partnership.
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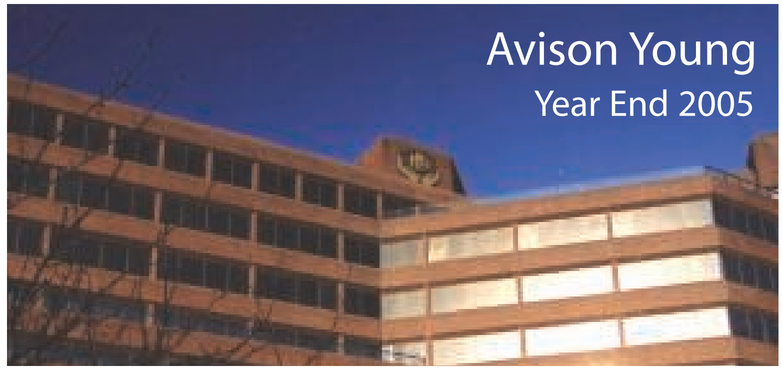
Greater Vancouver Office Market Report



Avison Young
Year End 2005

Market Overview - New records being set

The economic stars aligned in BC in 2005, allowing many office tenants to expand. The result has been a second consecutive record year for office space absorption across Greater Vancouver. Industries with notable expansion activity include engineering, architecture and construction as well as the resource sector and computer software -- especially video games.

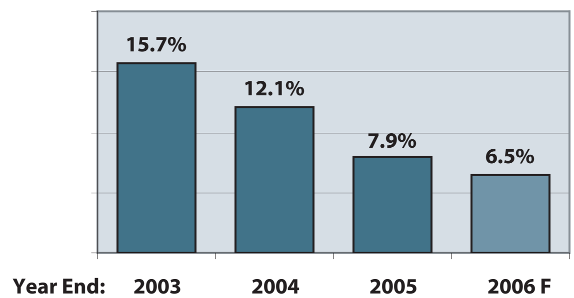
Two prominent new tenants entered the market in 2005. Disney-owned Propaganda Games leased 34,000 square feet while the federal government's Canadian Tourism Commission relocated to Vancouver from Ottawa, taking 30,000 square feet.

Demand for space should continue increasing in 2006, setting the stage for other records to tumble. We predict:

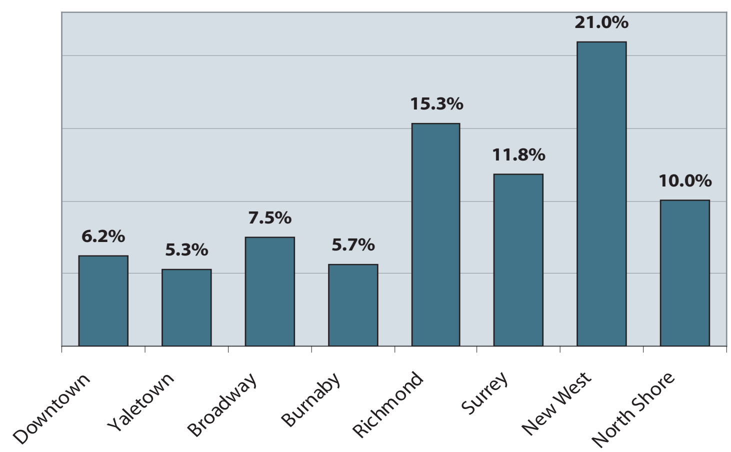
- Record low vacancy rates in many leasing districts and product classes.
- Rental rates to reach new benchmark highs, particularly downtown.
- A record low number of available large blocks of space.
- Lease negotiations occurring in record times as landlords limit conditional contract periods.
- A record number of tenants actively pursuing any quality opportunity that becomes available.

Looking ahead, the lack of space could deter more national and international organizations from locating a facility in Vancouver -- an issue that should concern planners, politicians, business leaders and average citizens alike.

Vacancy Trend, Greater Vancouver



Vacancy Snap Shot: Greater Vancouver Leasing Districts



Inside Feature: Vanishing Office Space Sites in Downtown Vancouver

Vacancy Summary (December 31, 2005)

DISTRICT	INVENTORY (SQ. FT)	HEADLEASE VACANCY (SQ. FT)	SUBLEASE VACANCY (SQ. FT)	TOTAL VACANCY (SQ. FT.)	VACANCY RATE	ABSORPTION (SQ. FT.) 12 months
Downtown	19,280,234	1,020,310	182,885	1,203,195	6.2%	782,640
Yaletown	2,399,852	111,360	15,500	126,860	5.3%	169,309
Broadway	5,793,264	424,074	12,451	436,525	7.5%	300,969
Burnaby	8,082,610	416,317	41,432	457,749	5.7%	305,557
Richmond	3,249,047	452,722	45,767	498,489	15.3%	179,377
Surrey	2,320,315	256,528	17,646	274,174	11.8%	218,645
New Westminster	1,525,985	310,707	9,223	319,930	21.0%	-120,891
North Shore	1,425,609	105,134	37,990	143,124	10.0%	28,574
TOTALS	**44,076,916**	**3,097,152**	**362,894**	**3,460,046**	**7.9%**	**1,864,180**

AVISON YOUNG
Intelligent
Real Estate Solutions

Grubb & Ellis
Knight Frank
Global

Vacancy Trends

The downtown vacancy rate dropped nearly 4 percentage points in 2005, from 10.3% to 6.2%. Demand for quality CBD office space now exceeds supply.

