

METRO VANCOUVER

BRITISH COLUMBIA



BC MARKET: Colliers has five offices in British Columbia: Vancouver, Surrey, Kelowna, 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

Despite poor global economic performance and worries of the implications of the fiscal cliff south of the border, the Metro Vancouver retail market sustained healthy growth. Investment activity remained steady with available retail properties garnering an abundance of interest from purchasers. From a leasing perspective, there was a spike in activity with many international, national and eclectic retailers seeking space. This is evident through the vacancy rate decreasing to 3.5 percent this quarter from 3.9 percent in the second quarter of 2012. Overall, the underbuilt Metro Vancouver retail market experienced higher sales per square foot than our U.S. counterparts, which has translated into strong interest from both owners and users.

MARKET INDICATORS

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

* Forecast

OPEN FOOD ANCHORED SHOPPING CENTRE SURVEY - 50,000 SF OR GREATER

City	Number of Centres	Anchor Rates	CRU Rates	Pad Rates	GLA (SF)	Vacancies	Vacancy Rate
Abbotsford	6	\$10-30	\$15-40	\$18-35	825,135	20,313	2.5%
Burnaby/New Westminster	9**	\$8-32	\$15-50	\$32-40	1,147,931	44,644	3.9%
Chilliwack	5	\$15	\$16-30	\$30-35	433,935	40,437	9.3%
North Delta	2	\$12-15	\$23-35	\$25-30	220,814	8,049	3.6%
South Delta	5	\$10-12	\$11-25	\$25-30	468,501	24,170	5.2%
Langley/Aldergrove	11	\$11-30	\$12-46	\$26-45	1,466,586	49,531	3.4%
Maple Ridge/Pitt Meadows	4	\$15-20	\$25-35	\$30-35	782,716	15,643	2.0%
Mission	2	\$14-16	\$25-30	\$25-32	422,562	11,617	2.7%
North Shore	8	\$10-30	\$24-75	\$35-60	954,502	10,339	1.1%
Richmond	8	\$6-20	\$20-46	\$20-49	727,286	34,292	4.7%
Squamish	3	\$11-22	\$22-35	\$25-35	203,952	6,642	3.3%
South Surrey/White Rock	6	\$15-24	\$18-55	\$28-40	1,685,529	74,565	4.4%
Surrey - North	15	\$10-20	\$12-38	\$25-35	1,587,307	59,925	3.8%
Tri-Cities	10	\$12-28	\$22-55	\$35-40	975,850	41,129	4.2%
Vancouver (Open)	5	\$15-20	\$25-52	\$35-55	407,290	4,957	1.2%
Vancouver (Urban mixed-use)	6	\$18-28	\$35-100	N/A	561,500	7,856	1.4%
Total	105				12,871,396	454,109	3.5%

* Survey excludes closed food anchored and non-food anchored shopping centres due to the large amount of gross leasable area and vacancies.

**Station Square is exempt from this quarter's survey due to it being redeveloped



Tsawwassen Mills, Tsawwassen

“A telling sign of the health of the retail market in the coming years will be pre-leasing activity of major projects...”

Leasing Market

TRENDS

Over the last quarter, the leasing market experienced an increase in activity, as tenants decided it was the appropriate time to acquire new space heading into 2013. Areas generating the most interest were those with high traffic flows and strong tenant bases – most notably being food-anchored shopping centres. The municipalities that showed the most progress were in secondary markets, which accounted for the majority of the decrease in the overall vacancy rate. The most prominent decreases from the second quarter of 2012 to the fourth quarter of 2012 were in Squamish decreasing from 7.1 to 3.3 percent; Chilliwack decreasing from 10.9 to 9.3 percent; North Delta decreasing from 5.9 to 3.6 percent; and Richmond decreasing from 6.2 to 4.7 percent.

