



Metro Vancouver Industrial Report

First Quarter 2009

Metro Vancouver Market Summary

The Metro Vancouver commercial real estate market continues to weather the global economic crisis much better than some Canadian, US and global markets. However, sharp increases in sublease availabilities, increased reports from landlords of tenants in arrears, and rising unemployment are all reasons why companies are treading with caution whether a tenant, landlord, developer, or owner / user.

Land values in locations with good access to servicing, complimentary industries, and infrastructure have held steady; whereas land in secondary locations or with uncompleted servicing or poor geotechnical conditions have faltered. It is also likely that speculators that are carrying too much land may be forced to sell during the second half of 2009, which would add downward pressure on prices.

The lease market continues to have some of the lowest vacancy rates in the country, with the exception of Langley, due to oversupply within Gloucester Industrial Estates. Areas of oversupply and those with large amounts of sublease space available represent excellent opportunities for tenants to reduce costs.

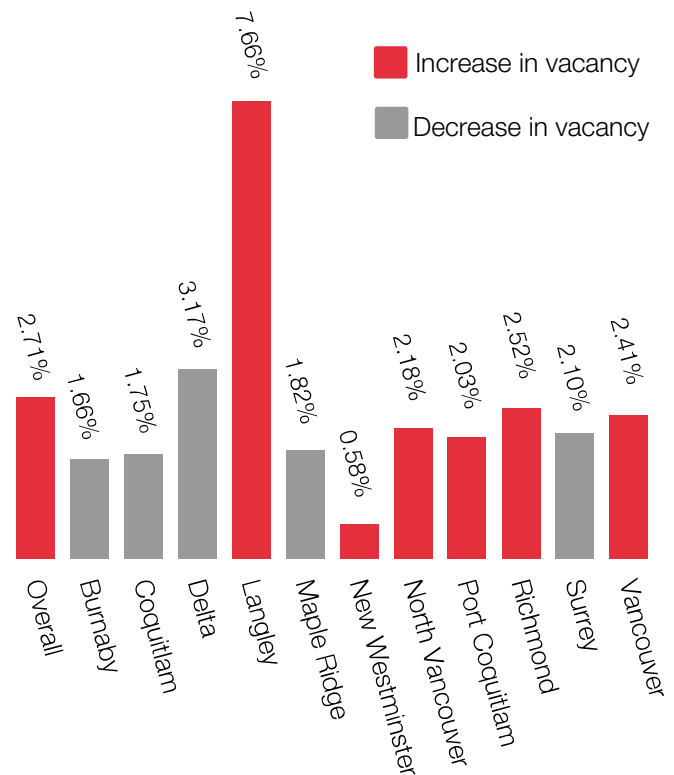
Opportunities to purchase land and building remain extremely limited both on an investment and user basis in the Metro Vancouver region. Prices in certain markets have declined slightly from peak values as lower buyer confidence and stricter lending practices have reduced the number of potential purchasers, but overall the relative scarcity of sale product has helped to preserve value.

Economic Summary

Despite unprecedented government actions to support credit markets and inject massive doses of monetary and fiscal stimulus to revive confidence, world-wide economic activity continued to recede rapidly over the first quarter. Weak commodity prices, low investment activity, and a sharp downturn in housing caused retrenchments to continue globally. Global growth is forecast at less than 1.5% for 2009, the weakest since the early 1980's recession.

In Canada, provinces hit hardest by the recession have been Ontario, Alberta, and Quebec. Manufacturing industries have struggled with steep declines in both domestic and foreign demand, energy prices have fallen more than 33% since 2006, and record low housing starts in the US have shrunk demand for Canadian lumber. Since employment peaked in October 2008, Canada has lost more than 365,300 jobs, pushing the national unemployment rate to 8.0%. Canadian building permits as a whole fell 15.9% from January to February, led by continued retrenchment in the non-residential sector.

Municipal vacancy rates



British Columbia has weathered the storm only marginally better than the rest of Canada due to a broader scope of industries and Asia-Pacific trade. Over the first quarter, BC's unemployment rate rose to 7.4%, up more than 3.3% from just 12 months ago. BC's economy is expected to decline by 1.5% in 2009, the first annual contraction in over 25 years.

January to February however, BC experienced the largest increase in the value of building permits of any Canadian province, rising 86.5% overall, and 95% in the non-residential sector.

In Metro Vancouver the economy is forecast to decline by 0.9% over the course of 2009, the first contraction since tracking began in 1987.

Export-oriented industries continue to face decline in foreign demand, particularly from the United States. Metro Vancouver port container traffic (inbound and outbound) is down about 25% from 12 months ago.

Lumber and pulp prices are at 25-year lows, with no sign of going up until the end of 2009 at the earliest, due to no improvement of the US housing sector.

The construction sector is projected to take a substantial hit, while Olympic projects wrap up and the housing market continues to slow.

