Metro Vancouver Office Report

First Quarter 2010

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Metro Vancouver Market Summary
The consensus among the brokerage community is that conditions have improved for Metro Vancouver's real estate market. Recessionary environments that hit the commercial real estate industry have retrenched, leaving a breath of fresh air for local property markets. Accordingly, a better economic outlook has lead to stronger business confidence, higher employment prospects and an upward demand for commercial property.

Over the first quarter of 2010, the Metro Vancouver office market saw a continual rise in deal volume as demand for space continued to increase. Landlords are seeing a renewed interest in lease and sale opportunities and the number of prospective inquiries has increased since the Olympics.

However, some regional submarkets continue to struggle as recent construction completions, in addition to several large-scale tenant departures, add to the supply of vacant available space. Overall, Metro Vancouver's vacancy rate moved up slightly from last quarter, up 110 basis points to sit at 9.6%. Vacant space totalled 4,863,000 sq ft, an increase of 587,962 sq ft from last quarter.

Downtown Core
Downtown Vancouver saw a slight jump in vacancy from last quarter, up 70 basis points to reach 5.5%. Total quarterly absorption registered -138,009 sq ft, a slight increase in negative space from last quarter. The Class A vacancy rate sits at 3.6%, with Class B and Class C buildings at 8.6% and 7.9% respectively.

One key trend has been the steady decline in sublease vacancies in the downtown core which may be a testament to stronger market conditions and a decrease in the number of businesses downsizing their operations. Across all classes, sublet vacancies have steadily decreased from mid-year 2009 when vacant sublease space reached its highest value in two years.

Notable transactions:
- Cobalt Engineering subleased 18,300 sq ft at 200 Granville Street (Granville Square).
- Baja Mining leased 19,500 sq ft at 200 Burrard Street (Waterfront Centre).

Notable construction projects:
- 825 Homer Street (Atelier on Robson). Mixed use development with 20,200 sq ft office component. Completion Q2 2010.

Burnaby
Burnaby experienced a substantial increase in headlease vacancy as several large blocks of space came back to the market in Q1 2010. Overall, Q1 2010 marked the highest vacancy in four quarters, jumping 230 basis points from Q4 2009 to reach 9.5%. Absorption figures over the quarter was -80,295 sq ft. The reduced demand for office space, coupled with several large vacancies, have unexpectedly pushed a once strong commercial submarket to new highs in vacancy.

Notable construction projects:
- 4350 and 4370 Still Creek Drive (Willingdon Park Phase 8 & 9). 185,000 sq ft of office space across two LEED Gold certified buildings.

Broadway Corridor
The vacancy rate in the Broadway Corridor increased 30 basis points from last quarter to reach 5.4%. Vacancies in the Broadway Corridor have increased steadily since Q2 2009 despite a leveling in sublet vacancies over the same time period. Total vacant space totalled 215,879 sq ft in Q1 2010 - a 9,291 sq ft increase from last quarter.

Notable construction projects:
- Grandview Woodlands (1669 E. Broadway). Commercial mixed use office building. 58,926 sq ft. Q1 2010 Completion.

Surrey
Surrey saw a drop in vacancy over last quarter, down 26 basis points from last quarter to sit at 15.9%. Historically, vacancies in Surrey have been relatively high, ranging between 10-15% on a quarterly basis. The last time Surrey's vacancy was below 10% was in Q3 of 2005 when the vacancy rate sat at 9.1%. Accordingly, The highest vacancy recorded over the past five years was in Q2 2008 when the vacancy rate reached 19.7%. Current quarterly absorption figures are 118,417 sq ft, a two quarter trend in positive absorption.

