends in industrial real estate is the retrofitting of solar panels to the roofs of industrial buildings to generate clean electricity. The idea of solar panels

being placed on building roofs is not a new idea; however, with the implementation of possible government grants, rebates, the province's feed-in tariff program (FIT), which offers stable prices under long-term contracts for energy generated from renewable sources, and a desire for possible additional income generation by landlords, this idea has been garnering a lot of attention recently.

The GTA West industrial market comprises Mississauga, Brampton, Milton, Halton Hills, Oakville, and Burlington and contains approximately 327 million square feet (msf) of industrial space, making it a prime target for solar panel roofing technology. Even with the large amount of available roof space and publicity currently surrounding solar panel roofs, this trend is not expected to gain traction for a couple of years.

Solar panel roof technology works by generating electricity from the sun, which is then fed back into the energy grid. Ontario Power then buys the electricity back from the landlord (or the owner of the system) at a premium rate of approximately 60 to 70 cents per kilowatt under the FIT program. Unfortunately, this type of government-backed system provides very little benefit, if any, to industrial tenants, who are ultimately the drivers of the industrial market.

Furthermore, possible issues can arise with tenants if landlords decide to modify or reconstruct the roof of a building. In certain cases, leases would have to be reopened in order to construct a solar panel system on the roof of a leased building; and at this point in the economic recovery, it appears unlikely that many major landlords would be willing to take the risk. Therefore, many of the major GTA West landlords are adopting a conservative approach to the program.

Conversely, this technology may find success with owner-occupiers, because of the guaranteed long-term income stream and their ability to make decisions without facing too much red tape, as is evident by Loblaw's recent commitment to incorporate solar panel technology on store roofs in four Ontario cities. At this time, however, owners would be limited to acting as vendors under the FIT program, as it would not be financially feasible to use the electricity for their own purposes. Consequently, there is still a fair amount of reluctance, as there are very few rooftop systems actually operating in the GTA West, and most industrial property owners are taking a wait-and-see attitude.

It is expected that after several early adopters incorporate the solar panel technology into their buildings systems, others will follow suit. But it will likely take another one to two years for a noticeable trend to become visible in the GTA West.

Recent Lease Transactions

PWGSC (industrial) – 72,000 sf
Bakemark Canada (industrial) – 22,500 sf
McRae Imaging (industrial) – 22,500 sf
PWGSC (office) – 14,000 sf
Hagemeyer Canada Inc. (industrial) – 13,600 sf
Connors Transfer Ltd. (industrial) – 13,400 sf
Farm Credit Canada (office) – 9,100 sf
AW Hooker and Associates (office) – 8,300 sf
Spa Direct (retail) – 5,100 sf

Recent Exclusive Lease Listings

396 Clarence Street, Brampton (industrial sublease) – 78,000 sf
190 Annagem Boulevard (industrial) – 76,500 sf
5300 Satellite Drive (industrial) – 65,000 sf
5280 Solar Drive (office) – 60,000 sf
5397-5409 Eglinton Avenue West, Toronto (office) – 53,600 sf
96 Planchet Road, Vaughan (industrial sublease) – 50,000 sf
70 Disco Road, Toronto (industrial) – 47,900 sf
6300 Kennedy Road, Unit 4 (industrial) – 46,000 sf
2375 Skymark Avenue (office) – 40,000 sf
6750 Century Avenue (office) – 33,300 sf
6835 Century Avenue (office) – 25,000 sf
175 Nugget Court, Brampton (industrial) – 20,400 sf
1900 Minnesota Court (office) – 19,600 sf
5090 Explorer Drive (office) – 19,000 sf
1 Eva Road, Toronto (office) – 17,100 sf
7420 Airport Road (office) – 16,100 sf
178 South Service Road, Oakville (office sublease) – 15,800 sf
6870 Goreway Drive (office) – 15,000 sf
7170 West Credit Avenue (flex office) – 11,200 sf
1267 Cornwall Road, Oakville (office) – 8,800 sf
2227 South Millway (office) – 7,700 sf
1450 Meyerside Drive (office) – 7,200 sf
2896 South Sheridan Way, Oakville (office) – 6,000 sf
60 Rebecca Street, Oakville (office) – 4,200 sf
178 South Service Road, Oakville (office) – 4,000 sf

Recent Sale Properties Listed

5275 Bath Road, Millhaven (industrial) – 480,000 sf
144 & 155 First Avenue, Oshawa (industrial) – 411,000 sf
400 Harry Walker Parkway South, Newmarket (Industrial) – 140,500 sf
2375 Skymark Avenue (office) – 40,000 sf
7420 Airport Road (office) – 39,700 sf
2896 South Sheridan Way, Oakville (office) – 6,000 sf



400 Harry Walker Parkway South, Newmarket

Toronto

150 York Street, Suite 900
Toronto, ON M5H 3S5
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Developers, building owners to benefit from business incentives



Toronto Downtown core skyline

In order to remain a competitive and attractive location for new development, the City of Toronto recently implemented a number of business incentives.