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N. Vancouver / Vancouver / Burnaby

North Vancouver and Vancouver saw no new construction complete in the start of 2009 and, due to negative absorption totaling over 275,000 square feet, these municipalities saw jumps in vacancy of 76 basis points (to 2.18%) and 93 basis points (2.41%), respectively. By contrast, Burnaby saw over 63,000 square feet of buildings complete this quarter with the majority of that occupied immediately. In addition to this good news the municipality posted over 156,000 square feet of positive absorption which resulted in a 66 basis point drop in vacancy to 1.66%.

Burnaby looks to be positioned as one of the strongest markets in Metro Vancouver; however the completion of 300,000 square feet of spec development over 2009 may change that picture drastically. North Vancouver has begun to experience a level of stagnation as softer demand prevails. Construction has begun on Phase 5 at Northwoods Business Park which will add 80,825 square feet of flex space to the market. Vancouver will experience lower lease rates and continued increases in vacancy partially due to more manufacturing space becoming available in the south of the municipality over 2009.

Richmond / Delta

No new construction completed in Delta in the first quarter whereas Richmond had over 220,000 square feet of building complete, with approximately half of this area attributed to two spec buildings on McCartney Way. The lack of new product in Delta and a modest 30,000 square feet of positive absorption resulted in a 14 basis point drop in the municipality's vacancy rate to 3.17%, the second highest in Metro Vancouver. In addition to new product, Richmond had 250,000 square feet of existing space become vacant over the first quarter, pushing the vacancy rate up 35 basis points to 2.52%, the third highest in Metro Vancouver. Taking sub-lease availabilities into account would likely result in an availability rate of well over 3%.

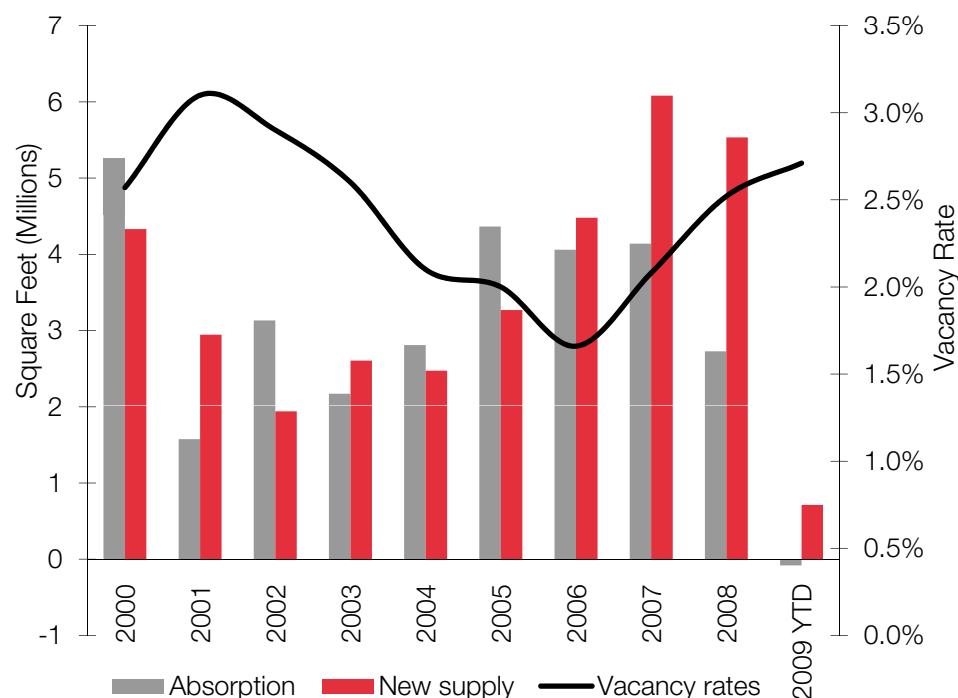
Downsizing is becoming a more prevalent trend in the Richmond / Delta industrial markets and we expect to see more sublease availabilities over the second quarter of 2009. As companies look to reduce their cost base, opportunities to lease distribution and manufacturing space at a discount will likely be created and a select group of non-institutional landlords have already begun to reduce their lease rate expectations as transaction volumes have been dropping since November 2008.

Surrey / Langley

The region saw 325,000 square feet of construction completed this quarter with 60% occupied immediately as build-to-suits. The Surrey market was able to absorb 400,000 square feet over and above the build-to-suits completed this quarter resulting in a 29 basis point drop in the Surrey vacancy rate; which is now 2.10% or the fifth lowest in the Metro Vancouver area. Langley continues to experience an over-supply of product with a vacancy rate of 7.66% which is a 133 basis point increase over the end of 2008.

Top industrial leases of Q1 2009				
Address	Municipality	Size (sq ft)	Tenant	
22031 Fraserwood Way	Richmond	120,000	T&T Supermarkets Inc.	
13333 Vulcan Way	Richmond	93,060	National Cargo Service Inc.	
871 Belgrave Way	Delta	49,800	Direct Distribution	
185 Golden Drive	Coquitlam	34,000	Kiewit/Flatiron	
303-306 - 9710 187 Street	Surrey	33,622	Can-Pacific Trading Co. Inc.	
100 - 9200 Van Horne Way	Richmond	31,503	Yanke Supply Chain Services	
1588 Kebet Way	Port Coquitlam	25,890	Radian Engineering Ltd.	
111-112 - 5560 Trapp Avenue	Burnaby	22,896	Lululemon Athletica Inc.	
102 - 917 Clivedon Avenue	Delta	20,400	Pacific Coast Marine Windshields Ltd.	
3153 Thunderbird Crescent	Burnaby	17,020	Suhkong Canada Ltd.	