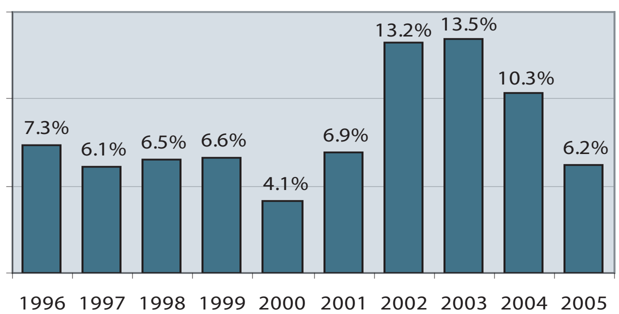
Few large blocks remain downtown. SHAW elected to remove their surplus space in the SHAW Tower from the sublease market, eliminating the only large AAA class space available. At press time, only one option over 25,000 square feet existed in each of AAA, A and B class space. Three such blocks can be found in C class.

For tenants under 6,000 square feet numerous options exist, however most of these will receive multiple bids. Accordingly, tenants looking to relocate need to make quick decisions or the space will be leased to another group.

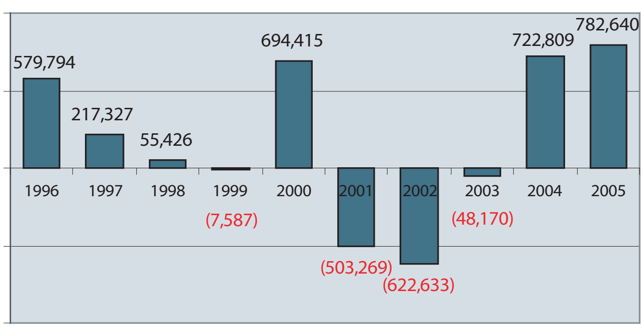
A predictable result of space shortage is rising rental rates. In 2005 they climbed approximately $2 to $4 per square foot -- and will continue their upward march in 2006.

333 Seymour Street
New location for Grant Thornton & Lancashire Financial

Historic Vacancy Chart



Historic Absorption Chart



Absorption Trends

Downtown recorded almost 800,000 square feet of absorption in 2005, a second consecutive record year. B class space experienced the largest absorption, 340,000 square feet, as tenants are now being forced down market into B and C class space to find availability.

The resource sector as well as engineering, architecture, construction and development firms have been particularly active expanding and/or relocating in Downtown Vancouver. This should continue in 2006 and beyond, although the shortage of space may curtail expansion somewhat.

Two prominent new tenants entered the downtown office market (and that of Greater Vancouver) this past half year: Disney-backed Propaganda Games has leased 34,000 square feet in 401 West Georgia and the Canadian Tourism Commission has relocated from Ottawa, leasing 30,000 square feet in Bentall IV. Meanwhile, VANOC has announced their departure from downtown, relocating to east Vancouver in 2006.

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	SAF (Sq. Ft.)	SAF %	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
AAA	4,095,094	129,624	44,524	174,148	4.3%	115,127	18,060	0.4%	$22-$30	$39-$47
A	6,686,228	256,398	86,482	342,880	5.1%	185,673	118,641	1.8%	$17-$23	$32-$38
B	5,742,784	347,384	35,034	382,418	6.7%	340,367	60,696	1.1%	$13-$18	$25-$31
C	2,756,128	286,904	16,845	303,749	11.0%	141,473	38,632	1.4%	$10-$14	$20-$26
Total	**19,280,234**	**1,020,310**	**182,885**	**1,203,195**	**6.2%**	**782,640**	**236,029**	**1.2%**		

Downtown

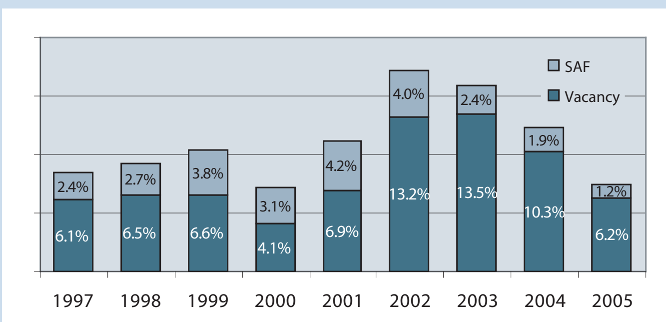
Market Forecast

The strong economy and attractive nature of Vancouver's 24-hour downtown will support continued robust demand for downtown space. The absence of supply will push rental rates to record levels.

This will not affect most tenants immediately. Many occupants are in long-term leases, having renewed early when vacancy rates were high and in anticipation of a 2010-Olympic-induced space crunch.

The dynamics exist for a gradual flight to the suburbs over the next three years. With no significant new construction planned after the Bentall V expansion, the situation will become more dire for tenants over the next two to three years. When companies require expansion space or lease renewal, some will find it necessary to move a portion or all of their operations to the suburbs -- whether because of a lack of suitable space downtown, or costs, or both. Indeed over the past year some financial services firms have already shifted their back end operations to the suburbs.

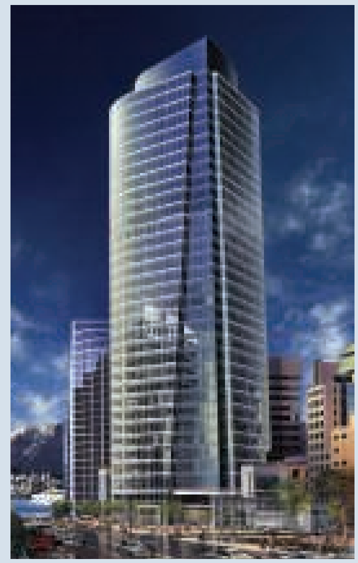
*Space Availability Factor (SAF)



Space that is either not physically vacant (such as unused space resulting from a corporate downsizing) or not yet finished (such as a new office tower) but is actively being marketed and therefore competes with other vacant space for tenants. Sometimes referred to as "Ghost Vacancy" when combined with vacancy rates, SAF usually provides a more accurate representation of the total space available in the marketplace.

