

# Metro Vancouver Industrial Report

## Fourth Quarter Highlights 2008

### Market Overview

- Vacancy increased over the fourth quarter from 2.33% to 2.52%. Newer speculative developments not leasing, as well as slowdown of transaction activity and growth due to economic conditions, have both contributed to the rising rate. Highest vacancy rates were in Langley, Delta, Surrey, and Richmond, which also boasted the most sales and leasing activity.
- New project completion this quarter totaled 778,151 square feet (sq ft), up slightly from third quarter's 744,684 sq ft. In all, new industrial inventory for Metro Vancouver in 2008 totaled 5,532,442 sq ft, down 550,000 sq ft from 2007. Diminishing available industrial land and slower growth have contributed to lower new supply figures.
- Q4 achieved negative absorption of 210,783 sq ft due to 2.2 million sq ft completing in Richmond early in the year. Year end absorption totaled 2.7 million sq ft, down from 2007's 4.1 million sq ft. This drop is a direct result of the number of development sites quickly vanishing, as well as a reduction of projects being built on a speculative basis.
- The value of all building permits decreased over the fourth quarter. The shrinking value of permits reflects the slowing of the economy and increased caution being exercised. While building permit values have dropped, the construction industry remains busy in the industrial sector due to low vacancy rates, and a large supply still under construction.
- Lease rates remained steady over the fourth quarter. Landlords are beginning to lower expectations as they realize asking rates attainable 6-12 months ago may not be realistic in the current market. This has been reflected early on with greater tenant inducement packages offered by landlords.
- Purchasers in the industrial market continue to have difficulty arranging financing for transactions, many deals have come to a halt. Investment transactions have slowed as investors are exercising increased caution, most industrial sales continue to be owner-users in strata units. We expect this trend to continue as an increase in demand has spurred several new developments of this type. Build to Suit developments remained strong and again outpaced speculative developments over the fourth quarter.
- Suitable options for purchasers and tenants looking for land are becoming increasingly difficult to locate. Areas with a notable supply are: Richmond, Surrey (Campbell Heights), Pitt Meadows, Mission, and Chilliwack. Land sale prices continued on a steady increase across the board over the fourth quarter, chiefly due to the overall shrinking land supply, as well as the lack of land being re-zoned to industrial use.



After completing one of the largest land transactions of 2008, Loblaw's has begun construction of their 421,000 sq.ft. fresh produce distribution facility in Campbell Heights, Surrey.

Top industrial leases of Q4 2008			
Address	Municipality	Size (sq ft)	Tenant
7003 68th Street	Delta	412,000	Home Depot
19488 Telegraph Trail	Langley	125,000	Tree of Life
9300 Van Horne Way	Richmond	114,045	Paramount Storage BC Ltd.
20146 100A Avenue	Langley	75,000	A52 Warehouse Inc.
7411 Nelson Road	Richmond	52,500	Brother International Corp. Ltd.
1175-1177 Derwent Way	Delta	39,024	Vanguard Bottle Depots Ltd.
7277 Nelson Road	Richmond	35,000	Hudson's Bay Company
1588 Kebet Way	Port Coquitlam	25,890	Radian Engineering Ltd.
15050 54A Avenue	Surrey	25,521	CP Distributors Ltd.
18 Fawcett Road	Coquitlam	17,801	LTS Managed Technical Services

### Quick Facts

- Canada's Prime Business Rate is currently at 3.5%, down 1% from Q3, and 2.5% from last year.
- BC's GDP has grown 5.4% over the past year.
- Canada's GDP has grown 3.1% over the past year.
- BC's population has grown 1.6% over the past year, Canada's grew 1.2%.
- BC's Unemployment rate rose from 4.9% in November to 5.3% in December.
- Canada's unemployment rate is currently 6.6%, and is expected to rise to 8.2% by the end of 2009.

### Economy

- Global economic activity is receding rapidly despite unprecedented government actions to support credit markets and inject massive doses of monetary and fiscal stimulus to revive confidence. Retrenchments in North America, Europe, and Asia continue, triggered by the U.S. subprime meltdown. Global growth is forecast at 1.5% in 2009, the weakest since the early 1980's recession.
- The Canadian economy tipped into recession in Q4, and all indications point to a deepening recession extending into 2009. Forecasts call for a \$34 billion deficit in 2009, followed by \$30 billion in 2010.
- British Columbia's economy is projected to grow by less than 0.5% in 2009. Led by massive decreases of consumer demand in the United States; forestry, manufacturing, and

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mining industries in BC are facing thousands of extended/permanent layoffs as well as plant closures all around the province. The low value of the Canadian Dollar is helping only marginally to ease the impact of declining export product prices.

- Metro Vancouver's economic growth rate decreased for a third year in 2008, dropping from 3.0% to 2.7%. Heavy building activity and strong gains in the service sector were offset by declines in manufacturing and goods-producing industries.