FORECASTS

The Leasing market is expected to remain stable as retailers see Metro Vancouver as a safe haven to conduct business. As the vacancy rate continues to decrease, rents are expected to see a slight increase in well-anchored centres and popular commercial areas. A telling sign of the health of the retail market in the coming years will be pre-leasing activity of major projects such as Tsawwassen Commons and Tsawwassen Mills, and redevelopments such as Park Royal, Brentwood Town Centre and Oakridge Centre.

JULY 1 - DECEMBER 31 2012 NOTABLE LEASE TRANSACTIONS

Property Name	Property Address	Municipality	Size (SF)	Tenant
Marine Gateway	480 SW Marine Drive	Vancouver	40,000	T & T Supermarket
Central City Shopping Centre	10153 King George Boulevard	Surrey	19,403	Club 16 Trevor Linden Fitness
Marine Gateway	480 SW Marine Drive	Vancouver	10,500	Shoppers Drug Mart
601 Stamps Landing	601 Stamps Landing	Vancouver	8,800	Mahony & Sons
2403 Main Street	2403 Main Street	Vancouver	5,996	Flavour Vintage
Granville Square	200 Granville Street	Vancouver	5,807	Miku Restaurant
6391 Fraser Street	6391 Fraser Street	Vancouver	5,394	Bank of Montreal
Fraserway Place	32465 South Fraser Way	Abbotsford	5,107	Bulk Foods
Marine Gateway	480 SW Marine Drive	Vancouver	3,253	Bank of Montreal
2828 Granville Street	2828 Granville Street	Vancouver	2,012	Rogers Communications
Royal Centre	1055 West Georgia Street	Vancouver	1,800	Starbucks

STREETFRONT LEASE AND VACANCY RATES

Vancouver	Lease Rates \$/SF*	Lease Rate Trend	Vacancy Rate Trend**
Robson Street - Burrard Street to Bute Street	\$180-240	↔	↓
Yaletown - Pacific Boulevard to Homer Street	\$30-60	↓	↔
South Granville - West Broadway to 15th Avenue	\$60-90	↑	↑
West Broadway - Granville Street to Cambie Street	\$35-80	↔	↔
West Broadway - Alma Street to MacDonald Street	\$25-45	↓	↔
Kerrisdale - West Boulevard to Vine Street	\$40-55	↓	↑
West 4th Avenue - Burrard Street to Balsam Street	\$30-65	↔	↔
Denman Street	\$30-70	↓	↔

* For commercial retail unit of approximately 1,000 SF

** Vacancy based on physically vacant street level retail units not within a shopping centre

Investment Market

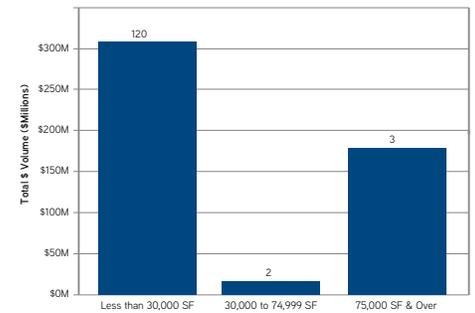
TRENDS

Both transactional sales volume and deal velocity maintained a steady pace through the last quarter of 2012. From the fourth quarter of 2011 to the end of the third quarter of 2012, 125 transactions closed in the improved retail property category (for properties valued over \$1 million). A total of 120 deals closed with a building size of less than 30,000 square feet, two deals with a building size between 30,000 to 74,999 square feet and three deals with a building size of 75,000 square feet and above (data provided by Realnet Canada Inc.). Over the past quarter, two major deals closed, including the sale of Cedar Hills Plaza in Surrey for \$21.2 million to the City of Surrey, and the sale of 9850 Austin Road in Burnaby (next to Lougheed Mall) for \$21 million to a private investor.

FORECASTS

As global demand for real estate has lost steam over economic worries, Metro Vancouver has maintained its reputation as a stable marketplace. The unique composition of the marketplace and proven track record of increased values continues to overcome concerns of compressed cap rates. Some buyers however, have begun to hold off on purchases, and expect to delay acquiring properties in the Metro Vancouver retail market until cap rates rise.

