

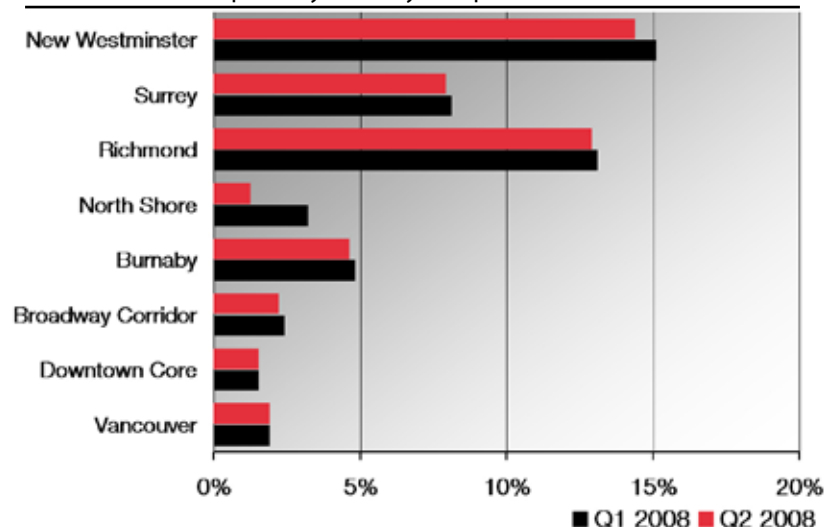
Economy

BC's population increased 1.5% from 12 months ago to 4,428,400 and it is expected to continue rising as the outlook remains positive for the future. BC's unemployment rate rose from last quarter 0.2% to sit at 4.3% at the end of June, this is still lower than the national average of 6.1%.

According to Statistics Canada, Metro Vancouver's CPI increased 2.4% over the past 12 months, slightly higher than BC's CPI of 2.1%. The province's GDP has also grown over the past year, reaching a current rate of 5.5% however this is down from last quarters 6.4%. The forecast for BC's overall 2008 GDP is a slowdown due to the troubled housing market in the States which has a direct impact on BC's forest industry. At the end of June 2008 the Prime Business Rate was 4.75%, down 1.25% from June 2007.

www.dtzbarnicke.com

Metro Vancouver quarterly vacancy comparison



Metro Vancouver Office Report

Second Quarter Highlights 2008

Downtown Core

Downtown Core vacancy continues to remain extremely tight with a 1.5% vacancy rate. Vancouver City planners have proposed a change to help ease the vacancy rate by expanding the Downtown Commercial District. This plan will limit residential development in a larger commercial district and encourage developers to build office towers by granting 20 to 40 percent more density. They will also be encouraged to build as high as possible without blocking existing designated view corridors.

The next new downtown office completion is expected to be Jamison House in 2010. Triple A Class office space will be located on the 5th to 12th floor of this mixed use development located at 830 West Hastings. Office units are currently being sold on average for \$750 per square foot (sq ft).

Buildings under construction:

- GM Tower: 250,000 sq ft, Project on indefinite hold
- Jamison House: 60,000 sq ft, completes Q3 2010
- Bentall Project (Thurlow & Albern): proposed

Broadway Corridor

The Broadway Corridor continues to be a source of overflow for the tight downtown office market. Vacancy rates decreased slightly down 0.2 of a percentage from Q1, to sit at 2.2% at the end of Q2. This minimal decrease reflects the lack of new product coming onto the market and increasing demand for the area.

The Cambie and Broadway area continues to attract new business with the construction of the Canada Line, which is due

to complete late 2009. The Provincial Government and Translink are currently in discussion about the UBC Line, a rapid transit project that would potentially run along Broadway and connect UBC with Commercial Street. This project is not estimated to complete until 2020 if approved.

The Broadway Tech Centre at East Broadway and Renfrew is currently preleasing Buildings 5 and 7, located at 2930 and 2940 Virtual Way. These 2 office buildings will be L.E.E.D. gold certified and together will add 150,000 sq ft of office space onto the Broadway market late 2009 or early 2010.

