

Market Outlook 2008

Vancouver Region

Vancouver is the largest city in British Columbia and the third largest in Canada, located in the south western region of B.C. The Greater Vancouver area, one of the largest ports on the west coast of North America as well as the gateway hub to the Pacific Rim, is home to 2.4 million people. Leading business sectors include tourism, film/television, shipping and biotechnology. Natural resources such as forestry, mining and oil/gas extraction continue to be economic drivers.

Vancouver is hosting the 2010 Winter Olympics and the related infrastructure spending is well underway. Net immigration and a sound investment climate have spurred the economic activity in recent years. With the strong economy, the commercial real estate market is buoyant as typified by an insufficient supply of good investment product and considerable demand for all product types. Capitalization rates have stabilized between 6% and 7% depending on product type, location and age. Low and stable interest rates continue to fuel demand. Land prices have increased during the past year most notably in the urban areas where there is strong demand for residential development sites. Housing starts remains strong throughout the province and retail sales are expected to grow by 7% in 2008. Unemployment rate is currently 4%. Overall, the B.C. economy is expected to grow steadily through 2009.

Markets

The industrial market continues to outperform most other Canadian industrial markets due to insufficient supply. Vacancy rates for light manufacturing space approximate 2.0%. The demand for industrial land is strong and land prices continue to rise. Average industrial land prices are now at a staggering \$1.0 million per acre.

The office market in the CBD has an overall vacancy rate of 3.0%, down 3.0% over the past year. Positive absorption will drive vacancy rates to 2.0% over the next twelve months. The demand for high-rise residential development sites in the urban core has resulted in the removal of a number of office buildings within the CBD that lead to office space inventory reduction and lower the vacancy rate. Little new office product is coming to the market in 2008-09. The suburban markets of Richmond, Burnaby and Surrey have rebounded as tenants look to the suburbs for space.

The retail market continues to be a bright spot, fueled by a growing tourism market and a strong consumer. Retail sales increased 6% year over year. The strongest sectors for retail sales continue to be related to home improvement and consumer spending linked to the robust housing sector. Food, beverage and accommodation providers are also benefiting during this up-cycle. Investor interest in this sector is strong. Investors are looking more favorably to investing in secondary market like Vancouver Island and the interior of B.C.

The investment market continues to be strong. Capitalization rates are down slightly to between 6.0% to 7.0%, depending on product and location. The multi-family market is particularly competitive with capitalization rates between 4.5% - 5.5%. Going forward, the Vancouver region's real estate market will continue to benefit from the strong economic drivers in Western Canada; energy, resources and global trade. Robust job growth is expected through 2010 the result of continued business investment. The overall rosy forecast may be dampened somewhat by rapidly escalating construction costs, a potential slowdown in the U.S. economy and a higher Canadian dollar.

Vancouver At A Glance

Conversion: .96 CDN = 1 US\$

	NET RENT/SF/YEAR		US\$ NET RENT/SF/YEAR		Vacancy
	Low	High	Low	High	
DOWNTOWN OFFICE					
New Construction (AAA)	CDN 49	CDN 55	\$ 51.04	\$ 57.29	2.0%
Class A (Prime)	CDN 40	CDN 50	\$ 41.67	\$ 52.08	2.0%
Class B (Secondary)	CDN 30	CDN 40	\$ 31.25	\$ 41.67	4.0%
SUBURBAN OFFICE					
New Construction (AAA)	CDN 30.00	CDN 38.00	\$ 31.25	\$ 39.58	8.0%
Class A (Prime)	CDN 28.00	CDN 35.00	\$ 29.17	\$ 36.46	10.0%
Class B (Secondary)	CDN 23.00	CDN 29.00	\$ 23.96	\$ 30.21	12.0%
INDUSTRIAL					
Bulk Warehouse	CDN 6.50	CDN 10.00	\$ 6.77	\$ 10.42	2.0%
Manufacturing	CDN 7.00	CDN 10.00	\$ 6.77	\$ 10.42	2.5%
High Tech/R&D	CDN 9.00	CDN 14.00	\$ 8.85	\$ 14.58	4.0%
RETAIL					
Downtown	CDN 110.00	CDN 220.00	\$ 114.58	\$ 229.17	4.0%
Neighborhood Service Centers	CDN 30.00	CDN 60.00	\$ 31.25	\$ 62.50	3.0%
Community Power Center	CDN 30.00	CDN 40.00	\$ 31.25	\$ 41.67	3.0%
Regional Malls	CDN 30.00	CDN 40.00	\$ 31.25	\$ 41.67	3.0%
DEVELOPMENT LAND					
	Low	High	Low	High	
Office in CBD (per buildable SF)	CDN 75	CDN 135	\$ 78	\$ 141	
Land in Office Parks (per SF)	CDN 900,000	CDN 130,000	\$ 937,500	\$ 135,417	
Land in Industrial Parks (per SF)	CDN 850,000	CDN 130,000	\$ 885,417	\$ 135,417	
Office/Industrial Land - Non-park (per SF)	CDN 750,000	CDN 120,000	\$ 781,250	\$ 125,000	
Retail/Commercial Land (per SF)	CDN 750,000	CDN 150,000	\$ 781,250	\$ 156,250	
Residential	CDN 750,000	CDN 150,000	\$ 781,250	\$ 156,250	

Source: NAI Commercial Vancouver.

