

**Economic summary**

Globally, economies have exhibited some strong positive signs over the third quarter: a resurgence in world stock markets, a small upturn in global trade flows, increased consumer spending, and rising confidence among business leaders.

While economic recovery is underway and unlikely to be derailed, certain risks continue to linger. Larger global economic forces, such as the U.S. and Asian markets, need to move before more significant growth is attained.

The current recession is expected to shrink the global economy by 1.4% in 2009, while a modest growth rate of 3% is predicted for 2010, and 3.3% in 2011.

Canada, while not isolated from the global recession, was insulated from the worst of it in part by the more stringent regulatory environment of its financial institutions.

Nationally, the economic turnaround is in full effect, fueled in part by strong job gains over the past several months and improvements in the housing market. However, the persistent strength of the Canadian dollar could seriously dampen real growth, as well as delay the return of inflation to its target. Similar to the global economy, in order for Canada's economic turnaround to be sustainable, there needs to be substantial improvements in the U.S. economy (particularly in the housing sector), as well as Asian economies who rely heavily on our natural resources.

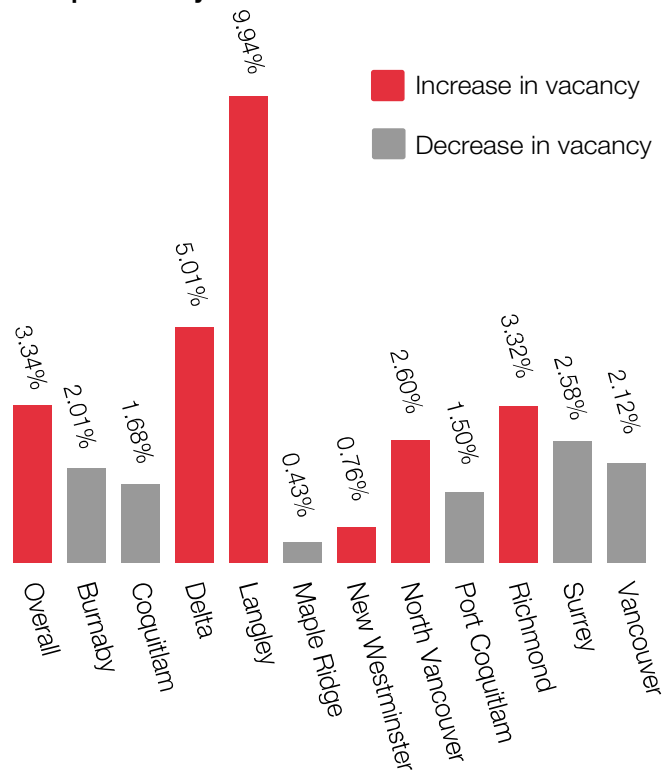
BC's economy is still slowly improving. As with the rest of Canada, BC's reliance on exported forest and manufactured

products, combined with a lack of demand south of the border, continue to constitute a real threat.

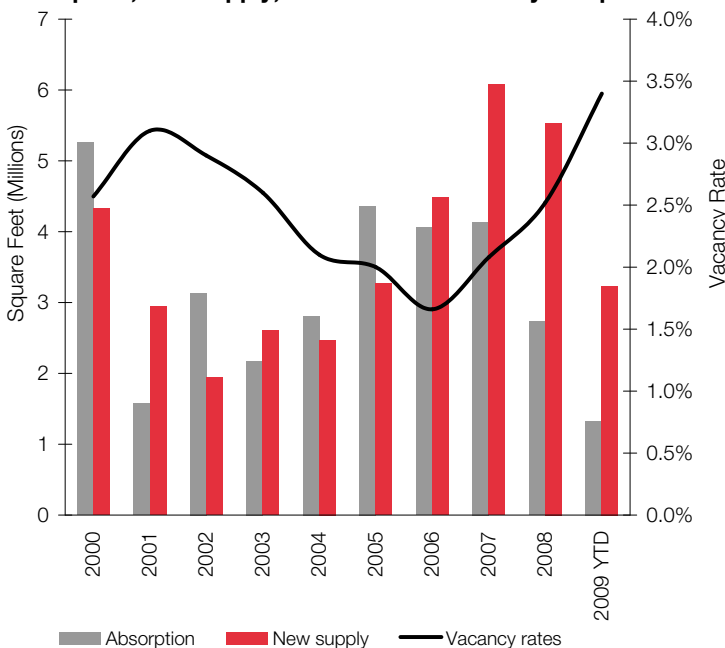
The combination of weaker demand and a higher Canadian dollar leave export-oriented industries with a tougher selling job for their suddenly higher-priced goods. Meanwhile, domestic consumers of products are better off due to the potential for lower prices on imports.

The federal and provincial governments have recently given the green light to 174 infrastructure projects across BC, worth a total of \$719 million, which are expected to create 4,600 jobs. The federal government will also contribute \$50 million to help improve road and rail traffic servicing the Port of Vancouver.