New Construction

Developer	Building	Sq. Ft.	Date
Bentall (SITQ)	Bentall V, Phase II	220,000	Fall 2007
Jameson Development	848 West Hastings	75,000	Fall 2007



Sources of New Supply?

Because of a lack of available sites, new supply will likely result from demolishing existing stock and rebuilding. Record rental rates will start to make such action attractive, although because of the complicated process involved, it will be at least 4 years before any new buildings would emerge from this scenario.

Also see page 11 of this report for a discussion of disappearing office space sites downtown.

Notable Lease Deals - Second Half 2005

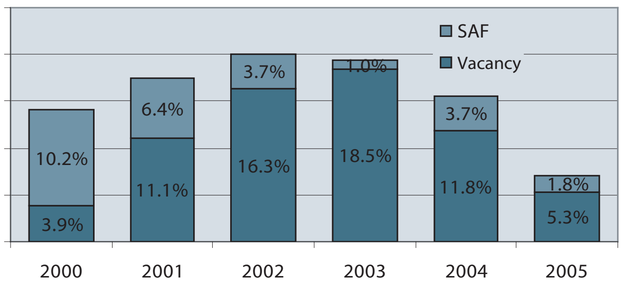
Tenant	Lease Type	Area (sq. ft.)
Teck Cominco	Relocation	90,000
ACL	Renewal	63,000
HSBC	Renewal	62,000
Accenture	Renewal	53,000
Bell Canada	Expansion	52,500
Fluor Engineering	Renewal / Expansion	48,000
Great West Life	Renewal / Expansion	40,000
Raymond James	Relocation	40,000
CMHC	Renewal	39,000
Disney / Propaganda Games	New Business	34,000

Tenant	Lease Type	Area (sq. ft.)
Canadian Tourism Commission	New Business	30,000
PHSA	Renewal/Expansion	30,000
Pacific International Securities	Renewal	28,000
Blanche Macdonald	Relocation	30,000
Lancashire Financial	Relocation	21,000
Koffman Kalef	Renewal	16,000
Xerox	Renewal	13,000
IP Applications	Relocation	12,000
Stantec	Expansion	11,000
Abbarch Partnership Architects	Relocation	8,000
Asia Pacific Foundation	Relocation	7,400

Vacancy Trends

Similar to 1999 when Yaletown first emerged, declining vacancy rates and rising rental costs are back. Tenants as small as 2,500 square feet now find it challenging to secure space in Yaletown. For larger tenants (10,000-20,000 square feet), approximately 3 to 4 options exist (some currently occupied and in the SAF), however activity is strong and we expect them to be leased by mid-year 2006.

Historic Vacancy Chart



***Space Availability Factor (SAF)**

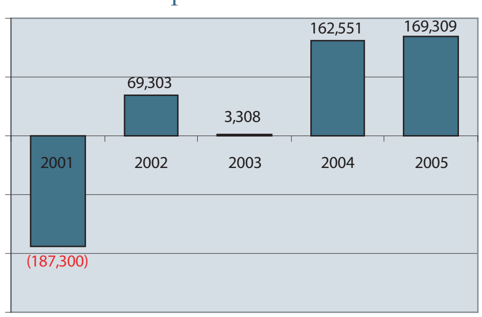
Space that is either not physically vacant (such as unused space resulting from a corporate downsizing) or not yet finished (such as a new office tower) but is actively being marketed and therefore competes with other vacant space for tenants. Sometimes referred to as "Ghost Vacancy" when combined with vacancy rates, SAF usually provides a more accurate representation of the total space available in the marketplace.

Absorption Trends

Business Objects has departed 840 Cambie Street, expanding into four floors of 855 Homer Street in addition to increasing their occupied space at 910 Mainland Street.

Canadian Direct Insurance moved into 33,000 square feet at 750 Cambie Street while West Fraser Timber absorbed the remaining sublease space at 858 Beatty Street for 21,000 square feet.

Historic Absorption Chart



840 Cambie Street has been sold and will be converted into condominiums. We have therefore removed it from the B-Class inventory, 75,666 square feet.

Market Forecast

Yaletown office space is disappearing fast -- owing both to leasing activity and condominium conversions. Vacancy rates dropped over 5 percentage points this year, from 11.8% (plus 3.7% SAF) at year-end 2004 to 5.3% (plus 1.8% SAF) at year-end 2005. We predict a sub-4% vacancy rate by year end 2006.

As might be expected, rental rates are steadily climbing. For A Class space rates have jumped approximately $2-3 per square foot in 2005, and we expect another $1 to $2 jump in 2006.

New Construction

Developer	Building	Sq. Ft.	Date
Mark James	Yaletown Brew Pub	22,000	June 2007

Above: Rendering of the 22,000 square feet of office space that Mark James will add above the Yaletown Brew Pub. Such new inventory will be welcome in this tight market.

Notable Lease Deals - Second Half 2005

Tenant	Lease Type	Area (sq. ft.)
Business Objects	Relocation	22,000
Municipal Insurance	Relocation	5,000
Brooks Corning	Relocation	4,500

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	SAF (Sq. Ft.)	SAF %	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	291,126	1,699	0	16,99	0.6%	24,219	0	0%	$18-$24	$29-$35
B	1,395,308	64,929	0	64,929	4.7%	112,913	39,833	2.9%	$11-$19	$20-$28
C	713,418	44,732	15,500	60,232	8.4%	32,177	4,209	0.6%	$9-$14	$15-$19
Total	**2,399,852**	**111,360**	**15,500**	**126,860**	**5.3%**	**169,309**	**44,042**	**1.8%**		