Market Outlook 2008

Calgary Region

Calgary's economic growth has remained above the National average since 2002; however it is showing signs of a slight slow down, primarily due to the shortages and spiraling costs of construction material. The Calgary economic region now exceeds over one million people with a staggering increase of 35,000 people per annum expected for the years to come. With higher serviced land cost for serviced land in Calgary, the economic expansion has pushed beyond Calgary's borders into a number of surrounding communities such as the Municipal District of Rockyview; Balzac, Airdrie, Strathmore, Okotoks and Cochrane.

Markets

Currently, there is over 12 million square feet of office product under construction or near completion in Calgary. There are 52 projects in development with an additional 35 projects in the pipeline totaling 7.5 million square feet in the pre-lease stage. The majority of the projects under construction are 100% leased. Although demand for office space has decreased slightly, there is still an insufficient amount of quality vacant space to allow for a decrease in rental rates. The downtown office market vacancy ranges from 0.6% in Class AAA (new) buildings; 3.5% in Class A buildings and 2.9% in Class B buildings. In the suburbs vacancy ranges from 0.9% to 3.9%.

In 2007 only 1.6 million square feet of new retail space was developed, most of which was 100% leased prior to the commencement of construction. Because supply is low and demand is high, rental rates have reached an all time high. There are a number of projects slated for construction with expected completion in 2008; however it is not expected that the rental rates in the retail sector will see any significant change.

Calgary's industrial market is showing no signs of slowing down, with 4 million square feet currently under development or planned for commencement in 2008. With few quality spaces available for sale within the city limits, buyers are forced to locate their facilities in the surrounding municipalities such as the MD of Rockyview, Balzac and Airdrie.

Industrial land costs have stabilized, with serviced land in the city limits averaging \$625,000 per acre and \$350,000 per acre for limited serviced land. Although land prices outside the city's boundaries are considerably less than in the city, the demand for land outside the City has pushed the value of these properties to all time highs, with the average price per acre being \$350,000.

Calgary's investment market remained strong in 2007. Although there were fewer transactions, the dollar value of those transactions increased due to the scarcity of supply coupled with a cap rate depression. The majority of the Class A and Class B product is being purchased by institutional and quasi institutional investors who have broadened their parameters of real estate to include acquisitions being made available by private vendors. With a strong investor confidence in the Calgary economy it is expected that there will be a continuation of the move toward strong demand for all product classes and in all quadrants of the city in 2008.

Calgary At A Glance

Conversion: .96 CDN = 1 US\$

	NET RENT/SF/YEAR		US\$ NET RENT/SF/YEAR		Vacancy
	Low	High	Low	High	
DOWNTOWN OFFICE					
New Construction (AAA)	CDN 40	CDN 55	\$ 41.67	\$ 57.29	1.0%
Class A (Prime)	CDN 30	CDN 47	\$ 31.25	\$ 48.96	1.0%
Class B (Secondary)	CDN 25	CDN 40	\$ 26.04	\$ 41.67	2.0%
SUBURBAN OFFICE					
New Construction (AAA)	CDN 24	CDN 30	\$ 25.00	\$ 31.25	N/A
Class A (Prime)	CDN 20	CDN 26	\$ 20.83	\$ 27.08	2.5%
Class B (Secondary)	CDN 20	CDN 24	\$ 20.83	\$ 25.00	3.1%
INDUSTRIAL					
Bulk Warehouse	CDN 7	CDN 9	\$ 7.29	\$ 8.86	1.2%
Manufacturing	CDN 8	CDN 9	\$ 7.81	\$ 9.38	1.0%
High Tech/R&D	CDN 9	CDN 10	\$ 9.38	\$ 10.68	1.0%
RETAIL					
Downtown	CDN 25	CDN 85	\$ 26.04	\$ 88.54	1.0%
Neighborhood Service Centers	CDN 22	CDN 38	\$ 22.92	\$ 39.58	1.5%
Community Power Center	CDN 25	CDN 45	\$ 26.04	\$ 46.88	1.0%
Regional Malls	CDN 30	CDN135	\$ 31.25	\$140.63	1.0%
DEVELOPMENT LAND					
	Low	High	Low	High	
Office in CBD (per buildable SF)	CDN 35	CDN 250	\$ 36	\$ 260	
Land in Office Parks (per acre)	CDN 375,000	CDN 600,000	\$ 390,625	\$ 625,000	
Land in Industrial Parks (per acre)	CDN 375,000	CDN 510,000	\$ 390,625	\$ 531,250	
Office/Industrial Land - Non-park (per acre)	CDN 375,000	CDN 625,000	\$ 390,625	\$ 651,042	
Retail/Commercial Land (per acre)	CDN 500,000	CDN1,350,000	\$ 520,833	\$ 1,406,250	
Residential (per acre)	CDN 50,000	CDN 700,000	\$ 52,083	\$ 729,167	

Source: NAI Commercial (Calgary) Inc.