



Metro Vancouver Office Market Report Year-End 2010

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Vacancy rate December 31, 2010: **8.4%**
Vacancy rate June 30, 2010: **8.3%**



Metro Vancouver office market shows signs of improving economic conditions

Building on the mostly positive indicators witnessed at mid-year 2010, Metro Vancouver's office market continues to demonstrate strength in the form of positive absorption and a stabilizing vacancy rate, which bodes well for 2011.

The Downtown office leasing market returned to recent statistical norms during 2010. Demand for office premises was moderate and largely attributable to incremental expansions within the existing tenant base. Supply constraints likely stifled leasing activity and continue to challenge landlords and tenants. Relatively low vacancy and increasing net rental rates are heightening expectations that one or more developers will break ground on Downtown Vancouver's first new office tower since the completion of **Bentall 5** (phase 2) in 2007.

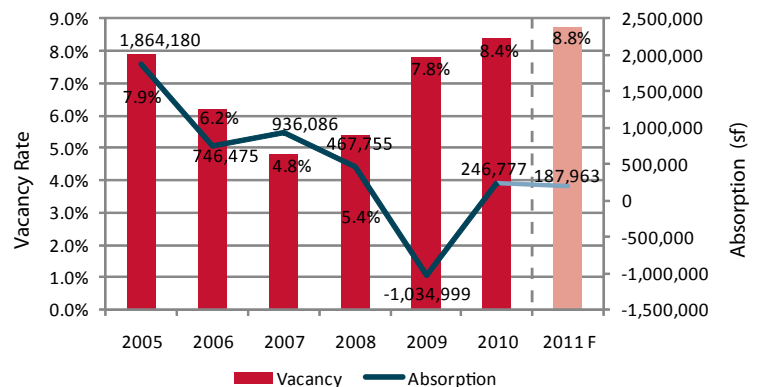
The suburbs should witness mostly positive indicators in 2011, although Burnaby and Richmond will continue to deal with higher vacancies.

Demand is expected to increase during the next 12 to 18 months, creating an environment where landlords will gradually gain more leverage as the supply of quality inventory diminishes in markets with low vacancy.

Looking more closely at the numbers, the overall Metro Vancouver vacancy rate held steady through 2010, ending the year at 8.4% (relatively unchanged from 8.3% six months earlier but up from 7.8% at year-end 2009). Three submarkets saw their vacancy rates decline in the last half of 2010. Surrey experienced Metro Vancouver's largest decrease in vacancy, dropping to 2.5% from 5.1% at mid-year 2010. Yaletown and Broadway

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Metro Vancouver - Vacancy and Absorption Trends



■ 12-month projection based on 10-year average absorption.

Metro Vancouver Office Vacancy Summary (Year-End 2010)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	12 MONTHS ABSORPTION (SF)
Downtown	19,458,887	829,368	182,108	1,011,476	5.2%	53,846
Yaletown	2,346,988	119,583	1,080	120,663	5.1%	181,330
Broadway	6,101,899	289,564	24,741	314,305	5.2%	200,047
Burnaby	8,929,473	1,074,476	104,293	1,178,769	13.2%	-139,781
Richmond	3,543,751	732,726	138,279	871,005	24.6%	-146,554
Surrey	2,407,815	55,772	5,035	60,807	2.5%	85,074
New Westminster	1,587,319	153,051	930	153,981	9.7%	15,446
North Shore	1,786,670	125,552	19,744	145,296	8.1%	-2,631
TOTAL	46,162,802	3,380,092	476,210	3,856,302	8.4%	246,777

Vacancy Trends

Downtown businesses were looking to stay where the action was in 2010. No significant flight to the suburbs by Downtown tenants took place as there is a solid base of companies that chooses to remain in the core.

The overall vacancy rate remained virtually unchanged from mid-year 2010 with increases in class A and B vacancy offset by declining vacancy rates in class AAA and C properties. With more than 900,000 sf in leasing deals completed in the last half of 2010, and 13 of 16 of those transactions listed as renewals, an already tight Downtown office market is expected to constrict even further in 2011.

The Downtown core, which comprises 19.5 million square feet (msf) of inventory, closed out 2010 with a 5.2% vacancy rate – relatively unchanged from 5.1% at mid-year 2010 but down from 5.5% at year-end 2009.

Class AAA and A premises remained constricted at the end of 2010 with only 3.9% and 2.8% unoccupied, respectively. Both classes have tightened since year-end 2009.

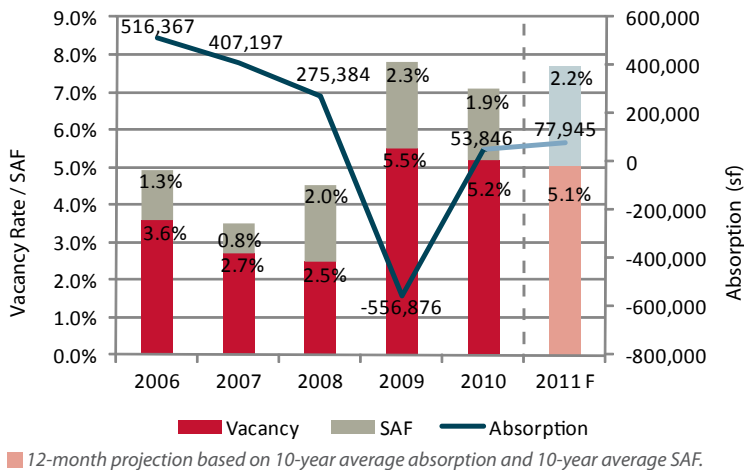
Sublease vacancy of 182,108 sf at year-end 2010 marks a significant decrease from the 307,718 sf recorded at year-end 2009 and 460,158 sf at mid-year 2009. More than a quarter of sublease space at the end of 2010 was in class AAA space. One factor was **Bell** vacating a full floor (17,345 sf) in **Bentall 5**.

