Ottawa Real Estate Forum

Presentation by:

John O'Bryan Vice Chairman, Canada

October 6, 2009

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Canada and the U.S. in Perspective

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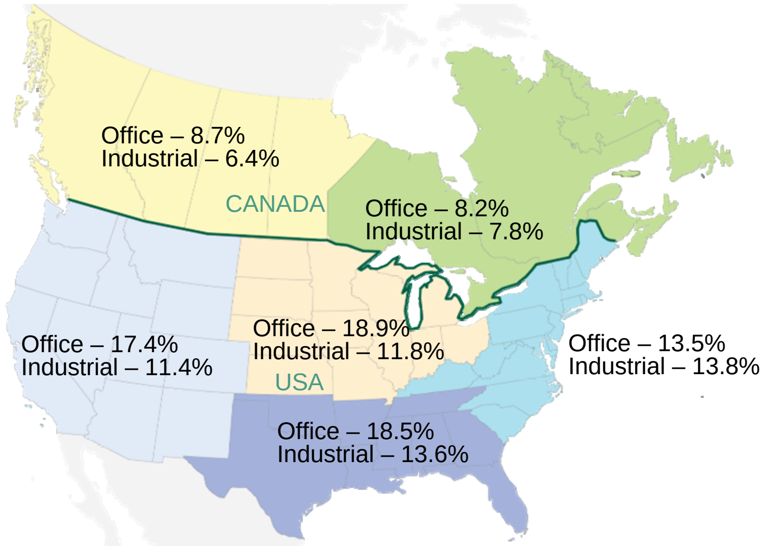
Canada Continues to Outperform the US



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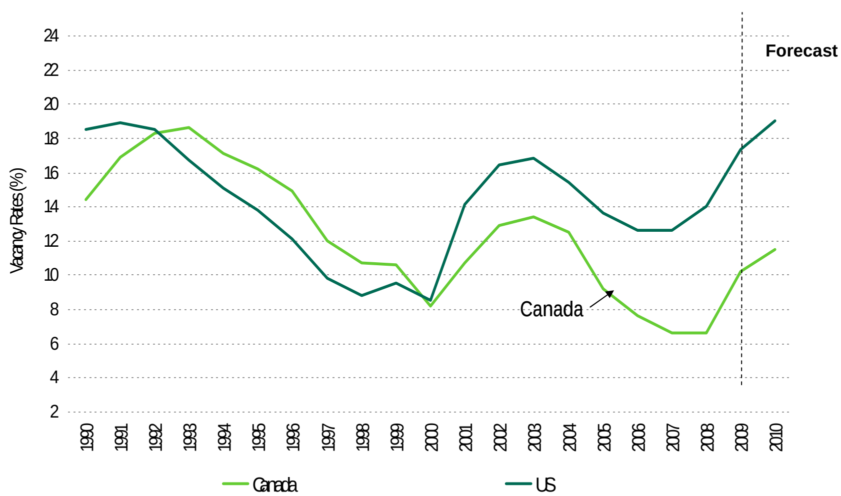
Decoupling of Canada from the US
Office Vacancy Rates



Source: TWR Office Outlook XL, Fall 2009

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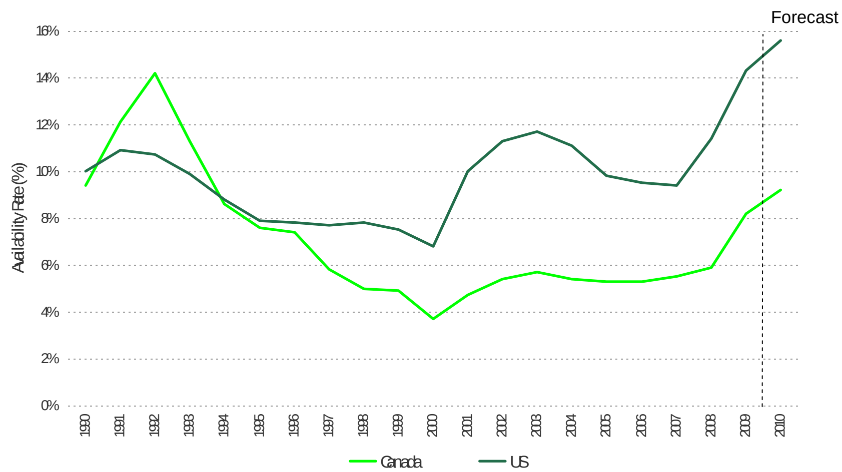
Further Decoupling…
Industrial Availability Rates



