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British Columbia Real Estate INVESTMENT REVIEW

First Half, 2005

First Half 2005 In Review

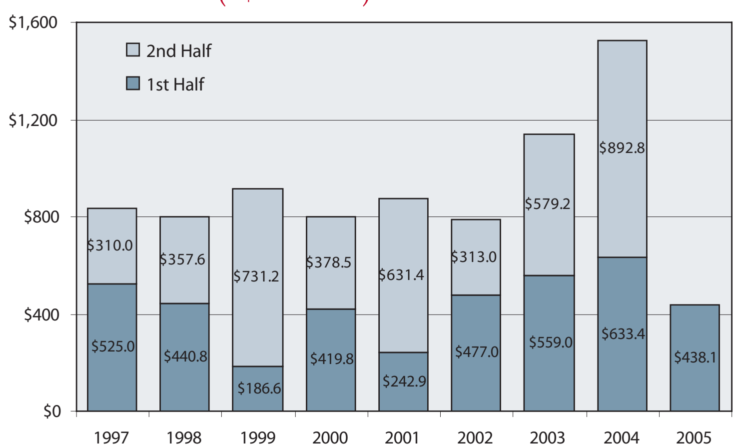
Total Transaction Value: **$438,050,000** (properties > $5 Million)

Total Transactions: **32**

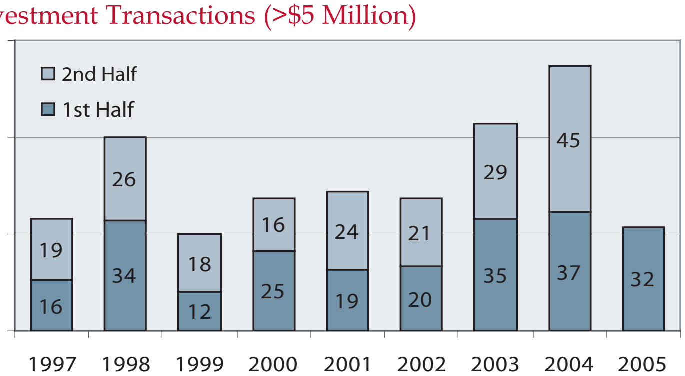
Most Active Class: **Retail, $269 Million**

Most Active Investors: **Private**

Investment Value (>$5 Million)



Investment Transactions (>$5 Million)



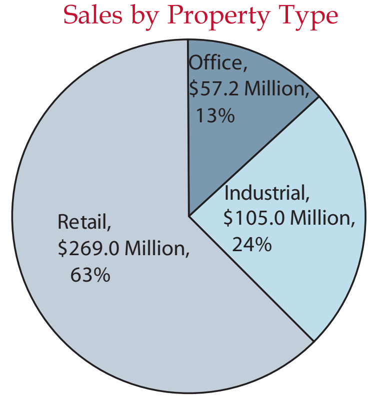
Market Summary

Investor demand remained strong over the past six months. Unsolicited offers were common while listed properties received numerous qualified offers. A lack of supply continues to constrain sales activity. As a result cap rates again moved downward.

Although the total value of sales transactions this past half year is below the recent average, this does not reflect market activity. Numerous large deals are under negotiation or contract and should close during the second half of 2005. We expect that the total transaction value for 2005 will approach that of 2004 ($1.5 Billion).

There is some nervousness among investors that is having a modest impact on transactions. Steady asset price increases have continued for an unusually long period of time. Both buyers and sellers appear to be concerned that prices may be nearing their peak for this market cycle -- although there is little evidence to indicate an imminent change: long term bond rates remain low, the economy is strong, and inflation is under control. Although private investors are the dominant sellers -- sometimes an indicator of a pending downturn -- they are also active buyers, mitigating that indicator somewhat.

Sales by Property Type



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

AVISON YOUNG Intelligent Real Estate Solutions

Grubb & Ellis Knight Frank Global

1875 Boundary Road Sold For $10,750,000

Industrial Property Transactions (First Half - 2005)				
Property	**Price**	**Sale Date**	**Buyer Type**	**Seller Type**
Aircare Facilities Portfolio Lower Mainland	$17,100,000	May 2005	Private	Private
6700 Southridge Avenue Burnaby	$13,025,000	April 2005	Private	User
750 - 790 Terminal Avenue Vancouver	$11,500,000	April 2005	Private	Private
19680 94 A Avenue Langley	$11,000,000	April 2005	Pension Fund	User
1875 Boundary Road Vancouver	$10,750,000	January 2005	User	Private
1633 - 1645 Cliveden Ave. Delta	$9,400,000	January 2005	Life Co.	Private
8330 Chester Street Vancouver	$8,250,000	May 2005	Private	Private
4370 Dawson Street* Burnaby	$6,300,000	January 2005	Private	Private
12185 86th Avenue Surrey	$6,100,000	January 2005	Private	Private
1751 Brigantine Drive Coquitlam	$5,950,000	January 2005	Private	Private
20100 - 100 A Avenue Langley	$5,670,000	January 2005	User	User
TOTAL	**$105,045,000**			