Even with 1,011,476 sf of total vacant space in the Downtown core at year-end 2010, large blocks of available contiguous space greater than 25,000 sf are virtually non-existent. In terms of absolute vacancy, class B premises were the most plentiful with 387,417 sf of vacancy (6.7%) followed by 265,699 sf of class C space (10%). Class A and AAA premises (190,196 sf and 168,164 sf, respectively) round out the remaining office space inventory.

Absorption Trends

Positive annual absorption of 53,846 sf (albeit minimal) marks a significant improvement over the negative annual absorption of 556,876 sf in 2009. Class AAA

Vacancy with Space Availability Factor (SAF) and Absorption:



and A premises enjoyed positive annual absorption of 81,963 sf and 42,590 sf, respectively, compared with negative annual absorption of 175,305 sf and 135,986 sf in 2009. Class B and C properties experienced slight negative annual absorption of 33,247 sf and 37,460 sf, respectively. Many tenants moved up market during the last 12 months, which was somewhat expected as the supply of available large blocks of contiguous space were primarily in class AAA and A inventory. **Fraser Milner Casgrain LLP** (250 Howe Street), **Mackenzie Financial** and **Baja Mining** (both at 200 Burrard Street) all moved into new premises in the second half of 2010.



Royal Centre offers one of the largest blocks of contiguous office space in Downtown Vancouver, with 22,900 sf available

Space Availability Factor (SAF)

The space availability factor, or SAF (which refers to head lease or sublease space that is being marketed but is not physically vacant, or new supply that is nearing completion and available for lease) dipped slightly to 1.9% (or 362,743 sf) from 2.1% at mid-year 2010. Translation: the actual amount of space currently available (occupied and vacant) in the Downtown core is 7.1% or 1.37 msf.

Notable Lease Deals – Year-End 2010

TENANT	BUILDING	SF
PWGSC (renewal)	800 Burrard Street	202,000
Amec Americas Ltd. (renewal)	111 Dunsmuir Street	145,000
Borden Ladner Gervais LLP (renewal)	Waterfront Centre	123,000
TD Bank Financial Group (renewal)	TD Tower	76,000
Farris, Vaughan, Wills & Murphy LLP (renewal)	TD Tower	67,000
Fluor Canada, Ltd. (renewal)	1075 West Georgia Street	55,000
BC Securities Commission (renewal)	701 West Georgia Street	54,000
BMO Nesbitt Burns (renewal and expansion)	HSBC Building	44,409
Fluor Canada, Ltd. (renewal)	Royal Centre	32,000
Richards Buell Sutton LLP (renewal)	401 West Georgia Street	26,400
Rocket Gaming Systems (renewal)	1125 Howe Street	20,000
B2Gold Corp. (renewal)	Bentall III	16,000
Verizon Canada Ltd. (renewal)	Waterfront Centre	14,600
Canwel Building Materials (sublease)	Canaccord Financial Centre	13,500
New York Institute of Technology (renewal)	701 West Georgia Street	13,500
Seaspan	Granville Square	12,600
Cardero Resource Corp.	1177 West Hastings Street	11,500
Plenary Group	Commerce Place	10,000
Thurber Engineering Ltd.	1281 West Georgia Street	10,000

New Construction

An additional 71,500 sf is coming on the market in the first quarter of 2011 with the finishing touches being applied at **Delta Group's The Offices at Hotel Georgia** development (669 Howe Street). Meanwhile, **Jameson House** (838 West Hastings Street), developed by **Bosa Properties**, will offer 60,000 sf of office space in the second quarter of 2011.

With only 131,500 sf of new product slated to come onstream in 2011, the competition to develop new Downtown office towers is gathering steam and a range of developers have emerged as contenders.

Potential offerings from **Bentall Kennedy**, **Oxford Properties** and **Aquilini Development and Construction** provide some indication of what Downtown's newest highrise office tower(s) might entail.

Bentall Kennedy is proposing 365,000 sf of office space coupled with a 33,000 sf retail component for its 23-storey development at 745 Thurlow Street. With its rezoning complete and development permit in hand, Bentall Kennedy expects crane-swinging will start in early 2012 for projected completion in late 2014 or early 2015.

Oxford continues working with the city on the design of its office tower in the 1000-block of West Hastings Street, which could offer an estimated 260,000 sf of office space over 36 storeys. Oxford's second potential Downtown project is the redevelopment of the office/parkade complex at 1133 Melville. The company acquired the property in summer 2010 as a long-term development site.

Aquilini Development and Construction is in the final stages of approval for its development permit that would bring to market a 22-storey, mixed-use building at 800 Griffiths Way, adjacent to **Rogers Arena**. Development plans call for 223,000 sf of office premises along with more than 63,000 sf of retail space.

Announced this past fall by **Jim Pattison Developments/Reliance Proper-**



Public Works and Government Services Canada (PWGSC) renewed its lease for approximately 202,000 sf at 800 Burrard Street

ties, the **Burrard Gateway** project in the 1200-block of Burrard Street would offer 205,000 sf of office space in a range of configurations, including a 13-storey, 100,000-sf boutique office building fronting on Burrard Street. A seven-storey residential and commercial podium fronting Hornby Street would also include up to 100,000 sf of large-floorplate office space. Other developers are also positioning themselves to build additional towers.