Source: TWR Industrial Outlook XL, Fall 2009

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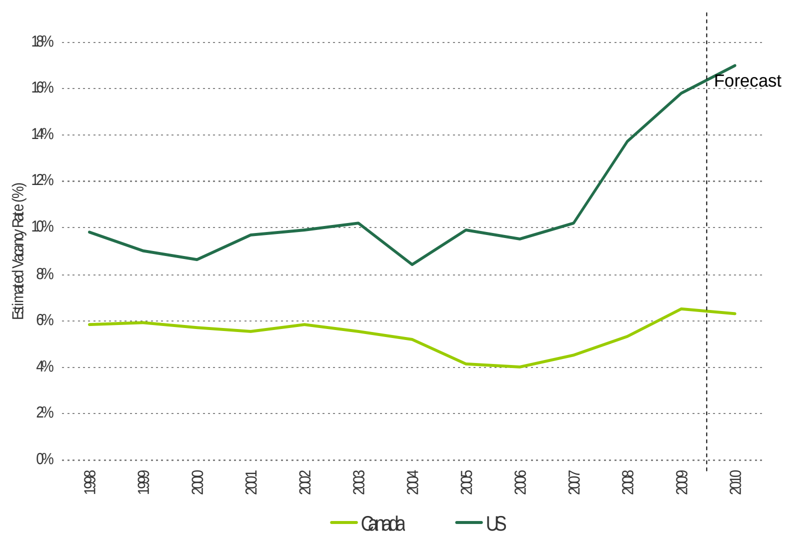
Canada and US Job Losses Creates
More Challenges in US Retail Vacancy Rates



Source: TWR Retail Outlook XL, Fall 2009 and CB Richard Ellis

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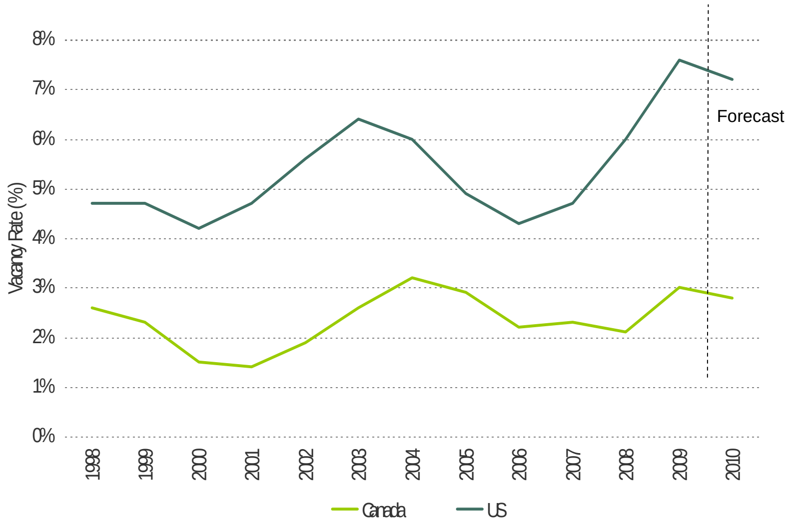
US Multi-Housing Market Still Affected by Housing Market Collapse



Source: TWR Multi-Housing Outlook XL, Fall 2009, CB Richard Ellis and Canada Mortgage and Housing Corporation

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Capital Flows –
Debt & Equity Markets

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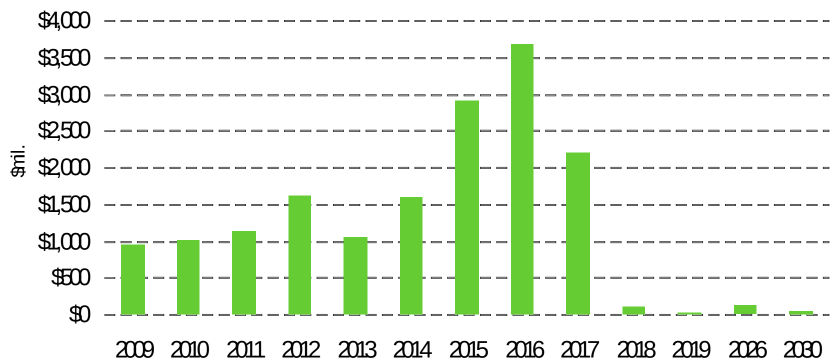
Canadian Debt Markets

