

Market Overview

The second quarter of 2008 brought a slight increase in vacancy up 0.56% from Q1, to currently sit at 2.3%. This increased rate can be attributed to a slowdown of leasing activity, fewer firms expanding, and new spec product not leasing up quickly.

New supply has been impressive in 2008. This quarter brought 1.55 million square feet (sq ft) to the market, while year to date new industrial product totals over 4 million sq ft. Overall absorption is solid at 3.43 million sq ft for the year, second quarter recording 382,413 sq ft. Supply provided by new industrial developments has reached record highs and absorption numbers have remained consistently strong.

Across both BC and Metro Vancouver demand for industrial product has remained relatively strong, while supply remains tight and labour/material costs continue to shoot upwards. Although leasing activity has slowed overall, tenants still feel the squeeze of an increasingly tight market with the number of sites suitable for industrial development decreasing. As a direct result, both lease and sale rates have consistently risen in all

areas. Developers are finding it increasingly hard to financially justify new projects with the soaring price of land (rising as much as 75% alone over the last four years). These conditions have created an environment in which many tenants are being either forced to relocate into suburban markets, or re-negotiate agreements at higher rates and maximize efficient use of their industrial space.

Investment has remained steady in the industrial market, all buyer profiles continue to be at work in the marketplace, including: foreign investors, private buyers, syndicators, real estate investment trusts, and pension funds. However, quality income-producing real estate is becoming increasingly hard to find and availability remains scarce.

Speculative developments have again been outpaced by build to suit projects this quarter. The majority of completed developments appeared in Richmond, Surrey, and Langley this quarter, which were also home to some of the highest municipal vacancy rates. New product has continued to be snatched up quickly by tenants, with older commodity space taking increasingly longer to turn over.

Metro Vancouver Industrial Report

Second Quarter Highlights 2008

Economy

Growth of BC's Gross Domestic Product (GDP) is forecast at 2.2% for 2008. While this figure is down from last year's 3.1% in B.C., it is substantially stronger than national growth projections (Canada's GDP expected to slow further from 2.7% to 1.0%). In other words, while it may appear as an economic slow-down, versus the national average, B.C.'s performance is in fact increasing.

The province grew by approximately 14,400 people over the second quarter to reach 4,428,400 representing a 1.5% rate of growth over the past year. While the proportion of Canadian adults who are working is at an all time high of 74%, (USA 72%), there has been some softening of the labour market. BC's Unemployment started the year at 4.1%, reached a high of 4.5% in May, and is currently at the 4.3% mark, still well below the Canadian national average of 6.1%.

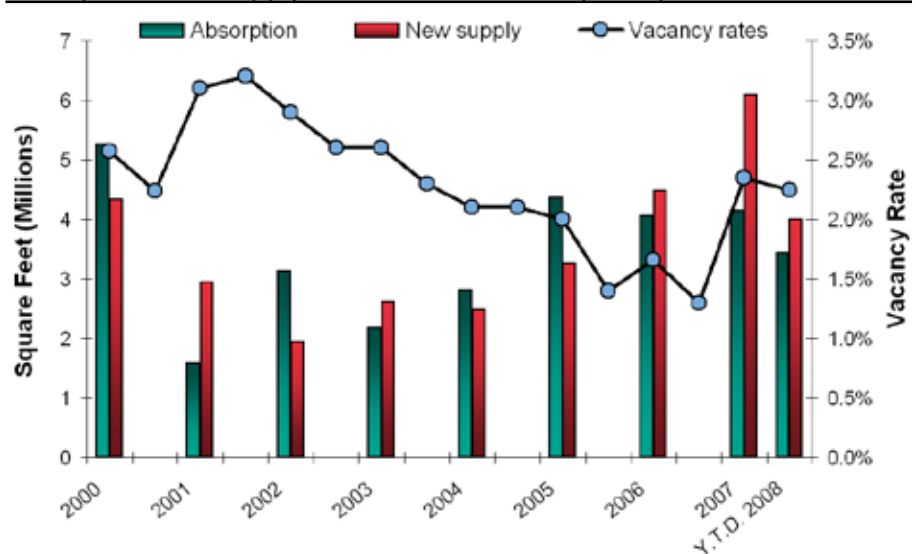
Difficulties in both forestry and manufacturing sectors continue to affect BC's economy. A number of BC mills have closed down, and the strong Canadian dollar continues to negatively affect industries tied to the Canadian export market. There are several reasons for decline of the forestry industry: mountain pine beetles, softwood lumber export taxes, strong Canadian dollar, but above all else: the collapsed US housing market. Forestry revenue fell 15% in 2007 and is expected to lose a further \$750 million in 2008.

There is hope, however, as the US housing crisis is expected to hit bottom by mid 2009 and shortly after forestry should be on the mend. For manufacturing industries, the rising costs of fuel and food are already causing a rise in sales dollar volume, boosting manufacturing sales 2.7% in May alone.

