



North Shore Forecast - 2009

- Expect investors to remain cautious
- Vacancy rates will remain unchanged
- Interest rates to increase by year end
- CAP rates to increase 50 to 100 basis points
- High-rise multi-family development projects on hold
- Developers to push for increased density

2008 Multi Family Stats

Sales Volume	↓
Total # of Sales	8
Average \$ per unit	\$152,556
Average # of units	17

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Market In Review - 2008

The major financial news story of 2008 has been chronicled in every possible media release and is global in reach. The full implications of the credit meltdown are unknown but will affect all classes of real estate well into 2009 and beyond. Suffice it to say that our crystal ball is no less cloudy than all the experts, so we will leave the heavy lifting to the professional economists. What we present herein is a summary of the salient items which affected commercial real estate on the North Shore this past year, together with our own forecast of expected trends for 2009. Of note over the past year:

- Commercial sales were fewer for the year but included Capilano Village at the corner of Fell Avenue and Marine Drive; the old BC Rail Station site on West 1st Street; the Imperial Oil site at 1801 Capilano Road; 119 West 3rd Avenue; and the service commercial site at 1328/50 Marine Drive.
- Major developments that were under way in 2008 included Intracorp's Vista Place at 13th and Chesterfield (now sold out); Pinnacle's The Pier Hotel Residences (construction currently halted); Millennium Development's 176-unit Evelyn Drive project (construction currently halted); Concert Properties' 52,000 sq. ft. offices at 850 Harbourside; and Harbourview Projects' Strata Warehouse project at 2411 Dollarton Highway.
- West Vancouver passed an amendment to its OCP for Ambleside Village to encourage higher density mixed-use development while creating a more compact and convenient commercial area between 14th and 18th Streets.
- District of North Van staff recommended the Cross Roads option in Lower Lynn to Council for its endorsement to create a complete and sustainable community, defined as walkable, safe, transit-focused, socially diverse and energy

efficient. Over the next several months staff will develop a detailed implementation program based on the Cross Roads concept, which may be ready for Council review in the fall of 2009.

- Developers are using the economic slowdown in an attempt to pressure City Hall into higher densities than permissible under zoning regulations.

Investment

Similar to the rest of Canada, the North Shore experienced a healthy investment market early in 2008, but began to show signs of slowing in early Q3. Demand for product exceeded supply which made finding good quality investments difficult. Simultaneously, a decline in the availability of credit made it difficult to raise the capital for those who were able to identify an investment which made economic sense to pursue.

Income producing assets were the most sought after product in the last half of 2008. In 2009 expect capitalization rates to rise slightly due to a decline in the number of qualified buyers and tighter credit markets making it advisable for some owners to sell. This will create a buying opportunity for those who have unemployed cash waiting on the sidelines to purchase product. Expect the majority of investment activity in 2009 to come from local private groups with sufficient cash reserves to offset the anticipated requirements for larger non-refundable deposits and lower ratio mortgages.

Construction Slowdown

Several major North Shore developments have come to a halt within the past few months including Pinnacle International's Hotel and Conference Centre development and Millennium Properties Evelyn Drive Development. The reasons for the construction halt has not been confirmed, however construction permit issues and winter weather have been blamed. Density considerations may be the underlying impetus.

MULTI-FAMILY SALES IN 2008

Transaction Name	Price	Price per unit
Fairfax Manor	\$2,700,000	\$158,824
347 West 4th Street	\$1,940,000	\$161,667
375 West 4th Street	\$1,700,000	\$130,769
Sumac Place	\$2,435,000	\$162,333
Sheffield House	\$5,900,000	\$143,902
2601 Lonsdale	\$1,750,000	\$159,091
372 East 3rd Street	\$2,270,000	\$151,333
220 East 12th Street	\$1,900,000	\$172,727