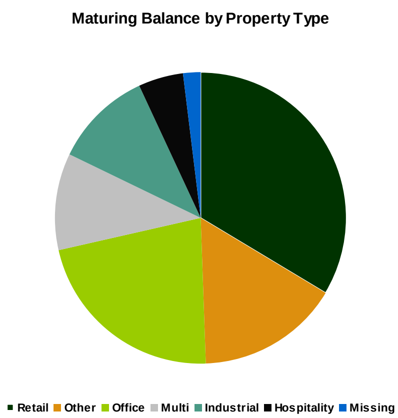
- Healthy housing markets – CMHC big factor
- Low interest rates paper over the cracks and provide time
- All lender groups are active
- Default rates remain low
- Fundamentals are weak but relatively dispersed
- CMBS perceived as biggest challenge

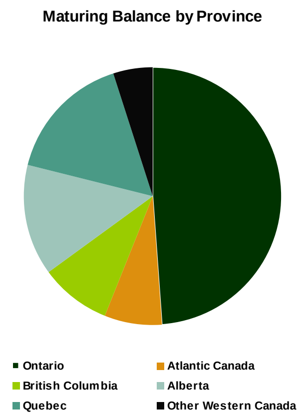
CMBS Maturity Values - Canada



Source: REALpac

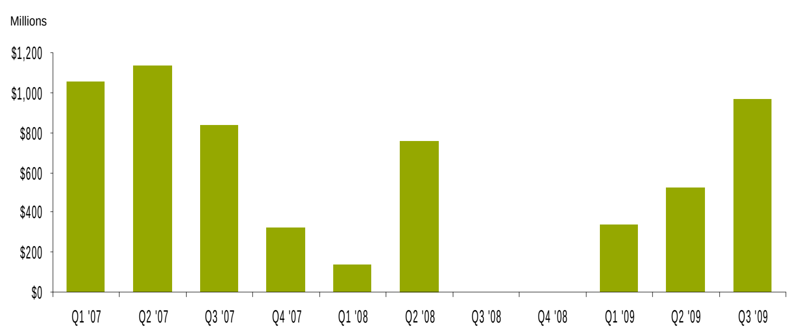
CMBS Maturities



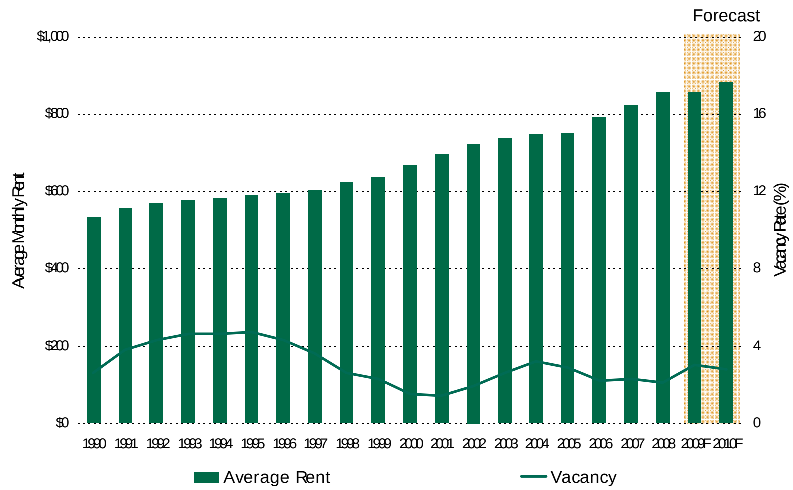


Canadian REIT Market Issuances