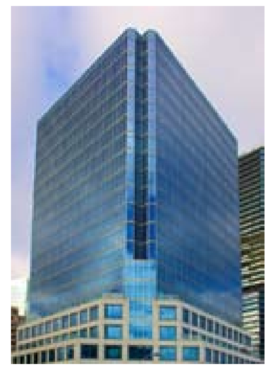
Notable transactions:
- PricewaterhouseCoopers and McQuarrie

(Continued on back page)

Notable Office Lease: Granville Square

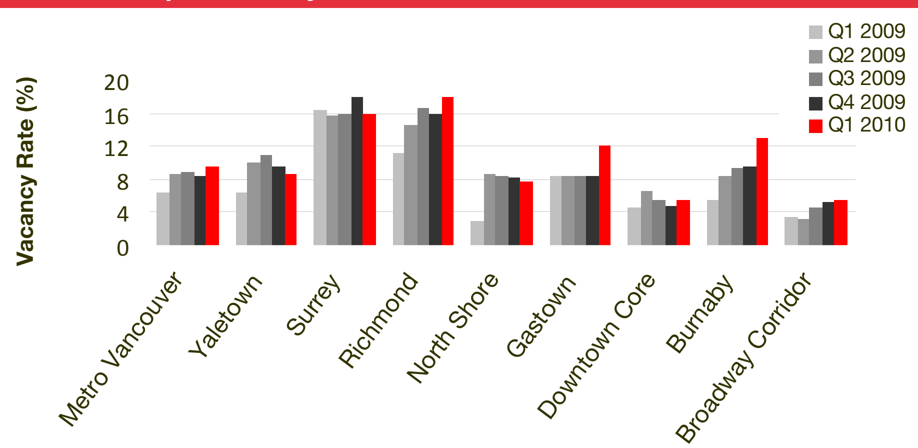
(Photo Credit: http://farm1.static.flickr.com/115/306231618_18a05ed278.jpg?v=0)

Notable Office Lease: Waterfront Centre



(Photo Credit: www.glasssteelandstone.com)

Historic Municipal Vacancy Rates



Summary Statistics - First Quarter 2010

	Total buildings	Total area (sq ft)	Total vacant area	Sublet vacancy (%)	Total vacancy (%)	Average asking lease rate ($/sq ft)	Average taxes and operating costs ($/sq ft)
Metro Vancouver	**668**	**50,814,678**	**4,863,284**	**1.9**	**9.6**	**25.63**	**13.45**
Class A	268	29,383,069	2,858,740	2.2	9.7	29.40	14.80
Class B	247	15,012,342	1,331,381	1.6	8.9	21.77	11.96
Class C	153	6,419,267	673,163	0.8	10.5	19.41	10.68
Downtown Core	**155**	**20,405,374**	**1,116,752**	**1.4**	**5.5**	**32.88**	**16.59**
Class A	50	12,426,036	450,766	1.4	3.6	39.99	18.42
Class B	52	5,297,521	453,835	1.7	8.6	27.47	14.66
Class C	53	2,681,817	212,151	0.8	7.9	20.46	11.90
Broadway Corridor	**79**	**3,966,051**	**216,179**	**1.2**	**5.4**	**22.07**	**13.95**
Class A	31	2,084,030	115,837	1.2	5.6	22.78	14.10
Class B	29	1,293,246	80,576	1.64	6.2	21.23	13.54
Class C	19	588,775	19,766	0.1	3.3	21.9	14.30
Surrey	**47**	**2,786,895**	**438,301**	**0.2**	**15.9**	**22.27**	**9.84**
Class A	23	1,999,187	364,560	0.3	18.5	24.68	10.19
Class B	15	561,336	54,119	0.0	9.6	17.71	8.92
Class C	9	226,372	19,622	0.0	8.7	14.22	9.01
Richmond	**85**	**5,106,070**	**921,177**	**3.4**	**18.0**	**15.70**	**9.13**
Class A	47	3,404,155	692,697	5.0	20.3	17.51	9.35
Class B	28	1,287,536	153,681	0.3	11.9	13.68	9.53
Class C	9	414,379	74,799	0.0	18.1	10.92	6.22
North Shore	**49**	**2,218,822**	**171,717**	**2.4**	**7.7**	**21.37**	**10.40**
Class A	16	817,381	53,289	0.9	6.5	23.61	11.80
Class B	24	1,037,750	102,240	3.9	9.9	20.12	9.80
Class C	9	363,691	16,188	1.5	4.5	19.01	8.04
Burnaby	**122**	**9,459,719**	**1,223,277**	**2.4**	**12.9**	**21.06**	**12.23**
Class A	67	6,464,189	962,180	3.0	14.9	23.04	13.18
Class B	42	2,434,749	187,097	1.2	7.7	17.33	10.30
Class C	13	560,781	74,000	0.0	13.2	18.75	9.77
Gastown	**27**	**1,275,633**	**153,597**	**1.1**	**12.0**	**21.64**	**10.14**
Class A	3	83,000	38,670	2.1	46.6	25.00	13.38
Class B	12	623,800	53,945	0.5	8.6	21.41	11.10
Class C	12	568,833	60,982	1.5	10.7	21.78	8.81
Yaletown	**39**	**2,144,656**	**184,245**	**1.2**	**8.6**	**23.99**	**10.48**
Class A	5	553,195	4,069	0.0	0.7	24.11	11.29
Class B	15	929,254	45,680	1.4	4.9	23.35	9.84
Class C	19	662,207	134,496	2.0	20.3	24.80	10.71

