

Market Outlook 2011

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. It is one of the largest ports on the west coast and the gateway to Asia. Strong commodity prices in 2010 have underpinned a V-shape economic recovery in the region. The commercial property market is experiencing normal conditions with good supply-demand characteristics. Average cap rates are mostly below 7% regardless of product type.

For the office market, the overall office vacancy rate moved up from 7% to 8% in 2010 despite the recovery through 2010. This was due to new supply, primarily in the suburbs. But the outlook for the office market is positive for 2011, especially in the CBD where little new supply is expected in the near term. Vacancy in the CBD is again below 5%.

The industrial market was stable with modest transaction activity in 2010. Average vacancy rate approximates 4.5% which should remain unchanged through 2011. Land prices have firmed although not back to levels experienced in 2007. Land prices range between \$850,000 and \$1,200,000 per acre. Rental rates average +/- \$8.00/sf for typical industrial product. Increasing levels of confidence in the economy is starting to drive tenant expansions. Owner-users have been active buyers of industrial strata product, taking advantage of the continuing low interest rates.

The retail market was active throughout the region, especially near rapid-transit lines. Market rents and occupancy have been stable. The investment appetite for retail has been strong. REITS have raised substantial equity capital in 2010 and they have been active investors in this sector.

The investment market has returned to near normal transaction volumes. REITs are flush with cash. Institutional owners are rebalancing portfolios and high-net worth investors continue to be attracted to this supply constrained west coast market.

The multi-family market is particularly strong with cap rates below 5% in most sub-markets in the city and between 5% and 6% in the suburban areas. Transaction activity for 2010 was steady with improvement in expected in 2011 resulting from continued low interest rates and population growth in the region.

The Vancouver region will continue to be an attractive place to locate a business or own commercial property. The economic outlook for 2011 is favorable with low inflation, employment growth and continued low interest rates in the forecast. All positive indicators for tenants and landlords are alike.

Vancouver At-A-Glance - 2011

Rates are provided in Net Rent/ SF / Year

Currency Used: Country's Currency **CDN\$**

Classification	Low Rental Rates	High Rental Rates	Vacancy Rate	Investment Yield
Downtown Office — Submit as Full Service Rates				
New Construction (AAA)	CDN 30.00	CDN 40.00	5.00%	6.00%
Class A (Prime)	CDN 28.00	CDN 38.00	6.00%	6.50%
Class B (Secondary)	CDN 20.00	CDN 30.00	8.00%	7.00%
Suburban Office — Submit as Full Service Rates				
New Construction (AAA)	CDN 29.00	CDN 35.00	10.00%	6.50%
Class A (Prime)	CDN 25.00	CDN 32.00	12.00%	7.00%
Class B (Secondary)	CDN 18.00	CDN 24.00	14.00%	7.00%
Industrial Space — Submit as Net (Triple Net) Rates				
Bulk Warehouse	CDN 6.00	CDN 9.00	4.50%	7.00%
Manufacturing	CDN 6.50	CDN 10.00	4.50%	7.00%
High Tech/R&D	CDN 8.50	CDN 14.00	5.00%	7.00%
Retail Space — Submit as Full Service Rates				
Downtown (High Street Shops)	CDN 40.00	CDN 100.00	5.00%	6.50%
Neighbourhood Service Centres (Retail Units in Parks)	CDN 30.00	CDN 60.00	5.00%	6.50%
Community Power Centres (Big Box)	CDN 30.00	CDN 40.00	5.50%	6.50%
Regional Malls	CDN 25.00	CDN 40.00	6.00%	6.50%
Solus Food Stores (European Region Only)	N/A	N/A	N/A	N/A

Development Land (Provided per Acre)

Classification	Low/Acre	High/Acre
Office in CBD	CDN 75 (sf)	CDN135 (sf)
Land In Office Parks	CDN 900,000	CDN 1,200,000
Land In Industrial Parks	CDN 850,000	CDN 1,200,000
Office/Industrial Land—Non Park	CDN 750,000	CDN 1,100,000
Retail/Commercial Land	CDN 750,000	CDN 1,300,000
Residential	CDN 750,000	CDN 1,300,000

Source: NAI Commercial Vancouver