



### National Office Investment Market Review

#### Office Sales Transactions and \$Volume All of Canada, Greater than \$10 Million Closed and Confirmed

Asset Class	2007		2008		2009		2010	
	Closed Deals	\$ Volume	Closed Deals	\$ Volume	Closed Deals	\$ Volume	Closed Deals	\$ Volume
Vancouver	10	\$403,825,000	9	\$218,929,091	11	\$577,335,000	10	\$257,050,000
Edmonton	10	\$565,547,004	6	\$383,780,646	3	\$169,900,000	3	\$260,425,000
Calgary	15	\$1,049,672,522	15	\$1,026,231,577	5	\$199,000,000	6	\$252,675,000
Toronto	27	\$2,207,790,196	28	\$2,204,649,280	15	\$666,762,598	21	\$1,113,960,800
Ottawa	10	\$1,769,504,832	5	\$139,826,000	4	\$143,350,000	7	\$167,900,000
Montreal	12	\$1,159,921,808	10	\$1,148,065,000	3	\$143,534,801	3	\$234,490,000
Other	11	\$360,088,478	9	\$344,761,218	2	\$119,000,000	2	\$25,705,000
<b>Total Office Transactions</b>	<b>95</b>	<b>\$7,516,349,840</b>	<b>82</b>	<b>\$5,466,242,812</b>	<b>43</b>	<b>\$2,018,882,399</b>	<b>52</b>	<b>\$2,312,205,800</b>

For deals greater than 10 million dollars, transactional activity for the nation decreased nearly 30% between 2007 and 2008 and a further 63% over 2008 and 2009. In 2010, there was reduced deal activity in the first half of the year, with the notable exception being the sale transaction of Adelaide Place in Toronto. The latter half of 2010 witnessed an overall improvement in sale activity for the office market, particularly in Eastern Canada. A brief summary of major office transactions during 2010 is provided on the following page.

During 2010 access to debt increased with lending spreads showing significant declines from their peak in early 2009. The significant improvement in the debt and equity markets over the past 12 months positively impacted both liquidity and pricing for well located and well leased office investments due to the lack of available investment product, forcing investors to bid aggressively for the limited number of prime assets that come to market. With surplus money supply and no immediate inflationary threat, this has driven benchmark bond yields to record lows. To get better returns institutions and pension funds are looking at the relative performance of different asset classes. Investment grade real estate has been the benefactor of the asset allocation weightings, attracting multiple bidders and an ensuing compression in capitalization rates since Q1 2010.

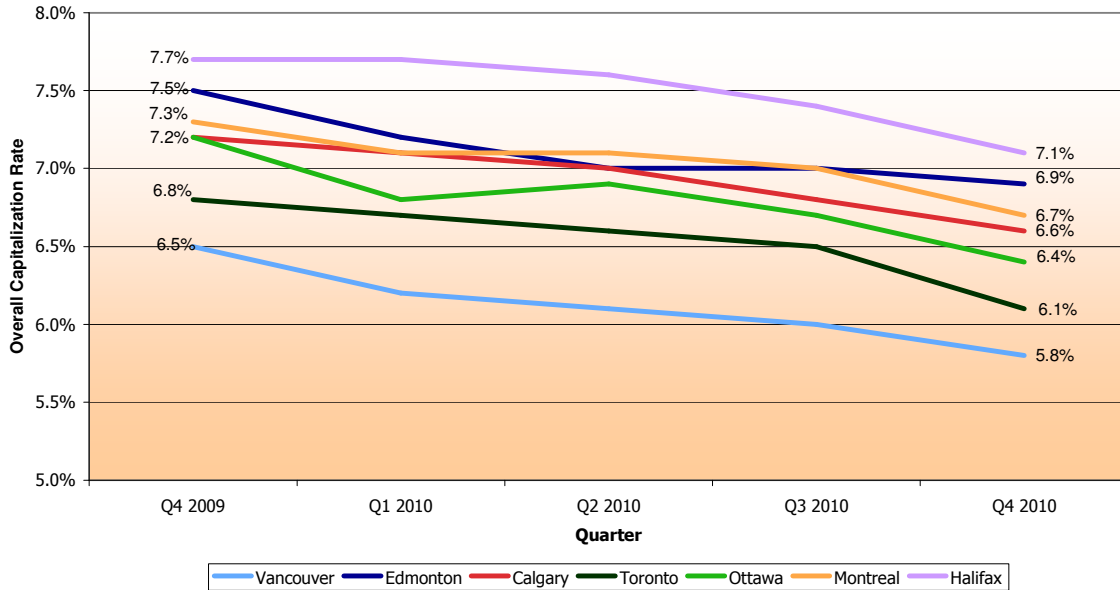
The following is a snapshot of Mean OCR's for flagship AA Office buildings across major Canadian cities, with a list of investment activity displayed below:



### ITS Historical Mean OCR's

Q4 2010 - Rolling Five Quarter

Downtown Class "AA" Office



### Notable Sales During 2010

Complex	City	Closing Date	Adjusted Price	\$P.S.F
840 Cambie Street	Vancouver, BC	12/31/2010	\$36,275,000	\$395
815 West Hastings Street	Vancouver, BC	12/31/2010	\$45,300,000	\$421
Enbridge Tower	Edmonton, AB	11/23/2010	\$44,325,000	\$241
Canadian Western Bank Place	Edmonton, AB	11/23/2010	\$125,250,000	\$308
100 University Ave	Toronto, ON	10/28/2010	\$82,200,000	\$309
150 Metcalfe	Ottawa, ON	9/16/2010	\$33,650,000	\$310
1801 McGill College	Montréal, QC	4/1/2010	\$70,400,000	\$204
8 West	Calgary, AB	4/1/2010	\$41,450,000	\$300
Interplex - Opus II	Calgary, AB	3/1/2010	\$70,000,000	\$316
Adelaide Place	Toronto, ON	1/18/2010	\$211,500,000	\$323

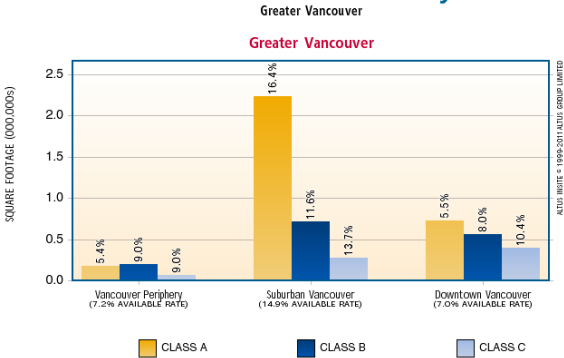
## Office Leasing Overview

### VANCOUVER

Office space availability in the Greater Vancouver market has increased slightly over the last 12 months from 10.3% in Q4 2009 to 10.4% in Q4 2010. Availability generally reflected an upward trend for the better part of 2010, with last quarter of 2010 (Q4) displaying a decrease.

The Greater Vancouver has remained above 10% since Q3 2009. Current availability levels are still off the peak achieved in Q4 2003 (14.3%). The Downtown and Periphery districts continue to lead the market, while the Suburban district lags behind at 15.1% availability.