Industrial Investment Market Summary

Demand for industrial product significantly exceeds supply, although the number of transactions is increasing as prices rise. Cap rates for higher quality product have declined by as much as 100 basis points over the past 12 months. Meanwhile yields for lesser valued assets are leveling off.

Increased commodity and container trade through Vancouver is increasing demand for both industrial land and warehouse space, driving new development.

2450 Ontario Street - Sold for $6,610,000

Office Investment Market Summary

Residential developers purchased three office buildings over the past six months. Although the properties have leases in place, and therefore qualify as investment properties for this report, over the next few years we expect these assets to be redeveloped as condominiums.

Cap rates for office buildings have edged downwards, but have not declined in porportionate stride with industrial and retail assets. This may change as both Vancouver's and Canada's office leasing markets have seen significant vacancy rate declines over the past 12 months.

Greater Vancouver's office vacancy rates plummeted from 13.7% to 9.8% over the past 12 months on nearly 2 million square feet of absorption. Also noteworthy, downtown Vancouver's A-Class vacancy has dropped below 6%.

Interest in Greater Vancouver office product has increased and multiple large transactions are pending for the second half of 2005.

Office Property Transactions (First Half - 2005)				
Property	**Price**	**Sale Date**	**Buyer Type**	**Seller Type**
1107 - 1119 Homer Street* Vancouver	$13,800,000	March 2005	Private	Private
6651 Fraserwood Place Richmond	$12,600,000	April 2005	Mutual Fund	Private
1033 - 1039 Richards Street* Vancouver	$12,120,000	February 2005	Private	Private
2450 Ontario Street Vancouver	$6,610,000	March 2005	Private	Insurance Co.
1600 - 1622 West 6th Avenue* Vancouver	$6,200,000	January 2005	Private	Private
1401 West Broadway Vancouver	$5,825,000	May 2005	Private	Private
TOTAL	**$57,155,000**			

* Denotes an asset that is expected to be redeveloped as residential in the next few years.

RETAIL

Rona Home & Garden Center sold for $12,000,000

Retail Investment Market Summary

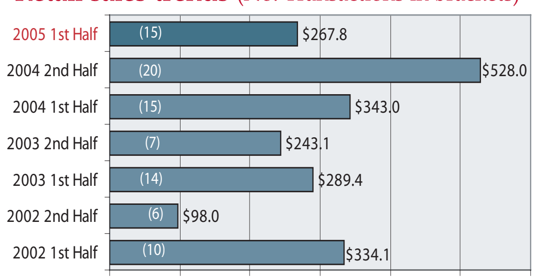
Retail continues to be the most traded investment asset. Cap rates declined further over the past half year.

Consumer retail sales reached all-time highs in British Columbia in 2005 as record levels of employment and a strong economy have boosted consumer confidence. These fundamentals have further increased investor interest in the retail asset class, pushing prices upward and capitalization rates lower.

New retail developments are underway throughout British Columbia to meet both consumer and investor demands.

One new phenomenon is shopping centres under development being pre-sold to investors prior to completion.

Retail sales trends (No. Transactions in brackets)



Retail Property Transactions (First Half - 2005)