Q1 2010 Economic Update

Global economic conditions improved from 2009 as sentiment in both local and international markets is that of “slow but steady recovery”. While some economies continue to falter, most industrialized nations have posted sharp gains in market confidence and investment activity and are on track to full recovery. Global GDP is set to increase by 3.9% over 2010, with Canada posting a projected growth rate of 3.1% supported by continued fiscal spending, low interest rates and stronger market conditions.

In British Columbia, a resurgence of activity in the construction, distribution and manufacturing and service sectors have provided a strong foundation for growth and renewed market confidence. The provincial unemployment rate continued on its downward trend from mid-year 2009, dropping 40 basis points from last quarter to reach 7.7%. Most provinces have made gains in their employment figures except for Alberta, which saw a slight increase in unemployment from last quarter.

Special Report: Office Construction Update

First Quarter 2010

Q1 2010 Construction Update

Several major development projects are currently being proposed in Metro Vancouver, signalling a renewed interest in property development after a dramatic slowdown in building activity due to the recession. Projects that were on hold are now back on track and many notable commercial projects are being built with completions this year or in 2011.

Projects near completion include the Atelier on Robson (20,246 sq ft - Vancouver), a mixed use residential development featuring two levels of office/retail space, and Broadway Tech Centre 5 (Vancouver), which features over 75,000 sq ft of Class A tech/office space. Several projects in Surrey are also under construction and pre-leasing, including Panorama Place Building H (45,000 sq ft) as well as Dean Business Centre II (65,000 sq ft).

Projects currently in the planning stages include Rize Alliance's eco-friendly "Containers" building at 428 Terminal (Vancouver), as well as the 25-floor Metrotower III in Burnaby.

Recent Metro Vancouver office completions include Grandview Woodlands (58,926 sq ft - Vancouver), Willingdon Business Park 8 & 9 (185,000 sq ft - Burnaby) as well as Commerce @ Citi (132,000 sq ft - Burnaby).

In other news, the City of Vancouver recently announced plans for a $450 million casino and related amenities complex to be built downtown near BC Place, as well as the development of a $2 billion commercial and multi-modal transportation hub near Waterfront Station. Also back on track after being put on hold for the last two years is a 22-storey office building adjacent to GM place (800 Griffiths Way) that, once completed, could mark the first major office building development downtown since Bentall 5 (550 Burrard Street).

