

Market Outlook 2009

Vancouver Region

Vancouver is the largest city in British Columbia and the third largest in Canada. Metro Vancouver is home to 2.4 million people and is one of the largest ports on the west coast of North America. Vancouver is host to the 2010 Winter Olympics. This, together with the impact of net in-migration, residential construction and export related activity, accounts for the relatively stable economic conditions.

After enjoying average annual economic growth of 3.4% between 2002 and 2007, the economy has slowed down significantly. Real estate prices, both residential and commercial began to soften in the second quarter of 2008. Inventory of all product types has been increasing and the market has become a “buyers market” in the second half of 2008. The local economy has been shaken by the collapsing U.S. housing market and the resulting credit crisis. The impact is widespread but most severe in the construction, forestry and mining sectors. Going forward, we expect low vacancy rates to prevail; only modest pressure on rental rates and a growing inventory of investment product. We expect Buyers to remain cautious and conservative until 2010.

The office market in the CBD has an overall vacancy rate of 2.5%, and absorption is expected to drive vacancy rates to 2.0% over the next 12 months. In recent years, demand for high-rise residential development sites in the urban core has led to reduced office space inventory with little new office product coming to market in 2009-2011. The office markets in Richmond, Burnaby and Surrey have rebounded as tenants look to the suburbs for space. These areas account for virtually all of the 700,000 square feet of new office space in the region during 2009.

The industrial market continues to outperform most other Canadian industrial markets due to insufficient supply, with average vacancy rates of 2%. The demand for industrial land is good, and land prices are expected to be stable in 2009, ranging between \$750,000 and \$1.3 million per acre. Despite increasing construction costs there has been record development in the suburban market.

The retail market is under increasing pressure due to slowing consumer spending and fears of a full-brown recession in the U.S. Steady population growth especially in the CBD and near the rapid transit lines will keep this sector active in 2009. Market rents will remain fairly stable as well.

The investment market remains good although the volume of transactions has declined considerably. This “Buyers Market” is characterized by an increasing supply of investment opportunities. While increased levels of equity or vendor financing is now the norm, well-capitalized Buyers are finding good opportunities throughout British Columbia. The multi-family market is particularly active with cap rates approximately 6.0%. Cap rates for most other product types range between 7.0% and 8.0% in the Vancouver region and between 8.0% and 10% in secondary markets outside the Vancouver area depending on product type and location. These yields have ticked-up by 50 bps during 2008 but should generally remain steady during 2009.

Vancouver At-A-Glance

Rates are provided in X SF ___ SM per ___ Month X Year

Currency Used: Country's Currency CDN\$

<i>Definitions of terms are provided for your easy reference (Pages 5-6)</i>				
Classification	Low Rental Rates	High Rental Rates	Vacancy Rate	Investment Yield
Downtown Office — Submit as Full Service Rates				
New Construction (AAA)	CDN49.00	CDN55.00	2.5%	6.5%
Class A (Prime)	CDN38.00	CDN48.00	1.5%	6.5%
Class B (Secondary)	CDN30.00	CDN40.00	4.0%	7.0%
Suburban Office — Submit as Full Service Rates				
New Construction (AAA)	CDN30.00	CDN38.00	8.0%	6.5%
Class A (Prime)	CDN27.00	CDN33.00	7.5%	6.5%
Class B (Secondary)	CDN23.00	CDN29.00	12.0%	7.0%
Industrial Space — Submit as Net (Triple Net) Rates				
Bulk Warehouse	CDN 6.00	CDN9.50	2.0%	7.0%
Manufacturing	CDN 6.50	CDN10.00	2.5%	7.5%
High Tech/R&D	CDN 8.50	CDN14.00	4.0%	7.0%
Retail Space — Submit as Full Service Rates				
Downtown (High Street Shops)	CDN105.00	CDN210.00	4.0%	6.5%
Neighbourhood Service Centres (Retail Units in Parks)	CDN30.00	CDN60.00	3.0%	6.5%
Community Power Centres (Big Box)	CDN30.00	CDN40.00	3.0%	6.5%
Regional Malls	CDN25.00	CDN40.00	3.0%	6.5%
Solus Food Stores (<i>European Region Only</i>)	N/A	N/A	N/A	N/A

Development Land (Provided per X Acre ___ Hectare)

Classification	Low)	High
Office in CBD (<i>Per Buildable <u> X </u> SF/___ SM</i>)	CDN 75.00	CDN 135.00
Land In Office Parks	CDN 900,000	CDN 1,300,000
Land In Industrial Parks	CDN 850,000	CDN 1,300,000
Office/Industrial Land—Non Park	CDN 750,000	CDN 1,200,000
Retail/Commercial Land	CDN 750,000	CDN 1,500,000
Residential	CDN 750,000	CDN 1,500,000

Source: NAI Commercial Vancouver.