

AVISON YOUNG

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British Columbia Real Estate INVESTMENT REVIEW Second Half, 2005

2005 In Review

Full Year

Total Transaction Value: **\$1,387,800,000** (properties > \$5 Million)

Total Transactions: **74**

Most Active Class: **Office & Retail**

Most Active Buyers: **Pension Funds and Private Investors**

Second Half

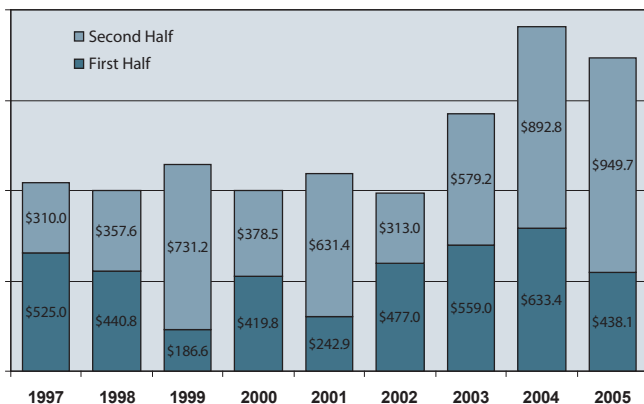
Total Transaction Value: **\$949,700,000** (properties > \$5 Million)

Total Transactions: **42**

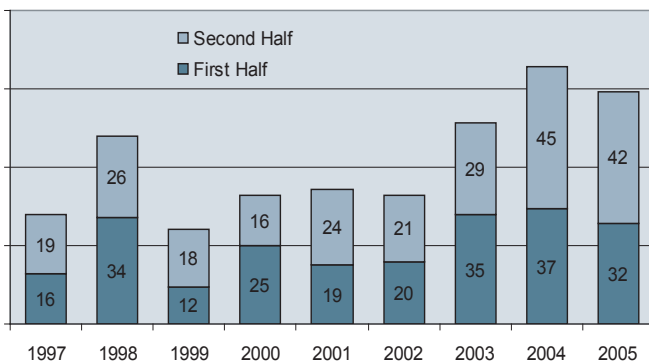
Most Active Class: **Office**

Most Active Buyers: **Pension Funds**

Investment Value (>\$5 Million)



Investment Transactions (>\$5 Million)



Market Summary

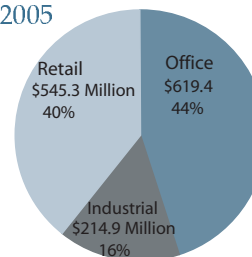
Over \$900 Million worth of investment property traded during the second half of 2005 -- a record six months. Office buildings were the most prominent assets traded from July to December.

In all asset classes, the capitalization rates (cap rates) between quality properties and secondary ones has narrowed. Additionally, the spread between yields and the 10 year bond rate has also declined. Yet demand remains robust, especially from institutional buyers.

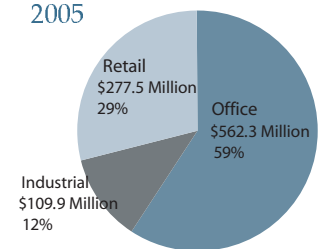
Although private investors did purchase some assets, the dominant trend in the second half of 2005 was pension funds and other institutions buying assets from private investors. In past market cycles, such an occurrence has often foreshadowed the end of the real estate bull market. However, we are not convinced that the end is coming in 2006. More on this subject elsewhere in this report.

Sales by Property Type

Full Year 2005



2nd Half 2005



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

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

RETAIL



Terra Nova Village sold for \$24 Million

Retail Investment Market Summary

Retail properties had the highest number of transactions over \$5 Million during 2005 (although office transactions were higher over the second half).

An exceptionally large number of retail asset sales have occurred over the past few years. The market is running out of trophy assets to trade. Indeed Terra Nova sold this year for the second time in 2 years. Moreover, it's now common for shopping centres under development to be pre-sold to investors prior to completion.