These development incentives reinforce the pro-business stance of the city and support development and improvement in industries that promote Toronto's successful and growing business environment. A significant initiative is the offering of Imagination, Manufacturing, Innovation, Technology (IMIT) grants, which are available for new building construction and building expansion in targeted industries and areas across the city. Qualified applicants may save an average of 60% of the resulting increase in their municipal property tax over a 10-year period. The program has been made available for a five-year period, as applications are being accepted until 2013. The major sectors that have been targeted for this program are biomedical operations, creative industries, information and communications technology, manufacturing, and tourist attractions. At this time, the program is not available to retail, residential or government developments.

Improvement or new development will likely increase the assessed value of a property. Following an improvement or new development, a property is reassessed by the Municipal Property Assessment Corporation (MPAC). Each year, the grant is calculated as a declining percentage of the municipal tax increment based on the property's MPAC reassessment. The grants continue as long as the property is not converted to an ineligible use or demolished.

Office developments will fall under one of the following categories for the program: corporate headquarters, corporate office building, major office development, office building, or office. Each of these categories has specific eligibility criteria, including size and location. There are currently several properties that are in the process of completing their grant agreements with the city and it is believed that announcements are imminent. Public applications must be made prior to issuance of above-grade building permits, making many recently constructed downtown office towers unable to qualify for the program.

Brownfield Remediation Tax Assistance (BRTA) is also a component of the IMIT program. This element seeks to assist brownfield properties where contamination has caused a property to be vacant, underutilized, or abandoned. In order to encourage investment in these sites, all or a portion of the municipal tax increase resulting from development may be cancelled by the City of Toronto to offset the remediation costs incurred by the owners. Eligible costs include environmental studies, environmental remediation and insurance premiums, demolition or removal of debris, and costs associated with compliance of certificate of property use. Assuming the remediation meets the qualified criteria, BRTA may be provided for up to three years. This assistance program will be exclusively available to owners who undertake remediation projects for employment uses – excluding retail.

Recent Lease Transactions

National Bank of Canada (office) – 107,000 sf
City of Toronto (office) – 47,500 sf
City of Toronto (office) – 43,700 sf
Catholic Community Services of York Region (office) – 27,000 sf
York Central Hospital (office) – 21,100 sf
MPH Accessible Media (office) – 19,500 sf
The Toronto New School (office) – 15,300 sf
City of Toronto (office) – 14,900 sf
Aecon (office) – 14,400 sf
After Post Production (office) – 14,400 sf
BA Group (office) – 13,400 sf
Mizuho Corporate Bank (office) – 12,000 sf
Stern Cohen (office) – 11,200 sf
TAO (office) – 6,400 sf

Recent Exclusive Lease Listings

10 Milner Business Court, Scarborough (office) – 50,000 sf
20 Duncan Street (office/retail) – 20,000 sf
8133 Sheppard Avenue East & 1265 Morningside Avenue, Scarborough (office) – 16,400 sf
2040 Yonge Street (office) – 10,500 sf
77 Yorkville Avenue (retail) – 3,600 sf
151 Bloor Street West (retail) – 3,100 sf

Recent Properties Sold

2645 Skymark Avenue, Mississauga (office/warehouse) – 140,000 sf
1450-1468 Midland Avenue & 2560-2572 Lawrence Avenue East (office) – 47,000 sf
96 Isabella Street (multi-residential) – 28 units
49 Dundonald Street (multi-residential) – 32 units
780 Bancroft Road, Mississauga (land) – 3.2 acres
508-516 Wellington Street West (land) – 0.2 acres

Recent Sale Properties Listed

Taunton Gardens Shopping Centre, Whitby (retail) – 455,600 sf
201 Earl Stewart Drive, Aurora (warehouse) – 62,000 sf
1470 Don Mills Road (office) – 37,000 sf
170 North Front Street, Belleville (retail) – 23,000 sf

Recent Management Additions

55 Town Centre Boulevard, Scarborough (office) – 218,000 sf



55 Town Centre Court: nine storey, 218,000-sf office building with the Government of Canada, Transpharm and Great West Life as principal tenants.

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Markham, Richmond Hill become corporate destinations



In spring 2010, BMW will relocate its Canadian head office to Richmond Hill, ON, along Highway 404.

In a decision attributed to timing and a lack of red tape, Honda Canada has decided to build its new head office in Markham, which bills itself as Canada's high-tech capital and is home to other corporate head offices, including IBM and American Express.

Honda will initially relocate 500 employees to the new site to be built on a 19-hectare parcel of land facing Highway 404, just north of Elgin Mills Road. The tentative move-in date is the third quarter of 2010. According to Markham Mayor Frank Scarpitti, Honda saw a municipality that was willing to

work with it and make things happen quickly.

Along Highway 404, another major global brand has chosen Richmond Hill for its Canadian head office, with German carmaker BMW relocating from Ajax into new purpose-built offices in spring 2010.

These two new projects for the Northeast GTA are part of an ongoing trend in the region of attracting the best companies to locate in Markham and Richmond Hill.

Other notable companies with a major presence in the GTA North are: AMD, (the California-based computer chip maker has a campus of office buildings and research space in Markham along Highway 407); Compuware, Opentext, Acklands Grainger, Apotex, Smucker Foods, Lexmark, Lexis Nexus, Johnson Insurance and Compugen.

