Metro Vancouver Industrial Report

First Quarter 2011

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Economic Summary

With employment rates remaining steady at 7.5% and GDP holding at 3.1%, Canada's economy saw another stable quarter of continued recovery. While many are optimistic, Investors and prospecting tenants alike are approaching the market cautiously.

Certain events and indicators, such as reverberations from the European Credit crisis, and the expected increase of the overnight target rate to 2% have kept the investment market under control.

A strong Canadian dollar and low interest rates have helped maintain the market's momentum, but larger, riskier projects are still having a hard time gaining support.

Metro Vancouver Market Summary

The Metro Vancouver Industrial Market once again had a strong quarter, with sales continuing to rise, and vacancy stayed steady. Industrial sales took off, totalling $242,000,000 this quarter, a large increase from last quarter's $180,000,000. Vacant space across the market stayed fairly level, increasing a marginal 12 basis points to rest at 4.36%. While strata and small bay spaces continued to drive the market, this quarter also saw a slight increase in interest in larger owner-occupier sales, as well as larger multi-tenant sales..

Due to the amount of supply added to the market over the last 3 quarters, lease rates are still falling slightly. However, there was little new supply this quarter, which has tightened the market up in a few places, particularly in Delta and Langley.

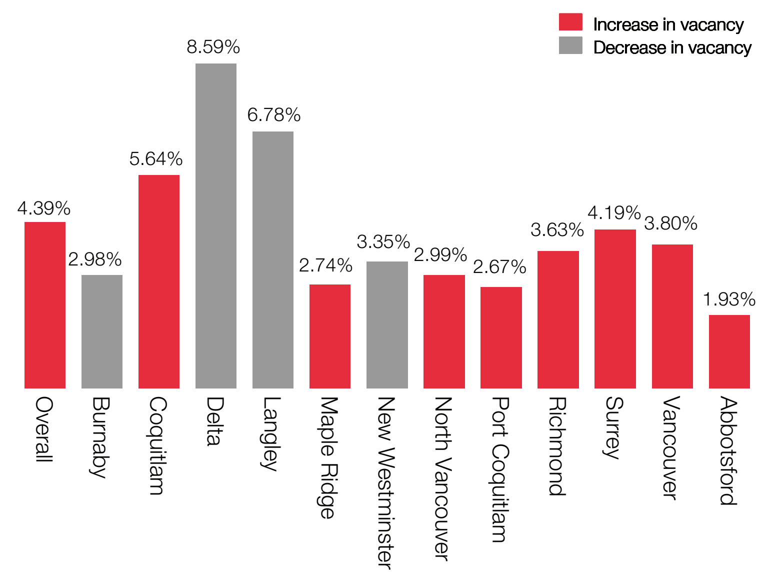
Larger buildings, while still moving slowly, have picked up the pace and saw a fair amount of activity, with Burnaby and Surrey both seeing a few larger (over 100,000 square feet) being sold.

Vancouver • North Vancouver • Burnaby

This quarter showed steady leasing and sales activity in the City of Vancouver. Vacancy rates increased by a marginal 19 basis points from 2.79% last quarter to 2.98%. Smaller units continue to be the popular choice in the market, however there were a few more mid range (15,000 to 25,000 square feet) leases this quarter.

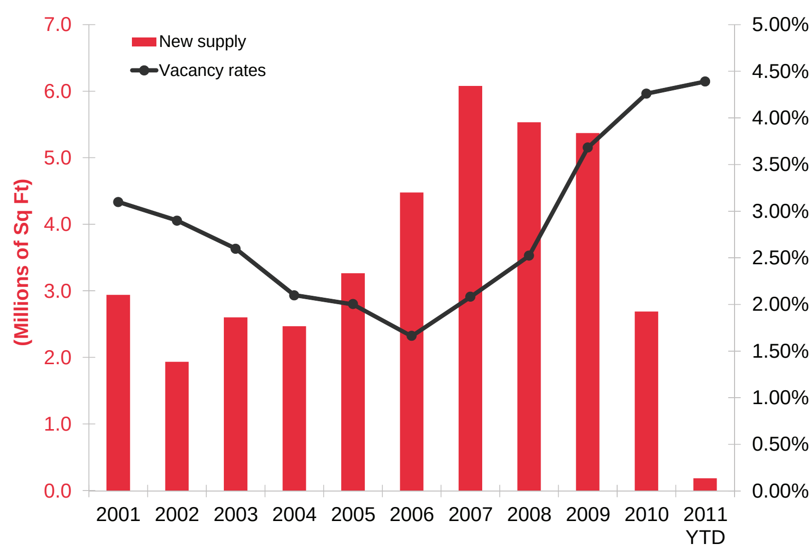
North Vancouver saw a marked increase in vacancy, up 152 basis points to 2.99% from 1.47% last quarter. This is primarily due to 47,500 square feet that became available at 2255 Dollarton Highway. The investment market slowed down quite a bit in North Vancouver this quarter as well with only 1 recorded sale. This is not too surprising, as North Vancouver has a limited inven-

