MARKET OUTLOOK

2012 CANADA

CBRE

NATIONAL MARKET OUTLOOK 2012

CARRY-ON LUGGAGE IS STOWED AND TABLE TRAYS ARE IN AN UPRIGHT POSITION, BUT THE GLOBAL ECONOMIC RECOVERY HAS YET TO TAKEOFF.

This is not surprising given the excess baggage that many nations are struggling with. The sovereign debt crisis continues to roil financial markets, the stability of the European Union has been called into question, and political gridlock continues to stymie fiscal reform in the U.S. In contrast, the Canadian economy and commercial real estate market are envied for their relative stability and prosperity. The Canadian banking system is the world's soundest, the country has been called the best in the world to do business, and there were 183,800 more jobs as of the third quarter of 2011 than prior to the slowdown. Despite the accolades and positive indicators, consumer confidence is low and Canadians are aware of their privileged place as well as their vulnerability to external events.

Many of the issues hampering global economic growth are the same as those discussed in our 2011 outlook; however, Canadian commercial real estate market fundamentals are much stronger than last year. Balanced supply and stable demand have allowed markets to tighten and many are poised for a new growth cycle. Solid fundamentals will help moderate the effects of a period of slow growth if global economic issues persist in 2012. The stability of the Canadian commercial real estate market allowed investment activity to rebound to 2008 levels and many owners are holding onto their Canadian assets due to the lack of alternative, reliable income generating vehicles. A significant amount of Canadian capital will continue to go abroad in search of opportunities that were previously out of reach. In 2012, pricing and cap rates will be interest rate dependent. With little chance that interest rates will jump, competitive pressure will push cap rates lower on quality assets. Investment activity will remain stable and reduced economic uncertainty could actually broaden demand beyond core assets and push the total investment volume higher.

The past year taught us that the ramifications of the global financial crisis are likely to persist in one form or another for years to come. Canada will continue to be a place of relative stability and commercial real estate in this country will be sought after, but prosperity cannot be sustained indefinitely when so many of our trading partners continue to struggle.

CBRE

OFFICE

The Canadian office market has now digested most of the 16.5 million SF of space that was delivered across the country in 2008 and 2009 and has managed to backfill space as tenants moved to new facilities. Strong commodity prices have resulted in record demand for office space in Western Canada while the consolidation and expansion of financial services has bolstered demand in Toronto. The major trend in 2011 was a flight to quality, with Class B tenants moving into Class A space. Downtown markets fared best as they are home to the highest quality space. The national Class A vacancy rate in the third quarter of 2011 was 7.3%, while the downtown Class A vacancy rate was only 5.2%. Vancouver, Calgary and Toronto have downtown Class A vacancy rates of 2.9%, 4.5% and 4.7%, respectively. Downtown fundamentals are so encouraging that many markets expect another wave of new supply in the coming years. Currently, only 7.6 million SF is under construction across the country, 4.6 million SF of which is being built in downtown markets. The downtown Class A vacancy rate is expected to fall to 5.1% by year-end 2012 despite 2.3 million SF of new supply next year.

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	8.0%	6.5%	6.1%	▼
Class A Rental Rate (psf)	$23.93	$23.28	$23.39	▲
Absorption (SF in millions)	2.82	4.81	2.96	▼
New Supply (SF in millions)	1.530	1.889	2.275	▼
Under Construction (SF in millions)	4.489	3.952	3.450	▼

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	11.2%	10.5%	9.9%	▼
Class A Rental Rate (psf)	$17.33	$16.90	$17.18	▲
Absorption (SF in millions)	2.27	2.70	3.34	▲
New Supply (SF in millions)	2.011	1.442	2.483	▲
Under Construction (SF in millions)	2.068	3.138	1.126	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	9.4%	8.2%	7.8%	▼
Class A Rental Rate (psf)	$20.37	$19.81	$20.02	▲
Absorption (SF in millions)	5.09	7.51	6.30	▼
New Supply (SF in millions)	3.541	3.331	4.758	▲
Under Construction (SF in millions)	6.557	7.090	4.576	▼

RBC WaterPark Place Tower III, Toronto

The tightening of downtown nodes in Vancouver and Calgary has resulted in some spill over of demand into the suburbs where large blocks of contiguous space are available. Toronto suburbs have experienced some demand from downtown users requiring space for back office operations, but by and large, urban cores are outpacing their suburban counterparts. Core markets will continue to be favoured in 2012 as employers look to attract young talent and opt for locations with access to public transit. Developers are expected to announce multiple new office buildings in downtown Vancouver, Calgary and Toronto in 2012. The Bow, at 1.9 million SF, will be delivered in Calgary in 2012, and plans are being drawn up for a second smaller tower adjacent to the site. Toronto will experience further development in the Downtown South market in addition to WaterPark Place III being built for RBC and Vancouver is expecting multiple buildings to launch in the year ahead. Owners anticipate that the global economy will be on solid footing by the time these buildings are complete starting in 2014. Rental rate growth will reflect the demand for space with Class A buildings seeing the greatest increase, especially downtown. With little Class A space remaining in many markets, landlords are expected to price Class B and C space higher. Expect tenant inducements to be reduced in the year ahead as markets tighten. Current office fundamentals and the potential wave of construction are indicative of growing confidence in the Canadian office market.

NATIONAL MARKET OUTLOOK 2012

INDUSTRIAL

The Canadian industrial market staged a remarkable comeback in 2011 despite ongoing economic uncertainty. Even more impressive is the waning of the east-west divide that has characterized the industrial market in recent years. Fundamentals have improved significantly in Western markets, as the oil and gas industry has spurred demand for industrial space. Meanwhile, the performance of Eastern markets has exceeded expectations due in large part to increased capital spending stemming from stimulus measures and oil and gas spinoffs. The decision to delay the Keystone Pipeline was a disappointment for the energy sector, but it serves as a reminder that Canadian companies need to diversify. Businesses sought out new markets in 2011 and continued weakness in the U.S. and Europe, our traditional trading partners, will force businesses to pursue deeper ties with Asia and other regions in the years ahead. New and diversified trading relationships will support industrial activity across the country.

In the third quarter of 2011, the national availability rate was 6.6%, which is only 100 bps above the 5.6% pre-recession availability rate and 70 bps above the 5.9% 10-year quarterly average. Demand for industrial space is expected to be healthy in 2012; however, there will be slightly less absorption overall than in 2011 as most markets are fairly tight and construction remains restrained. Gross Domestic Product growth is expected to slow in 2012, as will the pace of decline in overall availability. The availability rate is expected to reach 6.0% at year-end. 2012 is likely going to mark a turning point in terms of industrial construction. In 2011, users were actively buying properties but there was a lack of new construction. An increase in speculative development is likely as economic uncertainty abates; however, speculative development will not return to pre-recession levels as American developers are expected to stay away. Developers are going to tap into demand for large new generation facilities from transportation and warehousing companies - the primary drivers of growth aside from the energy sector. Look for rents to start to rise as construction increases, but there will be less potential rental rate growth in older buildings.

	2010	2011F	2012F	△
Availability Rate	7.4%	6.5%	6.0%	▼
Rental Rate (psf)	$5.45	$5.37	$5.45	▲
Sale Price (psf)	$89.23	$90.27	$95.02	▲
Absorption (SF in millions)	17.54	19.58	15.17	▼
New Supply (SF in millions)	6.717	6.827	8.156	▲
Under Construction (SF in millions)	5.761	7.677	6.815	▼

RETAIL

Canadian retail market fundamentals are very strong. There is low vacancy and high demand across the country for most retail formats. Foreign retailers continue to roll out across the country and have been greeted by record sales. Target is preparing for a 2013 launch, but will have an impact on the retail market in 2012 as landlords adjust their tenant mix and tenants compete for space near the American juggernaut. New supply is likely to increase to 9.8 million SF in 2012, which will provide options for retailers looking for space. The largest, best performing centres are likely to expand and maximize their real estate, but overall, developers will remain hesitant to move ahead with projects if economic uncertainty persists. Many of the projects that go ahead are likely to be mixed-use redevelopment or intensification initiatives that will allow retailers to access underserviced urban populations. Street front rents which had been on quite a tear in many markets in recent years appear to have finally reached a plateau. While property fundamentals are solid, Canadian consumers are showing signs of weakness for the first time in many years. Retail sales are growing only marginally and with little momentum. The performance of the retail market in 2012 will be undermined by a convergence of factors: rising household debt, slow wage growth and rising prices. While most signs point to continued low interest rates in the year ahead, Canadians are wary and are already pulling back on non-essential spending. Few analysts are predicting economic growth at a pace that would allow consumers to overcome the challenges they face without some negative impact on retail sales. The strength of the Canadian retail market stems from years of restraint by the development community and lenders. Both parties will have to balance low vacancy and demand from foreign retailers with concerns about the financial health of Canadian consumers when making development decisions in 2012.