Market Forecast

With modest upward pressure on net rental rates in the last half of 2010, the Downtown market is expected to continue experiencing rental rate increases in 2011 as vacancy rates decline. The market will likely remain tight with few large blocks of contiguous space available in the near future. Look for the vacancy rate to drop below 5% in the next 12 months and expect preleasing activity to intensify as developers compete to initiate one or more new office developments. While a downtown vacancy rate of 8% to 10% is considered balanced, which allows landlords to maintain rental rates and provides sufficient alternatives for tenants, the current imbalanced market creates challenges for both. While limited alternatives for tenants may allow landlords to push harder on lease rates, it also creates problems for landlords who are unable to accommodate expanding tenants or new entrants to the market. For tenants, rising Downtown lease rates and an inability to expand could see suburban options receive greater consideration.

Developer	Building	SF	Completion
Delta Group	The Offices at Hotel Georgia, 669 Howe Street	71,500 (office)	Q1 2011
Bosa Properties	Jameson House, 838 West Hastings Street	60,000 (office)	Q2 2011
Bentall Kennedy	745 Thurlow Street (office/retail)	365,000 (office)	Planning
Aquilini Development and Construction	800 Griffiths Way (mixed use)	223,000 (office)	Proposed
Oxford Properties	Former University Club site, 1021 West Hastings Street	260,000	Proposed
Jim Pattison Developments/Reliance Properties	Burrard Gateway, 1200-block Burrard Street (mixed use)	205,000 (office)	Proposed

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
AAA	4,348,094	116,277	51,887	168,164	3.9%	81,963	30,900	0.7%	\$32 - \$42	\$50 - \$64
A	6,686,228	146,247	43,949	190,196	2.8%	42,590	131,070	2.0%	\$26 - \$36	\$43 - \$56
B	5,769,649	318,910	68,507	387,417	6.7%	-33,247	149,090	2.6%	\$22 - \$30	\$36 - \$48
C	2,654,916	247,934	17,765	265,699	10.0%	-37,460	51,683	1.9%	\$16 - \$25	\$28 - \$41
Total	19,458,887	829,368	182,108	1,011,476	5.2%	53,846	362,743	1.9%	-	-

Vacancy Trends

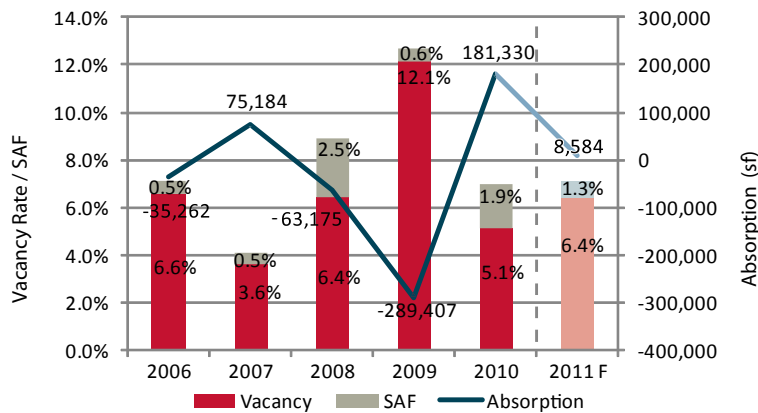
The Yaletown submarket's vacancy rate declined by more than half to 5.1% in 2010 compared with 12.1% in 2009. Improving economic conditions resulting in small tenancies expanding, and established and start-up tenants moving into the neighbourhood, drove vacancy rates down in most property classes.

The absorption of large blocks of space during 2010, including **Microsoft Canada Development Centre** occupying 37,096 sf at 840 Cambie Street, the **Blanche MacDonald Centre** moving into 20,246 sf at 825 Homer Street and **Piranha Games** subleasing 11,500 sf at 948 Homer Street, pushed vacancy rates down. Leasing activity increased toward the end of 2010 with **Ping Identity International Inc.**, **Yellow Pages Group** and **ERM Canada Corp.** all closing deals in the second half of the year. The space availability factor (SAF) increased to 1.9% (43,878 sf) at year-end 2010 compared with 0.7% at mid-year 2010 and 0.6% at the end of 2009. Taking this into consideration, the actual amount of space currently available (occupied and vacant) in Yaletown is 7%.

Vacant sublease space was basically non-existent by year-end 2010, representing a significant shift from the 135,635 sf of such space available at the end of 2009.

Class A vacancy dropped to 3.2% at year-end 2010 from 8.2% at year-end 2009. This was due primarily to the Blanche MacDonald Centre deal. Class B vacancy remained unchanged at 6% in 2010, but did decline from 15.4% at year-end 2009. With tenants shifting within the marketplace, smaller offices were leased while office space became available at 440 Cambie Street, 1238 Cambie Street and 1008 Homer Street. Class C vacancy declined to 4.5% at year-end 2010 from 7.4% just 12 months earlier.

Vacancy with Space Availability Factor (SAF) and Absorption:



■ 12-month projection based on 10-year average absorption and three-year average SAF.

NOTE: Based on average absorption, vacancy is forecasted to rise, but demand will outweigh supply. Therefore, vacancy is actually expected to decline.

Absorption Trends

Posting the region's second highest positive annual absorption in 2010, the Yaletown submarket remains in high demand. Most of the 181,330 sf absorbed in 2010 occurred in the first six months (166,173 sf). Modest absorption of 15,157 sf transpired in the last half of the year. The most significant positive annual absorption came in class B space (124,821 sf) despite slightly negative absorption (-434

Full-floor opportunities will be available at 990 Homer Street after renovations complete



sf) between July 1 and December 31, 2010. This was primarily due to a number of smaller vacancies in the marketplace. Overall, no large tenancies left the neighbourhood and smaller pockets of space in various buildings have become available. Demand still outweighs supply.

New Construction

Triple F Investment Corp. is expanding the office premises at its existing three-storey building at 1132 Hamilton Street, between Helmcken and Davie Streets, by adding three floors and 23,000 sf to the structure for a total of 50,000 sf. With seismic upgrading complete, construction continues with an expected completion date of fall 2011.