In excess of 400 of Canada's best known companies are headquartered in North Toronto, including Apple, Motorola, Lucent Technologies, Nike, Office Depot, Pioneer Electronics, Sun Microsystems, Timex, Philips Electronics, IBM Software Labs, CAA, Marshall Macklin Monaghan, and Sofina Foods.

The reasons behind the success of Markham and Richmond Hill in attracting world-class companies and the much desired jobs they offer the local communities are many, but the area's key advantages include low tax rates, transportation infrastructure, an educated workforce, a high quality of life and abundant amenities.

The property tax differential for comparable office space between Toronto and its neighbours to the north is \$3 to \$5 per square foot while the intersection of Highways 404 and 407 cuts right between the two towns and provides a complete east-west, north-south connectivity that makes the entire GTA accessible for products and employees.

The diverse, highly skilled workforce, with over 60% possessing a post-secondary education, enables the local economy to thrive on its connectivity with the world's emerging markets and ground-breaking technologies. With a high quality of life and abundant amenities, Markham and Richmond Hill have grown into self-sustained economic powerhouses that support a diverse mix of retailers, hotels, gourmet restaurants and transit expansion.

As a result, Markham and Richmond Hill are moving ahead with land allocation plans as their civic leaders plot the growth of their communities and the future expansion sites for Canadian and international best-in-class companies.

Recent Lease Transactions

SNC Lavalin Inc. (office) – 17,000 sf
Zylog Systems (Canada) Ltd. (office) – 16,500 sf
Waterheater Operating Limited Partnership (office) – 16,000 sf
Kwan Chan Law CA (office) – 3,500 sf
Golden Ridge Realty (office) – 2,900 sf
Most Unique (office) – 1,700 sf

Recent Exclusive Lease Listings

95 Mural Street Richmond Hill (office) – 119,800 sf
7030 Woodbine Avenue, Markham (office) – 119,000 sf
7100 Woodbine Avenue, Markham (office) – 117,900 sf
175 Commerce Valley Drive West, Markham (office) – 106,300 sf
38 Leek Crescent, Richmond Hill (office) – 101,500 sf
30 Leek Crescent, Richmond Hill (office) – 98,600 sf
140 Allstate Parkway, Markham (office) – 80,100 sf
3660 Midland Avenue (office) – 66,000 sf
500 Hood Road, Markham (office) – 62,000 sf
7050 Woodbine Avenue, Markham (office) – 52,000 sf
300 West Beaver Creek Road, Richmond Hill (office) – 6,700 sf



30 Leek Crescent, Richmond Hill

Office leasing landscape undergoes change



160 Elgin Street - Place Bell Canada

For the first time in many months, Ottawa's office leasing market has some vacancy.

No, the sky is not falling and net effective rental rates inside the greenbelt are not on the decline – at least, not yet. However, for the first time in a long time, tenants, who previously had few alternatives to lease renewals due to a lack of available product, now have other options to consider.

This change is due to a number of factors. The proroguing of Parliament appears to have taken some of the deal velocity away from Public Works and Government Services Canada over the past several weeks. Between that and the relocation of some engineering positions out of the core to the Kanata West market, some holes in the downtown class A market have opened up. While the vacancy

statistics that result from this softening would still be the envy of any major metropolitan centre in the country, they do give local landlords pause to reflect.

One local landlord's reaction was interesting in that the company viewed the situation as trouble. However, it should be viewed as a positive development by building owners, who are in a position to accommodate growth for the first time in many quarters. Tenants should feel more comfortable with decisions made after reviewing renewal proposals that take into consideration that alternative solutions do exist – for the first time in many months.

Of note, as well, is the change in the Kanata West marketplace's leasing landscape. Looking back 10 years ago, Kanata West was in the midst of the technology bubble run-up, when bowling alleys and low-end retail stores were being converted into flex office and light manufacturing space to accommodate the rapidly expanding photonics industry. Approximately 5 million square feet was added to the market during those heady days – which came to a screeching halt when the technology bubble burst in mid-2001.

Afterwards, Kanata West's once thriving market experienced 30% direct and sublet vacancy. What followed was the inevitable drop in net rental rates. Landlords were competing in the sublease market for surplus space with major technology players who occupied much of the new space. These companies were anxious to recover anything in the way of operating costs and taxes and take even modest rental recoveries. Companies lucky enough to be in the market for space coming out of the technology crash could afford to take on expansion space at very modest cost – because the true cost of carrying that space was being passed on to the companies holding head leases.

Well, the free ride is almost over. Most new deals completed during the technology run-up were 10 years in duration – and the 10-year lease terms are coming to an end. Tenants in sublease positions now must deal with landlords looking to bolster their bottom lines.

That being said, there are plenty of options in the sublease market – but the mid-teen gross rental rates for office space will soon be a thing of the past.