Unsecured Debt, Convertible Debentures & Trust Units

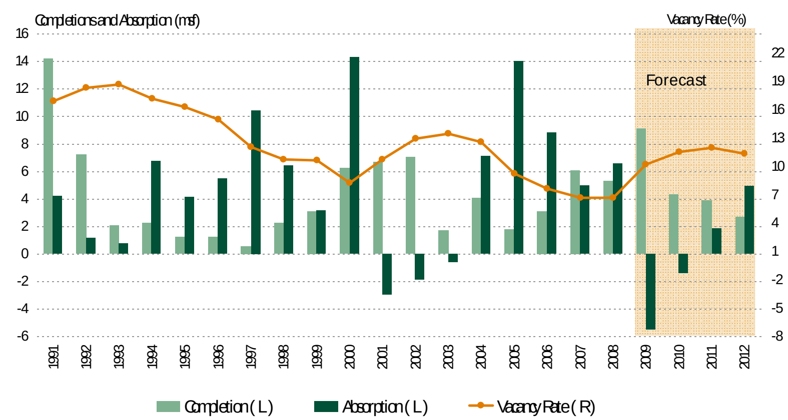


Canadian Multi-Residential – Slow and Steady



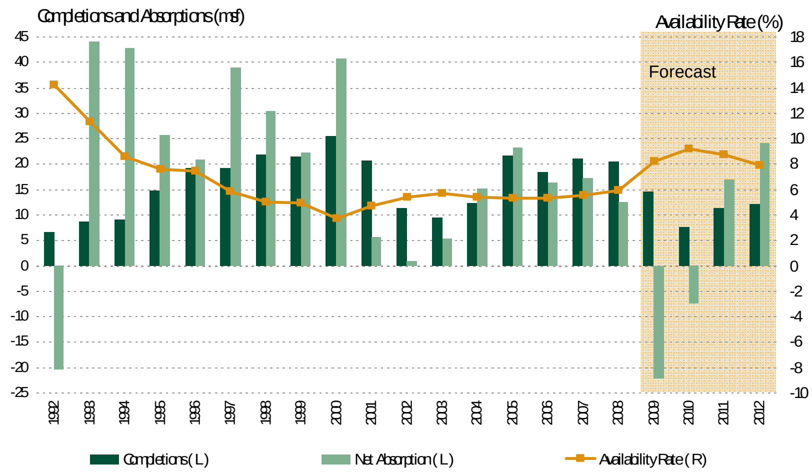
Source: CB Richard Ellis, CMHC

Canadian Office Vacancy On The Rise: From Two Markets



Source: TWR Office Outlook XL, Fall 2009

Canadian Industrial Availability Affected by Demand Contraction



Source: TWR Industrial Outlook XL, Fall 2009

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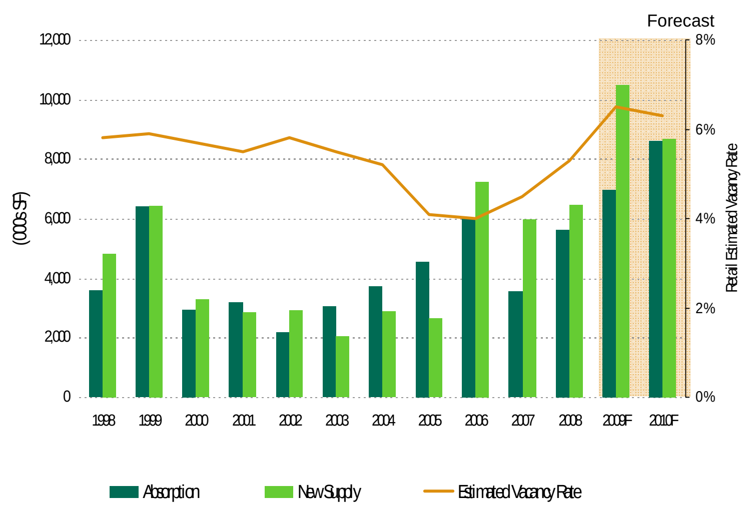
Retail Space Fundamentals - Resilient



