

P R O S P E R I T A S

EUGEN KLEIN REAL ESTATE BROKERAGE & MARKETING SYSTEMS

SECOND QUARTER 2005 ■ PRE-MARKET LISTINGS ■ ASK AN EXPERT: PART I ■ INTERESTING TIMES

Editorial



The past two months have been extremely hectic! We have had a number of successful transactions; a few larger

ones involving industrial land and warehousing in Langley and Abbotsford. Notable businesses include our new exclusive representation for Pedro's Organic Coffee Houses franchises, a new organic and fair trade gourmet coffee chain starting here in Vancouver. We anticipate that they will be a great success with already a few sales and leases behind us.

The big news of the past two months is that we have changed offices. We are now affiliated with Royal LePage (City Centre) located in heart of downtown Vancouver at Library Square. I wish to express my deepest thanks to everyone at NAI Goddard & Smith, and especially the President, Greg McPhie; it was my fortunate privilege to be associated with such a well respected name and so many well respected brokers in the commercial real estate community.

As always, you are welcome to contact me any time with your questions and concerns regarding the disposition of your commercial investments or businesses. ■

Eugen L. Klein
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Tel. 1.800.818.8599



I thought it might be of interest for the next two issues to glance at some of the emails that I receive and my responses to them. They have been taken from inquiries via my website and from questions posed at recent presentations. As always, please feel free to send me your questions, if you feel so inclined.

Question:

What is the difference between a residential and commercial realtor? Why should I use a commercial realtor?

Answer:

Just as there are real estate professionals who specialize in residential real estate or helping clients buy and sell homes, there are realtors who specialize in commercial real estate. That means they work for clients who are buying or selling real investments, multi family apartment or town homes with more than 4 units, retail, shopping centres, land, office, businesses, industrial, redevelopment, site selection, land assembly and project marketing.

Selling a commercial real estate is complex. It requires the expertise of a professional who understands the commercial market and can follow through with an aggressive marketing plan to sell your business for its maximum value. Your commercial realtor can develop a comprehensive marketing

Ask an Expert

Part I: Frequently Asked Questions

By Eugen Klein, B.Comm(UREC), CRES, ARM®, RI, FRI
Real Estate Investment and Commercial Associate Broker

plan specific to that commercial asset.

Setting the price of your business is critical. It requires extensive knowledge, training and access to the latest market information. Are you really aware of the value of your business in today's changing market? Can you risk pricing your commercial asset too high and discouraging potential buyers - or pricing it too low and losing some of your equity?

Commercial realtors are experienced negotiators. As an owner you do not want to make a follow up call to a potential purchaser and place yourself in a poor bargaining position? Commercial realtors are skilled in the specific assets classes, arranging financing, environmental inspections and closing transactions. They also provide undivided loyalty in protecting

their client's negotiating position at all times.

Considerations in an offer different than that in residential real estate may include vendor financing, earnouts, environmental inspections, roof assessments, property drainage, leasing terms, share and asset sales, inventory, equipment, and machinery to name a few. Use an expert.

(continued on page 4)

T E S T I M O N I A L S

"I have encountered few people with the focus and dedication to his clients and to the industry that Eugen displays. ...my assessment of his abilities is shared by realtors throughout the province."

Bruce Sheldon
Vide-Chair, Commercial Division, Fraser Valley Real Estate Board

"The time and energy that you have taken from your personal life and put into your elected post is a direct benefit to me and my companies and all other realtors and brokers. I just wanted to let you know that your dedication is much appreciated. Thank you for your hard work."

Bob Rennie
Rennie Marketing Systems

"I know that he devotes exactly the same care and attention to his clients' investments as he does to his own. He is a man of tremendous integrity. I encourage you without reservation to rely upon Eugen to answer your real estate needs. Or call him any time for advice on any matter; he is always happy to give it, and it never fails to be useful. He is truly a pleasure to work with."