\$ Volume & Transactions by Building Size (Q4 2011 to Q3 2012)



*Source: Colliers International, Realnet Canada Inc.

“...125 transactions closed in the improved retail property category (for properties valued over \$1 million).”

JULY 1 - DECEMBER 31 2012 NOTABLE SALE TRANSACTIONS

Property Name	Property Address	Municipality	Size (SF)	Total Price
Cedar Hills Plaza	12830 96th Avenue	Surrey	54,614	\$21,200,000
9850 Austin Road & 9858-9898 Gatineau Place	9850 Austin Road & 9858-9898 Gatineau Place	Burnaby	19,000	\$21,000,000
200 West Esplanade	200 West Esplanade	North Vancouver	48,352	\$12,350,000
Edgemont Village	3105-3139 Edgemont Boulevard, 3051-3055 Highland Boulevard	North Vancouver	11,611	\$11,526,175
2867-2871 Granville Street	2867-2871 Granville Street	Vancouver	6,726	\$7,900,000
5751 Cedarbridge Way	5751 Cedarbridge Way	Richmond	28,930	\$7,250,000
2403 Main Street	2403 Main Street	Vancouver	16,104	\$6,850,000
8171 Alexandra Road	8171 Alexandra Road	Richmond	13,639	\$6,390,000
1635-1637 West Broadway	1635-1637 West Broadway	Vancouver	11,583	\$5,150,000
2850 Arbutus Street	2850 Arbutus Street	Vancouver	2,025	\$4,380,000
Gloucester Commercial Centre	26426 56th Avenue	Langley	6,840	\$3,075,000

ECONOMIC INDICATORS FORECAST

Metro Vancouver	2012	2013	2014
CAD to USD	↔	↔	↔
Prime Interest Rate	↔	↑	↑
Capitalization Rates	↔	↑	↔
Shopping Centre Rental Rates	↓	↔	↔
Shopping Centre Vacancy	↑	↑	↔
Shopping Centre Net Absorption	↓	↓	↔
New Retail Supply / Construction	↑	↔	↔
Consumer Retail Sales	↓	↔	↔

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Harbour Centre
555 West Hastings Street, Vancouver

Local Spotlight Story

MULTI-MILLION DOLLAR REDEVELOPMENT PLANNED FOR HARBOUR CENTRE

Harbour Centre Complex Limited unveiled plans for a multi-million dollar redevelopment of the landmark Harbour Centre building in Downtown Vancouver. In the spring of 2013, they will embark on an extensive redevelopment of the food court, a refresh of the lower level common area, and a newly revitalized streetscape for the complex.

Harbour Centre has long been an iconic landmark in downtown Vancouver. The tower, completed in 1976, had a retail anchor tenant of Sears; it was labeled the Sears Tower. In 1987, Sears moved to Pacific Centre. Soon after, the upper levels of the Sears space were converted to office. Now named Harbour Centre, the complex consists of a 28-storey office tower; a nine-storey office building; SFU Downtown Campus; The Vancouver Lookout; a revolving restaurant; and two levels of retail shops. The next big change is the major redevelopment of Harbour Centre. The exterior upgrades will include enlarged entrances, new canopies and improved signage. As for the interior, a section of the second floor will be removed, so that the first floor can be redeveloped as a two-storey galleria, with changes to the 17,000 square feet of common area, along with new amenities and 14 new food outlets. The completion date is set for the end of 2013.

A number of other redevelopments have recently been announced in Downtown Vancouver, set to add approximately 125,000 square feet of retail space. Projects include, the former Sears building at Pacific Centre, The Carlyle, 564 Beatty Street and 200 Granville Street. The changing landscape of the Downtown Vancouver retail market is continuous as property owners try to protect their assets and stay relevant to retailers.

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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

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