Retail Property Transactions (Second Half - 2005)

Property	Price	Sale Date	Buyer Type	Seller Type
Riverport Sports & Entertainment, Richmond	\$84,950,000	August	Private Investor	Private Investor
Ackroyd Plaza Richmond	\$33,000,000	November	Private Investor	Private Investor
Langley Crossing Langley	\$29,000,000	September	Public Real Estate Co.	Private Investor
Terra Nova Village Richmond	\$24,000,000	August	Public Real Estate Co.	Private Investor
320 Granville Street Vancouver (parkade)	\$20,000,000	September	Private Investor	Private Investor
Dover Pointe Centre Nanaimo	\$16,100,000	December	Private Investor	Private Investor
Kingsgate Mall Vancouver	\$10,900,000	November	Private Investor	Private Investor
Duncan Overwaitea Centre Duncan	\$10,800,000	December	Public Real Estate Co.	Private Investor
Delta Shoppers Mall Delta	\$7,100,000	November	Pension Fund	Private Investor
St. Albans Shopping Centre Richmond	\$6,500,000	November	Private Investor	Private Investor
5605-5665 Kingsway Burnaby	\$6,500,000	August	Private Investor	Private Investor
City Gate Square Chilliwack	\$6,000,000	July	User	Private Investor
1233 Howe Street Vancouver	\$6,000,000	July	City	Private Investor
Carleton Square Burnaby	\$5,650,000	July	Private Investor	Private Investor
Dundarave Mews West Vancouver	\$5,600,000	September	Private Investor	Private Investor
Boulevard Centre Vancouver	\$5,300,000	July	Private Investor	Private Investor
TOTAL	\$277,500,000			

Industrial Property Transactions (Second Half - 2005)

Property	Price	Sale Date	Buyer Type	Seller Type
Best Buy Warehouse Langley	\$35,000,000	September	Private Investor	User
5111 272nd Street Langley	\$24,000,000	August	Private Investor	Private Investor
1272 Derwent Way Delta	\$11,650,000	October	Pension Fund	Private Investor
4242 Phillips Ave Burnaby	\$10,200,000	November	Pension Fund	Private Investor
12071 Jacobsen Way Richmond	\$9,125,000	December	Pension Fund	User
8330 Chester Street Vancouver	\$8,250,000	October	Public Real Estate Co.	Private Investor
Vantage Business Park Vancouver	\$6,090,000	September	Private Investor	Private Investor
1420-1440 Derwent Way Delta	\$5,600,000	August	Private Investor	Pension Fund
TOTAL	\$109,915,000			

INDUSTRIAL



1420 Derwent Way, Delta
Sold by Avison Young for \$5.6 Million

Industrial Investment Market Summary

Industrial properties remain in high demand, but even at cap rates as low as 6.25%, few owners seem willing to sell.

With vacancy rates low, and tenant demand for industrial space in the area ever growing, investors will covet industrial assets even as the market softens for other property types.

Investors wanting to develop their own assets are challenged to find industrial zoned land available for development in the Lower Mainland.



OFFICE

The Abgenix Building - Sold by Avison Young for \$11.9 Million

Office Investment Market Summary

A record level of office transactions occurred during the second half of 2005. 14 of 17 transactions occurred in the tight Vancouver or Burnaby marketplaces where vacancy rates are approaching all-time lows for A and AAA class space.

Cap rates for office buildings declined notably in 2005, putting them within 1.5 to 2 percentage points of the long term bond rate.

Purchasers accepting lower yields is only partially attributable to general real estate price escalations.

The short- and long- term office market fundamentals in Greater Vancouver make accepting low "going in" cap rates acceptable. Here are a few reasons why:

- The overall vacancy rate dropped more than 4 percentage points in 2005 and currently sits at 7.9% while downtown's rate is 6.2 % (below 5% in the A and AAA class).
- With space becoming scarce, face rental rates have been steadily rising. In some markets they escalated as much as \$4 per square foot in 2005.
- Very limited new construction is anticipated in the short term (and mainly in Burnaby and East Vancouver) while geography constrains expansion over the long term.

Office Property Transactions (First Half - 2005)