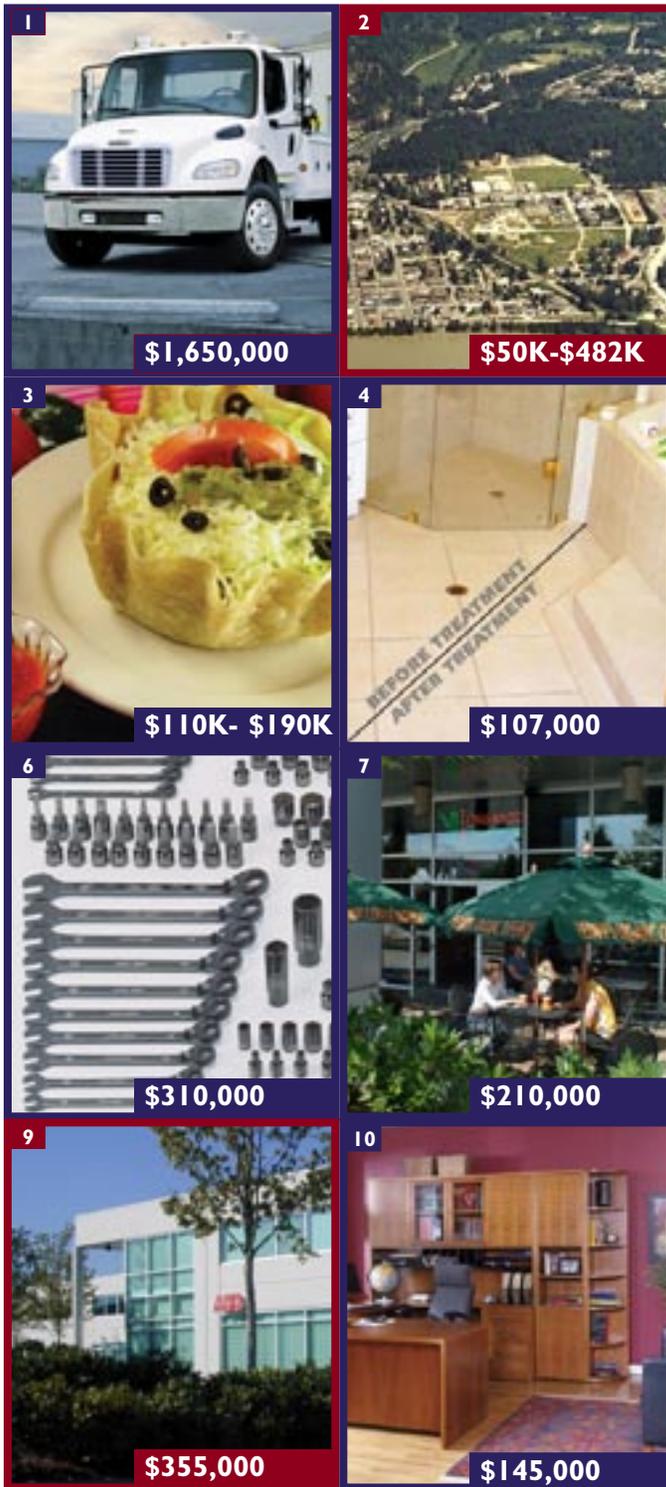
'Rocky' Roy Cameron
BC Lions Alumnus

"Eugen is very well qualified... Eugen is a conscientious, hard working member of our profession, and I have every confidence in [him]."

John R. D'Eathe, LLB., R.I.(B.C.)
Chairman, Penreal Capital Management

Please visit us online at www.eugen-klein.com

Royal LePage
City Centre



\$1,650,000

\$50K-\$482K

\$110K- \$190K

\$107,000

\$25,000

\$310,000

\$210,000

\$99,000

\$355,000

\$145,000

- 1. INTERIOR TRUCKING FIRM**
Serves all major Southern BC Highways. 17 Years uninterrupted growth. 13 trucks in fleet.
- 2. HOPE COMMERCIAL LAND**
18 lots, central hope commercial development. Future value rising as population continues to expand up Fraser Valley.
- 3. TACO TIME FRANCHISES**
3 Locations: New West, Coquitlam, Langley. Owner retiring; offered at below market value. Total net cash flow approx.
- 4. GLOBAL SAFE DISTRIBUTORSHIP**
Exclusive distribution rights for revolutionary safety/cleaning product endorsed by major insurers. Tremendous growth opportunity
- 5. GLOBAL SAFE DEALERSHIP**
Cleaning & safety product endorsed by top insurers – reduces slip fall claims. Profit \$1 per sq. ft. treated
- 6. TRADES CONTRACTING**
Well known trades contracting business for electrical, plumbing, & appliance repair. \$110,000 + net income five straight years.
- 7. PEDRO'S COFFEE FRANCHISE**
Only fair trade organic coffee franchise serving roaster direct coffee. Franchise location in Burnaby; averaging \$4.85/sale, 255 sales/day.
- 8. 206 - 938 HOWE STREET**
Vancouver; opposite BC Supreme Court. Perfect for independent professional. Parking space included
- 9. #103 – 8988 FRASERTON COURT**
South Burnaby, 2,109 sq. ft. incl. 606 sq. ft. mezzanine. Current use: high tech music studio. Owner will lease back @ 7% cap.
- 10. 410 – 938 HOWE STREET**
Southwest facing corner suite, 446 sq. ft. opposite BC supreme court bldg in heart of Vancouver commercial district.

This communication is not intended to induce a breach of already listed properties or businesses. All information must be verified by the purchaser. Images are representative only.

PROFESSIONALS DIRECTORY

The 'Professional Directory' is dedicated to the extraordinary people who have contributed to either my life or my clients with exceptional service. I would like to share my good fortune of knowing them with you. Please feel free to convey my recommendation.