MULTI-HOUSING

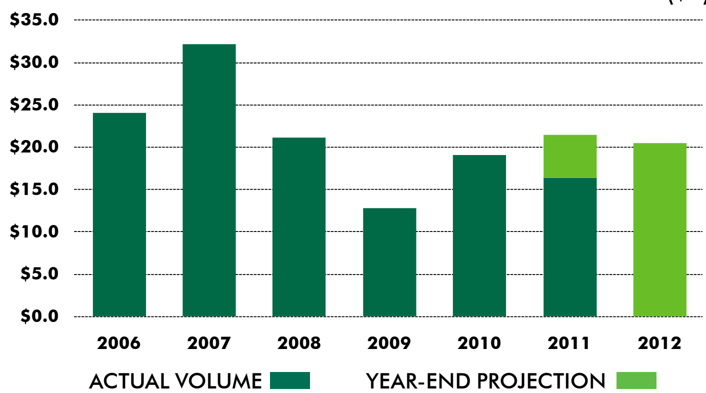
In an era where stability is prized, multi-housing properties will continue to be in favour. This is the only commercial property type in Canada that is performing similarly in the U.S. With only 2.7% vacancy across the country, strong fundamentals and little new supply will result in even lower vacancy and rising rents in 2012. There is little construction across the country, but future construction is likely to occur in Alberta where significant population growth and a lack of rent control exist. The rush to homeownership will continue to slow and improving youth employment prospects will increase demand from this important cohort. Investors will continue to seek opportunities to purchase multi-housing assets, but supply will remain tight in 2012 if economic uncertainty persists.

INVESTMENT

Investment in Canadian commercial real estate continues to rebound and is likely to top \$22.2 billion in 2011, which is on par with activity in 2008. While 2007's \$32.1 billion peak volume was out of reach, volume could have climbed higher in 2011 if owners had been willing to part with more of their Canadian assets. Peak pricing and solid fundamentals were not enough to coax much product onto the market due to the lack of suitable alternatives for income generation. Cash flush Real Estate Investment Trusts (REITs) accounted for 35.0% of acquisitions as of the third quarter, but some hesitation caused by stock price fluctuations allowed pension funds and institutions to slip in and compete for core assets for the first time in years. However, the REITs are back and appear positioned to dominate the investment market again in 2012. Foreign investors will continue to show interest in Canada, but domestic players will make it difficult for them to get in the door.

Demand has been particularly strong for core assets, as evidenced by the appetite for the Blackstone office portfolio, the Metro Toronto Convention Centre, and the Bell Tower in Edmonton. Office and retail properties have garnered particular interest, while the industrial market has lacked a major portfolio transaction on the scale of the ING deal last year. The stability of income producing multi-housing properties is appealing, but product has been scarce. Investment volume in 2012 is expected to be \$20.4 billion, similar to 2011; however, it is possible that investors could look beyond core assets and boost investment volume if global economic uncertainty abates.

Canadian Investment Transactions ($B)



TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$3,263	$6,403	$5,641	▼
Industrial	$5,216	$4,105	$4,153	▲
ICI Land	$2,709	$2,524	$2,676	▲
Retail	$3,278	$5,443	$4,360	▼
Multi-residential	$2,977	$3,357	$3,154	▼
Hotel	$230	$358	$424	▲
Total	$17,672	$22,189	$20,408	▼

MARKET OUTLOOK 2012 AT A GLANCE

VANCOUVER CALGARY EDMONTON WINNIPEG

The Metro Vancouver commercial real estate market proved to be resilient in 2011 despite ongoing global economic challenges. The region recorded robust investment activity and leasing fundamentals remained steady. Concerns over housing affordability and consumer debt will persist in 2012; however, employment growth should boost retail sales in 2012. Looking ahead, growth will be moderate as the region benefits from Asia-Pacific trade and the global demand for natural resources.

745 Thurlow Street, Vancouver

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	5.2%	3.9%	3.2%	▼
Class A Rental Rate (psf)	$30.64	$33.46	$36.89	▲
Absorption (SF in millions)	0.16	0.34	0.14	▼
Class A Cap Rate (%)	5.50–6.25	5.00–5.25	5.00–5.25	◀▶
New Supply (SF in millions)	0.027	0.068	0.000	▼
Under Construction (SF in millions)	0.101	0.270	1.035	▲

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	14.8%	13.8%	13.5%	▼
Class A Rental Rate (psf)	$20.97	$19.82	$20.91	▲
Absorption (SF in millions)	0.07	0.30	0.20	▼
Class A & B Cap Rate (%)	6.25–7.25	6.00–6.75	5.75–6.50	▼
New Supply (SF in millions)	0.415	0.298	0.173	▼
Under Construction (SF in millions)	0.214	0.842	0.669	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	9.7%	8.7%	8.3%	▼
Class A Rental Rate (psf)	$22.03	$21.24	$22.32	▲
Absorption (SF in millions)	0.24	0.66	0.35	▼
New Supply (SF in millions)	0.442	0.366	0.173	▼
Under Construction (SF in millions)	0.315	1.112	1.304	▲

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
Schneider Electric Canada Inc.	3700 Gilmore Way, Burnaby	91,000
McCarthy Tetrault LLP	745 Thurlow Street, Vancouver	82,095
Columbia College	428 Terminal Avenue, Vancouver	73,791

Market Drivers/Trends to watch for:

- Vacancy will continue to drop, but at a slower pace in the first half of 2012 as tenants, particularly in the suburbs, remain hesitant.
- Little new supply is expected in the downtown core over the next 24-26 months, which will support market fundamentals.
- The lack of available space downtown could result in a modest increase in demand in the suburbs later in 2012.
- Construction is expected to begin at Oxford Properties' 1021 West Hastings, Bentall Kennedy LP's 745 Thurlow, TELUS/Westbank Corp's TELUS Garden early next year, which will bring 270,000 SF, 365,000 SF and 500,000 SF of office space to the market, respectively.

VANCOUVER:

Website | Market Reports

1111 West Georgia Street
Terasen Centre, Suite 600
Vancouver, BC V6E 4M3

T 604 662 3000
F 604 684 9368

FOLLOW US ON TWITTER!

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	8.6%	7.1%	6.2%	▼
Rental Rate (psf)	$8.05	$7.59	$7.74	▲
Sale Price (psf)	$177.00	$170.00	$187.43	▲
Absorption (SF in millions)	2.26	2.37	2.42	▲
Class A&B Cap Rate (%)	5.75–7.00	5.50–6.25	5.25–6.00	▼
New Supply (SF in millions)	2.268	1.046	0.887	▼
Under Construction (SF in millions)	2.350	1.863	1.865	▲

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Kruger Products LP	345 Gifford Street, New Westminster	Lease	504,000
YRC Logistics Inc.	16131 Blundell Road, Richmond	Lease	153,000
ECP Products	19680 94A Avenue, Langley	Lease	136,796

Market Drivers/Trends to watch for:

- Leasing activity will remain muted in 2012 due to global economic difficulties and slower domestic demand; however, investment activity will continue to drive the market.
- A limited number of available properties is likely to result in more unsolicited offers from investors.
- Logistics and export-oriented sectors have been most active. The growth of this sector is expected to cause higher demand and rent growth for Class A product compared to older Class B space.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	4.6%	2.8%	4.7%	▲
Neighbourhood Cap Rate (%)	6.00–6.50	6.00–6.50	6.00–6.50	◀▶

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- Retail market fundamentals are expected to remain stable in 2012 given the lack of turnover and considerable number of new retailers entering the B.C. market.
- Tenants are likely to remain active but are cautious given the current economic climate. Foreign retailers continue to show interest in the region, but recent price-sensitivity could persist.
- Downtown street front retail will continue to perform well with new chains opening stores, while major downtown corridors continue to re-merchandise and evolve.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	1.9%	2.5%	1.8%	▼
High Rise Cap Rate (%)	4.25–4.75	4.25–4.75	4.25–4.75	◀▶

****CMHC*

Market Drivers/Trends to watch for:

- A dip in immigration early in the year undermined demand, but immigration levels are expected to normalize in 2012.
- The rapid rise in the cost of housing is expected to level off, but even if prices correct, the average housing price will still be supportive of the rental market.
- Many multi-housing properties are being bought as land plays which could result in a reduction of purpose-built rental units in the years ahead.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$322	$596	$611	▲
Industrial	$646	$663	$679	▲
ICI Land	$573	$417	$428	▲
Retail	$1,054	$636	$652	▲
Multi-residential	$440	$436	$447	▲
Hotel	$39	$173	$178	▲
Total	$3,074	$2,921	$2,994	▲

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
Northland Properties Corp.	855 Burrard Street Vancouver	Hotel	$109,130,000	164 Suites
Lululemon Athletica Inc.	Office Portfolio Vancouver	Office	$65,000,000	138,600
Cadillac Fairview Corp. Ltd.	6060 Minoru Boulevard Richmond	Retail	$59,214,400	790,000

CBRE

MARKET OUTLOOK 2012 AT A GLANCE

VANCOUVER **CALGARY** EDMONTON WINNIPEG

A jump in activity in Alberta's energy sector has spurred optimism among tenants and owners in Calgary. Record absorption was recorded in 2011 as the market staged a remarkable recovery. Further improvement is expected in 2012 as the energy sector continues to drive growth. Employment will rise along with wages and disposable income, all of which will exceed the national average. Calgary offers significant opportunity and will attract more migrants from other provinces and countries as well as renewed interest from investors.

