



August 2, 2010

The following information was obtained from newspaper articles appearing in the *Globe and Mail* and the *National Post* for the week ending August 1, 2010

OFFICE

As part of a major reorganization, **Brookfield Properties Corp.** will acquire an interest in 16 Australian office buildings from its parent company, **Brookfield Asset Management Inc.**, for A\$1.6-billion (US\$1.4-billion). Brookfield Properties will fund the transaction with existing cash and a US\$750-million bridge loan from Brookfield Asset Management and the loan will be repaid with asset sales that include a sell-down of Brookfield Properties' equity interest in its publicly listed company, **Brookfield Office Properties Canada**. Brookfield Properties also plans to merge its Canadian residential housing unit, known as **Carma**, with Brookfield Asset Management's publicly listed United States housing affiliate, **Brookfield Homes Corp.**, and then put the new company up for sale. To reflect its strategic repositioning, Brookfield Properties Corp. plans to change its name to **Brookfield Office Properties Inc.**

Steven J. Douglas, who had been president of **Brookfield Properties Corp.**, has become the chief financial officer (CFO) of U.S.-based mall operator **General Growth Properties Inc.**, succeeding interim CFO Ed Hoyt.

Avison Young reported that the office vacancy rate in Toronto's downtown core increased to 10.3% in the first half of 2010 from 7.6% in the first half of 2009. The Greater Toronto Area's (GTA) office vacancy rate increased to 11.3% from 9.6% during the same period. The city of Toronto has 170 million total square feet of office space, including 70 million square feet of space in downtown Toronto. In the past year, 4 million square feet of office space has opened and 1.1 million square feet are available for sublet, making up 15% of the total office rental market in Toronto.

According to **CB Richard Ellis**, the average office rent is \$26 per square foot in both Montreal and Philadelphia.

MIXED-USE DEVELOPMENT

Construction will begin in the winter of 2010-2011 on the Southcore Financial Centre, two office towers and a luxury hotel that will cover a city block stretching from York Street to Lower Simcoe Street in Toronto's financial district. The development will be linked underground to Union Station and the Metro Toronto Convention Centre. The first tower will be completed in the fall of 2011 and the second tower by December, 2013, while the hotel is expected to open in 2014.

RETAIL

RioCan Real Estate Investment Trust (REIT) reported that funds from operations increased to \$92.8-million, or 38 cents a unit, in the second quarter of 2010, from \$67.9-million, or 30 cents a unit, in the second quarter of 2009. Net operating income increased by 17% during the same period. Same-property net operating income increased by 2.7% and same-store net operating income increase by 1.9% in the second quarter of 2010 from the second quarter of 2009. RioCan REIT maintained a strong occupancy rate of 97% in the second quarter of 2010.

RESORT AND ENTERTAINMENT

The British Columbia group that bought **Panorama Mountain Village**, near Invermere, B.C., from **Fortress Investment Group LLC** in the winter of 2010 for \$27-million has decided to focus on development. The group, led by former Cranbrook mayor Rick Jensen, plans to offer 30 lots for sale at approximately \$150,000 a lot, with construction expected to start in the summer of 2011. Instead of selling townhouses as second homes, the **Residences at Fairmont Ridge** in Fairmont Hot Springs, B.C., will focus on selling as little as 1/16th of a townhouse unit instead of the full or quarter ownership originally planned.

Imax Corp. has signed an agreement with **Profmedia**, Russia's largest media holding company, to build 14 high-resolution, 3-D theatres in Russia, adding to the 17 Imax theatres already in the country. Ten theatres will be built by 2012, with the remaining four coming on stream at Profmedia's discretion.

CONSTRUCTION

Statistics Canada reported that construction in Canada decreased by 1.6% in May, 2010, from April, 2010. Non-residential construction in Canada increased by 0.8% in May, 2010, from April, 2010, while residential construction declined by 3.8% during the same period.

RESIDENTIAL DEVELOPMENT

An agreement is in place with the **City of Toronto** for developer **BS&R Group of Companies** to tear down the 152-year-old home, at 15 Beverley Street in Toronto, which once housed architect Frank Gehry's grandparents to construct 12 Degrees, a 10-storey, glass and metal condominium building. The upper floors of the building will shift 12 degrees off centre to resemble an opening door. BS&R has agreed to replace the affordable rental housing that will be lost due to the development.

