COLLIERS INTERNATIONAL | MARKET REPORT

METRO VANCOUVER

BRITISH COLUMBIA

BC MARKET: Colliers has five offices in British Columbia: Vancouver, Kelowna, Surrey, Nanaimo and Victoria.

Canadian Market Overview

The Canadian economy soldiers on despite the ongoing uncertainty surrounding the Eurozone economic crisis and the spectre of the U.S. debt discussions. These destabilizing influences have tempered Canadian business spending on equipment and new hires, with this hesitancy beginning to manifest as softer demand. The coming year looks to be similar in terms of economic performance, with the East versus West divide remaining in place. Western markets have seen solid absorption and rent growth for office and industrial property, while eastern markets experienced softer occupier demand and rent conditions. Canadian markets are well positioned for a period of softer demand, with national vacancy rates in the single digits for both Office and Industrial property. Industrial development has been well balanced with demand and looks to continue on that path, with stable occupancy projected for 2013.

Metro Vancouver Market Overview

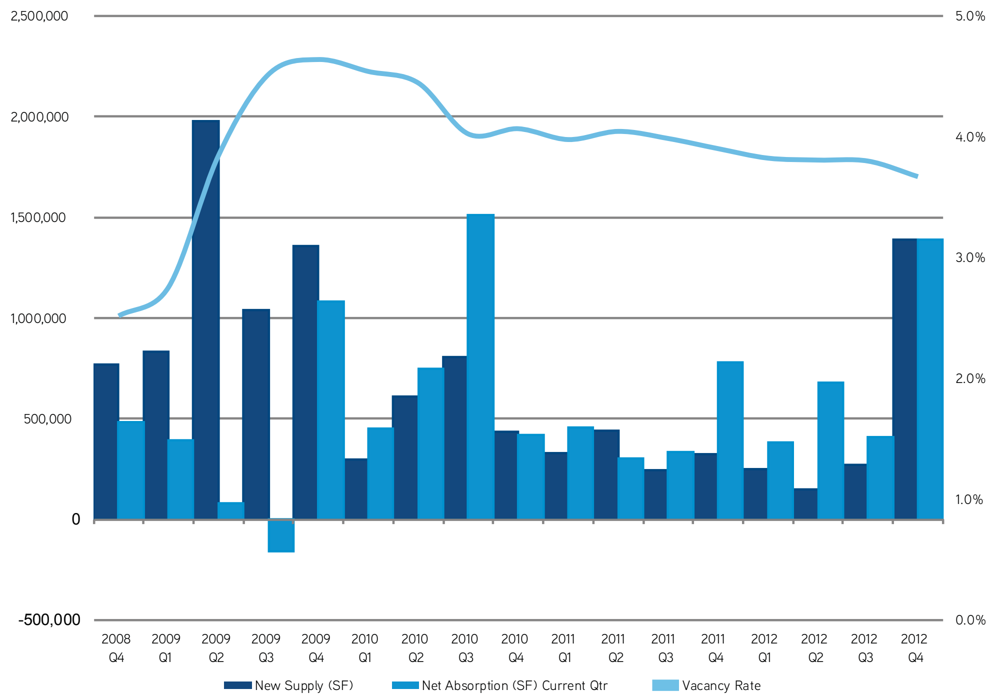
Declining to 3.7 percent in the fourth quarter of 2012, as compared to 3.9 percent in the fourth quarter of 2011, Metro Vancouver's industrial market continues to have one of the lowest vacancy rates in the country. While leasing activity increased in the fourth quarter, the investment market was the most notable, with the completion of several large transactions, one of which was the largest-ever industrial investment in Metro Vancouver.

MARKET INDICATORS

	2012 Q4	2013* Q1
VACANCY	↓	↔
NET ABSORPTION	↑	↓
CONSTRUCTION	↓	↑
RENTAL RATE	↑	↔

* Forecast

Metro Vancouver Historical Performance



Hopewell Distribution Centre
16131 Blundell Road, Richmond

"...there are only a handful of options for lease over 100,000 square feet in Richmond and Delta."

Richmond/Delta

The leasing market in Richmond and Delta picked up modestly in the fourth quarter of 2012, and a number of lease renewals were also completed. The vacancy rate in Richmond during the fourth quarter of 2012 declined to 2.8 percent from 3.6 percent in the fourth quarter of 2011. Similarly in Delta, vacancy declined to 6.1 percent from 8.8 percent year over year. Although Richmond posted 416,446 square feet of positive net absorption in the fourth quarter of 2012, 275,000 square feet can be attributed to construction being completed at Hopewell III (16111 Blundell Road) and Albion Fisheries (1900 No. 6 Road).