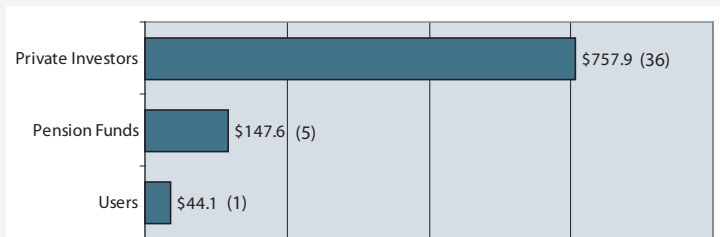
Property	Price	Sale Date	Buyer Type	Seller Type
885 West Georgia Street Vancouver (Downtown)	\$143,500,000	August	Pension Fund	Private Investor
Crestwood Corporate Centre Richmond	\$67,500,000 (50% interest)	August	Pension Fund	Private Investor
Production Court I & II Burnaby	\$58,000,000	November	Pension Fund	Pension Fund
The Landing (375 Water St.) Vancouver (Downtown)	\$47,500,000	December	Private Investor	Private Investor
Oceanic Plaza Vancouver (Downtown)	\$37,000,000 (50% interest)	July	Pension Fund	Pension Fund
Guinness Tower Vancouver (Downtown)	\$31,400,000 (50% interest)	July	Pension Fund	Pension Fund
4664 Lougheed Highway Burnaby	\$25,250,000		Pension Fund	Private Investor
3585 Graveley Street & 1570 Kootenay Street, Vancouver	\$24,000,000	July	City	Private Investor
220 Cambie Street Vancouver (Downtown)	\$16,800,000	September	Pension Fund	Private Investor
Marine Building Vancouver (Downtown)	\$15,600,000 (50% interest)	July	Pension Fund	Pension Fund
688 West Hastings Street Vancouver (Downtown)	\$15,200,000	September	Pension Fund	Private Investor
12992 & 13130 - 76th Ave Surrey	\$14,600,000	July	Mutual Fund	Private Investor
840 & 848 Cambie Street Vancouver (Downtown)	\$14,500,000	September	Private Investor	Private Investor
3600 Lysander Lane Richmond	\$14,000,000	July	Private Investor	Private Investor
Abgenix Building Burnaby	\$11,900,000	November	REIT	Private Investor
570 Dunsmuir Street Vancouver (Downtown)	\$11,200,000	November	Private Investor	Private Investor
Empress II Building Vancouver (Downtown)	\$11,000,000	July	Private Investor	Private Investor
1477 West Pender Street Vancouver (Downtown)	\$9,100,000	August	Private Investor	Private Investor
2215 Yukon Street Vancouver	\$5,400,000	September	Private Investor	Private Investor
TOTAL	\$562,250,000			

2005 Seller Profile

Private investors have been the overwhelming sellers over the past half year. Some sold recently-acquired assets earlier than anticipated, having obtained the desired capital gains. Others sold long-held properties believing that the market is near its peak.

The other big news of Q3-Q4 2005 was the pension fund OMERS' sale of a 50% interest in three trophy office buildings to the CPP in order to free capital for other investments.

Sellers by value (No. of transactions in brackets), 2nd half 2005



Predictions

Should bond rates increase, as many economists predict will happen, one would logically conclude that cap rates will bottom out in 2006. However, we continue to be impressed at what buyers are paying and therefore cannot predict with confidence that cap rates will stop declining in 2006.

We do have other predictions for 2006:

- Buyers will evaluate prospective purchases with greater scrutiny, looking for the potential to improve yields as well as the long term fundamentals associated with both the asset class and the tenants within the prospective property.
- The lure of high prices will encourage private owners to market properties in 2006. Some will have unrealistic price expectations.
- There will be fewer sales in the \$5 - \$25 Million range: private investors will gradually step back from the market, institutions will exercise greater scrutiny, and many sellers of such properties will over-price their properties.
- Investors, particularly institutions, frustrated at the lack of product available, will become more involved in real estate development.

AVISON YOUNG CURRENT OFFERING



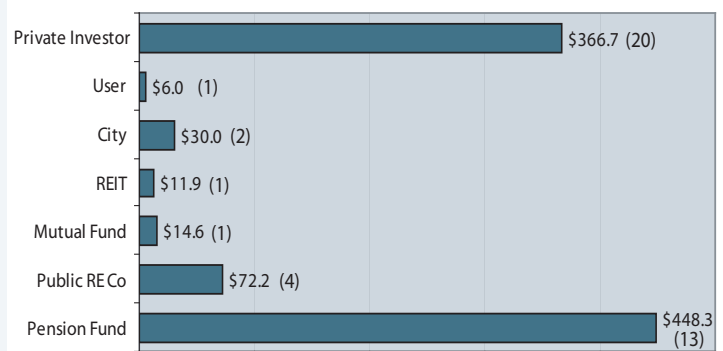
Pemberton Building
744 West Hastings Street, Vancouver
50,000 Square foot, heritage office building

2005 Buyer Profile

Pension funds and other institutions were the dominant buyers, especially for the higher valued assets. Institutions appear more willing to accept lower rates of return than private investors. In a large, multi-faceted portfolio having a few long-term investments with lower but dependable yields is acceptable, particularly when they add diversity to the portfolio. Additionally, the current market with higher prices is convincing some owners to sell, allowing institutions to finally fill real estate allocations.

Private investors did purchase some prominent properties, as well as most in the lower valued price ranges. Many of these privately-purchased sites have redevelopment potential, whether in the short or long term.

Buyers by value 2nd half 2005 (No. of transactions in brackets)



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