Recent Lease Transactions

Federation of Canadian Municipalities (office)
– 13,400 sf

Recent Exclusive Lease Listings

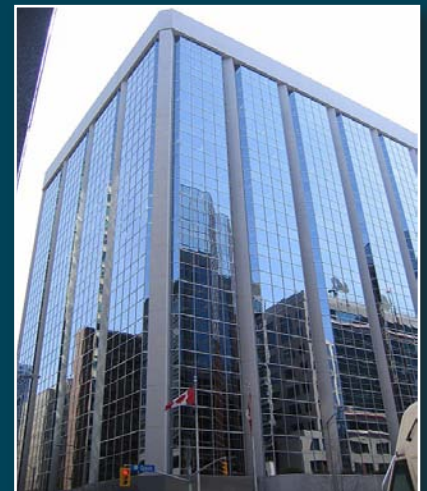
Nepean Crossroads (retail development) – 42,200 sf
2525 Carling Ave (retail) – 22,500 sf
1101 Prince of Wales (office) – 12,700 sf

Recent Properties Sold

2810 Baycrest (office) – 28,000 sf
1174 Carp Road (retail) – 4.5 acres

Recent Sale Properties Listed

450 Churchill (sale mandate) (land and building)
– 26,400 sf

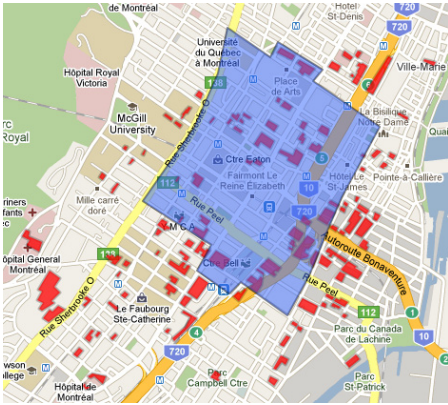


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Parking tax introduced in the CBD



Taxed CBD parking lots, Montreal

In June 2009, the Quebec government approved a new law (Bill 22) that amends the way Montreal's municipal services are governed. Since the mega-city of Montreal and a number of its suburbs demerged back in January 2006, shared services and taxation powers within the Greater Montreal Urban Agglomeration Council have become a significant source of contention. This change in legislation redistributed some taxation rights and powers to the City of Montreal and the demerged suburbs. It also gave the city the power to tax some goods and parking areas.

Options for additional sources of municipal financing have been debated for several years. Such options include tolls on bridges and taxes on downtown entertainment and parking. The City of Toronto was granted similar powers to raise funds; however, Toronto's debate on a potential parking tax concluded that such an option would be to the detriment of commercial activity in the downtown core. Consequently, the proposed tax was not implemented.

In its 2010 budget, the City of Montreal levied a tax on indoor and outdoor non-residential parking lots, based on their surface areas. According to city officials, this tax will generate an additional \$20 million in annual revenue which they claim will both subsidize and encourage the use of public transit services. Despite its intent of financing public transit serving the entire Island of Montreal, this new tax was not imposed city-wide. It will only affect property owners and users in the general downtown area, from Atwater Street to the west, Papineau Street to the east, des Pins Avenue to the north, and Bridge Street to the south. Parking tax rates are highest for outdoor parking lots located within the central business district (CBD).

Since 2002, the Urban Development Institute of Quebec (UDI) has been working with several other interest groups to represent the best interests of real estate owners and users in this parking tax debate. The UDI has highlighted several important implications of such a tax. First and foremost, the burden of paying these additional taxes is carried not only by the owners of parking lots located in office buildings and shopping centres, but ultimately passed onto the end users: consumers, employees, and businesses leasing space downtown. The new tax is likely to result in tenants and visitors paying increased rates for parking in the city.

For tenants operating in the CBD, pre-Bill 22 tax rates were already much higher than those charged to businesses that operate in peripheral and suburban locations. Over the last few years, the city blanketed downtown and its periphery with parking meters, extended the chargeable parking periods, and increased downtown meter rates to \$3 per hour while imposing two-hour limits.

With the continued success of suburban lifestyle centres such as Quartier DIX30 on the South Shore, additional taxes imposed on parking will likely further displace the clientele that has traditionally shopped and dined in the CBD.

Recent Lease Transactions

Marquez Transtech (industrial) – 78,900 sf
Bombardier (office) – 49,200 sf
Claimspro (office) – 36,400 sf
Westcon Canada Systems (industrial) – 33,900 sf
Woods LLP (office) – 16,000 sf
MedCases / IC Axion (office) – 14,500 sf
Mirabeau (office) – 8,800 sf
Hilti Corporation (retail) – 3,600 sf
Ricoh Canada (office) – 2,500 sf
Grondin Savarese (office) – 2,400 sf
SportsInsurance.com (office) – 2,200 sf
MetaQuest Software (office) – 1,600 sf
Hilti Corporation (retail) – 1,500 sf

Recent Properties Sold

4521 Clark Street (office) – 11,400 sf

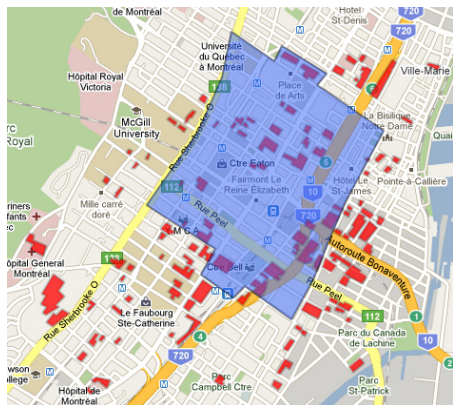
Recent Sale Properties Listed

405 Concorde (office) – 37,500 sf



Downtown Montreal office towers

Montréal va de l'avant avec son projet de taxe sur le stationnement



Stationnements taxés dans le QCA de Montréal

certains biens et les aires de stationnement.