Current Office Projects

Atelier on Robson

(Photo Credit: http://www.atelieronrobson.com/)

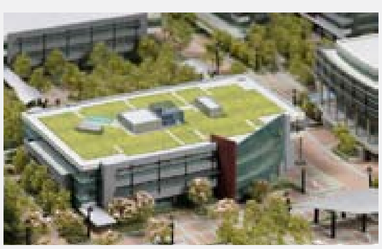
Address: 825 Homer Street
Location: Downtown Vancouver
Property Type: Mixed use residential/commercial
Class: A
Building Status: Under Construction
Building Size: 20,246 sq ft
Completion Date: Mid-2010
Floors: 2
Typical Floor Size: 20,246 sq ft
Max. Contiguous: 20,246 sq ft

Containers

Address: 428 Terminal Avenue
Location: Vancouver East
Property Type: Office
Class: AAA
Building Status: Planned
Building Size: 72,527 sq ft
Floors: 5
Typical Floor Size: 18,836 sq ft
Max. Contiguous: 72,527 sq ft

(Photo Credit: http://www.rize.ca/developments/work/containers)

Broadway Tech Centre Building 5

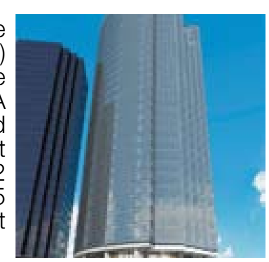


(Photo Credit: http://www.broadway-techcentre.com/)

Address: 2930 Virtual Way
Location: Vancouver (Broadway)
Property Type: Office
Class: A
Building Status: Under Construction
Building Size: 75,000 sq ft
Completion: Fall 2010
Floors: 3
Typical Floor Size: 25,000 sq ft
Max. Contiguous: 14,081 sq ft

Metrotower III

Address: 4730 Kingsway Avenue
Location: Burnaby (Metrotown)
Property Type: Office
Class: AAA
Building Status: Planned
Building Size: 400,000 sq ft
Completion: 2012
Floors: 25
Typical Floor Size: 16,000 sq ft



(Photo Credit: http://www.metrotower3.com/#/intro)

Special Report: Office Construction Update

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(Photo Credit: http://www.panoramaplace.ca/)

Address: 15240 10 Highway East
Location: Surrey (Sullivan Heights)
Property Type: Office/Retail
Class: A
Building Status: Under Construction
Building Size: 45,000 sq ft
Completion: 2011
Floors: 3
Typical Floor Size: 15,000 sq ft
Max. Contiguous: 15,000 sq ft

Panorama Place H

Dean Business Centre II

Address: 10161 153rd Street
Location: Surrey (Guilford)
Property Type: Office
Class: A
Building Status: Under Construction
Building Size: 65,000 sq ft
Completion: 2011
Floors: 4
Typical Floor Size: 16,000 sq ft
Max. Contiguous: 65,000 sq ft

Recent Completions

(Photo Credit: http://www.wesgroup.ca/)

Address: 1669 East Broadway
Location: Vancouver East
Property Type: Office/Retail
Building Status: Completed
Building Size: 58,926 sq ft
Floors: 4
Typical Floor Size: 15,000 sq ft
Max. Contiguous: 15,216 sq ft

Grandview Woodlands

Willingdon Business Park Phase 8 & 9

Address: 4350 and 4370 Still Creek Drive
Location: Burnaby (Still Creek)
Property Type: Office
Class: A
Building Status: Completed
Building Size: 185,018 sq ft
Floors: 4
Typical Floor Size: 25,000 sq ft
Max. Contiguous: 92,509 sq ft

(Photo Credit: http://www.tonko.com/index.html)

(Photo Credit: http://www.commerceatciti.com/)

Address: 4445 Lougheed Highway
Location: Burnaby (Brentwood)
Property Type: Office
Class: A
Building Status: Completed
Building Size: 132,572 sq ft
Num Floors: 11
Typical Floor Size: 10,000 sq ft
Max. Contiguous: 74,600 sq ft

