Market Outlook 2012

Vancouver Region

Vancouver is the largest city in British Columbia and the third largest city in Canada. Metro Vancouver is home to 2.4 million people. It is one of the largest ports on the west coast and a gateway to Asia. Signs point to a modest recovery continuing through 2012. Without more robust growth in the U.S., the B.C economy will grow at a respectable 2.5 – 3.0% rate annually.

The commercial property market has normalized with average cap rates mostly below 7% regardless of product type. The region continues to be an attractive place to live, operate a business or own commercial property.

The office market has experience positive absorption in 2011 resulting in an overall vacancy rate declining from 8% to 7%. The downtown market is very tight, the result of no new office supply since 2007. The vacancy in the CBD is about 4% the lowest of any North American city. Three new office towers are in pre-leasing which should address the supply situation in the coming years. Meantime the suburban markets are the beneficiary.

The industrial market can be characterized as stable. Overall vacancy is about 5% in the region. The tenant market has been weaker than expected in 2011. Lease rates range between $6.50 and $8.50/sf largely unchanged from last year. Land prices average $1.0 million per acre of land. With economic growth approximating 2.5% per annum we expect a strengthened tenant market in 2012 with corresponding modest increase in rental rates and land values.

The retail market is coming off a very robust 2010. While the investment appetite remains strong there are fewer quality assets available, resulting in much lower transaction volume in 2011. Lease rates will remain stable, supported by overall economic growth, increased housing starts and slow but steady employment growth.

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 2011 was steady with improvement expected in 2012 resulting from continued low interest rates and population growth in the region.

NAI Commercial

Commercial Real Estate Services, Worldwide.

Vancouver At-A-Glance - 2012

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 35.00	CDN 50.00	5.00%	6.00%
Class A (Prime)	CDN 28.00	CDN 38.00	6.00%	6.50%
Class B (Secondary)	CDN 25.00	CDN 35.00	8.00%	7.00%
Suburban Office — Submit as Full Service Rates				
New Construction (AAA)	CDN 30.00	CDN 40.00	10.00%	6.50%
Class A (Prime)	CDN 25.00	CDN 32.00	12.00%	7.00%
Class B (Secondary)	CDN 18.00	CDN 25.00	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 100.00	CDN 200.00	5.00%	6.50%
Neighbourhood Service Centres (Retail Units in Parks)	CDN 25.00	CDN 65.00	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