Construction of **Amacon's** mixed-use residential/office/retail tower, the **Beasley** (888 Homer Street), which incorporates the heritage Homer building built in 1913 on site, is on schedule with 18,000 sf of office space scheduled to come on stream in the third quarter of 2011.

Market Forecast

Vacancy rates are expected to marginally decline over the next six months as tenants continue shifting in the marketplace. New tenants will seek to enter the market but that will not translate into significant positive absorption due to a lack of available product. A number of large tenant deals are expected as construction wraps up at 1132 Hamilton Street. Net rental rates have reached former record levels and, over the next six months, are expected to remain steady. But by the end of 2011, with larger blocks of space expected to be absorbed and the vacancy rate dropping further, look for new record net rental rates to be set.

Developer	Building	SF	Completion
Magellen Developments (20/20) Inc.	Atelier on Robson, 825 Homer Street (office/residential)	20,246 (office)	Q2 2010
Triple F Investment Corp.	1132 Hamilton Street	23,000 (addition)	Q3 2011
Amacon	The Beasley, 888 Homer Street (office/residential/retail)	18,000 (office)	Q3 2011

Notable Lease Deals – Year-End 2010

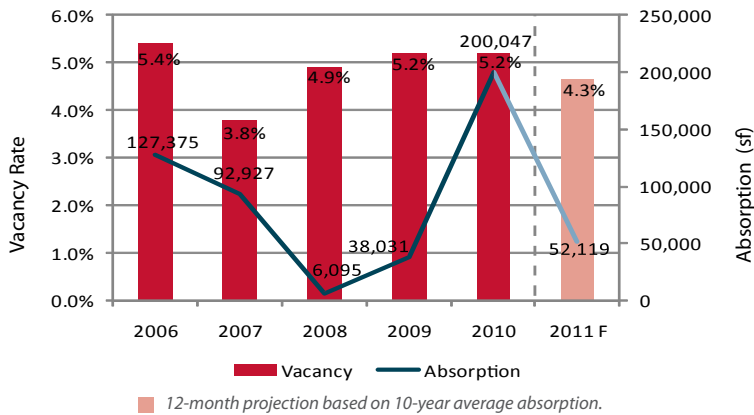
TENANT	BUILDING	SF
Blanche MacDonald Centre	825 Homer Street	20,246
Ping Identity International Inc.	788 Beatty Street	5,619
Salesworks Systems Inc. (sublease)	1122 Mainland Street	3,572
Yellow Pages Group	1110 Hamilton Street	2,300
ERM Canada Corp.	1122 Mainland Street	2,157

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	405,388	12,831	0	12,831	3.2%	39,024	28,572	7.0%	\$28 - \$33	\$41 - \$47
B	1,332,082	80,227	0	80,227	6.0%	124,821	4,499	0.3%	\$23 - \$27	\$35 - \$40
C	609,518	26,525	1,080	27,605	4.5%	17,485	10,807	1.8%	\$19 - \$22	\$29 - \$34
Total	2,346,988	119,583	1,080	120,663	5.1%	181,330	43,878	1.9%	-	-

Vacancy Trends

With the highest positive annual absorption in the region, the Broadway submarket saw its overall vacancy rate slip back to 5.2% after rising to 5.6% at mid-year from 5.2% at year-end 2009. Declining vacancy resulted in part from firms occupying space in new construction, primarily **Broadway Tech Centre** buildings 5 and 7. Sublease vacancy shrank to 24,741 sf at year-end 2010 from 69,147 sf at year-end 2009. With deal velocity picking up and some new office space still remaining, vacancy rates for all classes is hovering around the 5% mark, despite 204,520 sf of new product added to inventory in the second half of 2010.

Vacancy and Absorption Graph



Absorption Trends

Enjoying positive annual absorption of 200,047 sf in 2010, the Broadway submarket remained in demand after achieving 38,031 sf of positive absorption in 2009. Most of the recent absorption occurred in class A premises (192,520 sf) - the highest level in recent history. In the past three years, annual absorption has remained positive despite experiencing negative absorption in the first half of the year each time.

New Construction

There is still 14,000 sf available at **Bentall Kennedy's** 78,000-sf **Broadway Tech Centre 5**, which was added to the inventory in the third quarter of 2010. **BC Lottery Corp. (BCLC)** took up all 78,000 sf in **Broadway Tech Centre 7**. **Broadway Tech Centre 6**, which will offer 173,000 sf of office space upon completion, has its building permit in place and is ready to build with a prelease commitment. **Broadway Tech Centre 4**, which will provide 180,000 sf of office premises, is currently under construction and is fully leased to **HSBC Bank Canada** with occupancy set for spring 2012. **Wesgroup's** four-storey, 48,520-sf office/retail development saw its first tenant, **Vancouver Coast-**



Bentall Kennedy is now preleasing **Broadway Tech Centre 6**

al Health, move in to 37,057 sf at mid-year 2010. Meanwhile, **Dale Bosa's BlueSky Properties Inc.** is proposing a 10-storey office/retail building at 984 West Broadway. A rezoning hearing for the site, originally scheduled for September 2010, was postponed. **Rize Alliance Properties** and **False Creek Business Park Ltd.** continue awaiting prelease commitments to activate their Terminal Avenue projects. Similarly, **Orca West Developments** awaits a prelease commitment for its 120,000-sf venture. Over at 8400 Cambie Street, blueprints for **PCI Group's Marine Gateway on Canada Line** call for 220,000 sf of office space over 12-storeys as part of a larger mixed-used residential/retail/office project. The development is in an ongoing review and approval process with the **City of Vancouver**.