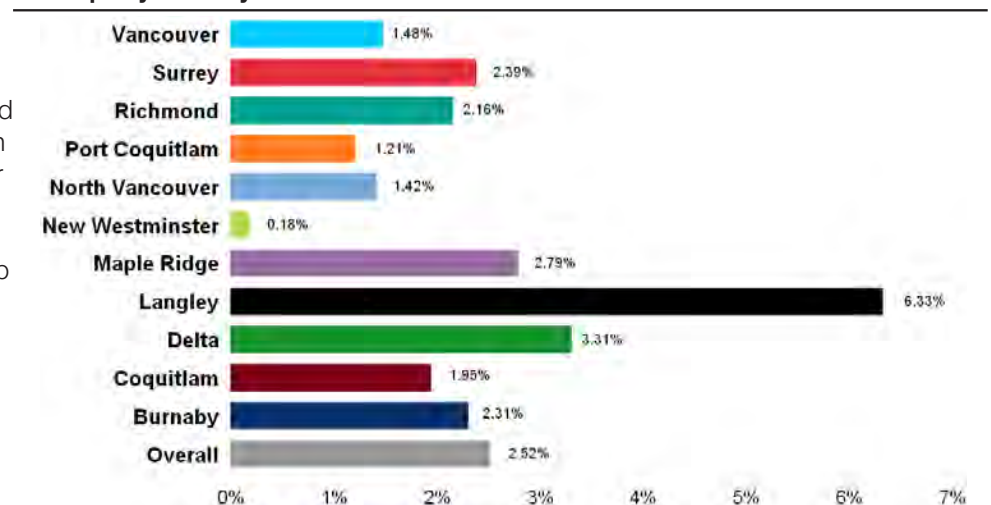
- Expect a reduction in construction labour costs as several notable large-scale infrastructure projects near completion. At the same time, obtaining financing for future infrastructure projects will be increasingly difficult due to stringent lending practices.

- Strong emphasis will continue on environmentally efficient buildings, and while the green building code will increase initial costs, long-term savings on energy bills will become apparent.

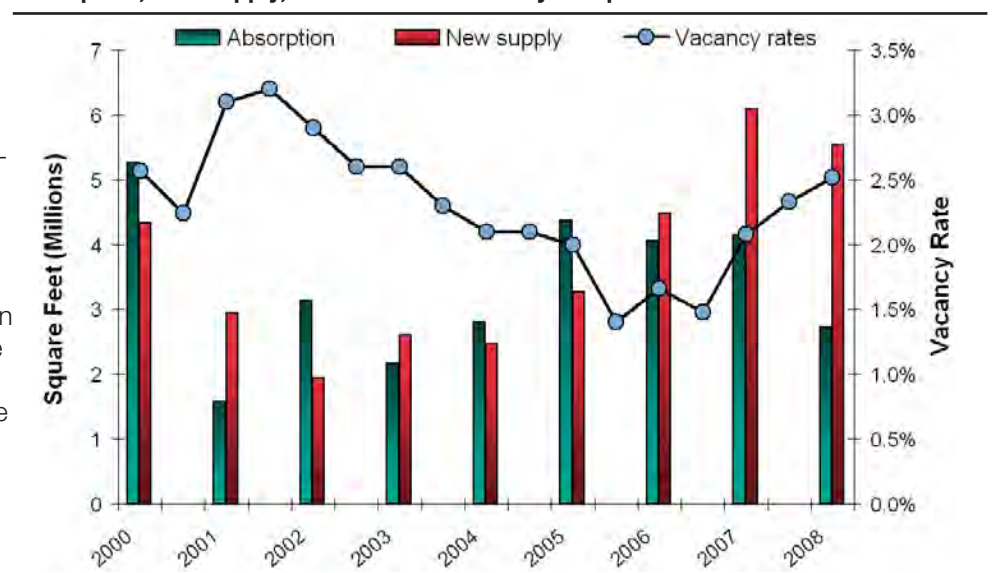
### Looking Ahead

- Economic growth in Metro Vancouver is expected to improve over the long term; 3.2% per year from 2009-2012. The Canadian economy as a whole is anticipated to have a difficult six to nine months, with recovery beginning third or fourth quarter 2009, and 2010 being much improved.
- The provincial government plans to pump as much infrastructure spending as it can into the first quarter of 2009, in an attempt to stimulate the economy.
- Banks will continue to be strict when it comes to mortgages, more meticulous in their underwriting, and take longer to approve mortgage products. Also, elimination of the discount variable-rate mortgage is likely.
- With financing becoming increasingly hard to secure, we may start to see more owner/users having difficulty with refinancing. As a result, we expect more properties coming to market soon. In addition, we may start to see more vendor carried financing in order to complete sales.
- Expect fewer developments to be built on speculative basis. Popular product in the industrial marketplace will be strata units and build to suit developments (both sale and lease).
- Metro Vancouver continues to experience the affects of a cramped industrial land supply, and municipalities are slow to react with re-zoning and servicing.