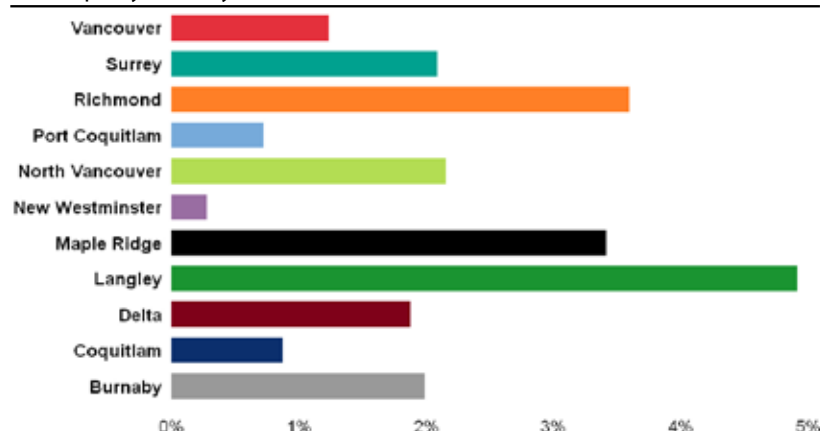


5350 Byrne Road, Burnaby. - 62,280 sq ft LEASED.

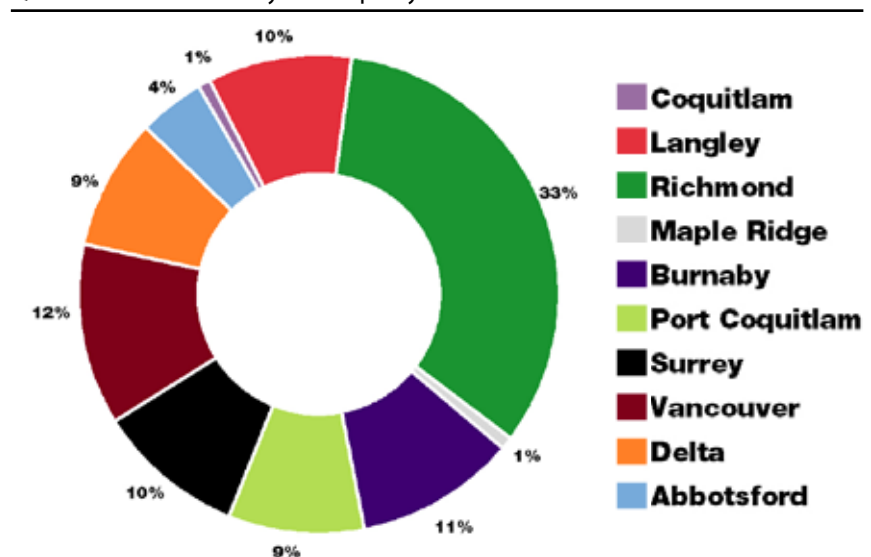
Absorption, new supply, and historical vacancy comparison



Municipality vacancy rates



Q2 2008 Sales volume by municipality & dollar volume*



Metro Vancouver Industrial Report

Second Quarter Highlights 2008



3231 - 3371 No. 6 Road, Richmond. SOLD - \$19,393,500

BC posted a record monthly increase in non-residential building permits of 30.7% in May to reach a total value of \$494.7 million. This large increase is not attributed to the number of new projects, but in fact due to the consistent rise BC continues to experience in the cost of labour and material costs. Nationally, the value of industrial building permits increased 62.1% in May, to reach \$536 million, the highest level seen since June of 2006. The value of non-residential building permits in BC from now through to 2015 is anticipated to be more than \$168 billion.

The Canadian Prime Business Rate has dropped 1.25% from last year, and 0.5% over Q2 2008 to reach 4.75%. One year residential mortgages dropped from 7.25% to 6.95% over Q2, while five year mortgages fell from 7.20% to 7.15% over the same period. Commercial loans presently range from 5.25% to 6.25%.



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

Top industrial leases of Q2 2008

Address	Municipality	Size (sq ft)	Tenant
7167 Progress Way	Delta	121,822	Orbit Logistics
2311 190th Street	Surrey	85,000	Quality Chain
8335 - 8345 Winston Street	Burnaby	84,000	Aritzia
5324 Riverbend Drive	Burnaby	79,380	Metro Waste Holdings
5350 Byrne Road	Burnaby	62,280	Storage Valet Enterprises Ltd.
12320 Horseshoe Way	Richmond	52,304	Bombardier Recreational Products Inc.
2445 Canoe Avenue	Coquitlam	51,273	Kenroc Building Materials
2625-2645 Skeena Street	Vancouver	36,750	New Port Stone & Tile Ltd.
10860 124th Street	Surrey	33,105	Pacific Art Stone Inc

Looking Ahead

After more than five consecutive years of unprecedented growth in the global economy, and with levels of activity straining capacity and pressuring inflation upwards, an adjustment in the marketplace has been looming for some time. In the grand scheme of things, the marketplace re-alignment we are currently feeling should prevent the Metro Vancouver market from over-heating.