Absorption, new supply, and historical vacancy comparison



With the increase in availabilities in more centrally located municipalities, such as Richmond and Delta, it is difficult to predict how and when companies will be lured to fill the rising vacancies in Langley. Landlord's have committed to providing more inducements, including Tenant Improvements (TI's) and free rent, but are resisting to lower face rates. Although the Langley market currently looks soft there is virtually no new industrial supply planned for the municipality which may brighten prospects over the medium term. By contrast, Surrey is actively promoting development and working to increase the supply of zoned and serviced industrial land within its borders.

Northeast Sector / Ridge Meadows

There was no construction completed throughout the entire region over the first quarter of 2009. This, along with a combined 50,000 square feet of absorption, resulted in a drop in the vacancy rate for Coquitlam (20 basis points to 1.75%) and Maple Ridge (98 basis points to 1.82%). Port Coquitlam

saw 116,000 square feet unabsorbed over the quarter which pushed vacancy up 82 basis points to 2.03%, due to its relatively small inventory of 7,724,000 square feet.

The big news for 2009 in this area will be bridges. The Golden Ears Bridge is nearing completion and more users and developers are looking for real estate opportunities in the relatively undeveloped Maple Ridge area; but current economic conditions, lack of servicing, and local red tape may hold up development. On February 5th the province announced its intention to build a \$3.3 billion 10 lane bridge to replace the existing Port Mann Bridge with work to begin immediately. In addition to these infrastructure upgrades, the purchase of the 45 acre Canfor property in New Westminster by the Vancouver Fraser Port Authority for almost \$45 million in February 2009, will guarantee that this land is preserved for industrial and port related uses and increase the industrial strength of the Metro Vancouver region.

Top industrial sales of Q1 2009

Address	Municipality	Size (sq ft)	Price	Price/ sq ft	Purchaser(s)
1800 Brigantine Drive	Coquitlam	34,371	\$5,900,000	\$172	0787501 B.C. Ltd.
8128 River Way	Delta	33,392	\$5,350,000	\$160	Analytic Systems Ware 1993 Ltd.
111 Forester Street	North Vancouver	30,000	\$5,025,000	\$168	Starmark Properties Corp.
9453 - 198th Street	Langley	40,506	\$5,000,000	\$123	Design Properties
1851 Brigantine Drive	Coquitlam	27,000	\$3,000,000	\$111	Blackthorn Properties Inc.
28 5th West Avenue	Vancouver	10,260	\$2,564,000	\$250	Martha Sturdy
22661 Fraser Highway	Langley	13,000	\$2,200,000	\$169	599950 BC Ltd. & 599945 BC Ltd.
2600 Viking Way	Richmond	20,870	\$2,175,000	\$104	2600 Viking Way Ltd.
7489 Hume Avenue	Delta	5,340	\$1,425,000	\$267	402062 B.C. Ltd.

Top industrial land sales of Q1 2009*

Address	Municipality	Size (acres)	Purchaser	Price	Type
430 Canfor Avenue; 20 Braid Street	New Westminster	45.25	Vancouver Fraser Port Authority	\$44,699,996	User
Progress Way Industrial Park	Chilliwack	5.31	Tidy Steel-Fab Ltd.	\$3,053,250	User
3075 188th Street	Surrey	9.33	B & B Contracting Ltd.	\$2,900,000	Canadian Investor
Lot 66 Braid Street	Coquitlam	10.74	Vancouver Fraser Port Authority	\$2,800,000	User
1574 Kebet Way	Port Coquitlam	1.00	Smithrite Disposal Ltd.	\$1,400,000	Canadian Investor

Metro Vancouver industrial statistics Q1 2009

Region	Total inventory (sq ft) March 2009	Total vacant (sq ft)	Vacancy rate	Average asking lease rate PSF (NNN)	Average asking sale price PSF	Average asking land price per acre
N. Vancouver / Vancouver / Burnaby	54,098,754	1,097,011	2.03%	\$9.51	\$155	\$4,127,843.97
Richmond / Delta	53,374,124	1,477,918	2.77%	\$7.74	\$148	\$1,255,806.33
Surrey / Langley	42,092,992	1,717,555	4.08%	\$7.77	\$144	\$1,002,290.96
Northeast Sector / Ridge Meadows	22,283,841	367,126	1.65%	\$7.44	\$127	\$1,103,703.21
Total	171,849,711	4,659,610	2.71%	\$8.02	\$146	\$1,171,497.87

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*Data sourced from RealNet Canada Inc.
www.realnet.ca



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