Total Available Area & Rates by District

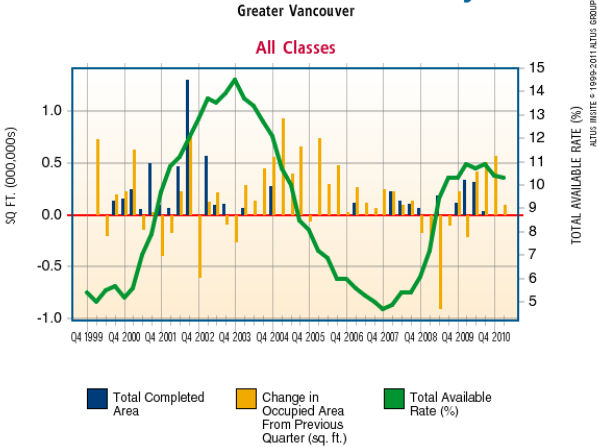


District	Rate	Change from Last Quarter	Change from Last Year
Vancouver	10.40%	Down 50 bps	Up 10 bps
Downtown	7.10%	Down 10 bps	Down 20 bps
Suburban	15.10%	Down 80 bps	Up 70 bps
Vancouver Periphery	6.90%	Down 80 bps	Down 120 bps

Absorption at the end of Q4 2010 across the Vancouver market was positive (1,146,350 s.f.). With the exception of Q1 2010, absorption remained positive throughout the year and demonstrated signs of a strengthening leasing market.

There are currently 4 buildings under construction in the Greater Vancouver market that total 275,500 sq.ft. which are 37.50% pre-leased. All 4 of these buildings are located in the suburban Vancouver segment, particularly concentrated in the Surrey / Langley submarkets.

Historical Market Summary



Demand Drivers	Forecast
Availability	↓
New Supply	↔
Absorption	↑
Rental Rates	↑

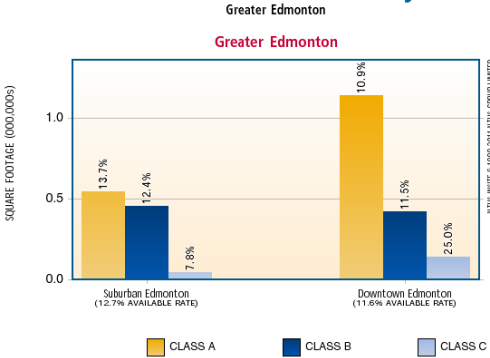
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**EDMONTON**

Office space availability in the Edmonton market has increased dramatically by 310 bps from Q4 2009 to Q4 2010, and has increased 30 basis points quarter over quarter. Demand for office space is flat with limited white collar growth in both the private and public sectors. The supply of office space was increased given a rising inventory of sublease space couples with unabsorbed new product, particularly in the suburban sector.

Availability in the Greater Edmonton market has been on an increasing trend since its low point of 4.2% in Q4 2007 and has yet to witness a decrease in quarter over quarter availability. Until there is a recovery in white collar employment growth, there will be sustained downward pressure on market rental rates as landlords try to induce substitution in the market.

**Total Available Area & Rates by District**

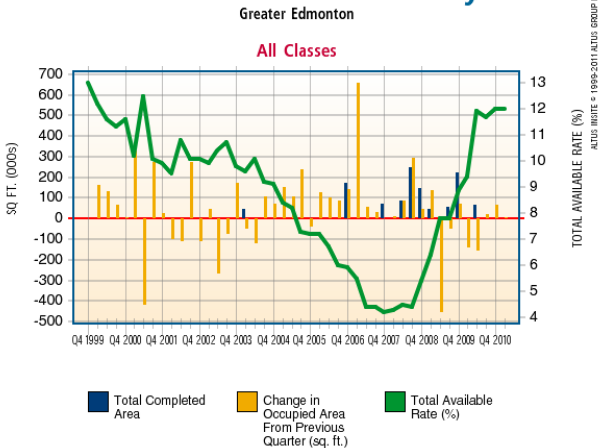


District	Rate	Change from Last Quarter	Change from Last Year
<b>Edmonton</b>	<b>12.00%</b>	Up <b>30 bps</b>	Up <b>310 bps</b>
Downtown	11.60%	Up 80 bps	Up 430 bps
Suburban	12.70%	Down 70 bps	Up 100 bps

Over the course of 2010 Edmonton experienced negative absorption totaling -208,405 sq.ft. On a positive note the second half of the year the market posted positive numbers.

