



Metro Vancouver Office Report

Year-End Highlights 2009

Downtown Core

During 2009, the Downtown Core's vacancy rate continued to climb from 3.9% mid-year, to reach a current 4.8%, marking five quarters of consecutive increase. Tenants continue to downsize and sublet excess space. The availability rate, a figure which includes vacant and sublet space, climbed to an even higher 7.4%. Regardless of the upward trend, the market has taken some positive strides including a continual rise in deal volume.

Space available for sublease in the Downtown Core saw a slight decrease towards the end of 2009, with the highest percentage still in Class A space. Currently, since most spaces for sublease coming to market are less than 7,500 square feet (sq ft) in size, it is clear that smaller businesses continue to be affected by the global credit crisis despite signs of an improving economy.

Looking ahead, vacancy is projected to stay fairly level for the first quarter of 2010, while overall deal volume is expected to reach a standstill during the months leading up to the Winter Olympics. The games are anticipated to generate a positive impact in terms of international exposure for the city. While year to date absorption figures register at -374,900 sq ft, a decrease in vacancy is slated to occur mid-year 2010, as well as a move toward more positive absorption numbers as tenants begin taking up occupancy after the Winter Olympics.

Recent notable transactions:

- Sandwell Engineering Inc. leased approximately 94,000 sq ft at 855 Homer Street. Formerly Business Objects space.
- Fraser Milner Casgrain LLP leased 54,000 sq ft at 250 Howe Street. Formerly EA Sports space.
- Pivotal Corporation subleased 12,267 sq ft at 1055 West Hastings Street.

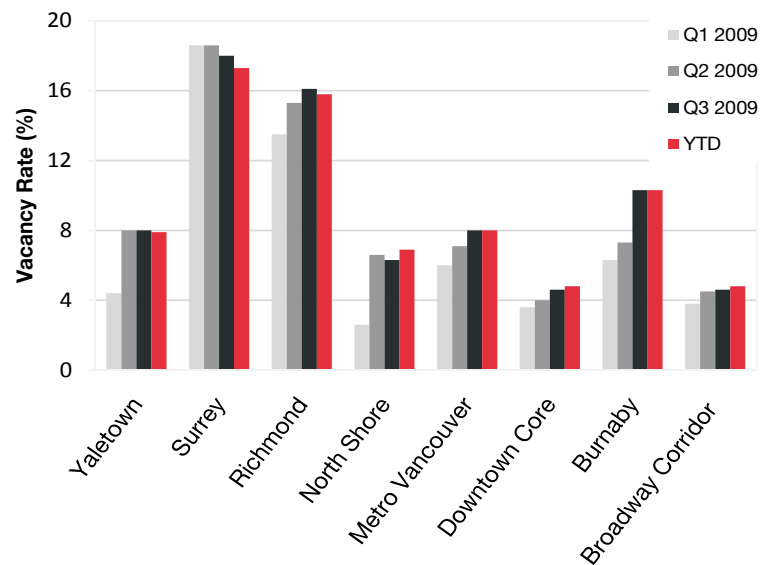
Notable new developments:

- 699 Howe Street. Hotel Georgia mixed use 47 floor development, contains 9 floors of office space totaling 71,500 sq ft. Currently under construction.
- 838 West Hastings Street. Jameson House mixed use 37 floor development, contains 8 floors of office space totaling 60,000 sq ft. Currently under construction.

Broadway Corridor

Over the second half of the year, the Broadway Corridor's vacancy rate rose from 4.5% to 4.8%, while the availability rate totaled 6.4%. Year to date absorption figures are currently at -84,500 sq ft. Despite the increase in vacancy and negative absorption, this market continues to be regarded as one of the most solid in Metro Vancouver for several reasons: deal volume being up from 2008, the tenant profile in the area consisting of many government and medical office users, as well as the addition of the newly constructed Canada Line in the area.

Change in municipality vacancy rates



Recent notable transactions:

- Contemporary Security Canada leased 36,821 sq ft at 333 Terminal Avenue.
- Pacific Health Services Authority subleased 5,294 sq ft at 210 West Broadway.