While macro-economic factors continue to warrant uncertainty, there are limited options for lease over 100,000 square feet in Richmond and Delta. Some of the most significant transactions that occurred in the fourth quarter of 2012 included Orbit Distribution Systems Ltd.'s lease of 141,860 square feet at 7271 Nelson Road and Viceroy Homes Ltd.'s lease of 106,380 square feet at 12211 Horseshoe Way, in Richmond. In addition, Coca-Cola has reportedly subleased 135,000 square feet at 7200 Nelson Road until 2017.

The Richmond and Delta markets saw a substantial amount of investment activity in the fourth quarter of 2012. Most notably, Pure Industrial Real Estate Trust's (PIRET) purchase of Hopewell I and II, in East Richmond, from KingSett Capital for $102.46 million. These AAA class distribution centres are located at 16131 and 16133 Blundell Road and are fully leased to four high-quality, multi-national tenants. These buildings represent a gross leasable area of 927,429 square feet on 47.27 acres. This sale, brokered by Colliers International, represents the largest industrial investment trade ever completed in Metro Vancouver.

Vacancy rates in Richmond are expected to increase in the first half of 2013 as the building at 16100 Blundell Road is completed. The building, scheduled for completion in mid-2013, consists of nearly 300,000 square feet and has not yet been committed to by a tenant. It is also reasonable to presume that rental rates will likely remain flat in the first quarter of 2013 as new supply is limited to a few large speculative distribution-style developments.

Tri-Cities/Burnaby/North Vancouver/Vancouver

With the exception of Burnaby and Coquitlam, vacancy rates remained reasonably flat throughout 2012. While vacancy rates in Burnaby and Coquitlam may appear unusually high, closer inspection reveals nearly 500,000 square feet of Burnaby's vacancy rate of 5.2 percent can be accounted for between New Haven's phase II and the temporary space located at the Safeway Canada Distribution Centre. Similarly, in Coquitlam, vacancy rates are 8.1 percent. However, when the sublease space at 1050 United Boulevard is excluded, vacancy rates drop to 5.6 percent.

Interest increased in the fourth quarter of 2012 as tenants were actively touring. Significant transactions in the region included A1 Universal Terminal Ltd.'s lease of 51,877 square feet at 230 Brunette Avenue in New Westminster and Arc'Tyrex Equipment Inc.'s 61,795 square foot renewal of their existing facility at 2820 Underhill Avenue in North Burnaby.

While continuing to be challenged by limited supply, significant demand for quality investment properties persists with the completion of a few large investment transactions. Most notably, the Sun Life Assurance Company of Canada purchased Lake City Court - an 113,876 square foot, AAA class flex industrial/office business park facility – from Triovest Realty Advisors for approximately $26 million and a cap rate at under six percent.

With the expectation of increased activity in these relatively tight markets, vacancy rates are expected to continue to compress. Rental rates are expected to remain firm, but not increase, until new and existing inventory is further absorbed. In addition, with no speculative development, Coquitlam is expected to finally have a decrease in vacancy rates following the completion of construction surrounding the Port Mann Bridge. However, Coquitlam continues to suffer from abnormally high property taxes.

Fraser Valley

Due to limited speculative development, industrial facilities in the Fraser Valley markets continue to be in high demand and vacancy rates have continued to contract. Vacancy rates in Surrey and Langley declined from 2.3 and 3.8 percent to 1.9 and 3.1 percent respectively, during the course of 2012. The decline can be attributed to 665,625 square feet of positive net absorption year-to-date. It is important to note that while 459,391 square feet was absorbed in Surrey in the fourth quarter of 2012, roughly 250,000 square feet was a result of the completion of Blackthorn I and II – a speculative development in Campbell Heights that was pre-leased prior to completion.

While demand across all submarkets in the Fraser Valley was notable, the limited supply of available space for lease can be best illustrated by the Gloucester submarket, where in the fourth quarter of 2009 roughly 875,000 square feet was vacant. In contrast, in the fourth quarter of 2012 only 122,850 square feet of space is currently vacant. The most notable transaction in Langley this quarter was Heartwood Distributors Ltd.'s 50,000 square foot lease of 19750 92A Avenue in Langley.

The sale market in the Fraser Valley remains primarily user-driven with strong interest in vacant buildings for sale. The most notable owner/user sale transactions this quarter included the purchase of 74,050 square feet at 9770 199A Street in Langley for $9.35 million by Valley Traffic Systems, as well as Mitsui Homes Canada Inc.'s purchase of 138,000 square feet at 19680 94A Avenue in Langley for $14.9 million. Similar to all other Metro Vancouver markets, demand for quality investment product continues to outstrip supply. The most notable investment transaction in the fourth quarter included the purchase of a 76,605 square foot, single-tenant facility at 2330 190th Street, in Langley for $8.2 million by a private investor.