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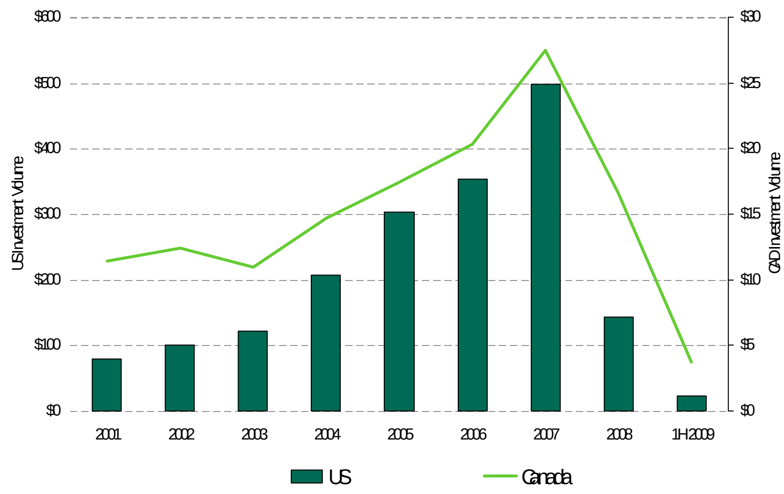
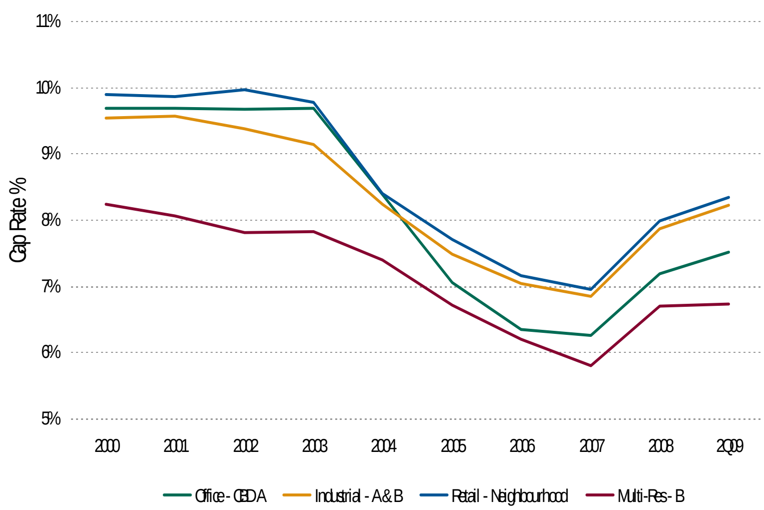
Investment Volumes have Collapsed
US and Canada Transaction Volume ($B)



Source: Real Capital Analytics, RealNet and CB Richard Ellis

Canadian Cap Rates Peaked?



Deals are Still Happening…

Name/Address	415 Yonge Street	110 Yonge Street	Bentall 5 Plaza 550 Burrard Street	5801 72nd Avenue S.E.
Location	Toronto, ON	Toronto, ON	Vancouver, BC	Calgary, AB
Buyer / Seller	Crown Realty Partners (Local Investor) / Anthem Properties	Bayfield Realty Advisors Inc. (Private Investor) / CREIT	Deka Immobilien Investment GmbH (Foreign Investor) / SITQ (Developer)	Optrust West Industrial Inc. (Institution) / Hopewell Development Corporation
Year Built / Building Class	1974 (1993 Reno)	1965	1st (2002), 2nd, 27fl+(2007) / Class A	
Total Sale Price / Prev. Sale Price	$32.1 mil (Jun 09) $9.2 mil. (Mar 98)	$21.7 mil. (Jul 09) / $30.1 mil. (Aug 01)	$297 mil. (May 09)	$40 mil. (Jun 09)
Price / SF	$167 per sf	$289 per sf	$509 per sf	$97 per sf
Rentable Area	191,880 sf	148,749 sf	583,000 sf	411,560 sf
Cap Rate	8.75%	8.0%	6.0%	8.2%

U.S. Debt Markets

- $3 Trillion market
- Banks 59% of market
- $300 Billion annual maturities

Biggest Challenges

- Change in property values
- Large loans
- Shortfalls 2009-12 $629 Billion
- Compounded by aggressive underwriting

U.S. Capital Markets Open

- $4.7 Billion in debt offerings
- Average term 6.7 years
- Treasury spread 531 basis points
- Premium to yield 3.07%
- 4 Mortgage REITs - $1.4 Billion raised, more to come ($5.3B)

U.S. CMBS Special Servicing Loans

	Value ($B)	% of CMBS
April 2008	$5.67	0.65%
December 2009	$10.14	0.97%
July 2009	$47.87	4.96%

U.S. Equity

- **Values down 35% to 45% since peak**
- **Debt is key to liquidity**
- **Cap rates up 200-250 bps, rents down 10-15%**
- **Special service loans growing at $3.4B per month**
- **$20B in equity raised by REITs (9.2% yield)**

Lows & Highs + Lows of Transactions

2001	$27B
2005	$76B
2007	$257B
2009 (August)	$12B

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Conclusions

- **Interest rates and relatively active lenders remain crucial**
- **Employees/tenants not as confident**
- **Capital markets – prescient or opportunistic?**
- **Buyers are back – are they looking or buying?**
- **Key question – beginning of next phase of downturn (pain) or early part of recovery (profit)**

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