Eight Avenue Place, Calgary

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	13.0%	6.1%	4.3%	▼
Class A Rental Rate (psf)	$28.56	$31.00	$31.62	▲
Absorption (SF in millions)	1.80	2.52	2.50	▼
Class A Cap Rate (%)	6.50–7.50	5.50–6.50	5.50–6.25	▼
New Supply (SF in millions)	1.040	0.000	1.900	▲
Under Construction (SF in millions)	1.700	1.900	1.500	▼

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	13.6%	9.3%	8.2%	▼
Class A Rental Rate (psf)	$19.90	$20.31	$20.51	▲
Absorption (SF in millions)	0.61	0.97	0.85	▼
Class A & B Cap Rate (%)	6.75–8.75	6.25–7.75	6.50–7.25	▼
New Supply (SF in millions)	0.189	0.100	0.683	▲
Under Construction (SF in millions)	0.260	0.640	0.057	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	13.2%	7.2%	5.7%	▼
Class A Rental Rate (psf)	$25.11	$25.57	$25.44	▼
Absorption (SF in millions)	2.40	3.50	3.35	▼
New Supply (SF in millions)	1.229	0.100	2.583	▲
Under Construction (SF in millions)	1.960	2.540	1.557	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
ATB Financial Inc.	3699 63 Avenue NE	210,000
Apache Corp.	421 7th Avenue SW.	209,000
Suncor Energy Inc.	150 6th Avenue SW.	140,000

Market Drivers/Trends to watch for:

- With fundamentals in the downtown core improving significantly, other submarkets such as the Mid-West and West are expected to benefit from higher demand in the year ahead.
- Most of the large blocks of space, including The Bow which will be delivered in early 2012, have been consumed by large corporations. Optimistic forecasts for the oil and gas industry suggest that the remaining large tenants looking for space will spur new development downtown.
- Available Class A space in suburban markets is expected to be reduced in the year ahead; however, significant supply will remain in all other classes.

CALGARY:

Website | Market Reports

530 - 8th Avenue SW
Watermark Tower, Suite 500
Calgary, Alberta T2P 3S8

T 403 263 4444
F 403 269 4202

FOLLOW US ON TWITTER!

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	4.9%	3.1%	2.9%	▼
Rental Rate (psf)	$7.71	$8.15	$8.31	▲
Sale Price (psf)	$160.00	$160.00	$169.74	▲
Absorption (SF in millions)	2.01	2.35	1.39	▼
Class A&B Cap Rate (%)	6.25–7.75	6.00–7.00	6.00–7.00	◀▶
New Supply (SF in millions)	0.701	0.317	1.250	▲
Under Construction (SF in millions)	0.117	1.714	1.600	▼

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Rubbermaid Inc.	4770 68 Avenue SE	Lease	188,086
RONA Inc.	5543 72 Avenue SE	Lease	142,700
Flexpipe Systems Inc.	3501 54 Avenue SE	Lease	141,622

Market Drivers/Trends to watch for:

- Calgary has attracted many distribution and warehousing operations – a trend that is expected to continue in 2012. Clear heights above 32′ and large lots will be in high demand.
- Industrial availability is forecast to drop at a quicker pace in 2012, as demand outpaces the delivery of new product.
- Space in the Northeast is in high demand as Calgary International Airport continues work on a new, longer runway to accommodate airfreight traffic. The Southeast node, close to the new ring road/ transportation utility corridor, is popular and the South Central market will remain in demand due to its close proximity to downtown.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	5.8%	5.5%	5.5%	◀▶
Neighbourhood Cap Rate (%)	6.50–7.00	6.25–6.75	6.00–6.75	▼

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- Retail vacancy dipped in 2011 and is expected to fall further in 2012. Retail space will remain highly sought after in a city that boasts wages and disposable income above the national average.
- Grocery tenants, perennial strong performers, are expected to anchor new developments in the year ahead, spurred by rising immigration and improving housing market.
- The Northwest and Southeast corners of the city will continue to draw retailers, and strip malls will be a sought after format.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	3.6%	3.4%	2.9%	▼
High Rise Cap Rate (%)	6.00–6.50	5.25–5.75	5.00–5.50	▼

***CMHC*

Market Drivers/Trends to watch for:

- Recessionary pressures took their toll on this sector, but demand for multi-housing is on the rebound.
- Immigration at 4,000 people in 2011 is far from 13,000 in 2009 but is on the rise and will drive demand.
- Residents of this boom-bust market have learned tough lessons in the past and are not rushing to homeownership despite the positive outlook for the energy sector.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$307	$989	$900	▼
Industrial	$708	$519	$500	▼
ICI Land	$207	$200	$300	▲
Retail	$272	$367	$275	▼
Multi-residential	$145	$96	$100	▲
Hotel	$21	$65	$100	▲
Total	$1,660	$2,235	$2,175	▼

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
Hydro-Quebec International Inc.	Gulf Canada Square	Office	$178,000,000	1,074,125
Homberg REIT	Scotia Centre	Office	$116,000,000	607,360
ARTIS REIT	Stampede Station	Office	$90,000,000	161,501

CBRE

MARKET OUTLOOK 2012 AT A GLANCE

The Edmonton economy rebounded sharply in 2011. The city's unemployment rate dropped to 5.3% in September 2011, down 120 basis points year-over-year. Strong interprovincial migration and $119. 6 billion in oilsands development either planned or underway points to continued growth in this market.

EPCOR Tower, Edmonton

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	8.9%	10.3%	9.1%	▼
Class A Rental Rate (psf)	$21.48	$20.57	$19.50	▼
Absorption (SF in millions)	-0.15	0.37	0.17	▼
Class A Cap Rate (%)	6.50–7.25	6.00–6.25	6.00–6.25	◀▶
New Supply (SF in millions)	0.000	0.625	0.000	▼
Under Construction (SF in millions)	0.872	0.247	0.000	▼

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	14.6%	12.9%	12.4%	▼
Class A Rental Rate (psf)	$16.82	$16.85	$16.45	▼
Absorption (SF in millions)	-0.14	0.21	0.16	▼
Class A & B Cap Rate (%)	7.75–8.75	7.25–7.75	7.00–7.50	▼
New Supply (SF in millions)	0.020	0.076	0.180	▲
Under Construction (SF in millions)	0.173	0.180	0.000	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	11.1%	11.6%	10.8%	▼
Class A Rental Rate (psf)	$19.93	$18.03	$17.69	▼
Absorption (SF in millions)	-0.29	0.49	0.32	▼
New Supply (SF in millions)	0.020	0.701	0.180	▼
Under Construction (SF in millions)	1.045	0.427	0.000	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
ATB Financial Inc.	TELUS House	250,000
Government of Alberta	Forestry Building	128,000
WorleyParsons Canada Ltd.	Harley Court	79,907

Market Drivers/Trends to watch for:

- Activity levels in the core have increased and a number of transactions will be completed in the fourth quarter.
- Total suburban office vacancy is projected to drop 50 basis points in 2012, with the majority of absorption occurring in the Southside submarket.
- Activity stemming from engineering firms and companies with links to the oil and gas sector is expected to continue in 2012. Look for Class AA and A buildings to be the focus of their attention and to record the most absorption.