Municipal Vacancy Rates



Source: DTZ Barnicke

Historic Vacancy and New Supply



Source: DTZ Barnicke

Significant industrial leases of Q1 2011

Address	Municipality	Size (sq ft)	Tenant
3023 188th Street	Surrey	130,462	Atlas Logistics
1302 Derwent Way	Delta	105,000	Liquidation World Inc.
7510 Hopcott Road	Delta	96,258	Canadian Alliance Terminals
1010 Derwent Way	Delta	80,000	Guardian Building Products
8521 198A Street	Langley	65,000	Fraser Health Authority

Source: DTZ Barnicke

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tory in addition, much of the strata that became available in Q3 and Q4 at the Dollarton Business Park has already been purchased. This newer product and limited inventory continues to prop up the average lease rates in the area, up to $13.25 from $13.00 last quarter. Three quarters of available space in North Vancouver is over $10 per square foot.

Burnaby once again had a busy quarter, both in supply and demand. Despite 117,000 square feet coming available at the Glenwood Industrial Estates, the vacancy rate still dropped 67 basis points to 2.98%. While total sales were up this quarter, volume of transactions were down. The sale of 7867 Express Street for $40,000,000 was a substantial portion of Burnaby's total sales of $61,454,000. The average size and value of properties purchased increased this quarter, however, with only 1 strata unit sold. Average rental rates increased slightly for the first time in 3 quarters, rising to $8.90 from $8.60 last quarter.

Northeast Sector • Ridge Meadows

Pitt Meadows saw one of the few additions to Greater Vancouver's industrial inventory this quater with the completion of 75,682 square feet at Onni's Building 100 at 19100 Airport Way in the Golden Ears Industrial Park. This as well as a few recent vacancies brought the vacancy rate up to 2.74% in the Ridge Meadows area from 1.47% last quarter.

Port Coquitlam and Coquitlam also saw an increase in vacancy rates. This was the result of a few mid to large range (40,000 to 60,000 square feet) spaces becoming vacant.

Richmond • Delta

Richmond and Delta showed strong sales activity in the first quarter, with a total of $61,109,000, up from $57,240,000 last quarter. Strata sales helped drive this increase with 18 of the 26 sales. Despite this, there was a slight increase in transactions of the mid to large range buildings.

Richmond saw a fairly slow quarter in leasing, with total vacancy increasing once again, by 34 basis points to 3.63% this quarter.

Delta, however, had a busy quarter, and saw its vacancy rate drop by 53 basis points to rest at 8.59%. Delta had many of the largest deals, such as Liquidation World's lease of 105,000 square feet at 1302 Derwent Way and Canadian Alliance Terminals moving into 96,258 square feet at 7510 Hopcott Road.

Surrey • Langley • Abbotsford

The Fraser Valley showed a fairly strong quarter, both in leasing and sales. Overall there was a negligable drop in the vacancy rate of 5 basis points to 4.77%. Small to mid range spaces once again drove much of the market activity, particularly in Surrey and Langley.

Investment activity really took off in Surrey this quarter, up to $69,859,860 from $15,383,295 last quarter. As well as the large number of strata sales, larger spaces also started moving too. One investment deal of note was the sale of 9255 194th Street to Piret Holdings Inc.

Langley had a slower quarter in investment, but saw a fair amount of space come off the market, dropping the vacancy rate 51 basis points to 6.78%. Abbotsford and Surrey, on the other hand, saw an increase in their vacancy rates. The rates rose to 2.53% in Abbotsford and 4.19% in Surrey.