### Municipality vacancy rates



### Absorption, new supply, and historical vacancy comparison



### Top industrial sales of Q4 2008\*

Address	Municipality	Size (sq ft)	Price	Price/ sq ft	Purchaser(s)
1077 Great Northern Way	Vancouver	47,700	\$9,750,000	\$204	Mountain Equipment Co-Operative
35 Burbidge St.	Coquitlam	26,740	\$9,250,000	\$346	Clark Freightways (Clark Reefer Lines Ltd.)
7620-7660 Vantage Way	Delta	73,396	\$8,700,000	\$89	Sunstone Realty Advisors
18750 96th Ave.	Surrey	31,369	\$6,750,000	\$215	478528 B.C. Ltd.
79-91 East Kent Ave. North	Vancouver	41,000	\$4,600,000	\$112	National Instruments Canada Corp.
30 2nd Ave.	Abbotsford	45,564	\$4,250,000	\$93	United Concrete & Gravel Ltd.
51 Leeder St.	Coquitlam	22,954	\$4,100,000	\$179	Leavitt Machinery
19261 94th Ave.	Surrey	7,350	\$3,900,000	\$531	Joseph Chow Inc.
3899 Mount Lehman Rd.	Abbotsford	45,000	\$3,837,757	\$85	Brookside Foods (DJH Properties Inc.)
7863 Progress Way	Delta	32,540	\$3,410,000	\$105	Norma Ventures Corp.

### Metro Vancouver industrial statistics Q4 2008

Municipality	Inventory (sq ft) Dec. 2008	New supply Oct. - Dec. 2008	Vacancy rates December 2008		3 month net absorption Oct. - Dec. 2008
			sq ft	%	
Burnaby	25,840,193	130,000	597,720	2.31%	100,145
Coquitlam	8,564,142	0	167,170	1.95%	-5,524
Delta	20,774,012	0	687,849	3.31%	-374,996
Langley	15,220,174	141,412	945,356	6.33%	106,136
Maple Ridge	2,072,572	0	57,927	2.79%	-12,752
New Westminster	3,923,000	0	7,146	0.18%	80,000
North Vancouver	4,689,978	25,000	66,626	1.42%	9,355
Port Coquitlam	7,724,127	53,354	93,761	1.21%	6,089
Richmond	32,375,784	400,885	700,755	2.16%	332,667
Surrey	26,771,057	27,500	638,467	2.39%	-227,249
Vancouver	23,505,490	0	348,179	1.48%	-224,654
Total	171,460,529	778,151	4,310,956	2.52%	-210,783

### Metro Vancouver historical industrial statistics

Quarter	Inventory (sq ft)	New supply (sq ft)	Vacancy rates		Absorption (sq ft)	Price of land per acre (thousands)	Net rental rate range \$/sq ft/yr
			sq ft	%			
Q4 2008	171,137,076	778,151	4,310,956	2.52%	-210,783	\$1,008 - \$1,673	\$8.02 - \$12.95
Q3 2008	170,358,925	744,684	3,976,706	2.33%	-491,984	\$989 - \$1,623	\$7.91 - \$12.66
Q2 2008	169,480,216	1,549,400	3,895,108	2.30%	382,413	\$978 - \$1,573	\$7.76 - \$12.30
Q1 2008	168,120,706	2,461,813	2,918,011	1.74%	3,048,240	\$925 - \$1,407	\$7.60 - \$11.93
Q4 2007	165,603,028	1,359,510	3,448,573	2.08%	274,859	\$912 - \$1,391	\$7.44 - \$11.35
Q3 2007	164,341,644	2,517,678	2,462,048	1.50%	603,438	\$890 - \$1,345	\$7.25 - \$11.00
Q2 2007	163,396,800	1,261,384	2,120,642	1.30%	1,030,505	\$885 - \$1,330	\$7.20 - \$10.65
Q1 2007	162,325,206	944,844	2,079,533	1.28%	2,233,421	\$875 - \$1,325	\$7.00 - \$10.50

### Top industrial land sales of Q4 2008\*

Address	Municipality	Size (acres)	Purchaser	Price	Type
Lot A 58th Avenue	Langley	8.92	More or Les Ventures Ltd.	\$8,000,000	Canadian Investor
12697 80th Avenue	Surrey	2.22	0834618 B.C. Ltd.	\$3,450,000	User
1330 East 66th Avenue	Vancouver	1.08	Jasgill Investments & Contracting Ltd.	\$2,900,000	Canadian Investor
1636 Mount Lehman Road	Abbotsford	5.17	522032 B.C. Ltd.	\$2,000,000	Canadian Investor
2847 Mount Lehman Road	Abbotsford	1.00	Berryhill Holdings Ltd.	\$1,300,000	Canadian Investor

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\*Data sourced from RealNet Canada Inc.



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