Edmonton's first downtown high rise office building in 22 years is presently under construction in comprising 625,000 s.f., of which is 70% pre-leased and slated for completion in Q4 2011. Market rental rates have since retraced lower, below the threshold for feasible new development.

**Historical Market Summary**



Demand Drivers	Forecast
Availability	↑
New Supply	↑
Absorption	↔
Rental Rates	↓

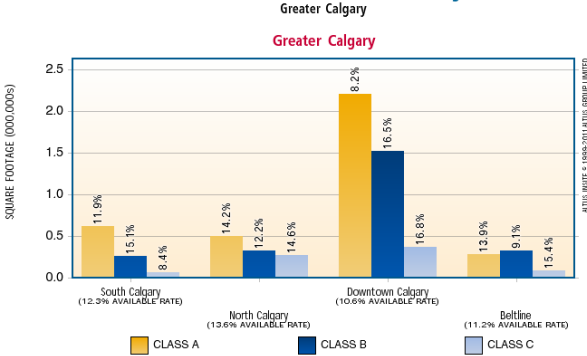
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**CALGARY**

Over the course of 2010, availability for the Greater Calgary decreased to 11.1% (Q4 2010) from 12.1% a year earlier. The availability peaked in Q1 2010 at 13.6% and has been on a decreasing trend since.

Availability in the Downtown District decreased to 10.3% (Q4 2010) from 10.6% a year earlier. Similar trends were observed in the South and Beltline districts where availability in the North District increased 280 bps year over year.

**Total Available Area & Rates by District**

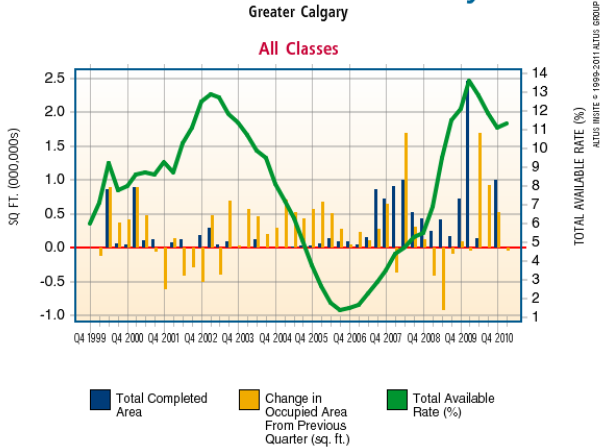


District	Rate	Change from Last Quarter	Change from Last Year
Calgary	11.10%	Down 80 bps	Down 100 bps
Beltline	11.10%	Down 250 bps	Down 450 bps
Downtown	10.30%	Down 70 bps	Down 30 bps
North Calgary	13.40%	Down 50 bps	Up 280 bps
South Calgary	11.10%	Down 80 bps	Down 100 bps

2010 was a strong year for Calgary’s leasing market. Despite the negative absorption in Q1 2010 of 46,498 the Greater Calgary market experienced 2,894,016 sq.ft. of positive absorption over the course of the year.

There are currently three buildings under construction in Calgary totaling 2,150,000 sq.ft. of which on 2.6% of the space is available for lease.

**Historical Market Summary**



Demand Drivers	Forecast
Availability	↓
New Supply	↑
Absorption	↑
Rental Rates	↔

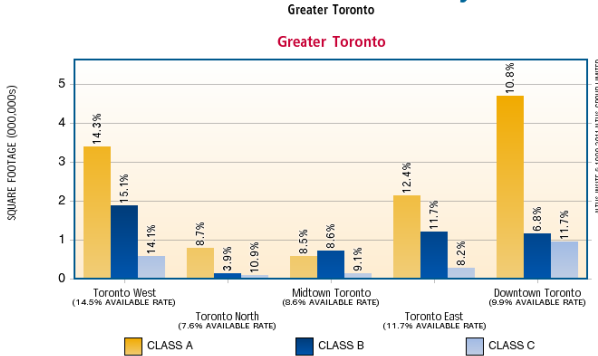
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**TORONTO**

Availability across the GTA market decreased from 11.4% in Q4 2009 to 10.9% in Q4 2010. The West District is the only district that experienced an increase of availability year over year, which is largely attributed to the increase of new supply added to the market.