Les options quant aux sources additionnelles de financement municipal ont fait l'objet de débats depuis plusieurs années. Les options incluaient des péages sur les ponts et des taxes sur le divertissement et le stationnement au centre-ville. La Ville de Toronto s'est vu accorder des pouvoirs de financement semblables. Cependant, au terme d'un débat sur une telle taxe sur le stationnement, il a été convenu que cette option serait nuisible à l'activité commerciale du centre-ville. Par conséquent, la taxe a été abandonnée.

Dans son budget de 2010, la Ville de Montréal a imposé une taxe sur les stationnements non-résidentiels intérieurs et extérieurs, en fonction de leur superficie. Selon les responsables de la ville, cette taxe générera 20 millions de dollars de recettes supplémentaires, montant qui, selon ces responsables, subventionnera et encouragera l'utilisation des services de transport en commun. En dépit du fait que le transport en commun dessert l'Île de Montréal au complet, cette nouvelle taxe n'a pas été imposée à l'échelle de la ville. En effet, cette taxe n'affectera que les propriétaires et les utilisateurs dans le quadrilatère formé par l'avenue Atwater à l'ouest, l'avenue Papineau à l'est, l'avenue des Pins au nord et la rue Bridge au sud. Les taux d'imposition sur le stationnement sont plus élevés pour les parcs de stationnement extérieurs situés dans le quartier central des affaires (QCA).

Depuis 2002, l'Institut de développement urbain du Québec (IDU) travaille avec plusieurs autres groupes d'intérêts pour représenter les propriétaires et les utilisateurs immobiliers au sein du débat concernant la taxe sur le stationnement. L'IDU a mis en lumière plusieurs conséquences importantes d'une telle taxe. Tout d'abord, la charge de ces impôts supplémentaires incombera non seulement aux propriétaires des parcs de stationnement des immeubles de bureaux et des centres commerciaux, mais aussi aux utilisateurs : les consommateurs, les salariés et les entreprises qui louent des espaces au centre-ville.

Pour les locataires exerçant leurs activités dans la QCA, les taux d'imposition qui existaient avant le projet de loi 22 étaient déjà beaucoup plus élevés que ceux des entreprises exerçant leurs activités dans les régions périphériques et les banlieues. Au cours des dernières années, la Ville de Montréal a recouvert le centre-ville et sa périphérie de parcomètres, a prolongé la période au cours de laquelle le stationnement est payant, et a augmenté les taux horaires des parcomètres du centre-ville à 3 \$ l'heure, tout en y imposant une limite de deux heures.

Avec le succès continu des centres commerciaux à ciel ouvert en banlieue, tel que le Quartier DIX30 sur la Rive-Sud, les taxes supplémentaires imposées sur le stationnement sont susceptibles d'influencer la clientèle de l'extérieur du centre-ville qui y magasine et s'y restaure.

En juin 2009, le gouvernement du Québec a approuvé une nouvelle loi (projet de loi 22) qui modifie la façon dont les services municipaux de Montréal sont gouvernés. Depuis qu'un certain nombre de villes de banlieue se sont défusionnées de la mégalopole de Montréal en janvier 2006, les services partagés et les pouvoirs de taxation du conseil d'agglomération de Montréal sont devenus un important sujet de discord. Ce changement législatif a redistribué certains droits et pouvoirs d'imposition à la Ville de Montréal et aux banlieues reconstituées. Il a également donné à la ville le pouvoir de taxer

Récents transactions de location

Marquez Transtech (industriel) – 78 900 pi.ca.
Bombardier (bureaux) – 49 200 pi.ca.
Claimspro (bureaux) – 36 400 pi.ca.
Westcon Canada Systems (industriel) – 33 900 pi.ca.
Woods s.e.n.c.r.l. (bureaux) – 16 000 pi.ca.
MedCases / IC Axion (bureaux) – 14 500 pi.ca.
Mirabeau (bureaux) – 8 800 pi.ca.
Hilti Corporation (commerce de détail) – 3 600 pi.ca.
Ricoh Canada (bureaux) – 2 500 pi.ca.
Grondin Savarese (bureaux) – 2 400 pi.ca.
SportsInsurance.com (bureaux) – 2 200 pi.ca.
MetaQuest Software (bureaux) – 1 600 pi.ca.
Hilti Corporation (commerce de détail) – 1 500 pi.ca.

Propriétés récemment vendues

4521, rue Clark (bureaux) – 11 400 pi.ca.

Récents mandats de vente

405, de la Concorde (bureaux) – 37 500 pi.ca.



4521, rue Clark, Montréal

Quebec City

1300 Ste-Anne Boulevard
Quebec City, QC G1E 3M5
T 418.694.3330 F 418.694.3334

Quebec City's market sustains itself during tough times



Complexe Jules Dallaire, Quebec City

The Quebec City economy experienced a period of significant expansion in 2008 and 2009 – a time when world commerce was struggling. It was a period which brought an important supply of new office space to various parts of the provincial capital region, including Lévis and other areas of the South Shore. Capitalization rates during this period were on the rise across Canada; however, perceived real estate values in Quebec City remained stable. Prospective office property purchasers anticipated a decline in values similar to what was taking place in the rest

of Canada, but it did not materialize. Stable vacancy rates and continued economic activity allowed potential vendors to remain firm with expected selling prices.