EDMONTON:

Website | Market Reports

10180 - 101st Street
1220 Manulife Place
Edmonton, Alberta T5J 3S4

T 780 424 5475
F 780 426 1995

FOLLOW US ON TWITTER!

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	6.1%	4.2%	3.8%	▼
Rental Rate (psf)	$8.55	$8.90	$9.25	▲
Sale Price (psf)	$125.27	$144.00	$155.00	▲
Absorption (SF in millions)	0.49	2.69	2.46	▼
Class A&B Cap Rate (%)	6.75–8.00	6.00–7.25	5.75–6.75	▼
New Supply (SF in millions)	0.203	0.856	1.532	▲
Under Construction (SF in millions)	0.859	1.128	1.200	▲

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Husqvarna Canada Corp.	149 Street Building	Lease	58,180
Gregg Distributors Ltd.	Alberta Park	Lease	50,000
Amega-West Services LLC	8th Street Nisku Building	Lease	42,168

Market Drivers/Trends to watch for:

- Continued absorption is expected in the Southside industrial market, home to the majority of the city's oilfield service providers and 900,000 SF of available space.
- Construction of new warehousing space will slow slightly in the Northwest allowing current inventory to be absorbed, but will increase in the South in order to keep pace with demand.
- Oil and gas service and supply companies will continue to dominate this market and growth will be both organic and externally driven as new companies enter the market in 2012.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	6.3%	6.0%	6.1%	▲
Neighbourhood Cap Rate (%)	7.25–8.00	6.00–6.50	5.75–6.25	▼

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- Large sections of the 1,100,000 SF Currents of Windermere are slated for completion in early 2012. Construction is also set to begin on the 30 acre West Granville Centre site, which will be anchored by a new Costco.
- The much anticipated Target and Walmart takeover of Zellers locations across the city is expected to rejuvenate a number of retail centres. Construction on the first five stores will begin in 2012 and demand for the little remaining space in those malls will be strong as retailers vie for locations near the successful American chains.
- The Conference Board of Canada is projecting a 6.0% increase in retail sales in Edmonton for both 2011 and 2012 pointing to continued prosperity for both retailers and landlords in Edmonton.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	4.2%	3.8%	3.0%	▼
High Rise Cap Rate (%)	6.50–7.00	5.25–5.75	5.25–5.75	◀▶

***CMHC*

Market Drivers/Trends to watch for:

- The vacancy rate has fallen in step with the economic recovery rather than as a result of discounts and incentives.
- Rental rates held up relatively well during the downturn and solid rental rate growth is expected as oilsands activity accelerates.
- Investment activity in 2011 was held in check by a lack of available product – a trend likely to continue in 2012.
- Continued immigration will keep vacancy rates low over the medium-term.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$437	$875	$400	▼
Industrial	$863	$400	$425	▲
ICI Land	$369	$500	$600	▲
Retail	$200	$500	$550	▲
Multi-residential	$175	$155	$200	▲
Hotel	$50	$66	$75	▲
Total	$2,094	$2,496	$2,250	▲

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
Healthcare Properties Holding Ltd.	Hys Centre	Office	$53,000,000	174,781
Northam Realty Advisors Ltd.	Stantec Building	Office	$49,250,000	189,000
Anthem Properties Corp.	Millwoods Mainstreet	Retail	$38,500,000	139,962

MARKET OUTLOOK 2012 AT A GLANCE

VANCOUVER CALGARY EDMONTON **WINNIPEG**

With a booming industrial market and one of the lowest multi-housing vacancy rates in North America, Winnipeg continues to showcase one of the strongest economies in the country. Unemployment remains below the national average and GDP growth is forecast to be above average. New office and industrial development is expected in 2012 as demand for commercial real estate is expected to support it.

9 Davis Way, Kaycan Building, Winnipeg

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	8.9%	7.8%	6.3%	▼
Class A Rental Rate (psf)	$15.69	$16.04	$16.36	▲
Absorption (SF in millions)	-0.06	0.00	0.12	▲
Class A Cap Rate (%)	7.00–7.75	7.00–7.50	7.00–7.50	◀▶
New Supply (SF in millions)	0.000	0.000	0.000	◀▶
Under Construction (SF in millions)	0.000	0.000	0.055	▲

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	10.6%	14.4%	12.7%	▼
Class A Rental Rate (psf)	$11.63	$12.25	$12.50	▲
Absorption (SF in millions)	-0.05	-0.10	0.08	▲
Class A & B Cap Rate (%)	7.75–8.50	7.00–8.25	7.00–8.25	◀▶
New Supply (SF in millions)	0.000	0.000	0.043	▲
Under Construction (SF in millions)	0.000	0.043	0.000	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	9.3%	9.2%	7.7%	▼
Class A Rental Rate (psf)	$15.69	$12.75	$12.51	▼
Absorption (SF in millions)	0.05	-0.10	0.20	▲
New Supply (SF in millions)	0.000	0.000	0.043	▲
Under Construction (SF in millions)	0.000	0.043	0.055	▲

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
Canadian Pacific Railway Ltd.	14 Fultz Boulevard	92,692
Manitoba Housing	348 Donald Street	70,000
Employment Solutions for Immigrants Inc.	265-271 Portage Avenue	22,000

Market Drivers/Trends to watch for:

- Vacancy increased slightly in mid-2011 but has turned the corner and is expected to decline further in 2012.
- The downtown market is outperforming the suburbs and Longboat Development Corp. recently announced that it will build CentrePoint, a 20-storey 200,000 SF mixed-use building with 55,000 SF of office space near the MTS Centre which will house Stantec Consulting Ltd.
- Western Financial Group's recent decision to consolidate its Winnipeg offices into approximately 90,000 SF at the new Polo North development is a bellwether for things to come. Tenants are expected to continue to trade up to quality space.

WINNIPEG*:

Website | Market Reports

570 Portage Avenue
Chartier Centre, 2nd Floor
Winnipeg, Manitoba R3C 0G4

T 204 943 5700
F 204 956 2783

FOLLOW US ON TWITTER!

*Part of the CBRE affiliate network

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	3.8%	3.5%	3.5%	◀▶
Rental Rate (psf)	$6.24	$6.24	$6.37	▲
Sale Price (psf)	$54.90	$54.90	$54.90	◀▶
Absorption (SF in millions)	0.88	0.68	0.44	▼
Class A&B Cap Rate (%)	7.25–8.75	7.00–8.00	7.00–8.00	◀▶
New Supply (SF in millions)	0.067	0.460	0.437	▼
Under Construction (SF in millions)	0.437	0.052	0.350	▼

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Cardinal Health Canada Inc.	130 Omands Creek Boulevard	Lease	49,633
PrimeSource Building Products Inc.	955 Lagimodiere Boulevard	Lease	45,000
Tribal Council Investments Group of Manitoba Ltd.	1155 Sherwin Road	Lease	33,786

Market Drivers/Trends to watch for:

- The CentrePort Canada area of Northwest Winnipeg will remain a focal point for industrial construction. The City recently announced that it would spend $17.0 million on services for 1,100 acres of land, which is expected to be complete by the second quarter of 2012.
- Vacancy will remain low in 2012 and demand will be strongest in the Northwest and Southwest quadrants. Rental rate growth will moderate after increasing significantly over the past few years.
- Industrial users will be varied and plentiful, many of whom are national companies looking to enter the market.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	5.9%	3.1%	1.9%	▼
Neighbourhood Cap Rate (%)	7.75–8.25	7.00–7.75	7.00–7.75	◀▶

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- Many national and international retailers will continue looking for opportunities to enter the market in the coming year. This will help keep the overall retail vacancy rate at a ten-year low of less than 2.0%.
- There were no major projects completed in 2011; however, Winnipeg is among the top markets for retail space under construction.
- The IKEA-anchored Seasons of Tuxedo super regional centre is now under construction with IKEA set to open in fall 2012 and the remaining space to be delivered by 2015.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	0.8%	1.0%	1.2%	▲
High Rise Cap Rate (%)	5.25–6.00	5.25–6.00	5.25–6.00	◀▶

***CMHC*

Market Drivers/Trends to watch for:

- Winnipeg will have the tightest multi-housing market in Canada for the foreseeable future due to strong immigration and a lack of supply.
- There is some construction underway, but it will bring very little relief as the vacancy rate is not expected to go much above 1.0% upon delivery.
- Rental growth will continue to be dependent upon landlords' ability to rehabilitate properties in order to garner increases in excess of the amount allowed by provincial rent controls.