Buildings under construction:

- Crossroads: 250,000 sq ft, completes Q1 2009
- Broadway Tech Centre (Building 5 & 7): complete Q4 2009/ Q1 2010



Broadway Tech Center will complete an additional 150,000 sq ft in Q1 2010

Major office sales transactions of Q2 2008*

Address	Municipality	Price	Size (sq ft)	Price (sq ft)	Purchaser
6500 River Road	Richmond	\$18,500,000	51,300	\$361	ASPAC Developments Ltd.
891 Cambie Street	Vancouver	\$12,000,000			James Schouw and Associates Inc.
Unit 2 - 4440 Still Creek Drive	Burnaby	\$10,400,000	45,133	\$230	Still Creek Developments Inc
6411 Buswell Street	Richmond	\$5,050,000	19,500	\$259	Translink
11861 88th Avenue	Delta	\$4,040,000	24,000	\$168	Delta Professional Building Management Ltd.

Major office lease transactions of Q2 2008

Address	Municipality	Tenant	Size (sq ft)	Lease type
1333 West Broadway	Broadway Corridor	Health Employers Associations of BC	37,969	Renewal
250 Howe Street	Downtown	EA Sports	23,233	Expansion
2700 Production Way	Burnaby	Canpages	22,223	Head-Lease
250 Howe Street	Downtown	Price Waterhouse Coopers	20,232	Expansion
3820 Cessna Drive	Richmond	Rick Hansen	14,113	Head-Lease
9th & 10th Floor 1095 W. Pender	Downtown	Concord Pacific	13,000	Renewal
1055 West Hastings	Downtown	Ledcor	12,252	Head-Lease

Metro Vancouver Office Report

Second Quarter Highlights 2008

Burnaby

Burnaby's vacancy rate dropped from 4.8% in Q1 to 4.6% in Q2. These low vacancy rates are due to the increasing popularity of tenants looking outside the Downtown core for newer and larger office space. Average lease rates for Class A office space in Downtown Vancouver are \$40 per sq ft while in Burnaby rates are slightly lower at \$26 per sq ft. Tenants from Downtown nearing the end of their current lease now have the attractive option of moving outside the city's centre and into new space in Burnaby with amenities rivaling Downtown. Improvements to transit infrastructure have made commuting from Burnaby to Downtown easy and quick. Currently there is over 360,00sq ft of new office space being built in Burnaby.

Buildings under construction:

- Discovery Green Building: 155,248 sq ft, completes Q1 2009
- Commerce @ Citi: 110,000, completes Q2 2009
- Lake City Centre: 109,000, completes, Q4 2008



109,000 sq ft available Q3 2008 at Lake City Center, Burnaby.

Metro Vancouver Suburban Markets

New Westminister's vacancy rate still remains the highest of Vancouver's suburban markets sitting at 14.4% currently, while Richmond follows closely at 12.9%. Completion of the Canada Line in late 2009 is expected to increase interest in the Richmond market. Sun Life's Airport Executive Building 6 is currently preleasing more than 65,000 sq ft, and is planned to meet L.E.E.D. Gold Standards. According to Translink, transportation from Downtown Vancouver to Central Richmond will be only 24 minutes.

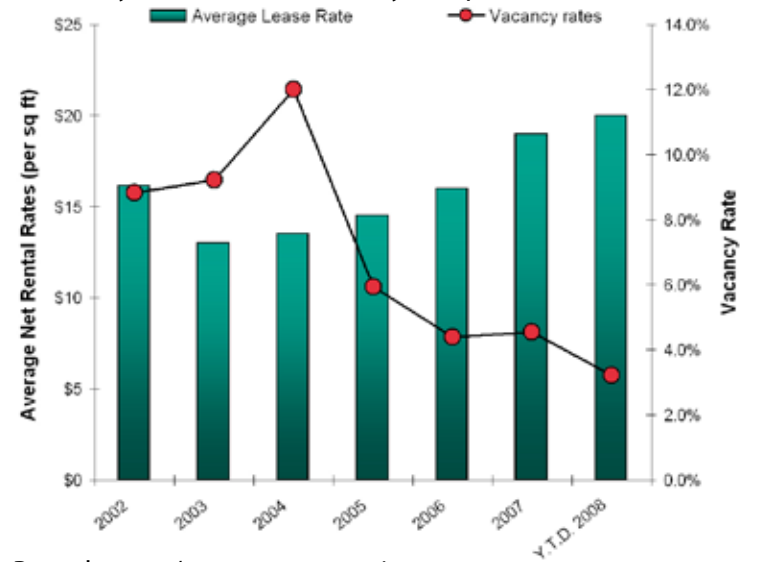
Buildings under construction:

- 505 Sixth Street, New Westminister: 42,000 sq ft
- Airport Executive Park Building 6, Richmond: 63,000 sq ft, completes Q3 2008
- Benchmark Business Center, Surrey: 112,500 sq ft, completes Q1 2009