Vancouver - Broadway

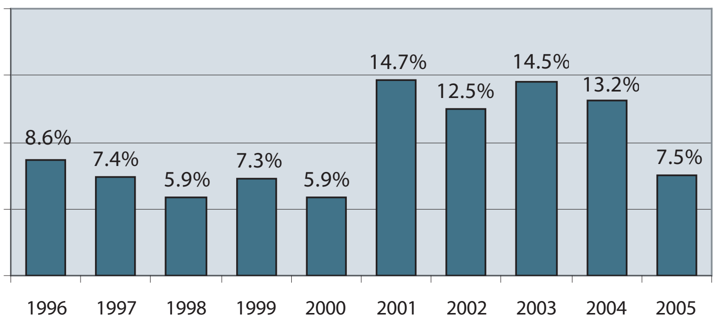
Limited Options

Vacancy Trends

Vacancy rates declined steadily in 2005 throughout the district. The biggest drop was in the eastern and southern sections of Vancouver (outside of the "Broadway Core") where vacancy plummeted from 16.3% to 8.9% on 235,000 square feet of absorption. Few large blocks of contiguous space remain. The largest block, at 3585 Graveley near Boundary Road has been leased to VANOC for occupancy in mid-2006.

In the core area -- along and near West Broadway from Arbutus to Cambie Streets -- vacancy declined from 7.6% to 4.1% in 2005. The West Broadway area offers scant options over 3,000 square feet, bringing rising rental rates.

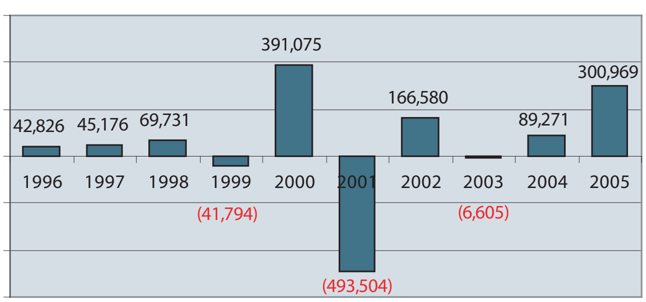
Historic Vacancy Chart



Absorption Trends

Life science and health-related tenants have been particularly active in this market, especially in the area between Oak and Cambie Streets. Other knowledge economy tenants such as engineering firms and software companies have also relocated or expanded throughout this leasing district.

Historic Absorption Chart



Artist rendering of the forthcoming PCI building at Broadway and Cambie

Market Forecast

With vacancy rates low throughout the district, tenants requiring expansion space may be forced to relocate to other suburbs. Landlords will continue to take advantage of the tight market to raise rental rates, especially for new deals but also on renewals. Such increased costs could also push some tenants to flee Vancouver for other districts such as Richmond.

New Construction / Inventory

Developer	Building	Sq. Ft.	Date
Bentall Capital	Broadway Tech Centre Bldg 3	113,000	2008
PCI	Broadway & Cambie Street	100,000	2008

In addition, the BC Ambulatory Care Facility under construction next to Vancouver General Hospital will offer up to 80,000 square feet of office space for lease to medical tenants, some of which are expected to come from buildings in the Broadway Core.

Notable Lease Deals - Second Half 2005

Tenant	Lease Type	Area (sq. ft.)
VANOC	Relocation	230,000
Mainframe Entertainment	Renewal	45,000
Polygon Properties	Renewal	35,000
VCHA	Relocation	30,000
Backbone Entertainment	Relocation	17,000
PHSA	Relocation	12,000
Nicola Financial Group	Relocation	11,000
Rogers Financial Group	Renewal	10,000
Bay West Property Management	Relocation	8,000
Coastal Contacts	Expansion	8,000

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	3,304,584	247,739	12,451	260,190	7.9%	174,585	$18-$23	$30-$35
B	1,897,382	135,540	0	135,540	7.1%	60,525	$15-$17	$26-$29
C	591,298	40,795	0	40,795	6.9%	65,859	$11-$14	$20-$25
Total	5,793,264	424,074	12,451	436,525	7.5%	300,969		

Burnaby

Hot Market

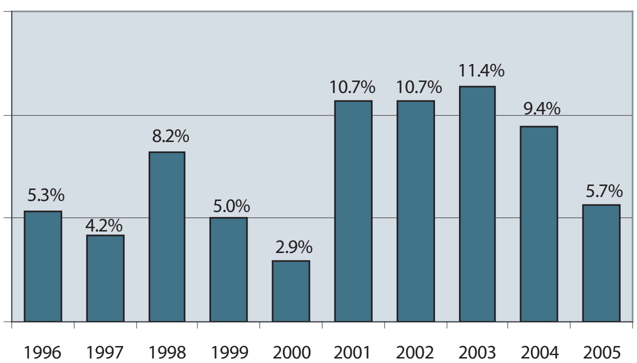
Vacancy Trends

Burnaby has the lowest vacancy rate in Greater Vancouver at 5.7%, down from 11.1% at year end 2004. It will decline further by mid-year 2006, although because of limited supply the drop will be less dramatic.

Tenants have limited space in which to expand or establish operations in Burnaby. There is only one large-block headlease opportunity presently available, at 3033 Beta Avenue. In addition, Mainframe Entertainment has made available their subleased space from PMC Sierra, for a short term sub-sublease. Medium sized tenants (8,000-20,000 s.f.) have a few more options, but pickings are slim. As a result, rental rates have steadily increased, particularly in A-class product.

Fortunately for tenants, some new speculative office construction is already underway with even more proposed. With the exception of Centrepointe, however, this new space will not be available until 2007 & 2008.