MARKET OUTLOOK
2012 AT A GLANCE

VANCOUVER CALGARY EDMONTON WINNIPEG

Challenges facing the London market serve as a reminder that the country has not entirely recovered from the downturn which began in 2008. The high Canadian dollar continues to erode an already weakened manufacturing base in the region, but 2012 should bring increased stability as business consolidations and closures abate.

Building E, 2351 Huron Street, London

Building F, 2391 Huron Street, London

LONDON:

Website | Market Reports

150 Dufferin Avenue
Suite 602
London, Ontario N6A 5N6

T 519 673 6444
F 519 673 6948

FOLLOW US ON TWITTER!

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	14.9%	15.5%	15.0%	▼
Class A Rental Rate (psf)	$12.77	$12.83	$12.89	▲
Absorption (SF in millions)	0.01	0.00	0.00	◀▶
Class A Cap Rate (%)	7.75–9.00	7.75–9.00	7.75–9.00	◀▶
New Supply (SF in millions)	0.000	0.020	0.000	▲
Under Construction (SF in millions)	0.000	0.000	0.000	◀▶

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	7.9%	8.9%	8.1%	▼
Class A Rental Rate (psf)	$10.81	$11.68	$11.80	▲
Absorption (SF in millions)	0.00	0.00	0.01	▲
Class A & B Cap Rate (%)	7.50–8.75	7.50–8.75	7.50–8.75	◀▶
New Supply (SF in millions)	0.000	0.040	0.077	▲
Under Construction (SF in millions)	0.000	0.077	0.000	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	13.6%	14.2%	13.6%	▼
Class A Rental Rate (psf)	$12.77	$10.60	$10.66	▲
Absorption (SF in millions)	0.00	0.00	0.10	▲
New Supply (SF in millions)	0.000	0.060	0.077	▲
Under Construction (SF in millions)	0.000	0.077	0.000	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
London Health Sciences	775-795 Wonderland Road South	32,360
TD Bank	380 Wellington Street	13,786
The Roman Catholic Episcopal Corporation of the Dioceses of London in Ontario	1486 Richmond Street	9,335

Market Drivers/Trends to watch for:

- The elevated Canadian dollar has made it difficult for call centres, a major user in the region, to compete for business. Past experience indicates that it will take some time to absorb the space they have returned to the market.
- Rental rates will remain under pressure from tenants looking for inducements until some of the available space is absorbed.
- There are encouraging signs for 2012, including the number of local tenants who are growing and will likely expand over the next year.

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	14.0%	16.4%	14.5%	▼
Rental Rate (psf)	$4.17	$4.11	$4.19	▲
Sale Price (psf)	$40.58	$30.00	$31.21	▲
Absorption (SF in millions)	-0.07	-0.68	0.77	▲
Class A&B Cap Rate (%)	8.00–9.00	8.00–9.00	7.75–8.75	▼
New Supply (SF in millions)	0.032	0.235	0.125	▼
Under Construction (SF in millions)	0.303	0.158	0.350	▲

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
APL Logistics of Canada Ltd.	847 Highbury Avenue	Lease	124,825
Span Manufacturing Ltd.	1425 Max Brose Drive	Lease	83,693
Concept Millwork and Cabinetry Inc.	970 Pond Mills Road	Lease	14,000

Market Drivers/Trends to watch for:

- High vacancy in older buildings continues to weigh down industrial fundamentals. New, contemporary product is planned and performing well, but absorption among the older buildings will remain slow.
- There will be an emphasis on modern configurations, high ceilings and improved loading capabilities.
- New supply is expected to increase in 2012, with at least 300,000 SF of primarily speculative space going to be added in both the East and South sectors of the city.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	–	–	–	
Neighbourhood Cap Rate (%)	7.50–9.25	7.50–9.25	7.50–9.00	▼

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- Growth will be focused in the West, Southwest and Northwest quadrants of the market.
- New retail nodes with large format retailers have begun to dominate the market and vacancy is expected to be concentrated in older nodes.
- Rental rates slowly crept up during 2011, but should moderate in 2012.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	5.0%	4.8%	4.2%	▼
High Rise Cap Rate (%)	6.50–8.50	6.50–8.50	6.50–8.25	▼

***CMHC*

Market Drivers/Trends to watch for:

- Vacancy in multi-housing has dipped slightly, but the pace of recovery will be slowed as new supply delivered in 2011 is absorbed in 2012.
- The local economy continues to restructure; however, increased youth employment and record post-secondary education enrollment bodes well for rental demand in this market.
- Rental rate growth will be muted until new supply is absorbed and the local economy improves.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$13	$73	$25	▼
Industrial	$11	$13	$50	▲
ICI Land	$72	$120	$75	▼
Retail	$25	$83	$80	▼
Multi-residential	$141	$261	$85	▼
Hotel	$1	$5	$15	▲
Total	$264	$555	$330	▼

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
Minto Group Inc.	Cherryhill Village	Multi-Housing	$215,000,000	2,326 suites
London City Centre London Inc	275 Dundas Street & 380 Wellington Street	Office	$60,425,000	593,472
Promed Wellington Plaza Ltd.	333 Wellington Road	Retail	$13,250,000	123,798

MARKET OUTLOOK
2012 AT A GLANCE

VANCOUVER | CALGARY | EDMONTON | WINNIPEG

Having held its own in 2011, the Waterloo Region commercial real estate market is poised for improvement in 2012. Low unemployment, rental rates and sale prices compared to the GTA will continue to attract users and investors to the region.

1011 Homer Watson Boulevard, Kitchener

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	6.0%	11.2%	10.4%	▼
Class A Rental Rate (psf)	$12.88	$13.55	$13.69	▲
Absorption (SF in millions)	0.22	-0.18	0.28	▲
Class A Cap Rate (%)	8.00–9.00	8.00–9.00	8.00–9.00	◀▶
New Supply (SF in millions)	0.241	0.000	0.266	▲
Under Construction (SF in millions)	0.266	0.266	0.000	▼

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	5.2%	8.5%	7.6%	▼
Class A Rental Rate (psf)	$12.11	$12.80	$12.93	▲
Absorption (SF in millions)	0.24	-0.07	0.08	▲
Class A & B Cap Rate (%)	8.00–9.00	8.00–9.00	8.00–9.00	◀▶
New Supply (SF in millions)	0.169	0.017	0.000	▼
Under Construction (SF in millions)	0.010	0.000	0.000	◀▶

OVERALL	2010	2011F	2012F	△
Vacancy Rate	5.4%	9.4%	8.5%	▼
Class A Rental Rate (psf)	$12.29	$13.04	$13.19	▲
Absorption (SF in millions)	0.33	-0.24	0.36	▲
New Supply (SF in millions)	0.410	0.017	0.266	▲
Under Construction (SF in millions)	0.276	0.266	0.000	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
Research In Motion Ltd.	600 Weber Street North, Waterloo	96,000
Research In Motion Ltd.	55 Columbia Street East, Waterloo	54,000
AGFA Inc.	375 Hagey Boulevard, Waterloo	82,000

Market Drivers/Trends to watch for:

- The Region's skilled labour force will continue to attract high-tech companies, engineering firms, and the insurance industry – the major drivers of the office market.
- Expect Class A lease rates to edge higher in 2012 due to stable demand and a lack of new product. The tight market led Cooper Construction to launch a new 200,000 SF Class A development in Waterloo.
- The Waterloo and Kitchener office markets are benefiting from a flight to quality and Class A space is expected to be in high demand in the coming year. Suburban Class A space will continue to outperform similar space in the core.

