

Q3 2011



Altus Group
Research, Valuation & Advisory
Vancouver Office Valuations

Key Contacts:

David Eger
778.329.9251
david.eger@altusgroup.com

Pedro Tavares
778.329.9270
pedro.tavares@altusgroup.com

Tiffany Lee
778.329.9282
tiffany.lee@altusgroup.com

Mailing Address

The Grosvenor Building
1040 West Georgia Street
Suite 630
Vancouver, BC
V6E 4H1

T: 604.683.5591
F: 604.683.5594

altusgroup.com

Economic Overview

The Canadian economy has turned in an impressive performance since the trough of the recession in 2009, but renewed concerns about the health of the global economy has brought dark clouds to the horizon. In the second quarter, gross domestic product (GDP) in Canada barely advanced at an estimated annualized pace of 0.1%. This weaker performance was due mainly to special 'one-time' factors, such as supply chain disruptions from Japan and forest fires in Alberta that interrupted oil production. But as the effects from these one-time factors recede, new challenges now confront the Canadian economy. These challenges include significantly slower growth in the U.S. (and possibly another U.S. recession), slower growth world-wide, and continued international financial turmoil connected to sovereign debt issues in Europe. Among these factors, conditions in the U.S. are most relevant to near-term economic fortunes in Canada. The Canadian economy has been transitioning in recent quarters away from government stimulus and highly leveraged household expenditures and toward more sustainable factors such as the expansion of the export sector; conversely, the export sector is most at risk as the U.S. economy turns down again.

In Metro Vancouver, employment growth experienced a marked improvement in the second quarter after a soft patch at the beginning of the year. Overall, employment expanded by 1.7% in the second quarter as approximately 20,000 net new jobs were added, seasonally adjusted. The outlook for 2012 is positive, as employment is expected to expand at an annualized pace of 1.2% with approximately 15,000 jobs added to the local economy. Overall, in the 2011-to-2015 period, employment is expected to expand at an annualized pace of 1.1%, equivalent to 14,200 net new jobs per year.

Investment Market Overview

Investment activity within Metro Vancouver for Q3-2011 has picked up in comparison to previous quarters this year, with five \$15M+ office buildings sales closing this quarter. In Q1-2011 and Q2-2011 combined, only four \$15M+ office building sales were recorded.

Demand for Vancouver "A" Class Trophy Office continues to be strong, although there is no product currently available. A means to satisfy demand appears to be reflected in the amount of new supply planned for Downtown Vancouver. Overall, investor sentiment continues to view the downtown Class "A" office market favourably, and the price of debt remains attractively low.

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Office Leasing Overview

Overall

Metro Vancouver office availability has decreased to 9.9% in Q3-2011 from 10.4% in Q3-2010. Over the course of Q3 2011, availability decreased throughout Vancouver, indicating an increase in demand for office space. Since the end of Q3-2011, Downtown Vancouver, Suburban Vancouver, and the Vancouver Periphery decreased 20, 80, and 40 bps respectively and currently stand at 6.1%, 14.9% and 6.0%.

Vancouver Periphery

Availability has decreased by 110 bps since Q3-2010, which equal to an absorption of approximately 64,000 sq. ft. In Q3-2011, availability has increased by 0.40%.

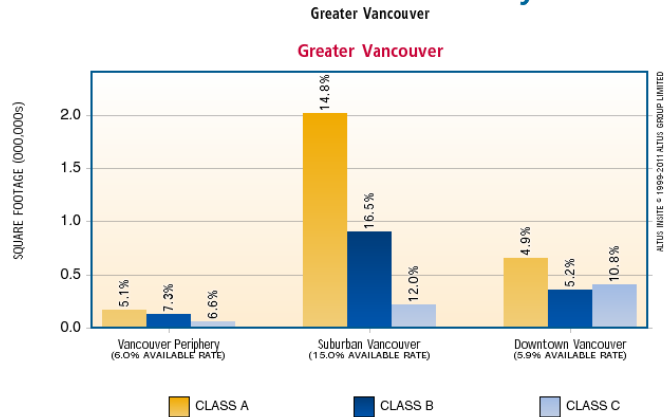
Suburban Vancouver

The availability in Suburban Vancouver as of Q3-2011 is 14.9%, equal to an absorption of approximately 57,000 sq. ft. since Q3-2010.

Downtown Vancouver

Availability over the last four quarters has decreased ending Q3-2011 at 6.1%. This is slightly higher than the availability during Q3-2011 which was 5.9%, but lower than Q3-2010 availability of 6.7%.

Total Available Area & Rates by District



District	Current Rate	Change from Last Quarter	Change from Last Year
Vancouver	9.7%	Down 20 bps	Down 70 bps
Downtown	6.1%	Up 20 bps	Down 60 bps
Suburban	14.9%	Down 80 bps	Down 80 bps
Vancouver Periphery	6.0%	Up 40 bps	Down 110 bps

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Quarter Highlights Sale Transactions

Building Address	Sale Price	Price Per Foot
Pemberton Building – 738-744 West Hastings Street, Vancouver	\$19,000,000	\$324
The Sun Tower – 100 West Pender Street, Vancouver	\$41,888,000	\$525
Keith Business Centre – 1225 East Keith Road, North Vancouver	\$16,320,000	\$219
13888 Wireless Way, Richmond	\$32,375,000	\$278
1380 Burrard Street, Vancouver	\$47,500,000	\$451

Lease Transactions

Tenant	Area Leased (sq.ft.)	Deal Type	Office Building
McCarthy Tetrault	>75,000	New	745 Thurlow
SNC-Lavalin	100,000	New	745 Thurlow

Recent Completions

Building Address	Size	% Leased
Grandview Business Centre	65,000	N/A
Jameson House	57,800	25.7%
Benchmark Business Centre II	112,500	44.3%

Under Construction

Building Address	Size	Completion Date
745 Thurlow	400,000 s.f.	2015
1021 West Hastings	270,000 s.f.	2014
The Brewery District, Building 1	235,000 s.f.	2013
Merchant Square	134,000 s.f.	2013