Historic Vacancy Chart



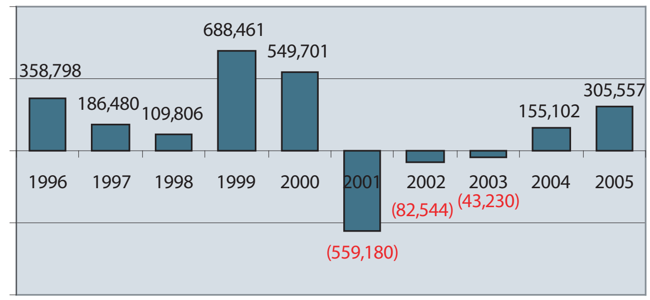
Notable Lease Deals Second Half 2005

Tenant	Lease Type	Area (sq. ft.)
Classified Media	Relocation	38,000
Chromos	Renewal	34,000
Response Biomedical	Relocation	32,000
Delcan	Relocation	28,000
University of Phoenix	Renewal	23,000
HSBC	Expansion	16,000
Electronic Arts	Expansion	13,000
Bank of Montreal	Expansion	11,000
CMW Insurance	Relocation	10,000
Advantage	Renewal	7,500

Absorption Trends

Burnaby experienced over 300,000 square feet of absorption in 2005. The high technology sector led the way. Electronic Arts and eBay both expanded their Burnaby space requirements in 2005. Financial services and banking were also prominent expanding industries in Burnaby. HSBC, Bank of Montreal and Lancashire Financial combined for a total of over 67,000 square feet.

Historic Absorption Chart



Market Forecast

Looking ahead, we anticipate more absorption in 2006, primarily from the expansion of existing tenants owing to the space shortage.

New Construction

Developer	Building	Sq. Ft.	Date
Orr Development (1980) Corp.	Centrepointe	75,000	Fall 2006
Westminster Management	Lake City Central 3294 Production Way	100,000	2007
Canada Lands	Glenlyon	43,000	2007

An artist's rendering of Centrepointe at 4789 Kingsway.

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	5,877,129	111,402	39,479	150,881	2.6%	224,668	$20-$24	$30-$34
B	1,574,656	208,891	0	208,891	13.3%	35,453	$14-$17	$25-$29
C	630,825	96,024	1,953	97,977	15.5%	45,436	$12-$14	$19-$23
Total	**8,082,610**	**416,317**	**41,432**	**457,749**	**5.7%**	**305,557**		

BCIT

Aerospace Technology Campus, Partnership Wing

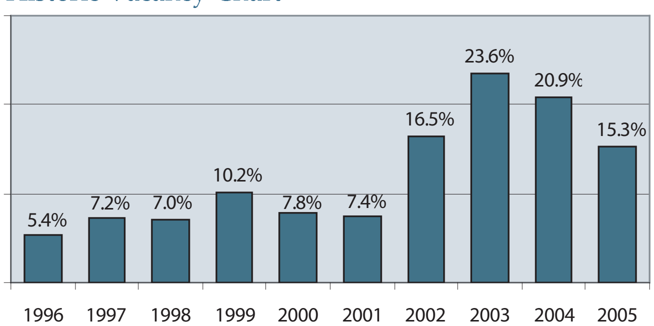
Scheduled to open in 2007, this new facility at Cessna Drive and Russ Baker Way will include 90,647 square feet of premier, view office space.

Vacancy Trends

For the first time in several years, the Richmond office market experienced solid leasing activity during the second half of 2005. Indeed, although vacancy rates sit at over 15%, only a few large blocks of high quality space remain in the current inventory.

BCIT can expect strong interest in the new, view office space available for lease in their Aerospace Centre under construction near the airport.

Historic Vacancy Chart



Market Forecast

Continued market activity will drive down vacancy rates, especially in better quality inventory. Current market vacancy and the new BCIT facility will garner tenant interest from not only Richmond tenants but other markets where limited or no opportunities exist. Rental rates will start to trend upwards in the latter half of 2006.

Absorption Trends

Richmond still appears to have significant vacancy levels when compared to other suburban markets. However, the situation is changing. A number of sizeable transactions completed in the final months of 2005 will be absorbed in 2006.

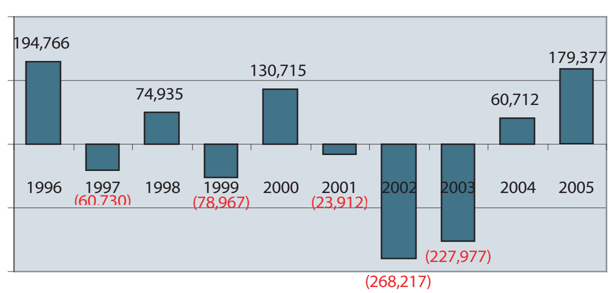
The remaining quality Class A space in Richmond will likely be leased in 2006. In the A class market at least, Richmond will begin to resemble other leasing districts with declining vacancy and rising rental rates.

Simply put, Richmond is now "catching up."

Notable Lease Deals - Second Half 2005

Tenant	Lease Type	Area (sq. ft.)
Aero Info	Relocation	26,000
HMY Airways	Relocation	22,000
Hamilton Spill	Relocation	18,000
Great Canadian Casino	Expansion	17,000
Developmental Disabilities	Renewal	13,000
Urban Systems	Renewal	12,000
Toshiba	Relocation	7,000
Apple Canada	Renewal	7,000
Canadian Art Prints	Renewal	6,000

Historic Absorption Chart

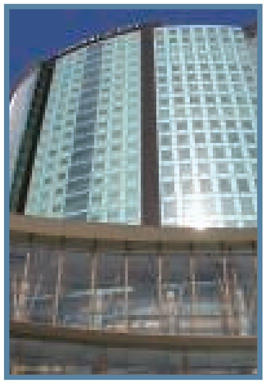


Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	2,061,556	214,546	42,703	257,249	12.5%	154,813	$13-$16	$22-$27
B	987,017	224,901	3,064	227,965	23.1%	9,090	$10-$12	$18-$22
C	200,474	13,275	0	13,275	6.6%	15,474	$9-$12	$16-$25
Total	**3,249,047**	**452,722**	**45,767**	**498,489**	**15.3%**	**179,377**		

Surrey — New Construction Ahead?