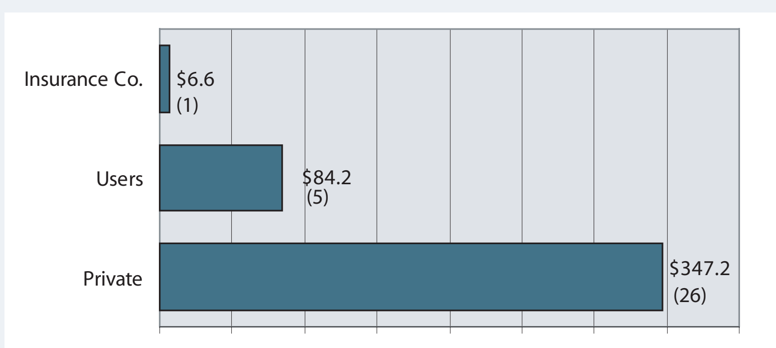
Property	Price	Sale Date	Buyer Type	Seller Type
2290 Cambie Street Vancouver	$44,500,000	June 2005	REIT	User
Scottsdale Centre Delta	$41,000,000	January 2005	Mutual Fund	Private
Harbour Front Centre North Vancouver	$33,800,000	May 2005	Public Real Estate Co.	Private
Park Gate Village North Vancouver	$20,000,000	June 2005	Pension Fund	Private
Pemberton Plaza North Vancouver	$19,000,000	January 2005	Public Real Estate Co.	Private
1425 Sumas Way Abbotsford	$16,500,000	May 2005	REIT	Private
Broadmoor Mall Richmond	$14,500,000	March 2005	Public Real Estate Co.	Private
11125 -124th Street Surrey	$14,250,000	January 2005	Private	Private
Westbank Shopping Centre Westbank	$13,500,000	March 2005	Pension Fund	Private
33050 South Fraser Way Abbotsford	$13,100,000	January 2005	User	Private
Rona Building Abbotsford	$12,000,000	June 2005	Private	Private
West Willow Shopping Centre Surrey	$9,750,000	March 2005	Private	Private
2040 Burrard Street Vancouver	$9,000,000	April 2005	Private	User
Fruit Union Plaza Vernon	$8,100,000	June 2005	Private	Private
4351 No. 3 Road Richmond	$6,850,000	February 2005	Private	Private
TOTAL	**$267,750,000**			

First Half 2005 Seller Profile

With the exception of Pacific Blue Cross's sale of 2450 Ontario Street, all sellers have been private investors or users. Some sellers' actions suggest that they believe the market is nearing its peak for this cycle.

Some sellers are liquidating properties acquired less than two years ago. Because of the rapid price inflation during this market cycle, they have achieved their desired gains several years before they anticipated doing so and are not prepared to risk the return achieved to date should the market slow.

Sellers by value (No. of transactions in brackets)



Predictions

- Cap rates will decline further in 2005 before leveling off in 2006.
- British Columbia's strong economy combined with continued low long term bond yields will sustain demand for investment property.
- Institutional investors will be dominant purchasers of profile properties during the second half of 2005.
- Strong retail fundamentals, including consumer confidence and record retail sales will sustain interest in retail investment properties despite their low yields.
- High land and construction costs in the Lower Mainland -- that result in replacement costs exceeding purchase price for many existing assets -- will continue to contribute to upward pressure on prices.
- More commercial development will begin, driven by the lack of supply for all asset types.

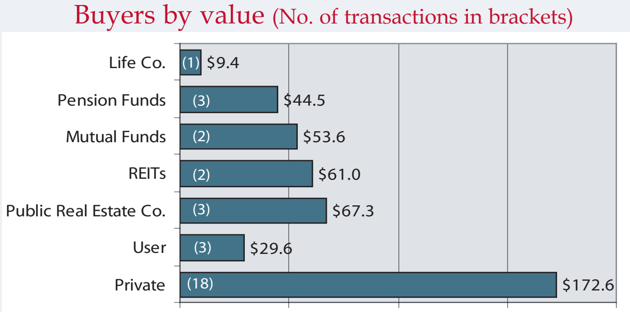
First Half 2005 Buyer Profile

Private investors were the dominant buyers as well as sellers.

Fewer foreign buyers purchased properties during this half year, likely in part because acquiring assets in this tight market often requires good local connections.

Institutional investors were active. They acquired 11 properties worth $236 Million - 54% of the total value during the first half of 2005. Moreover, there are several profile buildings and portfolios under contract to institutions, scheduled to close later in 2005.

Buyers by value (No. of transactions in brackets)



AVISON YOUNG CURRENT OFFERINGS

1420 - 1440 Derwent Way, Richmond
Single tenant warehouse building with 47,800 s.f. of warehouse and 7,500 s.f. of office on 3.52 acres of land.
Asking Price: $5,600,000

1272 Derwent Way, Richmond
A 148,912 sq.ft warehouse building leased to Weyerhaeuser on 8 acres of land in Annacis Business Park.
No Asking Price

Lougheed Highway at Wren Street, Mission
33 acre commercial development site, C-5 Service Commercial zoning.
Asking Price: $7,750,000

For more information, additional copies of this report, or to be added to our mailing list, please visit www.avisonyoung.com or contact us directly at the numbers below.

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