GTA availability at 10.9% is well below the peak observed in Q2 2003 (13.8%) and has been declining since the most recent peak of 11.7% in Q1 2010.

**Total Available Area & Rates by District**

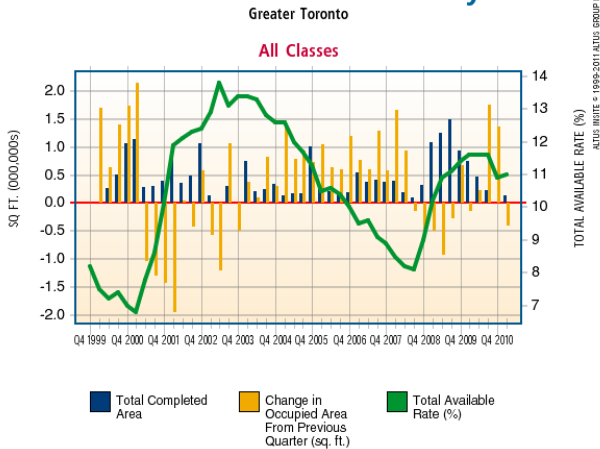


District	Rate	Change from Last Quarter	Change from Last Year
<b>Toronto</b>	<b>10.90%</b>	Down <b>70 bps</b>	Down <b>50 bps</b>
Downtown	9.70%	Down 40 bps	Down 80 bps
East	11.90%	Down 150 bps	Down 190 bps
Midtown	8.50%	Down 40 bps	Down 200 bps
North	7.30%	Down 90 bps	Down 180 bps
West	14.30%	Down 80 bps	Up 210 bps

2010 was a strong year for the leasing market as absorption at the end of Q4 across the Greater Toronto market was 3,235,919 sq.ft. Absorption remained positive throughout the year showing signs of a strengthening leasing market.

Additional new supply risk is evident, with nine buildings totaling 1.48 Million s.f. under construction that are 67% pre-leased. Most of the new supply is situated in the West District.

**Historical Market Summary**



Demand Drivers	Forecast
Availability	↓
New Supply	↑
Absorption	↑
Rental Rates	↑

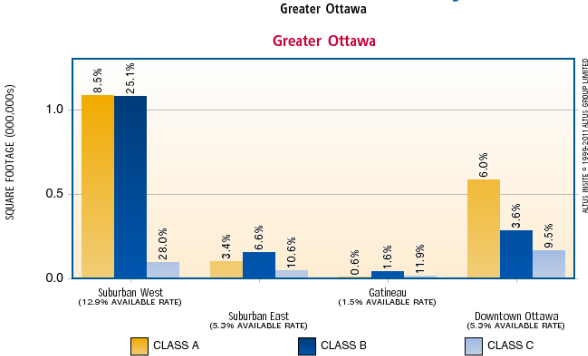
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**OTTAWA**

Availability rate for the Greater Ottawa Market stood at 7.8% for Q4 2010, and is the lowest across major Canadian cities. Increase in availability experienced in 2010 was 110 bps from 12 months prior, which is higher than the increase experienced in the Greater Toronto market.

The last time availability in Greater Ottawa was at over 10% was in Q1 2005, with this period reflecting the last peak achieved in the last 10 years.