As the Quebec City economy remained stable, property owners were relatively unaffected by the addition of new office space and the downturn.

New construction activity is expected to settle down throughout 2010. With the recent addition of several new buildings to Quebec City's office inventory, approximately 1 million square feet of vacant space remains to be absorbed. Recent projects are now ready for occupancy, and those now in the planning stages will likely be postponed to next year, as is the case for the second phase of Place de l'Escarpement.

As a result, the anticipated absorption of properties brought on the market in 2008 and 2009 will be of great interest to prospective investors. Based on recent history, this challenge should not be insurmountable.

On the whole, the world economy is performing better, and the Quebec City office market faces fewer economic risks than it did a year ago. As it did while the global economy struggled, the provincial capital region presents excellent real estate investment opportunities – and continues to provide stable income and long-term security. Office occupancy levels remain among the highest in the country and there is still no reason to believe that the Quebec City market will look much different over the next few years.

Employment, an important indicator of commercial real estate market strength, especially in the office asset class, is expected to remain relatively stable going forward. Quebec City's high concentration of employment in relatively recession-proof industries, such as public administration, hospitals, and post-secondary education, should add even more stability during today's less difficult economic times.

Vacancy levels should also be able to withstand the upcoming absorption test. With few new projects slated for construction in 2010, existing office properties will become increasingly attractive potential acquisitions. The entire region should experience a notable increase in commercial real estate activity in the second half of the year.

Following Quebec City's 400th anniversary celebration in 2008, a long pause in investment activity and a general economic slowdown were anticipated. However, the local economy sustained itself and Quebec City's commercial real estate market was not impacted in the ways some had expected.

This recent history bodes well for those who choose to increase their presence in the Quebec City marketplace in the years to come.

Recent Sale Properties Listed

1300 Sainte-Anne Boulevard (land/retail) – 200,000 sf
390 – 4th Avenue (retail and residential) – 20,000 sf
65 St-Vallier Street (multi-residential) – 56 apartments
7 Sainte-Geneviève (multi-residential) – 7 apartments
41 ½ d'Auteuil Street (office) – 2 apartments



Édifice Fondation CSN, Quebec City

Le marché de la Ville de Québec se maintient malgré la crise

L'économie de la Ville de Québec a connu une période d'expansion importante en 2008 et 2009, alors que le commerce était en difficulté à l'échelle mondiale. Au cours de cette période, plusieurs nouveaux immeubles de bureaux ont été construits dans la région de Québec, y compris à Lévis et dans d'autres régions de la Rive-Sud. Les taux de capitalisation au cours de cette période furent à la hausse partout au Canada. Néanmoins, les valeurs immobilières commerciales dans la Ville de Québec sont demeurées stables. Les acquéreurs d'immeubles de bureaux anticipaient une baisse de la valeur des immeubles semblable à celle qui se répercutait dans le reste du Canada, mais ce scénario ne s'est pas concrétisé. Des taux d'occupation stables et une activité économique soutenue ont permis aux vendeurs potentiels de maintenir leurs prix de vente.

Comme l'économie de Québec est demeurée stable, les propriétaires ont été relativement peu affectés par l'ajout de nouveaux espaces de bureaux ou par le ralentissement économique.

Il est prévu que les nouvelles activités de construction diminueront au cours de l'année 2010. Compte tenu de l'ajout récent de plusieurs nouveaux immeubles de bureaux à l'inventaire de Québec, il y a environ 1 million de pieds carrés d'espace vacant devant être absorbé. Les projets récemment complétés sont maintenant prêts à être occupés, et ceux qui sont actuellement en cours de planification seront probablement reportés à l'année prochaine, comme c'est le cas pour la deuxième phase de la Place de l'Escarpement.

Par conséquent, l'absorption prévue des espaces mis sur le marché en 2008 et 2009 sera d'un grand intérêt pour les investisseurs potentiels. Si nous nous fions à l'histoire récente, ce défi ne devrait pas être insurmontable.

Dans l'ensemble, l'économie mondiale devient plus performante, et le marché des immeubles de bureaux de la Ville de Québec fait face à moins de risques économiques qu'il y a un an. Comme c'était le cas alors que l'économie mondiale traversait une période creuse, la région de Québec présente d'excellentes opportunités immobilières pour les investisseurs, et continue de fournir des revenus stables et une sécurité à long terme. Les niveaux d'occupation des immeubles de bureaux demeurent parmi les plus élevés au pays et il n'y a toujours pas de raison de croire que le marché de la Ville de Québec changera beaucoup au cours des prochaines années.

L'emploi, un indicateur important de la robustesse du marché immobilier commercial, en particulier dans la classe d'actifs de bureaux, devrait rester relativement stable à l'avenir. La forte concentration des emplois dans des industries relativement résistantes à la récession, telles que l'administration publique, les hôpitaux et l'éducation post-secondaire, devrait apporter encore plus de stabilité au marché de la Ville de Québec au cours de cette période moins difficile d'un point de vue économique.