WATERLOO REGION:

Website | Market Reports

101 Frederick Street
Suite 810
Kitchener, Ontario N2H 6R2

T 519 744 4900
F 519 571 9315

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	7.8%	7.5%	7.2%	▼
Rental Rate (psf)	$3.86	$3.90	$3.98	▲
Sale Price (psf)	$49.35	$62.00	$63.50	▲
Absorption (SF in millions)	1.79	0.52	0.61	▲
Class A&B Cap Rate (%)	7.50–8.50	7.50–8.50	7.50–8.50	◀▶
New Supply (SF in millions)	0.437	0.135	0.280	▲
Under Construction (SF in millions)	0.370	0.280	0.000	▼

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Linamar Corp.	545 Elmira Road North, Guelph	Sale	229,804
Public Storage	185 Weber Street South, Waterloo	Sale	135,111
Clemmer Steelcraft Technologies Inc.	1280 Balmoral Road, Cambridge	Lease	114,927

Market Drivers/Trends to watch for:

- The availability rate has been fairly stable and is expected to drop below pre-recession levels if the economic recovery matures and global uncertainty abates.
- Speculative development is becoming more prevalent due to the shrinking amount of available quality warehouse and manufacturing space. Cooper Construction's 165,000 SF multi-tenant development in Guelph will be a prime example of this.
- Many U.S. based firms located in the Region are wrapping up their consolidation efforts; however, the high Canadian dollar and Buy American policies remain a cause for concern for businesses in this market.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	–	–	–	
Neighbourhood Cap Rate (%)	7.75–8.50	7.75–8.50	7.75–8.50	◀▶

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- As long as retailers continue to see Canada as a desirable market, it is expected that the Waterloo Region will get its fair share of new entrants.
- Kitchener and Waterloo tend to be the most active markets in the region and large chains such as Marshalls, Golf Town, and The Athletic Club are expected to open locations early in 2012.
- The North-end of Guelph is also experiencing strong leasing activity with Bouclair, HomeSense, Reitmans and Pennington's all leasing space in a new SmartCentre expansion near Woodlawn Road and Woolwich Street.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	2.6%	2.0%	1.8%	▼
High Rise Cap Rate (%)	6.50–8.00	6.50–8.00	6.50–8.00	◀▶

***CMHC*

Market Drivers/Trends to watch for:

- Increased youth employment resulting from the economic recovery has generated one of the strongest multi-housing recoveries in Canada.
- Uncertainty in the high-tech sector and some new supply could temporarily interrupt the decrease in vacancy.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$10	$196	$50	▼
Industrial	$140	$71	$75	▲
ICI Land	$70	$25	$25	◀▶
Retail	$75	$60	$60	◀▶
Multi-residential	$271	$166	$170	▲
Hotel	$2	$2	$3	▲
Total	$567	$520	$383	▼

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
Dundeal Canada Ltd.	Realex Office Portfolio	Office	$167,040,000	1,050,991 SF
Timbercreek Asset Management Inc.	Multi-Housing Portfolio	Multi-Housing	$44,265,000	819 suites
7864426 Canada Inc.	84 Lynden Road	Retail	$44,192,359	375,236 SF

MARKET OUTLOOK
2012 AT A GLANCE

VANCOUVER CALGARY EDMONTON WINNIPEG

Like other key cities around the globe, Toronto has witnessed further consolidation and expansion of the financial services sector. This sector initially helped to prop up the market at a time when the industrial sector in the region was hit hard and it continues to spur growth. 2012 will see further office development as the financial district spreads south of the traditional core. With a housing market that continues to defy gravity and an industrial market that has shown remarkable resilience, Toronto will maintain its dominant position in spite of growth in other Canadian markets.

RBC WaterPark Place III, Toronto

TORONTO WEST:

Website | Market Reports

87 Skyway Avenue, Suite 100
Toronto, Ontario M9W 6R3

T 416 674 7900
F 416 674 6575

TORONTO DOWNTOWN:

Website | Market Reports

145 King Street West, Suite 600
Toronto, Ontario M5H 1J8

T 416 362 2244
F 416 362 8085

TORONTO NORTH:

Website | Market Reports

2001 Sheppard Ave East, Suite 300
Toronto, Ontario M2J 4Z8

T 416 494 0600
F 416 494 6435

FOLLOW US ON TWITTER!

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	6.9%	5.5%	5.9%	▲
Class A Rental Rate (psf)	$24.39	$24.21	$24.72	▲
Absorption (SF in millions)	0.59	1.14	-0.30	▼
Class A Cap Rate (%)	6.00–6.75	5.25–6.50	5.25–6.50	◀▶
New Supply (SF in millions)	0.223	0.641	0.000	▼
Under Construction (SF in millions)	0.841	0.930	0.930	◀▶

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	11.5%	10.7%	10.2%	▼
Class A Rental Rate (psf)	$16.52	$16.32	$16.48	▲
Absorption (SF in millions)	0.55	1.07	1.05	▼
Class A & B Cap Rate (%)	7.00–8.00	6.50–7.75	6.50–7.75	◀▶
New Supply (SF in millions)	0.837	0.617	0.786	▲
Under Construction (SF in millions)	0.702	0.786	0.270	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	9.0%	7.9%	7.9%	◀▶
Class A Rental Rate (psf)	$20.15	$19.58	$20.14	▲
Absorption (SF in millions)	1.14	2.21	0.75	▼
New Supply (SF in millions)	1.060	1.258	0.786	▼
Under Construction (SF in millions)	1.543	1.716	1.200	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
Target Canada Co.	5570 Explorer Drive, Mississauga	180,000
JP Morgan Chase Bank	100 Consilium Place, Scarborough	91,000
Google Inc.	111 Richmond Street West, Toronto	89,000

Market Drivers/Trends to watch for:

- Financial services are the story downtown while the technology sector has been responsible for the most movement due to a desire for quality space and efforts to shift operations from core to midtown submarkets.
- Vacancy rates are expected to hold steady in the 7.5% - 8.5% range as no significant new supply and few major vacancies are anticipated. Absorption will be muted as many tenants renewed early at lower rates during the recession.
- Class A space has been in greater demand but supply is dwindling. In 2012, landlords are expected to re-price Class B and C buildings to capitalize on increasing demand.

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	6.6%	5.5%	5.1%	▼
Rental Rate (psf)	$4.71	$4.65	$4.75	▲
Sale Price (psf)	$79.21	$79.84	$83.88	▲
Absorption (SF in millions)	8.31	8.00	4.74	▼
Class A&B Cap Rate (%)	6.25–7.75	6.25–7.75	6.25–7.50	▼
New Supply (SF in millions)	1.244	2.094	2.350	▲
Under Construction (SF in millions)	0.548	1.650	1.000	▼

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Cinram International Inc.	400-420 Nugget Avenue, Scarborough	Lease	640,000
Amazon.com Inc.	6363 Millcreek Drive, Mississauga	Lease	501,923
DYN Exports	7900 Keele Street, Vaughan	Lease	377,000

Market Drivers/Trends to watch for:

- The transportation and warehousing sectors are key to growth in this market. The strong Canadian dollar has taken a toll on manufactures and exporters but recent pressure on the loonie may provide a temporary reprieve for manufactures and exporters.
- Government efforts to spur green technology manufacturing in the GTA are likely to take a back seat to provincial budget restrictions.
- Construction is expected to ramp up in 2012 to meet growing demand for new generation logistics space. The large footprint of these buildings and the need for close proximity to transportation links will cause many developers to focus on Toronto West.
- Rising development charges and stagnant rental rates will make new construction aside from new generation logistics product difficult to rationalize.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	6.4%	4.8%	4.6%	▼
Neighbourhood Cap Rate (%)	6.50–7.00	6.00–7.00	6.25–7.00	▲

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- With single family suburban development expected to remain slow, retailers will look for opportunities to roll out smaller urban concepts.
- Foreign retailers will continue to pursue space in dominant centres where there is very limited availability. Expect other owners to follow in the footsteps of Oxford Properties Group which is investing $220.0 million into a 145,000 SF expansion of Yorkdale Mall.
- A lack of available space on Bloor Street is forcing retailers to look to Yorkville, untapped side streets and other downtown alternatives.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	2.1%	1.9%	2.0%	▲
High Rise Cap Rate (%)	6.25–6.50	5.25–5.75	5.25–5.75	◀▶

***CMHC*

Market Drivers/Trends to watch for:

- Continued immigration and a stable economy have resulted in the second lowest multi-housing vacancy rate in the country.
- Demand for rental housing will remain stable and purpose-built construction will be limited.
- House prices continue to outstrip income growth and an increasing number of people will look to rental accommodations as affordability thresholds are reached.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$1,450	$2,564	$2,538	▼
Industrial	$1,945	$1,777	$1,760	▼
ICI Land	$898	$764	$756	▼
Retail	$996	$2,945	$1,906	▼
Multi-residential	$721	$1,001	$991	▼
Hotel	$73	$19	$18	▼
Total	$6,083	$9,071	$7,971	▼

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
H&R REIT	Atrium on Bay, Toronto	Retail	$344,800,000	1,100,000
Oxford Properties Group	Metro Toronto Convention Centre, Toronto	Mixed-Use	$237,400,000	1,950,000
Whiterock REIT	Sussex Centre, Mississauga	Office	$157,000,000	657,503

CBRE

MARKET OUTLOOK 2012 AT A GLANCE

The Ottawa market stabilized in 2011 as office vacancy fell and the industrial availability rate remained steady. 2012 will bring change however, with the much anticipated completion of Economic Development Canada's (EDC) new building at 150 Slater Street. All eyes will be on the Federal Government in the year ahead for decisions that will shape the future of the office market.