Notable new developments:

- 2930 & 2940 Virtual Way. Broadway Tech Phases V & VII. Each phase totals 75,000 sq ft on 3 floors. Currently under construction.
- 8440 Cambie Street. Proposed Marine Gateway mixed use development with 310,000 sq ft office component.
- 538 West Broadway. Proposed 6-storey building with 120,000 sq ft of office space, and retail on the first two levels. Currently preleasing.
- 1669 East Broadway. Mixed use development, primarily office space, totaling 58,108 sq ft. Currently under construction.

Burnaby

Burnaby's overall vacancy rate steadily rose from 7.3% to reach 10.3% over the second half of the year, while the availability reached 12.8%. Several large blocks of space coming back to the market as well as a high number of new building completions were the cause of this increase in vacancy. However, Burnaby has continued to exhibit a continuing increase in business confidence over the past year, and is expected to continue into 2010.

Despite the increase in vacancy, Q3 2009 figures saw Burnaby's absorption become positive for the first time in nearly a year. Year to date absorption however, is still negative at -55,584 sq ft. Expect vacancy to shoot up again as several large tenants vacate large blocks of space at the beginning of 2010. This uptick in vacancy is likely to pressure landlords into adjusting their pricing expectations.

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Recent notable transactions:

- AECOM leased 37,680 sq ft at 3292 Production Way.
- ALS Society of Canada leased 33,659 sq ft at 8081 Lougheed Highway.
- Intrawest ULC leased 8,250 sq ft at 4445 Lougheed Highway.

Notable new developments:

- 4445 Lougheed Highway. Commerce @ Citi, 110,000 sq ft office development nearing completion.
- 4730 Kingsway. Metro Tower Phase III, 25 floor office tower development, totaling 400,000 sq ft. Currently preleasing.
- 4350 & 4370 Still Creek Drive. Willingdon Park Phases 8 & 9. Each phase totals 92,500 sq ft on 4 floors. Currently under construction.

Surrey

The Surrey market continues to experience a surplus of available office product, chiefly due to a small number of large-block vacancies. While the vacancy rate trended downwards over the second half of 2009 from 18.6% to 17.3%, the region is still experiencing one of the highest office vacancy rates in all of Metro Vancouver. Year to date absorption figures are at 26,333 sq ft, a slight increase from Q3 2009 figures.

Recent notable transactions:

- Translink renewed 81,362 sq ft at 13401 108th Avenue.
- A & B Rentals Ltd leased 3,000 sq ft at 10498 King George Highway.

Notable new developments:

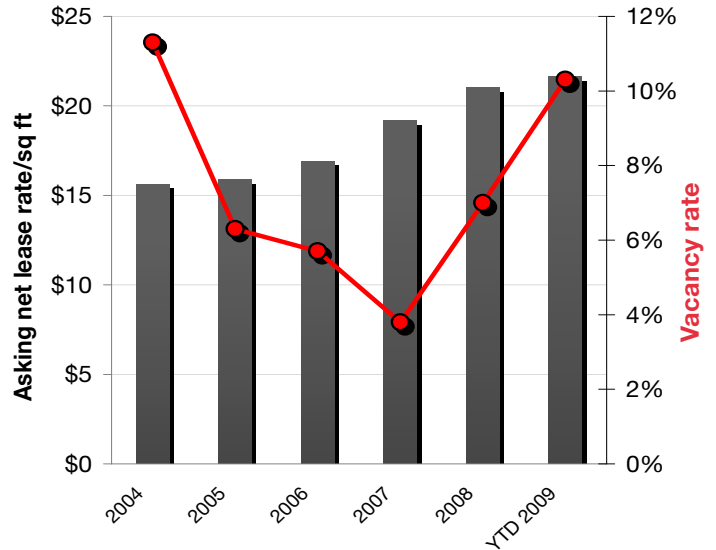
- 15844 24th Avenue. Southridge Square, 3 storey office development totaling 36,705 sq ft. Currently preleasing.
- 5455 152nd Street. Benchmark Business Centre Phase II, Proposed 3 storey office development totaling 112,500 sq ft.
- 13450 Gateway Drive. Gateway Office Park Phase I, two building office development totaling 200,000 sq ft. Currently preleasing.
- 5590 152nd Street. Panorama Place Phases II & III. Phase II contains a 20,000 sq ft office component, currently under construction. Phase III is a planned 45,000 sq ft development.