In the long term, as a key player on the Asia-Pacific trade route with a geographically unique and productive industrial landscape, BC and Metro Vancouver's future is bright and shining.

Looking to the short term, the biggest issue will continue to be locating land for new project development. Additional problems also include finding steady income-producing product for investment, attaining affordable and geographically suitable space for sale and lease, and arranging financing for deals while financial markets tighten and labour and material costs continue to skyrocket.

Top industrial sales of Q2 2008*

Address	Municipality	Size (sq ft)	Price	Price/ sq ft	Purchaser(s)	Type
31785 Marshall Road	Abbotsford	186,800	\$27,103,125	\$145	KingSett Capital (KS Ice West Coast Inc.)	Canadian Investor
3231-3371 No. 6 Road	Richmond	183,500	\$19,393,500	\$106	KingSett Capital (KS Ice West Coast Inc.)	Canadian Investor
34494 McClary Avenue	Abbotsford	156,000	\$13,264,589	\$85	KingSett Capital (KS Ice West Coast Inc.)	Canadian Investor
836 Cliveden Avenue	Delta	91,500	\$19,247,745	\$210	KingSett Capital (KS Ice West Coast Inc.)	Canadian Investor
1188 Derwent Way	Delta	87,300	\$18,328,478	\$210	KingSett Capital (KS Ice West Coast Inc.)	Canadian Investor
13799 Commerce Parkway	Richmond	72,300	\$17,750,000	\$246	101079362 Saskatchewan Ltd.	Canadian Investor
3210 McCallum Road	Abbotsford	59,000	\$5,957,016	\$101	KingSett Capital (KS Ice West Coast Inc.)	Canadian Investor
3600 Viking Way	Richmond	46,243	\$8,000,000	\$173	Urban Recycling Systems Ltd.	Canadian Investor
30 2nd Avenue	Abbotsford	45,564	\$3,350,000	\$74	0779620 B.C. Ltd.	Canadian Investor
7700 Vantage Way	Delta	40,600	\$3,600,000	\$89	Revo Holdings Ltd.	Canadian Investor

The Kingsett Capital purchases shown here are part of a North America wide 21 industrial property purchase. All six acquisitions shown here were bought from VersaCold/Atlas Logistics Services. While this was a portfolio purchase, it is considered to be at fair market rates and still an accurate reflection of market prices.

Metro Vancouver industrial statistics Q2 2008

Municipality	Inventory (sq ft)	New supply		Vacancy rates Jun. 2008		3 month net absorption (sq ft)
		Jan - Mar 2008	Mar - Jun 2008	sq ft	%	
Burnaby	25,609,143	138,394	210,210	510,343	1.99%	-83,982
Coquitlam	8,564,142	0	0	74,715	0.87%	-24,937
Delta	20,752,132	24,000	19,380	389,291	1.88%	35,318
Langley	14,860,447	175,000	252,520	729,966	4.91%	46,131
Maple Ridge	2,177,983	0	0	74,309	3.41%	93,764
New Westminster	3,923,000	0	0	10,699	0.27%	-4,967
North Vancouver	4,665,978	80,000	20,000	100,611	2.16%	168,393
Port Coquitlam	8,130,773	0	0	58,715	0.72%	419,435
Richmond	30,685,590	1,424,455	706,950	1,103,509	3.60%	-230,668
Surrey	26,485,389	598,358	340,340	551,630	2.08%	24,791
Vancouver	23,625,639	20,000	0	291,320	1.23%	-60,865
Total	169,480,216	2,460,207	1,549,400	3,895,108	2.30%	382,413

Metro Vancouver historical industrial statistics

Quarter	Inventory (sq ft)	New supply (sq ft)	Vacancy rates		Absorption (sq ft)	Price of land per acre (in thousands)	Range of rental rates \$/sq ft/yr
			sq ft	%			
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	2,460,207	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
Q4 2006	161,110,474	1,071,594	2,676,704	1.66%	421,538	\$854 - \$1,277	\$6.80 - \$10.00



13799 Commerce Parkway, Richmond. SOLD - \$17,750,000*

Top industrial land sales of Q2 2008*

Address	Municipality	Size (acres)	Purchaser	Price
18805 24th Avenue	Surrey	59.63	661903 B.C. Ltd.	\$42,000,000
401 Jardine Street	New Westminster	39.22	Beedie Group	\$40,910,000
7003 68th Street	Delta	59.4	Beedie Group	\$28,675,000
520 East Kent Avenue South	Vancouver	18.27	Beedie Group	\$23,000,000
3700 Lougheed Highway	Burnaby	7.41	GVTA	\$14,800,000

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