Commerce @ Citi

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Notable office lease transactions - Q1 2010*			
Property address	**Municipality**	**Tenant**	**Size (sq ft)**
1040 W. Georgia Street (Grosvenor Building)	Vancouver	Hunter Dickinson	42,000
885 Dunsmuir Street	Vancouver	Insurance Corporation of British Columbia	33,900
13775 Commerce Parkway (Crestwood Building 7)	Richmond	Open Solutions	23,897
200 Burrard Street (Waterfront Centre)	Vancouver	Baja Mining	19,500
13450 102 Avenue (Central City)	Surrey	McQuarrie Hunter	17,334
13450 102 Avenue (Central City)	Surrey	PricewaterhouseCoopers	17,326

Notable office sale transactions - Q1 2010*					
Property address	**Municipality**	**Price**	**Size (sq ft)**	**Price/ sq ft**	**Purchaser(s)**
2450 Ontario Street	Vancouver	$11,250,000	38,224	$294	2450 Ontario Street Investments Ltd.
422 Richards Street	Vancouver	$4,322,000	17,101	$253	N/A
837 W. Hastings Street	Vancouver	$2,858,200	5,026	$569	Diamond Hill Investment Coporation
1089 W. Broadway	Vancouver	$2,750,000	14,050	$196	Aishwarya Investments Ltd.
33140 Mill Lake Road	Abbotsford	$2,500,000	11,298	$221	Lorco Investments Ltd.

(Continued from page 2)

Hunter each leased 17,300 sq ft at 13450 102nd Avenue (Central City).
• Vancouver Career College leased 11,034 sq ft at 13401 108th Avenue (Station Tower).

Notable construction projects:
• 10161 153rd Street (Dean Business Centre II). 100,000 sq ft office building. Completion 2011.
• 2626 Croydon Avenue (Grandview Business Centre). 65,000 sq ft across four storeys. 2011 completion.
• 15240 10 Highway East (Panorama Place H). 45,000 sq ft office component. 2011 completion.

Richmond

Richmond's vacancy rate edged up 200 basis points from last quarter to reach 18%. The continual rise in vacancy marks a three quarter trend where vacancies have been above 15%. Surprisingly, both headlease and sublease vacancies continue to increase, including a steady rise in the amount of Class A and Class C office vacancies. Overall, Richmond continues to suffer from low tenant demand and rising negative absorption (-102,543 sq ft for this Q1 2010) which has lead to a downward pressure on lease rates.

Notable transactions:
• Con-Space Communications leased 8,771 sq ft at 13775 Commerce Parkway (Crestwood Building 7).
• Open Solutions renewed 23,897 sq ft at 13571 Commerce Parkway (Crestwood Corporate Centre 5).

North Shore

The North Shore office market remained steady over Q1 2010 as deal volume picked up from last quarter. The North Shore office market in particular has endured the economic recession much better than other areas due to a relatively tight office market with limited product. The vacancy rate continued on a three quarter downward trend to sit at 7.7% (a 50 basis point drop from Q4 2009) due to the continual uptake of smaller spaces by small business and medical users.

Key Market Projections

• Deal volume will continue to increase in light of improving economic conditions. As such, the office sector will benefit from an increased demand for space in all size categories. However, larger blocks of space will continue to struggle as tenants take a "wait and see" approach to major occupancy decisions as well as the fact that there is a limited supply of good product on the market. Accordingly, until the market sees positive absorption in space, lease rates will continue to experience downward pressure.

• Development activity has begun to resume in Metro Vancouver, with several cities introducing major city centre "intensification" plans. As potential development opportunities begin to surface around major regional nodes and corridors, look for an increase in the number of large development plans going through to local governments.

• Suburban office markets continue to slump in light of decreased space demand and oversupply. Vacancy rates historically have been higher in suburban markets, but are on an especially high two-year trend. Looking ahead, vacancies will continue to remain high into the next several quarters as vacant space is slow to be absorbed.

For more information please contact:
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*Properties over 10,000 sq ft only

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If you would like to receive this report via email, please contact us.

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