**Total Available Area & Rates by District**

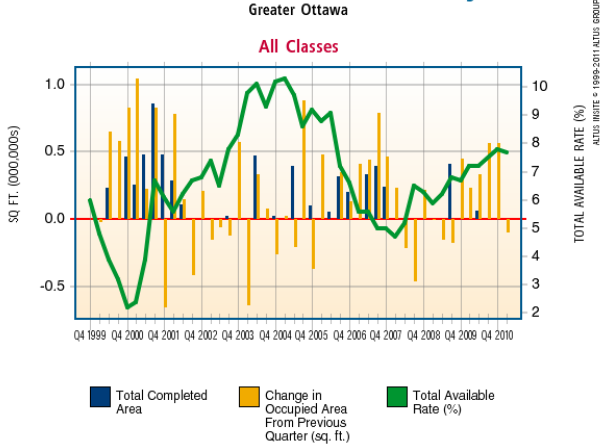


District	Rate	Change from Last Quarter	Change from Last Year
<b>Ottawa</b>	<b>7.80%</b>	Up <b>30 bps</b>	Up <b>110 bps</b>
Ottawa Downtown	5.50%	Up 20 bps	Up 90 bps
Gatineau	1.50%	Up 70 bps	Up 50 bps
Suburban East	5.20%	Unchanged 0 bps	Up 70 bps
Suburban West	12.80%	Up 20 bps	Up 100 bps

Absorption at the end of Q4 across the Ottawa market was positive (1,700,210 s.f.).

There are 2 buildings under construction in the Ottawa market totalling 657,450 s.f. that are fully leased, with the largest being a 535,000 s.f. project being constructed in the CBD for Export Development Corp. (Completion Dec, 2011).

**Historical Market Summary**



Demand Drivers	Forecast
Availability	↑
New Supply	↑
Absorption	↓
Rental Rates	↔

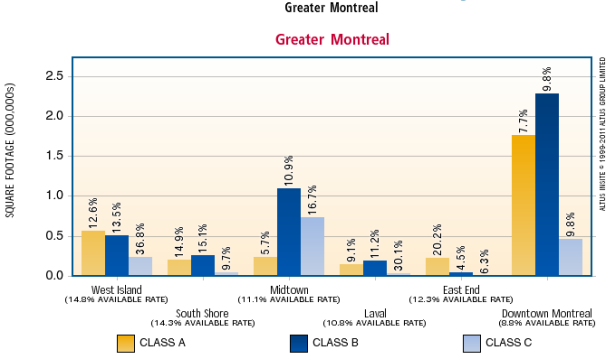
For more information about the Ottawa Market please contact:  
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**MONTREAL**

Availability in the Greater Montreal Market was 10.5% in Q4 2010, having declined from Q4 2009 (down 70 bps).

Conditions in the Greater Montreal Market are still below peak availability levels achieved in 2002 to 2005 when availability trended around 12% for the entire market.

**Total Available Area & Rates by District**

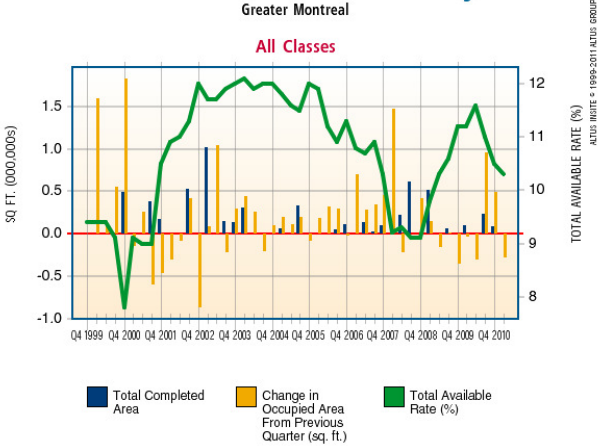


District	Rate	Change from Last Quarter	Change from Last Year
<b>Montreal</b>	<b>10.50%</b>	Down <b>50 bps</b>	Down <b>70 bps</b>
Downtown	9.10%	Down 40 bps	Down 60 bps
East End	11.90%	Up 150 bps	Up 440 bps
Laval	11.00%	Up 150 bps	Up 260 bps
Midtown	11.10%	Down 120 bps	Down 50 bps
South Shore	16.90%	Up 150 bps	Up 280 bps
West Island	14.60%	Down 170 bps	Down 560 bps

Absorption in Greater Montreal was negative for the first two quarters of 2010. At the end of Q4 across the market was positive (1,110,041 sq.ft.)