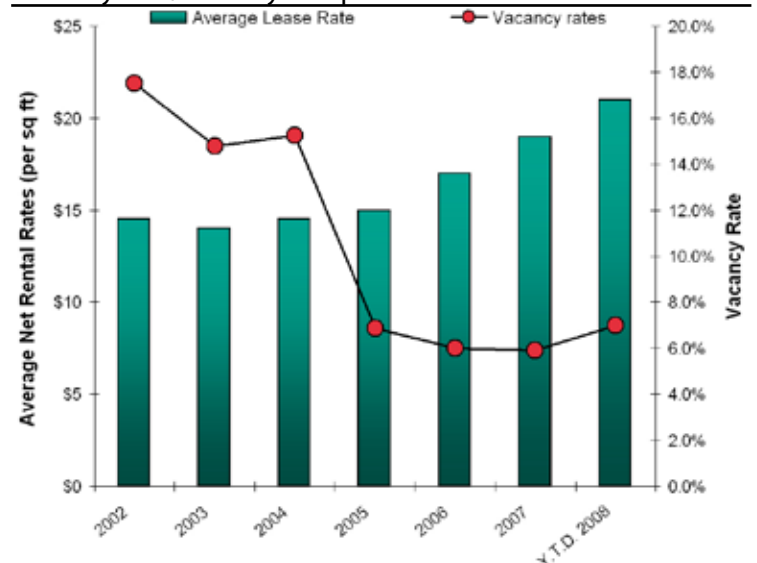
Downtown rent/vacancy comparison



Broadway Corridor rent/vacancy comparison



Burnaby rent/vacancy comparison



Looking Ahead

Construction costs are projected to remain high through 2008 increasing 8 to 10% by the end of the year. The Aquilini Group announced early in the second quarter that they would be putting the construction of the 22 story tower planned at GM Place on Griffith Way on indefinite hold, citing high construction costs. Rental rates required to rationalize such a development were beyond reason to many users, and as a result there were difficulties securing anchor tenants ahead of the 2011 completion date.

As emphasis on environmentally sustainable development mounts, developers are beginning to take notice. Leadership in Energy & Efficient Design (L.E.E.D.) Green Building Rating system offers a set of standards for environmentally friendly construction. There are only a handful of office buildings under construction in the lower mainland that are aiming to achieve L.E.E.D. certification. These standards range from Silver to Platinum and reflect the efficiency of the building and its tenants. L.E.E.D. buildings have a larger initial development cost, but over the long term provide savings in both money and energy for both tenants and landlords. In the future look to see many L.E.E.D. standard buildings being built in Metro Vancouver.



6500 River Road, Richmond. SOLD - \$18,500,000

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

Exchange Rates (Per US Dollar)			
Currency	2006 Edition	2008 Edition	% Change**
Euro	0.84	0.68	23.70%
UK £	£0.57	£0.50	14.40%
Canadian \$	CA \$1.17	CA \$1.00	17.40%
Mexican Peso	MX \$10.71	MX \$10.87	-1.50%
Australian \$	AU \$1.34	AU \$1.14	17.90%
Japanese ¥	¥117.26	¥111.27	5.40%

**Two-year appreciation relative to US\$

Q2 2008	Number of buildings	Total office area (sq ft)	Total Vacancy Q2 2007 (%)	Total Vacancy Q2 2008 (%)	Average operating costs/sq ft	Estimated avg. lease rate/sq ft
Downtown Core	136	18,577,123	2.65%	1.52%	\$14.00	\$35.00
Broadway Corridor	101	4,278,350	3.07%	2.20%	\$11.50	\$20.00
Surrey	44	2,333,637	13.86%	7.90%	\$13.00	\$18.50
Richmond	59	2,944,546	11.11%	12.90%	\$10.50	\$14.00
North Shore	40	1,327,069	7.41%	1.24%	\$12.00	\$19.00
New Westminster	34	1,114,049	19.58%	14.35%	\$12.00	\$17.00
Burnaby	70	6,054,237	5.29%	4.62%	\$7.00	\$21.00
Gastown	30	1,147,570	8.78%	3.08%	\$9.50	\$20.50
Yaletown	39	1,862,761	2.93%	4.17%	\$12.00	\$21.00
Total Metro Vancouver	553	39,639,342	8.29%	4.05%	\$11.25	\$20.50

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 DTZ Barnicke is an environmentally conscious organization.
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