Les taux d'occupation devraient également être en mesure de résister aux défis à venir en matière d'absorption. En raison de la faible quantité de nouveaux projets de construction en 2010, les immeubles de bureaux existants deviendront des acquisitions potentielles de plus en plus attirantes. Toute la région devrait connaître une importante hausse de l'activité immobilière commerciale dans la seconde moitié de l'année.

Suite à la célébration du 400^e anniversaire de Québec en 2008, une longue pause dans l'activité d'investissement et un ralentissement économique général étaient prévus. Cependant, l'économie locale est demeurée vigoureuse et le marché immobilier commercial de Québec n'a pas été touché autant que certains l'avaient escompté.

Cette expérience récente est de bon augure pour ceux qui choisiront d'accroître leur présence sur le marché de la Ville de Québec au cours des prochaines années.

Récents mandats de vente

1300, boulevard Sainte-Anne (terrain/commerce de détail) – 200,000 pi.ca.

390 – 4^e avenue (vente au détail et résidentiel) – 20 000 pi.ca.

65, rue St-Vallier (multi-résidentiel) – 56 appartements

7, Sainte-Geneviève (multi-résidentiel) – 7 appartements

41 ½, rue d'Auteuil (bureaux) – 2 appartements



41 ½, rue d'Auteuil, Québec

New environmental policies to shape downtown landscape



The Armour Group's Park Place V development in City of Lakes Business Park.

Halifax is in the middle of a revolution – a green revolution. Environmental issues and concerns are no longer on the back burner. The environment is front and centre and has become an important component of the commercial real estate market, and will shape the future landscape of the city – literally.

HRM by Design, the recently adopted planning document that charts the future development of Downtown Halifax, has environmental sustainability requirements ingrained within its framework. It is no longer an option to consider a commercial building's environmental impact – it's a necessity. Going forward, waste diversion, water conservation, and green roofs will be as important for the commercial real estate industry to understand as net effective rents and construction costs.

Other municipal planning strategies that focus on reducing carbon emissions and greenhouse gases will soon be put in place. These updated plans will also emphasize building complete neighbourhoods and infilling, and reversing the urban sprawl that has occurred for decades. What does that mean for the commercial real estate community?

Obviously, HRM by Design will have an impact on future demand trends, the types of space required, and where it will be needed. Learning and understanding how the landscape of the city is planned to unfold should lead to some excellent real estate opportunities.

Meanwhile, provincial public policy is also going green. The Nova Scotia government recently tabled a policy that would require 25% of the province's energy consumption to be derived from renewable resources such as wind, solar and tidal by the year 2015. The province also requires that any new provincially-funded building must be LEED certified.

Tenants are also part of Halifax's green movement. Many companies now have green policies and some have a requirement to be in green buildings. Firms see the situation as not only an opportunity to be a good corporate citizen, but also to ensure they provide a comfortable and healthy workplace for their employees.

As a result, developers are caught up in the green shift, too. For example, the Armour Group's Park Place V was the region's first and largest multi-tenant LEED-registered project, and East Port Properties is planning to build the first LEED-certified warehouse in Canada. These projects are forerunners of what will become standard structures in the future.

As you can see, the impact of this green trend has immediate implications – and lasting effects on the commercial real estate market. Regardless of the real estate industry sector, regardless of whether it is convenient or inconvenient, learning and understanding these issues will be a requirement for future success.

Recent Lease Transactions

Kids and Company Limited (retail) – 8,000 sf
Hussman Canada (industrial) – 7,900 sf
Halifax Allergy and Asthma (office) – 3,600 sf
EduNova Co-operative Limited – (office) 3,000 sf
ThinkWell Research (office) – 2,400 sf

Recent Properties Sold

Lot 116A Orion Court (industrial land) – 113,700 sf
Clayton Park Plaza (retail) – 31,000 sf
1360 Bedford Highway (retail) – 3,000 sf
2590 Oxford Street (retail) – 2,600 sf

Recent Sale Properties Listed

Waterfront Place, Summerside (retail) – 157,000 sf
6370 Forrester Street (industrial) – 43,400 sf
487 Marine Drive, Sydport (industrial) – 22,400 sf
5677 Brenton Place (commercial condo) – 5,500 sf



Avison Young was recently selected to represent the vendor in the sale of Waterfront Place in Summerside, PEI.

Chicago market recalibrates for the future



WEL Companies leased 148,481 sf in Rock Run 9, a LEED silver certified building. Avison Young represented the developer IDI in the transaction.

The overzealous speculative building of the past five years has left the Chicago market with a surplus of industrial space to fill.

From 2004 to 2008, the Chicago industrial market was completing almost 18 million square feet per year. In 2009, that number was cut by 65% and the 2010 figure will be even lower. After the recession, the logistic hubs surrounding the city

were left with an abundance of space and no one to fill it. With the expected April completion of the new Gordon Food Services distribution center in Kenosha, Metropolitan Chicago will have no building starts in the pipeline. Now, a year and a half after the collapse of Lehman Brothers, the Chicago construction boom is finally coming to an end.