Market Forecast

With no new inventory scheduled to come online in 2011, face rates should increase slightly with some upward pressure from market factors such as low vacancy and shortage of quality space. Absorption will decline as the market adjusts to the addition of preleased product delivered to the market in the latter half of 2010. Vacancy levels should hold or decrease slightly. There should be relatively stable leasing activity levels in the submarket due to scheduled lease renewals.

Developer	Building	SF	Completion
Bentall Kennedy	Broadway Tech Centre 7	78,000	Q3 2010
Bentall Kennedy	Broadway Tech Centre 5	78,000	Q3 2010
Wesgroup Properties	1669 East Broadway (office/retail)	48,520	Q3 2010
Bentall Kennedy	Broadway Tech Centre 4	180,000	Q2 2012
Rize Alliance Properties	428 Terminal Avenue	220,000	Awaiting prelease commitment
False Creek Business Park Ltd.	306 to 320 Terminal Avenue	25,000	Awaiting prelease commitment
Orca West Developments	538 West Broadway	120,000	Awaiting prelease commitment
Bentall Kennedy	Broadway Tech Centre Building 6	173,000	Proposed
Blue Sky Properties	984 West Broadway	Mixed office/retail	Proposed
PCI Group	Marine Gateway on Canada Line (mixed use)	220,000 (office)	Proposed

Notable Lease Deals – Year-End 2010

TENANT	BUILDING	SF
Cardiome Pharma Corp.	6190 Agronomy Road	43,000
SFU	887 Great Northern Way	10,000
Hothead Games	887 Great Northern Way	9,709
Baywest Property	1195 West Broadway	8,200
Force Four Entertainment	56 East 2nd Avenue	7,858
Mark Anthony Group	887 Great Northern Way	7,358
BCBC	1727 West Broadway	6,300
QLT	887 Great Northern Way	6,287

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	3,703,819	174,050	12,042	186,092	5.0%	192,520	\$24 - \$30	\$38 - \$45
B	1,897,382	90,209	10,930	101,139	5.3%	1,208	\$18 - \$25	\$32 - \$39
C	500,698	25,305	1,769	27,074	5.4%	6,319	\$15 - \$19	\$27 - \$33
Total	6,101,899	289,564	24,741	314,305	5.2%	200,047	-	-

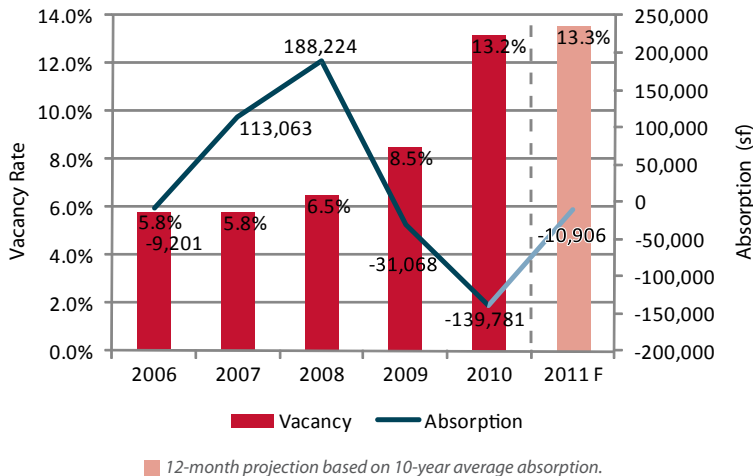
Vacancy Trends

Overall vacancy held steady in the Burnaby submarket through 2010 after steadily increasing since mid-year 2008. The submarket posted an overall vacancy rate of 13.2% at year-end and mid-year 2010 compared with 8.5% at year-end 2009 and 7.5% at mid-year 2008. Most of the current vacancy occurs in class A head lease space (838,078 sf). Class A vacancy climbed to 14.1% in 2010 from 8.1% at year-end 2009 and 7.2% at mid-year 2009. Although several major deals transacted in the last half of 2010, vacancy rates will creep higher as large tenants such as **IBM** and **Telus** downsize. While several large lease transactions completed in 2010, and the submarket is witnessing more activity than a year ago, those tenancies will not occupy their new space until 2011. Sublease activity was not a huge factor in the second half of 2010. Vacant sublease space totalled 104,293 sf at year-end - down from 119,244 sf at mid-year 2010 but still up from 41,018 sf at year-end 2009. Overall, large tenants with good covenants will find plenty of large-block opportunities, with landlords working aggressively to secure occupants.

Absorption Trends

With the vast majority of negative absorption occurring in the first half of 2010 (-138,699 sf) and in class A space (-128,120 sf), Burnaby saw some improvement later in the year as a minimal amount of negative absorption occurred between July 1 and December 31 (-1,082 sf). Despite finishing 2010 with negative annual absorption of 139,781, the outlook for Burnaby appears to be stabilizing. Class B properties posted positive annual absorption, while negative annual absorption in class A properties remained high but mostly unchanged since the first half of 2010.

Vacancy and Absorption Graph



New Construction

Appia Group's mixed-use development near Willingdon Avenue and Lougheed Highway (4420 Lougheed Highway in the Brentwood area) is in the rezoning process. Blueprints call for up to 200,000 sf of office space, three residential towers and a commercial component. No completion date has been set. **Ivanhoe Cambridge's** 400,000-sf **Metrotower III** remains in a holding pattern as it awaits a pre-lease commitment. **Tonko Realty Advisors' Willingdon Business Park Phases**



IBM downsize creates opportunity for tenancy with corporate identity in premier location on Canada Way

8 and **9**, which came on stream in the second quarter of 2010, added 185,000 sf of office space in total. **Terassen Gas** has leased 53,000 sf in phase 9. Meanwhile, **Amec America** will call Appia Group's **Commerce@Citi** development home in April 2011, taking up 32,000 sf of the 110,000-sf building.

