



CHAIRMAN'S LETTER

JOSEPH J. BARNICKE
CHAIRMAN

2005 was not the doom and gloom year that many had predicted. The Canadian dollar continued its ascent; energy prices surged ahead to record highs; consumers kept spending, particularly on housing; and the economy, as a whole, remained a good news story. 2005 will probably go down as one of the best years for the industry in the past 20 years.

As expected, strong tenant demand for office space was recorded across the country. However, nowhere was it as strong as the Calgary market where vacancy for Downtown Class A space is almost non-existent and the demand by oil and gas companies seemingly insatiable. A building boom is underway to bring some relief but since completion on many of the new projects won't happen until 2007, leasing conditions in Calgary will remain very tight in the meantime. Vancouver, with the ramp up to the 2010 Olympic Games, also had a great year with increasing tenant demand and decreasing vacancy. The Toronto office market is finally firming up with large block opportunities becoming more difficult to find. In 2006 expect to see a landlord's market for large blocks of space. Although rumours abound regarding the potential for a new tower in the core, none of the three projected new major office buildings would be ready for occupancy until the latter part of 2007 and, as the blend and extend users that renegotiated in 1988-1992 are coming due, 2006 should be very interesting in the Toronto market. Finally, after four years of struggling, the high tech sector in Ottawa is rebounding from the tech crash and growing once again with a flurry of leasing activity in Kanata, significantly improving market conditions in suburban Ottawa.

Strong tenant demand also prevails across most of the industrial markets in the country. While build-to-suit activity remains the dominant driver of new construction, as mentioned last year we are seeing a rise in speculative activity in some markets, with a trend towards larger-scale buildings than what we have seen in the past. This is particularly true in the western edge of the GTA. The recent influx of entrepreneurial US developers into Canada will continue to shape industrial development in Southern Ontario and we anticipate this activity will follow to other markets in the months and years to come. Serviced industrial land is in short supply in most markets across the country and land prices will continue to rise as a result.

The investment market proved interesting in 2005 with new benchmarks set and demand limited only by available supply. These low cap rates should hold as there continues to be an oversupply of money in all areas and an undersupply of product, particularly in Class A product in all sectors. Even with a rise in interest rates, we would forecast 2006 to be another strong year for the investment market.

In the retail sector, with the continued growth of Wal-Mart, Winners, new specialty stores, and other large format retail stores offering a wide mix of goods, the department store sector in Canada continues to face enormous competition.

Our relationship with our partners, Trammell Crow Company, is now in its third year and continues to exceed our expectations. With more and more large organizations looking for single service suppliers, the brokerage side of real estate will become even more competitive over time. Our strategic partnership with Trammell Crow enables us to provide to our clients - north and south of the border and around the world unparalleled single-source service excellence and innovative real estate solutions that deliver concrete value and superior results.

2006 should prove to be another very interesting year in the real estate market and we look forward to being of service to you. On behalf of the entire team I would like to wish you a very happy, healthy and prosperous year ahead.