Chicago has been especially hard hit by the economic downturn. Operating in a national and global transportation hub, developers were quick to take out loans to build during the boom. Yet, as the Will County submarkets became saturated with new space, developments got further away from key interchanges and buildings became larger. This trend has had a strong downward effect on rental rates in the logistic hubs of the I-80 corridor and, to a lesser extent, the I-55 corridor.

Transportation and logistics companies, which filled much of the space not taken by large corporate users, ran out of need for large space as consumer demand dried up, causing inventories to be depleted. Now, with the worst of the recession over, these companies are cautiously surveying opportunities in the market.

The manufacturing recovery and lack of new development offer hope that the imbalance in the Chicago market will begin to move towards equilibrium. Still, not everything will be positive. Rents are expected to stay low for the next two or three years. Tenants control the market, and landlords must adapt to the changing marketplace. Well-capitalized owners are positioning themselves for the expected recovery.

Many of the leases in the first quarter have been short term, two or three years, with substantially reduced rents. Landlords are simply filling their space to cover basic costs, but are not handicapping themselves with long-term leases at below-market costs. If the landlords have the financial capacity to wait out the downturn, they may find themselves in a strong position when the leases end.

Chicago has the largest industrial market in the United States, and it can be assumed that demand will return and vacancy will eventually decline. Though the recovery may be a slow process, the fundamentals of the Chicago market make the industrial sector a vital part of the North American and world distribution network.

Recent Lease Transactions

- 1470 Brummel Avenue, Elk Grove Village (industrial) – 146,700 sf
- 860 Thomas Drive, Bensenville (industrial) – 68,000 sf
- 835 Lively Boulevard, Wood Dale (industrial) – 20,000 sf

Recent Exclusive Lease Listings

- Kuehne + Nagel (industrial) – 152,500 sf
- WEL Companies (industrial) – 148,500 sf
- Next End, LLC (industrial) - 90,000 sf
- Parker Hannifin (land) – 13.5 acres

Recent Properties Sold

- 1931 Industrial Drive, Libertyville (industrial) – 14,300 sf

Recent Sale Properties Listed

- 2001 North 17th Avenue, Melrose Park (industrial) – 30,200 sf



Avison Young acted on behalf of the landlord, ProLogis, in the leasing of 152,500 sf by Kuehne + Nagel at 1001 Busse Road.

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Industrial construction comes to a standstill



Covance purchased this partially constructed building from Eli Lilly.

By the beginning of 2010, industrial development in the Washington, DC region had slowed to a trickle.

Since mid-2008, construction has started on only one building larger than 100,000 sf, and the delivery pipeline is virtually turned off. As of February 2010, 430,366 sf in five buildings were counted as

under construction for delivery in 2010; however, 70% of that total was in a single 300,000-sf project for Covance Inc., which was put on hold late last summer. In the 12 quarters from year-end 2006 to year-end 2009, 75 flex and industrial buildings totalling 5.7 million square feet (msf) were delivered in this market – and they remain only 40% occupied today. That said, the current pace of construction will not offset the normal inventory losses that occur due to obsolescence and demolition in a market that totalled 178 msf at the end of 2009. Until market fundamentals show real improvement, construction starts will likely be limited to build-to-suit projects.

The much anticipated delivery of 9700 Innovation Drive for Covance in the Innovation@ Prince William Technology Park has been postponed for up to two years. Covance purchased the partially-constructed 300,000-sf manufacturing building and 47-acre site from Eli Lilly & Company in November of 2007 for \$20 million to consolidate two existing locations in Northern Virginia and to accommodate growth. The building was to be a 410,000 sf lab facility that Covance would occupy in its entirety.

Prince William Technology Park is a 1,500-acre business and technology park targeting biotech and related industries and is anchored by George Mason University's (GMU) life science campus. Between 2001 and 2004, 12 companies announced their intent to invest and expand within Innovation, according to the Prince William County Department of Economic Development. Today, tenants in the Park include SAIC, GMU and ProLogic.

The region's industrial market spans five counties and the cities of Falls Church and Alexandria in Northern Virginia, two counties in Suburban Maryland, and the District of Columbia. The regional vacancy rate, at 12.5% early in 2010, has begun to flatten. The market has recorded modest positive net absorption thus far in 2010 due to take-up in Suburban Maryland.

The area's industrial market is bolstered by connecting transportation systems and a central Mid-Atlantic location. Goods and merchandise can reach half the U.S. population within a day from the Washington area.

The region's enviable transportation comprises Interstate 95, the East Coast's major north-south commercial highway; several options for cargo air transport including the Ronald Reagan Washington National Airport (DCA), several notable regional airports and two international hubs - the Baltimore/Washington International Thurgood Marshall Airport (BWI) and Washington Dulles International Airport (IAD); shipping through the Port of Baltimore which, in addition to serving the Mid-Atlantic, is the closest port to the Midwest; and freight rail.



The six-storey, 550,000-sf building known as "Building A" in Patriot Yards is the largest block of available industrial space in the Washington market today. The recognizable art deco-styled building was built in 1937, and served as Hecht's distribution center until 2007. Patriot Yards is sited prominently on New York Avenue, the gateway to Washington, DC from the east.

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