Market Forecast

It is a good time to be a large tenant in the Burnaby submarket, with rental rates being flat and at their lowest point in the past five years. An increase in deal activity is anticipated given the more optimistic economic outlook. Rental rates are expected to remain flat as landlords increase inducements to secure tenants. Continued negative absorption will likely notch up vacancy in 2011.

Developer	Building	SF	Completion
Appia Group	Commerce@Citi, 4445 Lougheed Highway	110,000	Q1 2010
Tonko Realty Advisors	Willingdon Business Park Phase 9, 4370 Still Creek Drive	92,509	Q2 2010
Tonko Realty Advisors	Willingdon Business Park Phase 8, 4350 Still Creek Drive	92,509	Q2 2010
Ivanhoe Cambridge	Metrotower III	400,000	Awaiting prelease commitment
Appia Group	Willingdon Avenue & Lougheed Highway	200,000	Proposed

Notable Lease Deals – Year-End 2010

TENANT	BUILDING	SF
Schneider Electric Canada	3700 Gilmore Way	90,000
Terassen	4370 Still Creek Drive	53,000
Blue Castle Games	4401 Still Creek Drive	50,000
Morrison Herschfield	4321 Still Creek Drive	23,000
London Life	4710 Kingsway	11,000
Orbis Investment	4710 Kingsway	11,000

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	6,647,604	838,078	99,609	937,687	14.1%	-131,174	\$19 - \$28	\$29 - \$43
B	1,666,044	149,248	4,684	153,932	9.2%	6,395	\$14 - \$18	\$24 - \$31
C	615,825	87,150	0	87,150	14.2%	-15,002	\$10 - \$14	\$20 - \$27
Total	8,929,473	1,074,476	104,293	1,178,769	13.2%	-139,781	-	-

Vacancy Trends

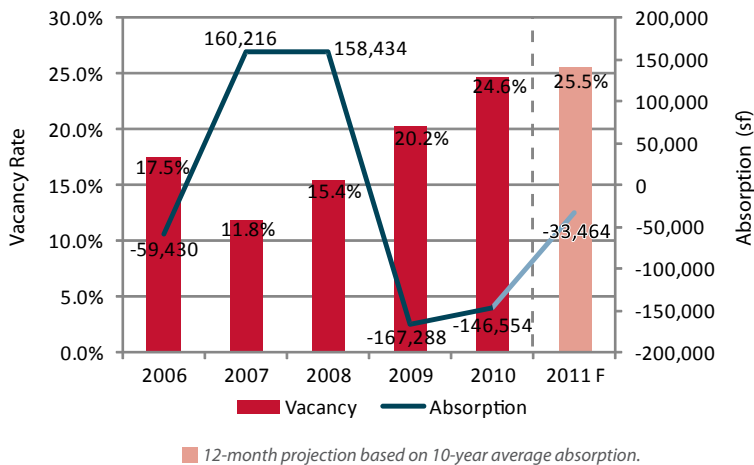
Richmond continues to lead Metro Vancouver submarkets with the highest vacancy rate at 24.6% or 871,005 sf. The majority of this exists in class A head lease space (526,983 sf). The year-end vacancy follows an increase to 21.6% at mid-year 2010 from 20.2% at the end of 2009. While class A and B vacancy reached 27.3% and 15.9%, respectively, at the end of 2010, class C vacancy has been hovering around the 30% mark since year-end 2008. Corporate downsizing and the relocation of firms from the Richmond submarket continue to push vacancy rates higher. There was little to no leasing activity from outside the Richmond market in late 2010. The submarket remains challenged despite lower rent offerings due to low levels of leasing activity and market interest. Fewer than 10 deals in excess of 2,500 sf were completed in the last half of 2010. The majority of 2010 deals were completed in the early part of the year.

Vacant sublease space totalled 138,297 sf at year-end 2010, down slightly from mid-year but still continuing the upward trend that began at mid-year 2008 when sublease vacancy totalled a mere 41,895 sf. Most of this sublease space continues to be in class A premises.

Absorption Trends

With a region-leading negative absorption of 146,554 sf for 2010, Richmond experienced some improvement from the negative annual absorption of 167,288 sf in 2009. Richmond last posted positive annual absorption (158,434 sf) in 2008. Downsizing at **Microsoft Corp.** and the relocation of the **BC Lottery Corp. (BCLC)** to the Broadway submarket contributed to keeping annual absorption in the negative for 2010.

Vacancy and Absorption Graph



Avison Young acted on behalf of **BC Lottery Corp. (BCLC)** in its real estate evaluation process and relocation from its former location at **Airport Executive Park 8** to **Broadway Tech Centre** in East Vancouver

New Construction

No significant office construction is scheduled to come on stream in 2011 and 2012 in Richmond, but two noteworthy projects await prelease commitments. A joint venture between **Staburn Property Group** and **Ledcor** is proposing an office/retail project at No. 6 Road and Steveston Highway that includes 300,000 sf of office space. **YVR's Sea Island Business Park** development located at the **Templeton SkyTrain** station is still in the cards. Project renderings show seven buildings with an estimated 900,000 sf of office space and a 250-room hotel as part of the business park development.

Meanwhile, **Ampar Ventures** has applied for permission to rezone a site on Bridgeport Road and Beckwith Road in order to develop two hotels, a business centre and parking structure. The business centre will comprise 100,000 sf of office space with construction expected to start in 2014.

Market Forecast

Richmond's silver lining comes in the form of an economic advantage over neighbouring submarkets as landlords offer tenants quality office alternatives at rates dramatically lower than those found elsewhere in the region. Despite landlords who are poised to be creative to attract tenants with lower rates and full turnkey packages, Richmond's office vacancy rate will likely continue notching up for the next six to 12 months.

