Vancouver, British Columbia

Tenant's Guide ▪ North American Markets ▪ Second Quarter 2010

Overview

2010 started on a high note in Vancouver due to the success of the Winter Olympic Games. Now four months after the Games, the Olympic hangover that many business people had feared appears to not be an issue as Metro Vancouver real estate markets experience more steady growth.

Vacancy rates in the Downtown core have remained low due to the lack of new space being built. As a result, landlords have been able to maintain relatively steady rental rates with rates dropping only slightly since the market crash in 2008. It will be some time before The Aquilini Group completes its new 22 storey tower adjacent to GM Place and Bentall completes its 23 storey project at Alberni and Thurlow.

Things are quite different outside the Downtown core where vacancies are high, especially in Richmond and Burnaby. Two new buildings have just been completed in the Still Creek Business Park in Burnaby boosting the vacancy rate in that market. Vacancy in Surrey, which is typically high, saw a significant drop in Q1 2010. Rental rates in many of the submarkets are competitive and provide tenants with a more cost-conscious option to leasing in the Downtown Core.

Market Trends

- So far there have been no negative repercussions from the Olympics.
- There is a possibility of new product in the Downtown Core for the first time in ten years.

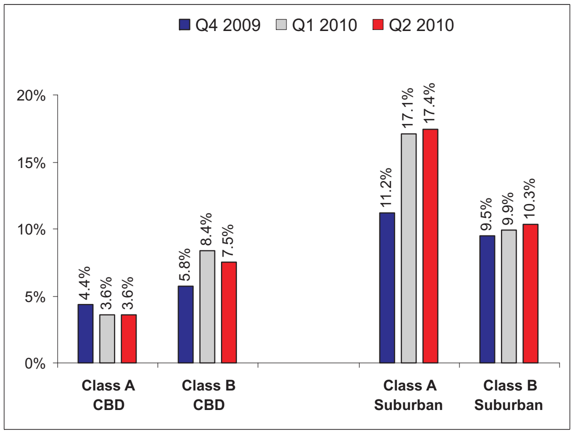
Tenant's Perspective

Deal volume is increasing with much activity still coming from companies downsizing and subletting space. New space in the Downtown market would not only yield new product to tenants but also, hopefully, have the effect of keeping rental costs at reasonable levels. Rates have remained stable over the last three quarters, minimizing some of the market uncertainty that existed two years ago. However, one factor that many tenants have overlooked is the recent 27% spike in parking rates due to the new HST and parking tax. This increase could have an influence on tenants looking to relocate with some perhaps opting for locations closer to rapid transit or to the suburbs.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Electric Metals	1,364	Office	Expansion
Sumitomo	3,250	Office	Renewal
C-Span	12,651	Office	Expansion
Morgan Stanley	8,200	Office	Headlease
MWH Canada Inc.	7,874	Office	Sublease
Kepis & Pobe Financial	2,847	Office	Sublease
Cobalt Engineering	18,000	Office	Headlease
Calkins & Burke	10,000	Office	Renewal

Vacancy Rate



Average Rental Rates

CBD	Q4 2009	Q1 2010	Q2 2010
Class A Office	$49.00	$50.00	$49.00
Class B Office	$36.00	$38.00	$36.00

Suburban	Q4 2009	Q1 2010	Q2 2010
Class A Office	$33.00	$33.00	$33.00
Class B Office	$27.00	$26.00	$25.00

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