Downtown Ottawa

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	4.0%	6.0%	6.6%	▲
Class A Rental Rate (psf)	$25.46	$26.20	$25.93	▼
Absorption (SF in millions)	-0.06	0.10	-0.14	▼
Class A Cap Rate (%)	6.25–6.75	5.75–6.50	5.75–6.50	◀▶
New Supply (SF in millions)	0.000	0.535	0.000	▼
Under Construction (SF in millions)	0.535	0.000	0.000	◀▶

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	7.0%	8.1%	7.3%	▼
Class A Rental Rate (psf)	$14.80	$15.60	$15.76	▲
Absorption (SF in millions)	0.19	-0.28	0.35	▲
Class A & B Cap Rate (%)	7.00–8.50	6.85–8.00	6.85–8.00	◀▶
New Supply (SF in millions)	0.060	0.000	0.173	▲
Under Construction (SF in millions)	0.173	0.253	0.080	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	5.7%	7.1%	7.0%	▼
Class A Rental Rate (psf)	$17.16	$18.95	$20.64	▲
Absorption (SF in millions)	0.13	-0.18	0.20	▲
New Supply (SF in millions)	0.060	0.535	0.173	▼
Under Construction (SF in millions)	0.708	0.253	0.080	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
Avaya Canada	425 Legget Drive	129,000
Nassituq	160 Elgin Street	38,000
Public Works and Government Services Canada (PWGSC)	180 Kent Street	20,000

Market Drivers/Trends to watch for:

- Public Works and Government Services Canada (PWGSC) continued its recent movement out of the downtown, leasing nearly 60,000 SF of space elsewhere in 2011.
- The downtown vacancy rate will spike in 2012. Export Development Canada (EDC) will release 75,000 SF of sublet space in its new building and will free up nearly 390,000 SF in its old headquarters when it completes its move at the start of 2012.
- Former Nortel Campus tenants Avaya and Ericcson have confirmed their new space in Kanata, while Cienna and Genband are still considering existing space and design-build opportunities.

OTTAWA:

Website | Market Reports

333 Preston Street, 7th Floor
Preston Square, Tower 1
Ottawa, Ontario K1S 5N4

T 613 782 2266
F 613 782 2296

FOLLOW US ON TWITTER!

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	5.7%	5.4%	5.2%	▼
Rental Rate (psf)	$8.31	$7.75	$7.87	▲
Sale Price (psf)	$80.00	$80.00	$80.80	▲
Absorption (SF in millions)	0.03	0.15	0.06	▼
Class A&B Cap Rate (%)	7.00–8.75	6.75–8.00	6.75–8.00	◄►
New Supply (SF in millions)	0.145	0.077	0.000	▼
Under Construction (SF in millions)	0.109	0.000	0.000	◄►

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Dilfo Mechanical	1481 Cyrville Road	Sale	35,000
ATS, Andlauer Transportation Services	1280 Leeds Avenue	Lease	23,000
Ericsson	349 Terry Fox Drive	Lease	13,465

Market Drivers/Trends to watch for:

- The low cost of borrowing is enticing investors to put their money in Ottawa's industrial market in the form of new builds or cash flow investments.
- Big block users will continue to drive the leasing market in 2012, albeit at a slower pace, as most of the large spaces have been absorbed.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	5.5%	4.6%	4.2%	▼
Neighbourhood Cap Rate (%)	7.25–8.00	7.25–7.75	7.25–7.75	◄►

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- SmartCentres continues work on the Laurentian High School redevelopment on Baseline Road, which will add over 300,000 SF of space to the market upon completion. Trinity Development Group plans to develop a large project on an adjacent site.
- Target's expansion into Canada will bring change and new life to many existing centres, and will likely create jobs and attract other U.S. retailers to the Ottawa area.
- The Rideau Centre, Ottawa's largest mall, has been bought by Cadillac Fairview Ltd. and the new owner intends to expand the mall and pursue popular U.S. retailers like Pottery Barn, Brooks Brothers, and H&M.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	1.6%	1.3%	1.0%	▼
High Rise Cap Rate (%)	5.75–6.25	5.50–6.00	5.50–6.00	◄►

***CMHC*

Market Drivers/Trends to watch for:

- The presence of the Federal Government provides predictability to the rental market, but cuts to the public sector could have a negative impact on demand; however, the low vacancy rate will allow the market to adapt.
- An increasing number of condos are springing up in this market, which will create a secondary rental market; however, this is not expected to have a negative impact on purpose-built rental demand.
- Rents are above pre-recession levels and are expected to rise further in the year ahead.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$256.0	$180	$185	▲
Industrial	$110.0	$110	$113	▲
ICI Land	$100.0	$105	$106	▲
Retail	$160.0	$112	$130	▲
Multi-residential	$165.0	$230	$190	▼
Hotel	$8.0	$8	–	▼
Total	$799	$745	$724	▼

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
Leisure Seniors Care Corp.	3501 Campeau Drive	Seniors Housing	$41,368,000	158 suites
Dundeal Canada Inc.	400 Cumberland Street	Office	$38,300,000	175,000
South Kanata Development	5271 Richmond Road	ICI Land	$33,800,000	132 acres

CBRE

MARKET OUTLOOK 2012 AT A GLANCE

VANCOUVER CALGARY EDMONTON WINNIPEG

The gaming, technology and pharmaceutical industries continue to play a large role in Montreal's diversifying economy. They are expected to grow and source office space in prime locations in 2012. Global economic uncertainty has made larger corporations hesitant to make major changes with their real estate, which could undermine demand for office and industrial space for 2012.

2020 University Street, Montreal

MONTREAL:

Website | Market Reports

2001 McGill College Avenue
Suite 2000
Montreal, Quebec H3A 1G1

T 514 849 6000
F 514 849 7095

FOLLOW US ON TWITTER!

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	8.1%	6.6%	6.4%	▼
Class A Rental Rate (psf)	$20.64	$22.00	$22.44	▲
Absorption (SF in millions)	0.39	0.55	0.11	▼
Class A Cap Rate (%)	6.00–7.00	5.50–6.75	5.50–6.50	▼
New Supply (SF in millions)	0.000	0.000	0.000	◀▶
Under Construction (SF in millions)	0.065	0.230	0.230	◀▶

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	12.2%	11.2%	10.8%	▼
Class A Rental Rate (psf)	$14.50	$14.45	$14.59	▲
Absorption (SF in millions)	0.48	0.38	0.18	▼
Class A & B Cap Rate (%)	7.00–8.75	6.75–8.50	6.75–8.25	▼
New Supply (SF in millions)	0.230	0.187	0.096	▼
Under Construction (SF in millions)	0.470	0.096	0.000	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	9.6%	8.3%	8.0%	▼
Class A Rental Rate (psf)	$17.85	$18.44	$18.72	▲
Absorption (SF in millions)	0.87	0.94	0.29	▼
New Supply (SF in millions)	0.230	0.187	0.096	▼
Under Construction (SF in millions)	0.535	0.326	0.230	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
Hatch Ltd.	5 Place Ville-Marie, Montreal	152,533
ADP Canada	1100 Rene-Levesque Boulevard West, Montreal	91,000

Market Drivers/Trends to watch for:

- Gaming, technology and engineering firms are the most active companies both downtown and in the suburbs.
- Loft space gained momentum in 2011 and will remain popular in the year ahead, as companies seek quality locations with access to public transportation.
- SNC Lavalin, Deloitte, Rio Tinto, and Via Rail are all in the market for large blocks of space, which will make for an active start to the year.
- Sublet space is at a seven-year low and landlords are more confident about raising rents. Still, they will remain aggressive with leasing incentives for new tenants until economic uncertainty abates.