Richmond

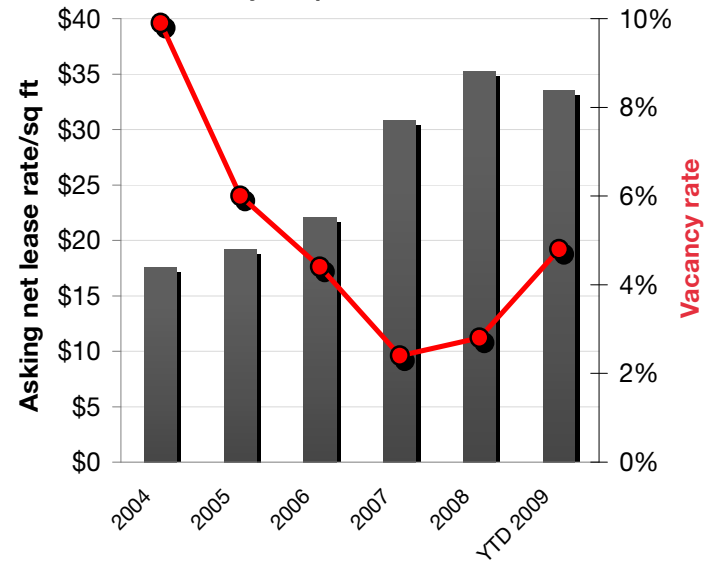
The Richmond market experienced a slight increase in vacancy over the second half of 2009 from 15.3% to 15.8% while the total availability rate increased to 18.8%. Several large developments built on spec were the cause of the high vacancy rate, and some still remain completely empty since their completion.

Despite the recent improvements in transportation and infrastructure in the area, the market will be slower to recover than others in Metro Vancouver due to low product demand. More than -261,898 sq ft of negative absorption was experienced throughout 2009, a historical level never before seen. Landlords may be pressured to offer more incentives to prospective tenants in the short term.

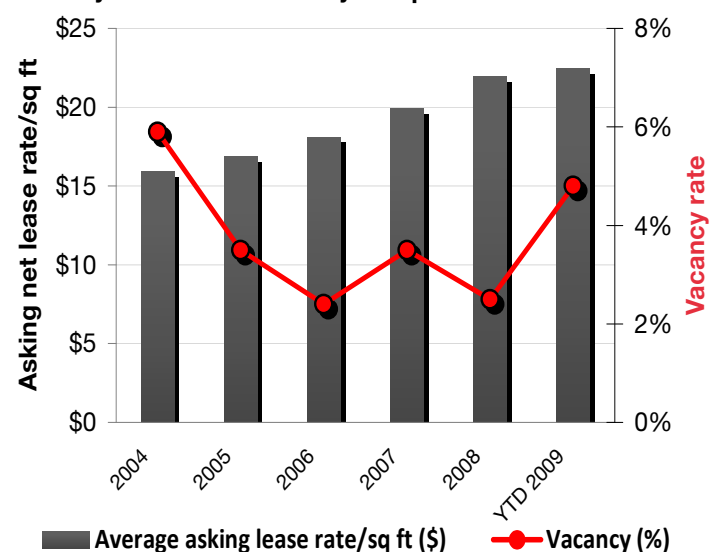
Burnaby rent/vacancy comparison



Downtown rent/vacancy comparison



Broadway Corridor rent/vacancy comparison



Recent notable transactions:

- Eidam Diagnostics Corporation leased 11,776 sq ft at 11120 Horseshoe Way.
- Stuart Olson / Acciona JC leased 6,496 sq ft at 13777 Commerce Parkway.