What will be Surrey's next new A Class Office Tower ?


Station Tower

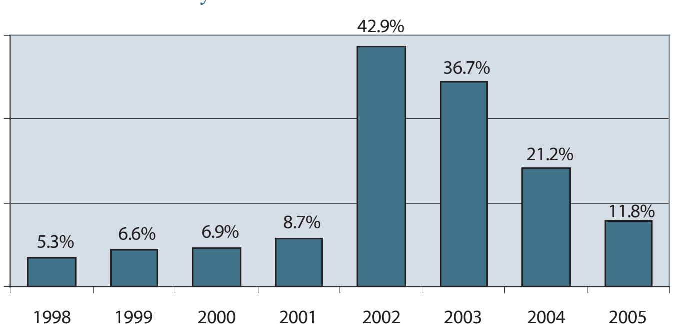

Central City

Vacancy Trends

Surrey has very few quality options for office tenants over 5,000 square feet. Station Square is leased. Although there is vacant space in Central City, the majority of it is encumbered by options held by other tenants.

At the end of 2006, the Canada Revenue Agency is scheduled to depart the 42,000 square foot penthouse suite on the top three floors. This suite offers perhaps the highest quality option in the Lower Mainland for a larger tenant wanting 2007 occupancy.

Historic Vacancy Chart



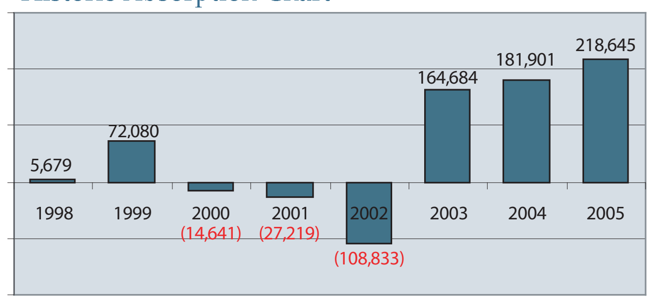
Notable Lease Deals in 2005

Tenant	Lease Type	Area (sq. ft.)
Coast Capital Savings	Relocation	70,000
Canada Revenue Agency	Relocation	42,000

Absorption Trends

As Surrey's population continues to grow, the district's office market can expect sustained demand. Several prominent federal government agencies have substantial operations in Surrey including the Canada Revenue Agency. In addition, larger private sector organizations such as financial services institutions will require larger "branch" office operations in the city. Moreover, employers will increasingly opt to have offices where their workforce lives (in Surrey and nearby suburbs).

Historic Absorption Chart



Market Forecast

With vacancy tight across the Lower Mainland, and with Surrey on track to eclipse Vancouver as BC's largest city, more office construction in Surrey sounds both logical and financially viable.

In October, developers (and former Mayor McCallum) presented the concept of an 81 storey office and residential tower at the King George Highway skytrain station. This project has not yet been approved by Surrey's city planners and council. Indeed the sheer size of this proposal sounds out of place (81 storeys would be the largest building in Canada) making its approval that much less likely.

However we do anticipate that during the coming year Surrey's city council will see applications to develop several less ambitious office buildings.

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	1,365,753	108,571	7,355	115,926	8.5%	226,871	\$13-\$16	\$23-\$26
B	796,615	92,095	10,291	102,386	12.9%	-8,616	\$12-\$14	\$20-\$24
C	157,950	55,862	0	55,862	35.4%	390	\$8-\$11	\$14-\$19
Total	**2,320,318**	**256,528**	**17,646**	**274,174**	**11.8%**	**218,645**		

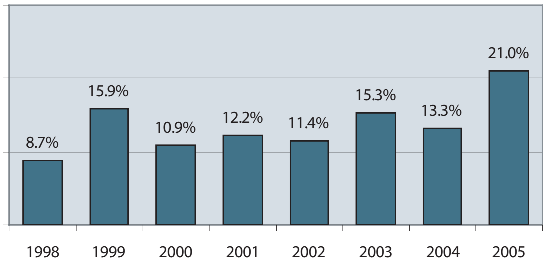
New Westminster

Where Opportunities Abound

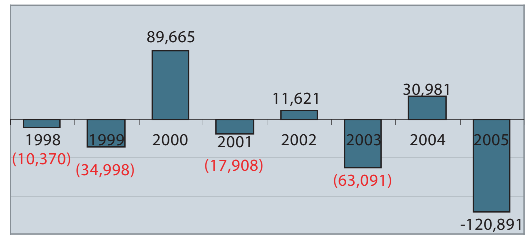
Market Summary

We anticipate stronger leasing activity in 2006. New Westminster offers large blocks of quality space, which the neighbouring Burnaby market now lacks.

Historic Vacancy Chart



Historic Absorption Chart



Inventory Adjustments

We have adjusted the A class inventory for 620 Royal Avenue as a result of a building remeasurement and for 435 Columbia to add ground floor space being marketed as office. In the C Class inventory, we have adjusted in inventory of the former Buy and Sell building, which has also been remeasured.

