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**COMMERCIAL REAL ESTATE INVESTMENT SOARS IN FIRST HALF OF
YEAR; 2007 INVESTMENT EXPECTED TO BE 30% HIGHER THAN 2006**

The amount of money invested in Canadian commercial real estate soared in the first half of 2007 and the year as a whole is expected to markedly exceed last year's record, CB Richard Ellis Limited, says in a mid-2007 report on the investment market.

The report says that in the first six months of 2007 investment in the commercial real estate market totaled \$13.1 billion, 35% more than in the comparable period a year ago and already more than 50% of the \$24.2 billion invested in all of 2006.

Blake Hutcheson, president of CB Richard Ellis Limited, said that "we expect the real estate investment market for 2007 as a whole to exceed last year by as much as - 30%. There is no question that the recent subprime default issue

affecting the residential market in the US will have some impact on the Wall Street view of “real estate in general” and it will cause some investors to think twice before investing. However there continues to be an immense amount of money available for investing in good Canadian real estate and the results to date show that both domestic and foreign investors have great confidence in the Canadian commercial real estate market.

“To put the investment numbers in perspective and show the growth of the investment market, the \$13.1 billion invested in the first six months of this year already equals the \$13.1 billion invested in all of 2001.

“A number of factors are at play in the growth of the investment market at present. The sizable investment in the first half of the year was a continuation of the activity levels that began in the second half of 2006 and this will continue in the second half of the year. A number of owners simply feel that they should not wait much longer to take some money off the table – even if it is a precautionary measure. We are seeing this for deals of all sizes and in all markets. The real question is what happens next year? In our view, fundamentals are still strong and while activity levels may slow somewhat a huge amount of liquidity and interest will be alive and well in Canada. There are a few known cracks these days but we do not anticipate a meltdown by any measure.

He also noted that “The second half of the year will start off strong with investments in excess of \$6.0 billion getting recorded in the second part of 2007 as a result of three significant REITS changing hands. While these have been announced they are not included in the first half results because they do not close until Q3 or Q4. The CHIP REIT transaction amounts to \$1.2 billion including debt, the Legacy Hotels REIT deal is \$2.5 billion including debt and the Dundee REIT is \$2.4 billion. Both the CHIP and Legacy REITs are hotel REITs and, at least in part, the motivation behind the transaction can be attributed to the changes in the government legislation in respect to these hotel vehicles. For

Dundee it was a different story. We were involved in this transaction and their CEO Michael Cooper assessed several options in deep detail and a partial divesting of their eastern Canadian assets to GE simply made a great deal of sense. We expect to see more and more companies do this as they realize sizable profits on their investments. Dundee sold off its Eastern Canadian assets and announced it plans to concentrate its resources on Western Canada.

“With the amount of investment already announced and more to come during the remainder of 2007 it is clear that the second half of the year will significantly exceed the results of the first six months.

“However, it is worth noting that the high level of investment taking place will have an impact on cap rates in certain markets. We have already seen them level off in certain markets and for certain asset classes. This trend will become even more pronounced in the months ahead.”

Investment in Eastern Canadian markets surpassed the level in Western Canada with a total of \$7.5 billion invested during the period. This is about \$1 billion higher than the amount invested in the Western markets. Toronto at \$4.5 billion had the largest amount followed by Montreal at \$1.7 billion and Ottawa at \$618 million

Notwithstanding the amount invested in the much larger Toronto market, a breakdown of results show that Calgary continues to be a market of major interest to investors with \$2.9 billion invested. The Vancouver market showed little investment activity in the first six months due to an anomaly of investments announced and not coming on stream in the first half of the year but with a considerable amount scheduled to take place in the second half of the year. Edmonton saw \$870 million invested and its most active market in recent memory.

Interestingly, total foreign investment did not rise at the same rate as domestic investment. In the first six months foreigners invested \$948 million in commercial real estate compared with \$3.9 billion in 2007. And of the large amount invested in Calgary, no measurable amount is considered “foreign”. In Eastern Canada the picture is quite different with two-thirds of the total foreign investment taking place in three markets ...Toronto, Ottawa and Montreal. In contrast to the large domestic investment, Toronto saw only \$472 million from foreigners invested while Montreal had \$147 million and Ottawa \$56 million.

Hutcheson said that, “Even though there remains a great deal of foreign interest, Canadians have always been leaders in the real estate markets - in Canada and globally – so this is no surprise. The smart Canadian investors can go head to head with the foreign players every time when they want to. We see this with private capital and we see it with our pension funds and capital market professionals too! - We do not count either group out at this stage of the cycle and continue to generate many bids from both domestic and international players. On two recent sizeable deals we managed to introduce some totally new foreign capital to our markets. Next month it may be a known domestic player. A little healthy competition is good for everyone and we have no reason to believe this will not continue.”

“Fortunately despite some known volatility particularly in the US, both foreign and domestic capital will continue to show a keen interest in the Canadian market and it is likely the amount they invest in the second half will exceed the amount invested to date,” Hutcheson said.