RESIDENTIAL

The **Canadian Real Estate Association** reported that the average price of an existing home in Canada decreased by 1.2% to \$342,662 in June, 2010, from May, 2010.

According to the **Teranet-National Bank composite house price index**, Canadian resale home prices increased by 1.3% in May, 2010, from April, 2010. The average price of an existing home in Canada rose by 13.6% in May, 2010, from May, 2009. The average house price increased by 17.1% in Vancouver, 16% in Toronto, 11.4% in Ottawa, 8.5% in Montreal, 7.8% in Calgary and 5.6% in Halifax during the same period.

UNITED STATES AND OTHER MARKETS

Deloitte LLP is seeking as much as US\$21-million in city and state tax exemptions to move its United States headquarters from mid-town Manhattan to **Merrill Lynch & Co.**'s former headquarters building at 4 World Financial Center in downtown Manhattan. Merrill Lynch may vacate space at the World Financial Center, owned by **Brookfield Properties Corp.**, when its lease runs out in 2013.

According to the **U.S. Commerce Department**, new single-family home sales rose by 23.6% in June, 2010, to a seasonally adjusted annual sales pace of 330,000 units from downwardly revised sales of 267,000 units in May, 2010. Sales decreased by 16.7% in June, 2010, from June, 2009. The median home price declined by 1.4%, to US\$213,400 in June, 2010, from May, 2010, and decreased by 0.6% from June, 2009.

The **United States Census Bureau** reported that the number of vacant homes in the country increased to 18.9 million in the second quarter of 2010 from 18.6 million in the second quarter of 2009. The home-ownership rate declined to 66.9% in the second quarter of 2010 from 67.1% in the first quarter of 2010, the lowest level since 1999. The vacancy rate was 2.5% in the second quarter of 2010, down from 2.6% in the first quarter of 2010. Vacant properties under renovation, or involved in legal proceedings, increased to 3.7 million homes in the second quarter from 3.5 million homes in the second quarter of 2009. In the second quarter of 2010, 2 million vacant homes were for sale, an increase from 1.9 million a year earlier. According to **RealtyTrac Inc.**, a record 269,962 homes in the United States were seized in the second quarter of 2010. In the first quarter of 2010, a record 4.6% mortgages were in foreclosure, according to the **Mortgage Bankers Association**. Foreclosures and home loan delinquencies together stood at 14%, or approximately one for every seven U.S. mortgages.

The government of Italy is looking for private sponsors to help pay for restoration work on Rome's ancient Colosseum. Because of deterioration, only 35% of the structure is open to the public.

Luxury Greek island home prices have declined by as much as 45% due to Greece's debt crisis. Greece's prime minister has imposed luxury property taxes calling for an extra levy on properties worth more than €5-million and higher taxes on homes worth more than €400,000. According to *Idealista.com*, prices for luxury homes in Spain have decreased by 8% to 10% from the peak in 2008. Prices for luxury homes in areas in Italy such as Rome, Venice, Milan and Florence are increasing, according to **Sotheby's International Realty**.

Russia announced a tentative plan to sell stakes totalling US\$29-billion in some of its largest nationalized companies on the open market to decrease its budget deficit. Forty-nine percent of **AIZhK**, Russia's national mortgage lending agency, is slated to be sold.

Khazanah Nasional Bhd., Malaysia's sovereign wealth fund, will pay SGD\$3.5-billion (\$2.65-billion), or SGD\$3.95 a share in cash, for the 76.1% stake it doesn't already own of Singapore's hospital operator **Parkway Holdings Ltd.**, topping New Delhi's **Fortis Healthcare Ltd.**'s bid of SGD\$3.80 a share. When the deal closes on August 16, 2010, Khazanah Nasional will own 16 additional hospitals in eight Asian countries.

For more information about our services, please contact Tom Rothfischer,
Toronto Real Estate Assurance Practice Leader
at (416) 777-8569.

[Subscribe/Unsubscribe](#) | [Edit Contact Information](#)

© 2010 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.