Notable Lease Deals - Second Half 2005

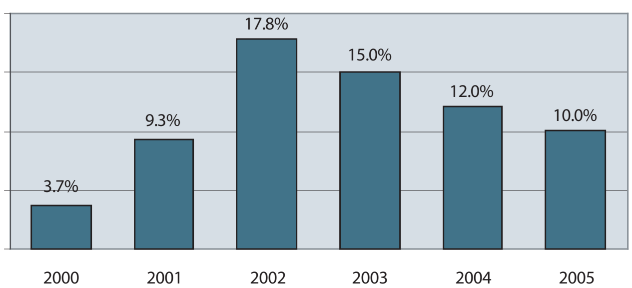
Tenant	Lease Type	Area (sq. ft.)
Westminster Savings	Renewal	18,000
ICBC	Renewal	17,000
Orion Health	Relocation	6,000
MD Management	Renewal	3,500
InMotion Technologies	Renewal	3,500

Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	781,887	171,462	1,883	173,345	22.2%	-77,934	$13 - $16	$23 - $27
B	553,385	75,442	0	75,442	13.6%	-3,180	$8 - $12	$16 - $22
C	190,713	63,803	7,340	71,143	37.3%	-39,777	$4 - $7	$12 - $18
Total	1,525,985	310,707	9,223	319,930	21.0%	-120,891		

North Shore

Steady, Dependable

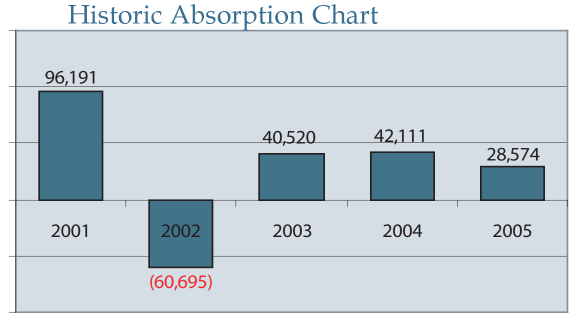
Historic Vacancy Chart



Market Summary

Normally a very insular market with few tenants entering or leaving, this could change in 2006. The large block opportunity at the former BC Rail building, next to the seabus terminal, could tempt a traditional downtown tenant.

Historic Absorption Chart



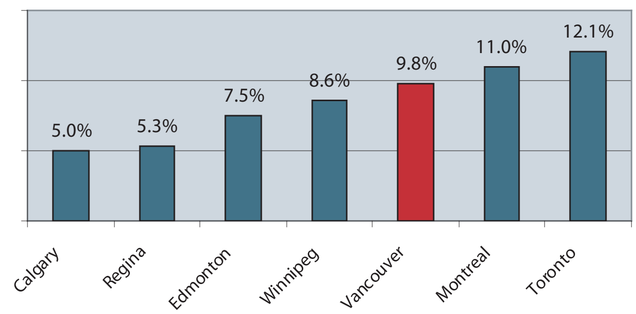
Notable Lease Deals in 2005

Tenant	Lease Type	Area (sq. ft.)
VCHA	Relocation	22,000
North Shore News	Relocation	11,500
First Nations' Summit	Relocation	10,000

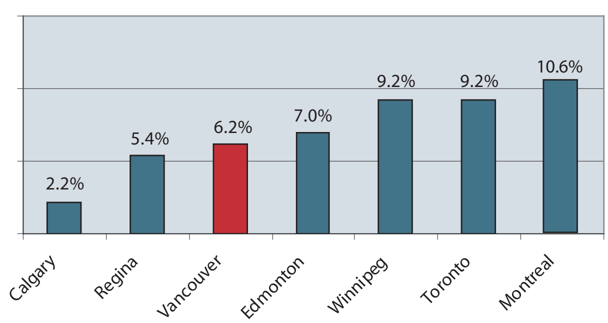
Class	Total Rentable (sq.ft.)	Headlease Vacancy (sq.ft.)	Sublease Vacancy (sq.ft.)	Total Vacancy (sq.ft.)	Total Vacancy	Absorption (sq. ft.)	Avg Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	710,350	44,809	37,990	82,799	11.7%	-1,733	$14 - $19	$24 - $29
B	479,077	33,538	0	33,538	7.0%	17,881	$12 - $16	$22 - $27
C	236,182	26,787	0	26,787	11.3%	12,426	$10 - $14	$18 - $22
Total	**1,425,609**	**105,134**	**37,990**	**143,124**	**10.0%**	**28,574**		

Greater Vancouver's Office Market in Context

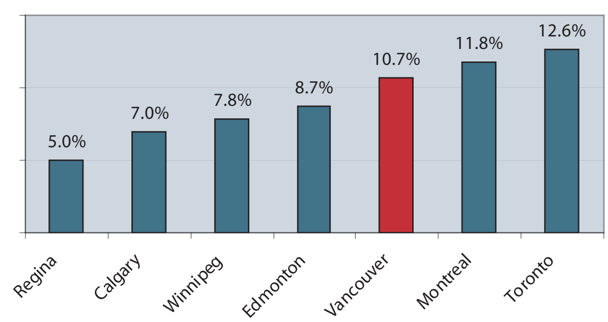
Overall Market Vacancy Across Canada - Year End 2005



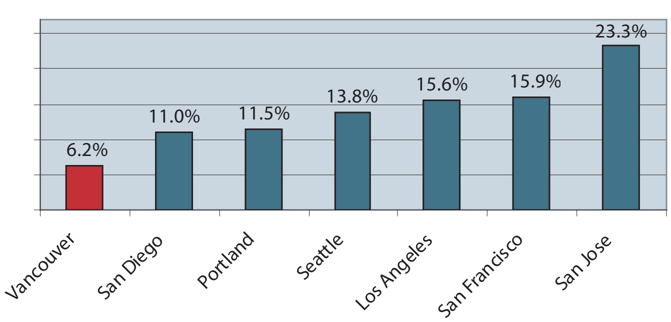
Downtown Office Market Vacancy Across Canada



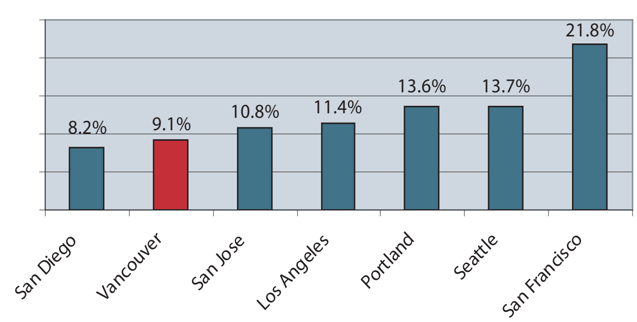
Suburbs Office Market Vacancy Across Canada