There are currently 7 buildings totaling 538,140 sq.ft. under construction in the Greater Montreal market which are 68% pre-leased.

**Historical Market Summary**



Demand Drivers	Forecast
Availability	↓
New Supply	↑
Absorption	↑
Rental Rates	↔

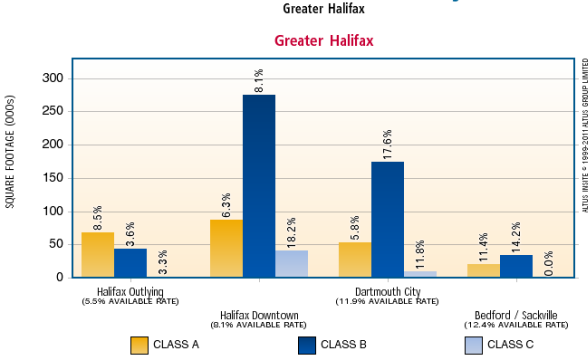
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**HALIFAX**

Office space availability in the Greater Halifax market has increased from 9.0% in Q4 2009, to 8.5% in Q4 2010, and has increased 10 basis points quarter over quarter.

Halifax has witnessed decreases throughout the market with the exception of the Downtown district whose availability rate experienced an increase of 290 bps. While, the Outlying district outperformed the market with a year over year decrease of 740 bps. Current availability levels are still off the peak achieved in Q4 2003 (10.9%).

**Total Available Area & Rates by District**

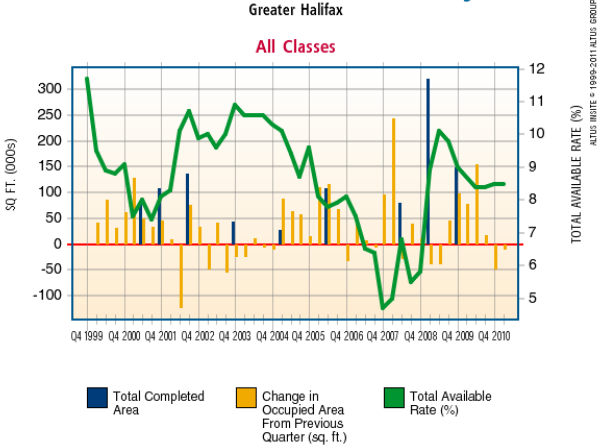


District	Rate	Change from Last Quarter	Change from Last Year
Halifax	8.50%	Up 10 bps	Down 50 bps
Bedford/Sackville	12.40%	Down 130 bps	Down 80 bps
Dartmouth City	11.90%	Up 10 bps	Down 210 bps
Halifax Downtown	8.00%	Up 90 bps	Up 290 bps
Halifax Outlying	5.60%	Down 150 bps	Down 740 bps

Absorption has been positive over the majority of 2010 with the exception of Q4. Halifax experienced a change in occupied area of positive 200,899 sq.ft.

There are no new buildings currently under construction in the Greater Halifax Market although the redevelopment of the Nova Scotia Power Plant on Lower Water Street will add 170,000 sq.ft. of space primarily for their own occupancy. Proposals for new construction total over 1.2 million sq.ft., suggesting developer optimism although heightened competition to complete projects is expected.

**Historical Market Summary**



Demand Drivers	Forecast
Availability	↑
New Supply	↑
Absorption	↔
Rental Rates	↔

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