

Market Outlook 2012

Victoria Region

Victoria, the capital city of British Columbia, has five primary economic drivers that include the provincial seat of government, the University of Victoria, high technology, tourism, and the Department of National Defense, which operates Canada's largest naval base on the Pacific coast. Since the fall of 2008 when the financial crisis swept across North America and the rest of the world, two of the major economic drivers, government revenue and tourism, have been negatively impacted.

The office market has begun an uneven recovery after three years of increasing vacancy rates. The suburban office market has seen private sector growth, particularly from high tech firms, filling spaces vacated by the public sector. The supply of new office space has continued to be stifled by existing inventory (Uptown) and limited new demand for Class A space. Over-all office vacancy rate is expected to continue to trend downwards but will remain above historical levels (9% downtown and 8% in the suburbs). Lease rates are expected to remain stable.

The industrial market is slow but steady demand and limited new supply will result in below 2% vacancy rate in the downtown industrial areas and about 5% in the suburbs. Land values have held steady contributing to stable industrial rents. Due to lack of additional capacity and low vacancy in established industrial areas (particularly downtown), growing businesses will continue to look for expansion options outside downtown Victoria.

The retail market in the downtown core has shown weakness due to the anemic economic recovery and continued softness in the important tourism sector. The restaurant sector was hard hit by new minimum wage legislation, tightened drinking and driving regulations and the introduction of the Harmonized Sales Tax (HST) to restaurant meals. Vacancy rates in the downtown core are expected to hold steady at around 7%. Regional and community retail centres in Greater Victoria experience a healthier 2-3% vacancy rate. Lease rates remaining stable.

The Investment market in Greater Victoria continues to be frustrated by a lack of Sellers. Low interest rates, a volatile stock market, and an over-supply of qualified purchasers chasing the limited number of available investment-grade properties will keep cap rates down. Cap rates on prime commercial properties have remain unchanged at 6% to 7% with multi-family apartments unchanged at around 5%.

NAI Commercial

Commercial Real Estate Services, Worldwide.

Victoria At-A-Glance - 2012

Rates are provided in Net Rent/ SF /Year

Currency Used: CDN\$

| Classification | Low Rental Rates | High Rental Rates | Vacancy Rate | Investment Yield |
|--|------------------|-------------------|--------------|------------------|
| Downtown Office — Submit as Full Service Rates | | | | |
| New Construction (AAA) | CDN40.00 | CDN45.00 | 10.0% | 6.25% |
| Class A (Prime) | CDN36.00 | CDN40.00 | 6.5% | 6.5% |
| Class B (Secondary) | CDN30.00 | CDN326.00 | 8.1% | 6.75% |
| Suburban Office — Submit as Full Service Rates | | | | |
| New Construction (AAA) | CDN38.00 | CDN42.00 | 15.0% | 6.25% |
| Class A (Prime) | CDN32.00 | CDN36.00 | 8.5% | 6.5% |
| Class B (Secondary) | CDN26.00 | CDN30.00 | 9.0% | 7.0% |
| Industrial Space — Submit as Net (Triple Net) Rates | | | | |
| Bulk Warehouse | CDN10.00 | CDN12.00 | 3.0% | 6.5% |
| Manufacturing | CDN12.00 | CDN14.00 | 2.0% | 6.5% |
| High Tech/R&D | CDN12.00 | CDN18.00 | 2.5% | 6.5% |
| Retail Space — Submit as Full Service Rates | | | | |
| Downtown (High Street Shops) | CDN45.00 | CDN90.00 | 6.0% | 6.5% |
| Neighbourhood Service Centres (Retail Units in Parks) | CDN30.00 | CDN42.00 | 4.0% | 6.5% |
| Community Power Centres (Big Box) | CDN25.00 | CDN30.00 | 2.0% | 6.5% |
| Regional Malls | CDN60.00 | CDN75.00 | 4.0% | 6.5% |
| Solus Food Stores <i>(European Region Only)</i> | | | | |

Development Land (Provided per X Acre ___ Hectare)

| Classification | Low (per acre) | High (per acre) |
|--|----------------|-----------------|
| Office in CBD <i>(Per Buildable _X_ SF/ __ SM)</i> | CDN1,500,000 | CDN2,000,000 |
| Land In Office Parks | CDN 600,000 | CDN1,000,000 |
| Land In Industrial Parks | CDN 500,000 | CDN 750,000 |
| Office/Industrial Land—Non Park | CDN 600,000 | CDN 900,000 |
| Retail/Commercial Land | CDN1,000,000 | CDN1,500,000 |
| Residential | CDN 400,000 | CDN1,000,000 |

Source: NAI Commercial (Victoria) Inc.