Developer	Building	SF	Completion
Staburn and Ledcor	No. 6 Rd. and Steveston Hwy. (office/retail)	300,000 (office)	Awaiting prelease commitment
YVR	Sea Island Business Park office/hotel at Templeton SkyTrain station	7 buildings 900,000 (office)	Awaiting prelease commitment
Ampar Ventures Ltd.	9400/9500-block Bridgeport Road (hotel/office)	100,000 (office)	Proposed

Notable Lease Deals – Year-End 2010

TENANT	BUILDING	SF
Clover Leaf Foods	13071 Vanier Place	4,543

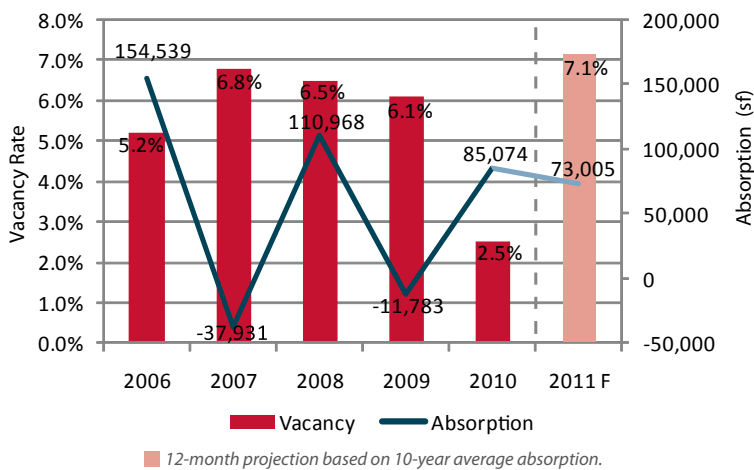
CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,430,844	526,983	136,297	663,280	27.3%	-85,653	\$16 - \$20	\$27 - \$30
B	912,433	143,539	1,982	145,521	15.9%	-63,412	\$10 - \$15	\$20 - \$25
C	200,474	62,204	0	62,204	31.0%	2,511	\$10 - \$12	\$18 - \$20
Total	3,543,751	732,726	138,279	871,005	24.6%	-146,554	-	-

Vacancy Trends

The Surrey office market tightened further in 2010. The submarket's vacancy rate fell by more than half to 2.5% from 6.1% at year-end 2009, establishing the lowest overall vacancy rate in the submarket since Avison Young began tracking stats in 1998. Class A space achieved a miniscule 1.5% vacancy rate (22,530 sf) at year-end 2010, down from 5.5% at mid-year and 5.8% at year-end 2009. While class B vacancy (3.7%) has remained steady since mid-year 2010 (3.6%), it did decline from 6% at year-end 2009. Class C vacancy fell to 5.9% at year-end 2010 from 9.7% at mid-year 2010 and 9.4% at year-end 2009. (Note: **104th Avenue Centre** at 104th Avenue and 142nd Street is not included in Avison Young statistics. The 260,000-sf building, originally designed to be a cultural centre and then marketed to large office users, has been vacant since completion in 2005.)

This submarket currently holds the lowest vacancy rate in Metro Vancouver due to two key factors: **Simon Fraser University** occupying its 50,000-sf campus in the Central City complex, and a lack of new large-block office opportunities. The few larger blocks of class A space that do become available lease quickly, while the lack of prelease commitments hold back new construction. With 197,705 sf of office space scheduled to come to market in 2011 (and at least 60,000 sf already spoken for), along with minimal deal velocity and nominal sublease space available (just 5,035 sf of class A space), expect demand to remain high and vacancy rates low.

Vacancy and Absorption Graph



Absorption Trends

Absorption was positive in 2010 with tenants occupying 85,074 sf more than they left behind between January 1 and December 31, 2010. This was a marked improvement over the negative annual absorption of 11,783 sf posted in 2009. Most of 2010's positive absorption occurred in the second half of the year (62,137 sf) with class A space (57,921 sf) leading the way. Despite negative absorption in class B office premises (-1,276 sf) during the last six months of 2010, the class posted positive annual absorption of 18,150 sf for 2010. Class C moved into positive territory for 2010 (5,089 sf) after experiencing negative absorption in 2009 (-14,340 sf).

New Construction

Office space inventory continues expanding in Surrey with three projects sched-

GE Capital Real Estate is awaiting prelease commitment at **Gateway Business Park**



uled for delivery in 2011, while two others await prelease commitments. The second phase of **Benchmark Group of Companies' Benchmark Business Centre** is scheduled for completion in the first quarter of 2011. The third floor (40,000 sf) is leased to **Solaris Management Consultants Inc.** while 76,000 sf remain on the first two floors. Meanwhile, **Panorama Park Investments** is looking to wrap up construction on phase three of its three-storey, 45,000-sf **Panorama Place** development by the third quarter of 2011; and **Southridge Square Holdings** will add 36,705 sf to Surrey's office inventory at **South Ridge Square** in the fourth quarter of 2011. Space remains in both projects. Both **GE Capital Real Estate** and **Landview Construction** are awaiting prelease commitments to kick off construction on their respective projects at **Gateway Business Park** and **Dean Centre II**.

Market Forecast

Look for rental rates to continue rising during the next six to 12 months as vacancy rates remain low in the absence of major new product coming on stream in 2011. A lack of large-block opportunities continues to characterize the marketplace.