Metro Vancouver industrial statistics Q1 2011

Region	Total inventory (sq ft)	Total vacant (sq ft)	Vacancy rate	Average asking lease rate PSF* (NNN)
Abbotsford	5,033,248	97,363	1.93%	$6.75
Burnaby	27,376,152	815,701	2.98%	$8.90
Coquitlam	8,564,142	482,590	5.64%	$7.80
Delta	21,698,012	1,822,650	8.40%	$7.30
Langley	15,508,095	1,051,263	6.78%	$7.50
Maple Ridge/Pitt Meadows	2,163,254	59,194	2.74%	$8.40
New Westminster	3,923,000	131,491	3.35%	$6.75
North Vancouver	4,770,387	142,403	2.99%	$13.25
Port Coquitlam	8,521,663	227,862	2.67%	$8.10
Richmond	34,229,972	1,243,922	3.63%	$8.75
Surrey	28,891,515	1,210,047	4.19%	$8.25
Vancouver	23,558,246	703,213	2.98%	$10.50
Total	184,237,686	8,028,156	4.36%	-

Source: DTZ Barnicke

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Fourth Quarter 2010

Top industrial sales of Q1 2011**						
Address	**Municipality**	**Size (sq ft)**	**Price**	**Price/sq ft**	**Profile**	**Purchaser**
7867 Express Street	Burnaby	178,360	$40,000,000	$224	Investor	Piret Holdings Inc.
10025 River Way	Delta	251,800	$21,250,000	$84	Investor	Diversified Management
9255 194th Street	Surrey	185,123	$18,380,000	$99	Investor	Piret Holdings Inc.
8000 Winston Street	Burnaby	118,163	$13,275,000	$112	User	Pita Bread Factory Ltd.
15055 54A Avenue	Surrey	90,711	$10,500,000	$116	Investor	54A Avenue Holdings Ltd.
13040 Worster Court	Richmond	37,800	$6,600,000	$175	Investor	Arctic Pearl Ice and Cold Storage Ltd.

Top industrial land sales of Q1 2011**						
Address	**Municipality**	**Size (acres)**	**Price**	**Price/Acre**	**Profile**	**Purchaser**
18899 32nd Avenue	Surrey	43.98	$14,789,000	$336,236	Government	City of Surrey
7575 North Fraser Way	Burnaby	2.44	$3,346,000	$1,369,067	Investor	Greenfields Garden Supplies Ltd.
3067 Turner Road	Abbotsford	3.38	$2,660,000	$786,982	Investor	0899771 B.C. Ltd.
10880 Dyke Road	Surrey	4.53	$1,845,000	$407,285	Investor	Two Pillars Holdings

Looking Ahead

- The last few quarters have seen an overabundance in supply, which has slowly brought rental rates down. There are still a number of projects in the works, which will continue the trend of oversupply, but we expect developers to take note of this trend and slow development down to match current demand. As these projects are completed, there will also be a larger supply of higher quality product. Due to this we expect the average lease rates to stay stable, and slightly increase as these new developments come to market.

- With the continued strong recovery of mining, forestry and manufacturing and the strong labour market we expect to see more activity in larger bay spaces and heavy industrial over the coming year.

- Due to the number of construction projects slated for completion, we expect to see a strong surge of activity in Burnaby over the next few quarters. While vacancy rates will likely increase and rental rates decrease, the amount of available high quality accessible product is bound to draw a significant amount of attention from the marketplace..

DTZ Barnicke Industrial Team

Casey Bell

Steve Caldwell

Tony Capolongo

Don Mussenden

Mitch Ellis

Mark Elworthy

Anthony Lux

Chris McIntyre

Ryan Saunders

Rand Thomson

Phil Gibbons

Definitions

Absorption: Refers to growth or net change in occupied space over time.

Inducements: A form of monetary enticement given by a landlord to a tenant.

New Supply: New space entering the market through new construction.

Under Construction: Projects that are currently being built but are not yet completed.

Vacancy Rate: The current amount of vacant building area compared to the total amount of existing inventory.

For more information please contact:
James Fraser, Director of Research
james.fraser@dtzvancouver.com
(604) 630 3405

*Properties over 10,000 sq ft only

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

DTZ Barnicke Vancouver Limited
800 - 475 West Georgia Street, Vancouver, B.C. V6B 4M9
Tel: (604) 684 7117 Fax: (604) 684 1017

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