BANK OF MONTREAL
Mr. Joe Corrado & Mr. Mark Tower
Vancouver 604.665.2682

BONNIE LEE CHARTERS
Mr. Kevin Addie
Vancouver 604.290.7447

CHAMBAR RESTAURANT
Mr. Quentin Kayne
Vancouver 604.879.7119

CIBC RESIDENTIAL FINANCE
Mr. Derek Christiansen
Vancouver 604.220.6161

COMFORT INN
Mrs. Valerie Orr
Vancouver 604.605.4339

VANCITY COMM MORTGAGES
Mr. Gary Khangura
Vancouver 604.879.0235

CYPRESS INSPECTIONS LTD.
Mr. Noel Murphy
West Vancouver 604.312.8606

DIGITAL PRINTING
Mr. Jason Romo
Vancouver 604.420.3400

FRANCHISE LAWYER
Mr. Jack M. Yong
Vancouver 604.443.7698

11. PEDRO'S COFFEE FULL FRANCHISES

Successful new organic fair trade roaster direct franchise expanding. New locations: West Van, North Van, Downtown, Kitsilano, UBC, White Rock, Langley, Abbotsford.

12. LANGLEY OFFICE/RETAIL LEASE

#114 - 6080 200th St. Excellent lease space, busiest corner in Langley. 6400 sq. ft. on two floors. Ample parking.

13. ABBOTSFORD OFFICE/ WAREHOUSE LEASE

34581 4th Avenue; 1800 sq. ft. warehouse & 400 sq. ft. office. Border proximity, good for light industrial / trucking.

14. GREEK RESTAURANT

Established family restaurant w/ leasehold improvements. Building purchase possible. 2950 sq ft. Gross sales \$670,000. Solid profits.

15. 2485 MONTROSE AVENUE

9,000 sq. ft. building on 1.07 acres land in downtown Abbotsford. Re-zoned C7, allowing mix-use com/res up to 2.75 FSR.

16. #1 - 31716 SOUTH FRASER WAY

Abbotsford; sublease, 7455 sq. ft. incl warehouse, office & retail. Currently used as automotive, close to freeway.

17. GREATER VANCOUVER HOTEL & PUB

Famous hotel with blues pub in old part of Greater Vancouver. 25 rooms, great view of Fraser River. Res / high rise development potential.

18. 16785 104TH AVENUE

Surrey; vacant land in developing residential area - strip mall or office low rise use. 0.39 acres.

19. PRINTING SUPPLY BUSINESS

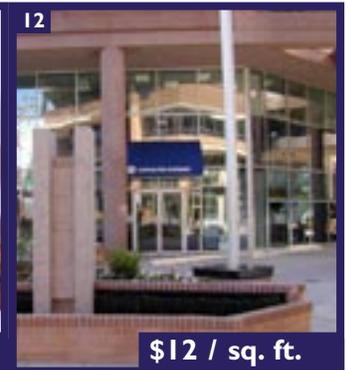
Supplier/re-manufacturer of printer cartridges. \$53,000 net; Excellent expansion/amalgamation potential. Owner will finance.

20. SURREY STRATA WAREHOUSE

Strata concrete warehouse, IL zone, 2000 sq. ft. main & 800 sq. ft. mezzanine; 1 loading door; small office space at front.



\$200,000



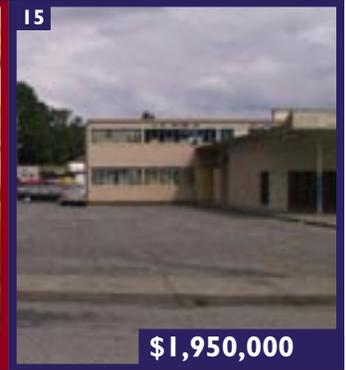
\$12 / sq. ft.



\$8 / sq. ft.



\$399,500



\$1,950,000



\$9 / sq. ft.



\$2,500,000



\$590,000



\$300,000



\$185,000

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PROFESSIONALS DIRECTORY

GRAPHIC DESIGN & ART WORK

Mr. Denis Meyer Jr.
Burnaby 604.777.0550

INVESTMENT PLANNING

Mrs. Vanessa Stenner-Campbell
White Rock 604.535.4749

KITS PLUMBING & ELECTRIC

Mr. Stefen Kim
Vancouver 604.618.7684

MEDIATION & ARBITRATION

Mr. Kenneth J. Glasner, Q.C.
Vancouver 604.683.4181

MAHOVLICH MARBLE & GRANITE

Mr. Frank Mahovlich
Vancouver 604.293.0093

MCKITRICK CLARK MCLEOD

Mr. Bruce J. Preston
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Mr. Dean Kazoleas
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PAUL'S TAILOR

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PINK LIME SALON & SPA

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Interesting Times

Phillip Flostrand, B.A. (Econ.), CIM
RBC Investments



As we arrive at the halfway point of the most dramatic decade in many many years, investors and the general public are developing a new outlook on the world. I believe this new worldview was birthed at the turn of the century, and is a result of our firsthand experience with the ancient Chinese curse: 'May you live in interesting times.'