Downtown Office Market Vacancy, Pacific Coast



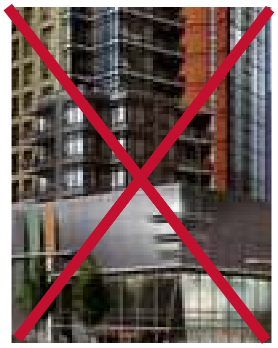
Suburbs Market Office Vacancy, Pacific Coast

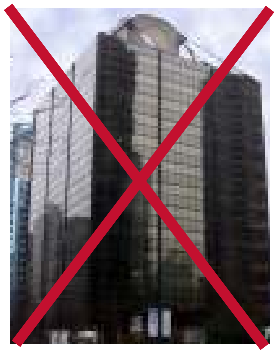


US data from Grubb & Ellis, *Office Market Trends* (Q3 2005)

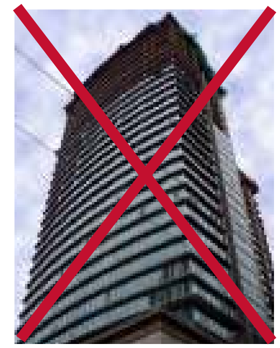
At least **nine** sites designated for office buildings have recently been removed from the present or future inventory:


1133 West Georgia
Residential Project
Approved June 2005


1200 West Pender
Soon The Ritz


1333 West Georgia
Now the QUBE


Georgia & Thurlow
Soon the Shangri-La


Granville & Dunsmuir
Now The Hudson


848 West Hastings
only 75,000 s.f. of office space planned, remainder residential


1188 West Pender
Soon new residential

Over the past two years, a vibrant economy has allowed companies in BC to create more jobs and expand their office space. The result has been plummeting office availability and rising rental rates, particularly downtown. This strong economy could continue for several more years, supporting more job growth.

Will companies find the space to expand?

At least 3 million square feet of potential office space has been lost -- a four year supply at current absorption rates, and an eight-to-ten year supply at more typical expansion levels.

There are several actual and potential consequences of this scenario:

Tax base: The City of Vancouver will experience lower revenues but higher expenses: it receives less tax from residential users than commercial ones, but must provide more services to accommodate residential use (parks, schools, etc.).

Losing the benefits of proximity: Businesses will be forced to relocate all or portions of their operations to the suburbs. This will undermine competitiveness and lower efficiencies gained from proximity to other businesses in the CBD or from having all employees in one location.

Job losses: Facing a lack of available space, global companies with Vancouver operations may choose not to expand their Vancouver workforce -- or even to downsize it.

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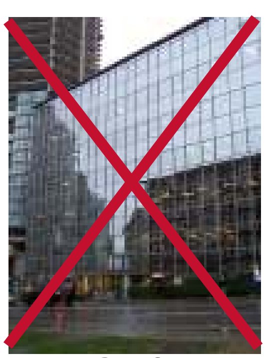
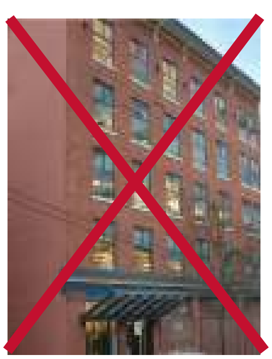
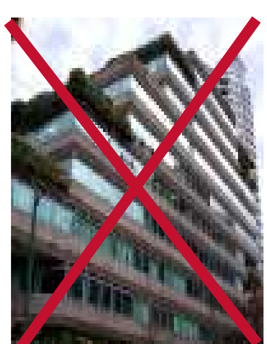
New inventory will have to emerge from redeveloping existing office buildings, likely in the CBD east of Granville Street. However, any new buildings would be at least 4 years away and none are planned. Moreover, developers will not build office as long as there is a perceived opportunity to build more-profitable (for now) residential condominiums on a site.

Only a downturn in residential demand or a firm policy from the city will encourage new office development. Housing demand does not appear to be waning, so the ball is in the city's court.


626 Bute Street
Now Residential


840 Cambie Street
Converting to residential


1285 West Pender
Conditionally approved for residential

"There is reason to worry about the long term viability of Vancouver as an important business centre on the west coast of North America."

- Jock Finlayson, Business Council of British Columbia,a when asked about diminishing office space Downtown.

About This Report

Office Market Districts Tracked

Avison Young separates suburban office market districts using the municipal boundaries.

The Avison Young *Office Market Report* is based upon information from the company's databases, Space4lease.com, as well as on discussions with developers, owners, tenants and our clients. We thank everyone who contributed.

The information contained herein was obtained from sources which we deem reliable. While thought to be correct, it is not guaranteed by Avison Young Commercial Real Estate (BC) Inc.

Building Inventory and Classification

Inventory: Avison Young tracks headlease and sublease inventory and vacancy in non-government buildings over three storeys in height with at least 20,000 square feet of space.

Classification: Avison Young classifies buildings as either "A", "B", or "C" based on the building's location, age, quality and tenant profile. For the Downtown office market, we also use the "AAA" classification for profile buildings.

Definitions

Absorption: Absorption is the net change in occupied space over a given period of time. New space is not considered absorbed until it is physically occupied.

Vacancy: Office space that is physically unoccupied at the time of the survey, regardless of its contractual leasing state.

Net Effective Rates (NER): Net effective rates are calculated by taking the annual rental rates per square foot payable by a tenant and deducting all tenant inducements such as free rent periods, lease takeover costs, improvement packages, etc. using discounted cash flow analysis.

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