Notable new developments:

- No. 6 Road & Steveston Highway. Winners Circle proposed mixed use development with 300,000 sq ft office component.
- Templeton Skytrain Station. Proposed YVR hotel/office development consisting of six 80,000 sq ft buildings.
- Bridgeport Skytrain Station. Proposed mixed use development with 161,743 sq ft office component.

North Shore

The North Shore market experienced a slight increase in Vacancy over the second half of the year from 6.6% to 6.9%, while the

overall availability rate trended upward to reach 9.7%. Despite the increase, leasing activity picked up moderately, with several larger tenants taking possession over the third quarter.

The North Shore market continued to experience a high level of business confidence over the year due to geographic limitations and a wide profile of office users. With a minimal amount of new supply coming to the market in 2010, expect vacancy to trend downwards and absorption (currently at -71,379 sq ft) to improve as available space becomes more scarce throughout the region.

Recent notable transactions:

- Pro Arte leased 15,888 sq ft at 1225 Keith Road.

Notable new developments:

- 2100 Dollarton Highway. NorthWoods Business park, planned 75,000 sq ft office development. Currently preleasing.

Notable office lease transactions - Year-end 2009*

Property address	Municipality	Tenant	Size (sq ft)
855 Homer Street	Vancouver	Sandwell Engineering Inc.	94,000
250 Howe Street	Vancouver	Fraser Milner Casgrain LLP	54,000
3292 Production Way	Burnaby	Aecom	37,680
333 Terminal Street	Vancouver	Contemporary Security Canada	36,821
8081 Lougheed Highway	Burnaby	ASL Society of Canada	33,659
88 Sixth Street	New Westminster	BC Land & Title Survey	27,000
1225 Keith Road	North Vancouver	Pro Arte	15,888
1055 West Hastings Street	Vancouver	Pivotal Corporation	12,267
11120 Horseshoe Way	Richmond	Eidam Diagnostics Corporation	11,776

Notable office sale transactions - Year-end 2009*

Property address	Municipality	Price	Size (sq ft)	Price/ sq ft	Purchaser(s)
4225 Kincaid Street	Burnaby	\$18,060,000	146,800	\$123	Kingswood Capital
3700 Gilmore Way	Burnaby	\$11,900,000	90,500	\$131	Kingswood Capital
8900 Glenlyon Parkway	Burnaby	\$9,400,000	51,494	\$183	Glenlyon Developments Inc.
Westmar Building - 233 West 1st Street	North Vancouver	\$9,050,000	38,212	\$237	0858008 B.C. Ltd.
3755 Willingdon Avenue	Burnaby	\$6,450,000	27,600	\$234	Kingswood Capital
869-881 East Hastings Street	Vancouver	\$4,375,000	26,345	\$166	Copula House Capital Corp.
North Shore Coporate Centre	North Vancouver	\$4,360,000	12,737	\$342	0858710 B.C. Ltd.

Metro Vancouver office statistics

Year-end 2009	Number of buildings	Total office area (sq ft)	Total vacancy (%) year-end 2009	Total availability (%) year-end 2009	Average operating costs & taxes/sq ft	Average asking net lease rate/sq ft
Downtown Core	148	20,214,104	4.8%	7.4%	\$16.54	\$33.53
Yaletown	37	2,099,056	7.9%	10.3%	\$10.56	\$23.71
Broadway Corridor	65	3,618,024	4.8%	6.4%	\$14.26	\$22.45
Burnaby	99	8,359,621	10.3%	12.8%	\$12.54	\$21.62
Surrey	31	2,348,685	17.9%	17.3%	\$10.09	\$22.77
Richmond	74	4,730,742	15.8%	18.8%	\$9.24	\$15.79
North Shore	31	1,615,117	6.9%	9.7%	\$10.14	\$19.36
Metro Vancouver	566	47,483,672	8.0%	10.5%	\$13.61	\$26.10

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