Five years on, the concerns over Y2K now seem naïve and innocent when compared with the events that followed. First, some 60 days after we celebrated New Year's 2000 with a nervous eye cast toward CNN, the stock market silently achieved its all time high, a level which, incidentally, we will not likely revisit for some time yet. As the technology bubble collapsed over the ensuing two years and the very word bubble reacquired a non-soapy context careful readers of history confirmed an eloquent lesson: the only thing we learn from history is that we don't learn from history.

As markets developed throughout the past two hundred years one could always identify an out-of-favor industry, region, or asset class. Usually there were solid reasons for the pricing attached to the group, which eventually would change leading to investment opportunity. Sometimes though, the malaise was permanent and the undervalued asset disappeared. Quoting investment manager Peter Lynch: "It's always darkest before pitch black."

As we front onto 2005, for the first time, no significant sectors are truly out of favour. This is the unintended consequence of a credit spree induced by nervous policymakers to prevent the recession that should have followed the bubble's aftermath. The cure will very likely become worse than the disease.

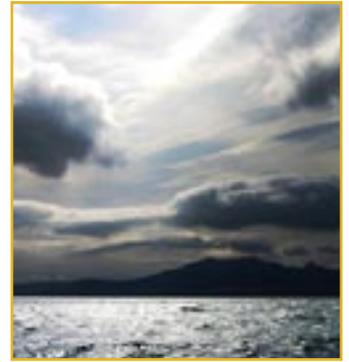
Interesting Times (cont'd)

Interest rates are rising. All good and especially not-as-good borrowers know the thin edge of that four-word blade. Before long, we all will sorely miss the two idyllic decades of the last century. The US dollar is off by 1/3 against our currency in just two years. Many of our export industries are unaccustomed or even unable to deal with a strong domestic currency. While commentators who supported pegging the Loonie to the US dollar at 65 cents now look sheepish or worse, the opposite problem is currently in the waiting room. Can calls for Canadian dollar 'devaluation' be far off from this same crowd?

As sage originators of the curse that defines our time, the Chinese now gladly operate with a currency pegged to the US dollar. This relationship is deepened as they earn growing profits supplying North

America with myriad goods, and then reinvest these profits by financing their customer's debt across the Pacific. Unfortunately, significant pressures are building as growth in China races ahead commensurate with debt growth here. Such tectonic forces, which instantaneously turned Boxing Day into a permanent day of mourning in South East Asia, illustrate what happens at a breaking point. I worry that a similar point lurks in our future when world markets and economies may face their own Tsunami.

We continue to maintain a cash reserve and an optimistic lilt to discussions, but history, human nature, and ancient curses have a more consistent record than many investment managers of our acquaintance. They further possess the longest possible provenance which we also respect greatly. Take



care, patience and attention as your guides in 2005, and above all, let us hope things do not become any more interesting! ■

Phillip Flostrand, B.A. (Econ.), CIM
RBC Investments (604) 257-7380

Need an Answer?

(continued from page 1)

Question:

Why invest in commercial real estate instead of buying another home?

Answer:

Sometimes residential market prices can be quite high and it becomes virtually impossible to invest in a single-family home or condo and then rent it out for enough to cover the mortgage payments. Whether in mixed use (commercial downstairs and residential above), multifamily, an RV park or a strip mall the advantages of commercial real estate are:

1. The cost per unit in most cases is less;
2. The competition for purchasing is less at least giving the buyer a better price in theory;
3. The time investment would be less because an owner could delegate some responsibilities to an on-site manager;
4. The investor can cover expenses even if there were a few vacancies;
5. Tenants are generally long-term, as businesses do not have the flexibility



"ask your commercial realtor for the answers to your questions"

of moving frequently;
6. Tenants generally pay for all improvements to the property (fixtures, paint, lighting, etc.).

Some of the disadvantages are,

1. Acquisition costs are higher;
2. Bank demand larger down payments and commitments;

3. If the business tenant goes bankrupt and needs to vacate, the property may take longer to rent;
4. Liquidity for some commercial assets is generally more difficult.

For the past several months I have been answering questions online regarding commercial real estate and business brokerage. You can find all the questions and my answers on my website in the section entitled "FAQ": www.eugen-klein.com/faq.htm ■

COMMERCIAL ■ INDUSTRIAL ■ INVESTMENT ■ PROJECT MARKETING ■ BUSINESS BROKERAGE



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**Please do not hesitate to call me at 604.818.5888.
It is my pleasure to serve your real estate needs.**