**Municipal vacancy rates**



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



**Quick facts:**

- Canada's Prime Lending Rate is currently at 2.25%, unchanged from the second quarter, but down from last year's 4.25%.
- BC's population has grown 1.6% over the past year; Canada's grew 1.2%.
- Provincially the unemployment rate is 7.4%, substantially lower than the national rate of 8.4%.
- BC's GDP has grown 3.5% over the past year.
- The value of all building permits in BC increased by 47.5% from July to August, the largest of any province.
- Non-residential permits in BC increased by 131%, led by institutional-government projects.

### Notable industrial sales of Q3 2009\*

Date	Address	Municipality	Size (sq ft)	Price	Price/sq ft	Profile	Cap Rate	Purchaser(s)
10/9/09	11782 Hammersmith Way	Richmond	125,840	\$12,790,000	\$104	Canadian Investor	6.3%	Riverside Centre Holdings
8/31/09	8651 Eastlake Dr.	Burnaby	111,152	\$11,000,000	\$99	Canadian Investor	N/A	Canadian Urban Limited
7/30/09	1491 & 1515 Kingsway Ave.	Port Coquitlam	64,175	\$9,768,638	\$152	Canadian Investor	7.5%	Vanseas Holdings Ltd.
9/15/09	1608 Cliveden Ave.	Delta	120,000	\$6,590,000	\$55	Canadian Investor	N/A	Kingswood Capital
10/30/09	2372 Townline Rd.	Abbotsford	47,400	\$3,150,000	\$66	Canadian Investor	N/A	Unknown
7/31/09	6750 Cariboo Rd.	Burnaby	23,697	\$3,000,000	\$127	Canadian Investor	7.1%	Nordon Apartments Ltd.
11/3/09	7480 MacDonald Rd.	Delta	24,155	\$3,000,000	\$124	User	N/A	Masteel America Corp
7/15/09	4005 & 4075 Myrtle St.	Burnaby	13,800	\$2,500,000	\$181	Canadian Investor	6.2%	MGFM Holdings Inc.
8/27/09	9344 192nd St.	Surrey	19,000	\$2,000,000	\$105	Canadian Investor	7.0%	Jordan Equities Ltd.
7/31/09	18533 97th Ave.	Surrey	13,260	\$1,650,000	\$124	Canadian Investor	5.6%	0856822 B.C. Ltd.

### Top industrial land sales of Q3 2009\*

Address	Municipality	Size (acres)	Purchaser	Price	Profile
501 Boyd Street & 454 Boyne Street	New Westminster	49.487	Vancouver Fraser Port Authority	\$30,100,000	Gov't User
23660 Westminster Hwy & 3951 Boundary Rd.	Richmond	12.672	Translink	\$10,500,000	Gov't User
10064 River Road	Delta	21.920	70 Golden Properties	\$8,900,000	Investor
4238 Lozells Avenue	Burnaby	4.843	Rockwell Pacific Properties Inc.	\$6,460,000	Investor
19236 & 19272 21st Avenue	Surrey	6.598	Bridon Developments Ltd.	\$4,350,000	Developer

### Metro Vancouver industrial statistics Q3 2009

Region	Total inventory (sq ft) March 2009	Total vacant area (sq ft)	Vacancy rate	Average asking lease rate PSF (NNN)	Average asking sale price PSF
N. Vancouver / Vancouver / Burnaby	54,422,243	1,147,404	2.10%	\$9.06	\$162
Richmond / Delta	54,617,074	2,163,190	3.96%	\$7.23	\$138
Surrey / Langley	42,448,390	2,203,822	5.19%	\$7.37	\$177
Northeast Sector / Ridge Meadows	22,852,841	307,117	1.34%	\$7.88	\$167
Total	174,340,548	5,821,533	3.34%	\$7.71	\$160

#### Quarterly overview and outlook

Market activity for the third quarter showed an increase over the first half of 2009, businesses began to emerge from the uncertainty created around the credit crisis and economic downturn, and started to take advantage of opportunities throughout Metro Vancouver.

Most of these opportunities existed in the leasing markets, as the increase in vacancy has softened rental rates. Many tenants have taken advantage and opened up negotiations ahead of their lease expiry with a "blend and extend" approach.

On the sale side, opportunities have been more scarce and mostly for owner/users. Most deals have been in the \$5 million plus range, which is generally out of reach of the large pool of smaller local investors looking to find viable acquisitions in their

local markets. Prices continue just below their peaks except in the more distant outlying areas where values are dropping.

The values of unzoned and unserviced land, mostly located in the outlying areas, have continued to weaken. In contrast, ready to develop properties have held all, or the majority of their pre-2009 value.

For the remainder of 2009 and entering into 2010 we expect to see more space come available on the lease and sublease market as tenants choose not to renew or downsize to smaller premises. This will continue to push vacancy higher, but likely at a slower pace, as speculative development has slowed substantially.

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