The Fraser Valley is expected to continue to post significantly low vacancy rates into the beginning of 2013. In the spring however, we are likely to see a number of projects planned for Campbell Heights commence construction. Consequently, vacancy rates are expected to increase as new space is introduced to the market in early 2014.

19680 94A Avenue, Langley

"The sale market in the Fraser Valley remains primarily user driven, and interest in vacant buildings for sale is strong."

TOP LEASE TRANSACTIONS

Property Address	Municipality	Lease Size (SF)	Tenant
7271 Nelson Road	Richmond	141,860	Orbit Distribution Systems Ltd.
12211 Horseshoe Way	Richmond	106,380	Viceroy Homes Ltd.
2820 Underhill Avenue	Burnaby	61,795	Arc'Tyrex Equipment Inc.
230 Brunette Avenue	New Westminster	51,877	A1 Universal Terminal Ltd.
18800 96th Avenue	Surrey	50,045	Cover Tires and Distribution Services Ltd.

TOP SALE TRANSACTIONS

Property Address	Municipality	Purchaser Profile	Sale Price	Site Size (Acres)	Building Size (SF)
16131 & 16133 Blundell Road	Richmond	Investor	$102,460,000	42.27	927,429
19680 94A Avenue	Langley	Investor	$14,900,000	8.02	138,000
9770 199A Street	Langley	User	$9,350,000	5.41	74,050
2330 190th Street	Surrey	Investor	$8,200,000	3.14	76,605
3600 Viking Way	Richmond	Investor	$8,155,000	3.09	46,243

Golden Ears Business Centre
19100 Airport Way, Pitt Meadows

Local Spotlight Story

Golden Ears Business Centre

Strategically located north of the Golden Ears Bridge, Golden Ears Business Centre is the Onni Group's newest industrial development. The project offers approximately 95 acres of developable land both north and south of Airport Way in Pitt Meadows and will be built out to accommodate more the 1.5 million square feet of industrial space.

Pitt Meadows is one of the fastest-growing industrial markets in Metro Vancouver. The Golden Ears Business Centre provides excellent opportunities for manufacturing and logistics/distribution companies that require facilities in a strategic location with access to major arterial routes and a strong employment base. The arrival of new tenants and activity include a 120,000 square foot build-to-suit for Euro-Rite Cabinets Ltd. and an 80,000 square foot lease of building 500 to US-based Maurice Sporting Goods Inc.

The successful marketing of the Golden Ears Business Centre has led to roughly 300,000 square feet of leasing in the past 12 months. The current status of the park has all but two bays in Building 100 fully leased as well as the pre-lease of 100 percent of Building 200 and approximately 40 percent of Building 500. Construction of 100,000 square feet at Building 300 will begin shortly, with completion set for spring 2014.

Vancouver Downtown Office
200 Granville Street, 19th Floor
Vancouver, BC V6C 2R6
MAIN +1 604 681 4111
FAX +1 604 661 0849

522 offices in 62 countries on six continents

United States:	147
Canada:	37
Latin America:	19
Asia Pacific:	201
EMEA:	118

- $1.8 billion in annual revenue
- 1.25 million square feet under management
- 12,300 professionals

CONTACT INFORMATION

Industrial Team:

Ron Bagan
John Boer*
Russ Bougie*
Chris Brewster
Darren Cannon*
Vito DeCicco*
Malcolm Earle*
Bruno Fiorvento*
Randy Heed*
Ewen Johnston
Baktash Kasraei
Craig Kincaid-Smith
Blair Stewart
Greg Lane
Andrew Lord*
Adam Mitchell
Stefan Morissette
Chris Morrison*
Stuart Morrison*
Todd Scarlett
Matt Smith
Don Viner

Kirk Kuester
Managing Director | Vancouver Brokerage
DIRECT: +1 604 661 0814
kirk.kuester@colliers.com

Ron Bagan
Executive Vice President | Industrial
DIRECT: +1 604 662 2633
ron.bagan@colliers.com

Hari Minhas
Director of Marketing and Research | Vancouver Brokerage
DIRECT: +1 604 692 1408
hari.minhas@colliers.com

Devin Ringham
Research Associate | Industrial
DIRECT: +1 604 692 1445
devin.ringham@colliers.com

Colliers INTERNATIONAL

Accelerating success.