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	10.3%	9.6%	9.2%	▼
Rental Rate (psf)	$4.95	$5.05	$5.15	▲
Sale Price (psf)	$58.01	$57.00	$57.57	▲
Absorption (SF in millions)	1.95	3.42	1.02	▼
Class A&B Cap Rate (%)	7.00–9.00	6.50–8.75	6.50–8.50	▼
New Supply (SF in millions)	1.530	1.403	1.195	▼
Under Construction (SF in millions)	0.580	0.695	0.300	▼

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
Groupe Mach Inc./ 150 Montreal-Toronto Inc.	150 Montreal-Toronto, Lachine	Sale	908,000
Redcliff Realty Advisors Inc.	5700, 5760, 5780 & 5800 Kieran Road, Montreal	Sale	174,881
Sears Canada Inc.	4600 Poirier Boulevard, Saint-Laurent	Lease	104,560

Market Drivers/Trends to watch for:

- The economy has improved along with overall leasing fundamentals; however, companies are preserving capital which will hinder the repurposing and revitalization of older, obsolete stock.
- Demand for space will stem from warehousing, clothing, and construction companies in 2012.
- St-Laurent, Laval and the West Island will attract the majority of the leasing activity due to the functionality of the available stock and geographic advantages.
- New generation distribution space will continue to be a favourite, along with smaller condominium space, which is being constructed more often, especially on the North Shore.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	6.4%	1.6%	4.6%	▲
Neighbourhood Cap Rate (%)	7.25–8.25	7.25–8.25	7.25–8.25	◀▶

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- Street front locations in prime retail corridors (St-Denis, Ste-Catherine and St-Laurent) will continue to thrive, as national and international retailers seek downtown locations.
- Michaels is coming to Montreal in 2012. Crate & Barrel is considering entering the market and Target will arrive in late 2012.
- Demand for space in the best centres will result in further development including phase four of Quartier Dix 30.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	2.7%	2.5%	2.3%	▼
High Rise Cap Rate (%)	7.00–7.50	7.25–7.75	7.00–7.50	▼

***CMHC*

Market Drivers/Trends to watch for:

- This traditionally strong rental market will make gains as the recent movement to homeownership subsides.
- Rent growth is likely to remain below the national average, but the pace of growth is likely to increase as vacancy tightens and the economy improves.
- Large apartments have traditionally been popular in this market, but condo construction could increase the acceptability of smaller units.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$415	$900	$882	▼
Industrial	$633	$461	$452	▼
ICI Land	$400	$358	$350	▼
Retail	$425	$650	$637	▼
Multi-residential	$850	$786	$771	▼
Hotel	$35	–	–	◀▶
Total	$2,758	$3,155	$3,092	▼

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
Dundee REIT	700 de la Gauchetiere West Montreal	Office	$279,516,487	1,014,000
Canmarc REIT	Jean-Coutu Portfolio	Retail	$114,900,000	728,000
Industrielle Alliance, Insurance and Financial Services/Hydro-Quebec	2020 University Street	Office	$95,450,000	456,306

The Halifax economy, a strong performer again in 2011, will flourish in 2012 and beyond with the Federal Government's recent announcement of a 30-year, $25.0 billion contract awarded to the Halifax Shipyard. The city posted an unemployment rate that is among the lowest in the country along with consistent population growth. Greater Halifax produces 49.0% of Nova Scotia's total GDP and 20.0% of the GDP for Atlantic Canada. The Federal Government contract, one of the largest outsourcing supply contracts in Canadian history, will bring sustainable growth to the city, the province and the region for decades to come.

The Gardens Apartments, Halifax

OFFICE

DOWNTOWN	2010	2011F	2012F	△
Vacancy Rate	9.9%	10.4%	11.4%	▲
Class A Rental Rate (psf)	$18.43	$18.10	$18.19	▲
Absorption (SF in millions)	-0.08	-0.02	0.05	▲
Class A Cap Rate (%)	6.50–7.00	6.50–7.00	6.50–7.00	◀▶
New Supply (SF in millions)	0.000	0.000	0.110	▲
Under Construction (SF in millions)	0.110	0.110	0.100	▼

SUBURBAN	2010	2011F	2012F	△
Vacancy Rate	8.4%	7.4%	6.3%	▼
Class A Rental Rate (psf)	$16.13	$16.20	$16.36	▲
Absorption (SF in millions)	0.33	0.16	0.32	▲
Class A & B Cap Rate (%)	8.00–9.25	7.50–8.75	7.50–8.75	◀▶
New Supply (SF in millions)	0.091	0.107	0.272	▲
Under Construction (SF in millions)	0.065	0.221	0.050	▼

OVERALL	2010	2011F	2012F	△
Vacancy Rate	9.1%	8.6%	8.4%	▼
Class A Rental Rate (psf)	$17.17	$17.21	$17.42	▲
Absorption (SF in millions)	0.25	0.14	0.37	▲
New Supply (SF in millions)	0.091	0.107	0.382	▲
Under Construction (SF in millions)	0.175	0.331	0.100	▼

Market Action: Significant Leases

TENANT	PROPERTY	SIZE (SF)
Admiral Insurance Services Inc.	7067 Chebucto Road	67,000
Dalhousie University	1256 Barrington Street	29,900
Eastern College	7067 Chebucto Road	20,000

Market Drivers/Trends to watch for:

- The suburban office market recorded strong demand and low vacancy in 2011, while the CBD softened throughout the year. These trends are expected to continue into 2012.
- The popularity of suburban space has prompted a number of large office projects that will put upward pressure on vacancy rates in 2012.
- The 110,000 SF Nova Scotia Power building came online at the end of 2011 and the space they are vacating will have to be backfilled. Other projects such as the Nova Centre, the Waterside Centre, and the expansion of the TD Centre are all potential developments that could start in 2012 and push downtown vacancy higher.

HALIFAX:

Website | Market Reports

5855 Spring Garden Road
Suite A200
Halifax, Nova Scotia B3H 4S2

T 902 492 2090
F 902 492 2091

INDUSTRIAL

	2010	2011F	2012F	△
Availability Rate	4.7%	5.9%	5.9%	◀▶
Rental Rate (psf)	$7.24	$7.35	$7.39	▲
Sale Price (psf)	$65.00	$65.00	$70.00	▲
Absorption (SF in millions)	0.16	0.06	0.09	▲
Class A&B Cap Rate (%)	8.00–9.00	7.50–8.50	7.00–8.00	▼
New Supply (SF in millions)	0.091	0.205	0.100	▼
Under Construction (SF in millions)	0.089	0.000	0.150	▲

Market Action: Significant User Sales/Leases

PURCHASER/ TENANT	PROPERTY	SALE/ LEASE	SIZE (SF)
P&H Milling Group	181 Joseph Zatzman Drive	Lease	34,000
PrimeSource Building Products Inc.	33 Lakeside Park Drive	Lease	30,000
Ceratec Inc.	50 Troop Avenue	Lease	17,170

Market Drivers/Trends to watch for:

- The industrial market has been steady in 2011 though availability was up due to a few large blocks of space coming onto the market.
- The market will remain tight, especially in the Burnside Business Park where there are few options for prospective tenants.
- The $25.0 billion shipbuilding contract awarded to the Halifax Shipyard will create jobs and have very positive spinoffs for the Halifax industrial market and beyond.

RETAIL

	2010	2011F	2012F	△
Retail Sales (y/y)**	5.9%	3.2%	4.6%	▲
Neighbourhood Cap Rate (%)	8.00–9.00	8.00–8.50	8.00–8.50	◀▶

*** Conference Board of Canada*

Market Drivers/Trends to watch for:

- As urban densification progresses on the Halifax Peninsula, developers will strive to design viable and functional retail space as part of mixed-use projects rather than leaving retail as a secondary component.
- Bayers Lake, Halifax's first power centre, will have improved access and traffic circulation when the Washmill Court tunnel under Highway 102 opens in 2012.
- Bayers Lake Phase II will commence construction in 2012.

MULTI-HOUSING

	2010	2011F	2012F	△
Overall Vacancy Rate**	2.6%	2.6%	2.6%	◀▶
High Rise Cap Rate (%)	6.50–7.00	6.00–6.50	5.50–6.00	▼

***CMHC*

Market Drivers/Trends to watch for:

- New supply will be delivered at one of the fastest paces in the country as purpose-built rental demand remains high and there is no significant secondary condo market.
- Vacancy could edge slightly higher as new space is brought to market, but there will be healthy demand for purpose-built rental units in the year ahead.
- New supply will provide support for rental rate growth.

INVESTMENT

TRANSACTIONS (in $millions)	2010	2011F	2012F	△
Office	$53	$30	$50	▲
Industrial	$160	$91	$100	▲
ICI Land	$20	$35	$35	◀▶
Retail	$71	$90	$70	▼
Multi-residential	$69	$225	$200	▼
Hotel	$0	$20	$35	▲
Total	$373	$491	$490	▲

Market Action: Significant Transactions

PURCHASER	PROPERTY	TYPE	VALUE	SIZE (SF)
C2C REIT	OPB Portfolio	Industrial	$56,000,000	640,000
Zenda/Time Equities Ltd.	Bridgewater Mall	Retail	$29,250,000	344,420
Roycom Inc.	Gardens I & Gardens II	Multi-Housing	$26,200,000	136 suites
RealStar Group	Wexford and Baker Arms	Multi-Housing	$19,545,000	116 suites

CBRE