Developer	Building	SF	Completion
Benchmark Group of Companies	Benchmark Business Centre Phase 2, Highway #10 and 152nd Street	116,000	Q1 2011
Panorama Park Investments	Panorama Place Phase III, 15240 Highway #10	45,000	Q3 2011
Southridge Square Holdings	South Ridge Square, 15844 24th Avenue	36,705	Q4 2011
GE Capital Real Estate	Gateway Business Park, 13479 108th Avenue	500,000	Awaiting prelease commitment
Landview Construction	Dean Centre II, 10161 153rd Street	100,000	Awaiting prelease commitment

Notable Lease Deals – Year-End 2010

TENANT	BUILDING	SF
Solaris Management	5457 152nd Street	40,000
Vancouver Career College	13401 108th Avenue	19,684
Service Canada	13889 104th Avenue	9,000

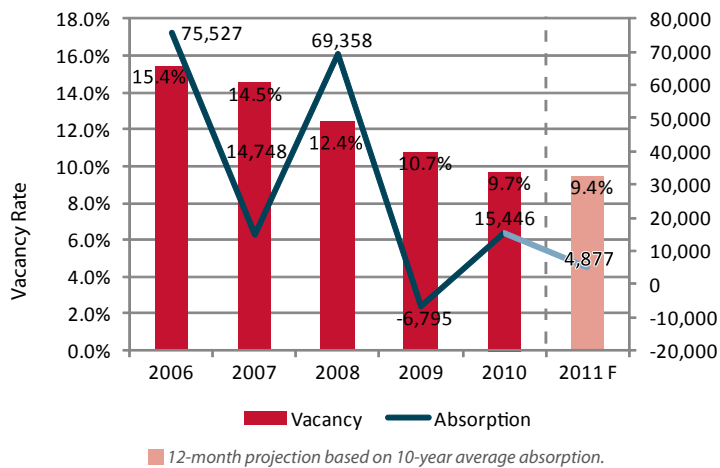
CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	1,466,253	17,495	5,035	22,530	1.5%	61,835	\$17 - \$28	\$29 - \$40
B	796,612	29,732	0	29,732	3.7%	18,150	\$14 - \$17	\$22 - \$25
C	144,950	8,545	0	8,545	5.9%	5,089	\$11 - \$13	\$19 - \$21
Total	2,407,815	55,772	5,035	60,807	2.5%	85,074	-	-

Vacancy Trends

New Westminster's office vacancy rate declined to 9.7% at year-end 2010, an improvement from 10.7% at the end of 2009. With the exception of mid-year 2007, this is also the first time in a decade that vacancy has not been in the double digits. Class C vacancy dropped to 2.9% at year-end 2010 from 9.5% the year previous. Two suites totalling 28,200 sf vacated at **Royal City Centre** at year end. With the fallout of a sluggish economy still impacting deal velocity, New Westminster is also contending with the higher vacancy rate of 13.2% and more available options in the neighbouring Burnaby submarket, which could slow leasing transactions as potential tenants size up both municipalities. A few existing large blocks of space also remain in the Uptown area of New Westminster, Royal City Centre and the **Royal Bank** building. Sublease vacancy virtually vanished in 2010, with just 930 sf available at year-end 2010 compared with almost 16,000 sf at year-end 2009.

Absorption Trends

Vacancy and Absorption Graph



Overall absorption was positive in 2010 after New Westminster flirted with negative annual absorption in 2009. **BC Construction Safety Alliance** occupied 8,600 sf of class A space at 625 Agnes Street in the second half of 2010. While positive absorption slipped from 22,663 sf during the first six months of 2010 to negative absorption of 7,217 sf in the last half, New Westminster posted positive annual absorption of 15,446 sf. It was an improvement over the negative annual absorption of 6,795 sf recorded 12 months earlier. Prior to that, negative annual absorption had not been experienced in the Royal City since 2005.

New Construction

Uptown Property Group's proposed four-storey, 25,000-sf **Queen's Park West** office/retail development is awaiting a prelease commitment from a retail tenant before commencing construction. With development permits already in hand, Queen's Park West would take an estimated 12 months to build once shovels break ground. Meanwhile, **Wesgroup Properties' Brewery District** venture would see 193,000 sf of office space constructed with the 224,000-sf base building substantially complete by February 2013. **TransLink** has been named primary tenant, taking 150,000 sf in

Developer	Building	SF	Completion
Uptown Property Group	Queen's Park West, 500 6th Avenue	25,000	Awaiting prelease commitment
Wesgroup Properties	The Brewery District, Building One Phase II, 200 East Columbia Street	193,000 (office/retail)	Q1 2013
Bentall Kennedy	Adjacent to Braid Street SkyTrain Station	200,000	Proposed
Uptown Property Group	Merchant Square, 8th and Columbia	150,000	Proposed

TransLink and its police force will come together under one roof in 2013 at phase 2 of **Wesgroup Properties' Brewery District** development in New Westminster



the building, as it consolidates operations. Currently two projects, which anticipate commencing marketing programs in 2011, are under consideration. **Bentall Kennedy** has applied for a development permit for a five-storey, 200,000-sf office building adjacent to the Braid Street SkyTrain station. Uptown Property Group is proposing its 150,000-sf **Merchant Square** project at 8th and Columbia Streets above the city's new civic centre. The office structure will be subject to a prelease commitment but is anticipated to be delivered sometime in 2014.

Market Forecast

An increase in rental rates during the next six to 12 months is likely as demand remains steady and absorption increases, triggering a decline in vacancy rates. With no projects scheduled to come online until at least 2012, including **Uptown Property Group's Queen's Park West** development, which is now preleasing; and phase two of **Wesgroup Properties' Brewery District** building one, which is underway and set for occupancy in 2013, New Westminster remains a submarket to watch.

Notable Lease Deals – Year-End 2010

TENANT	BUILDING	SF
TransLink	Brewery District	150,000
InMotion Technologies Inc. (renewal)	625 Agnes Street	7,568
Service Canada	620 Royal Avenue	6,597
Mainland Reporting Services Inc. (renewal)	625 Agnes Street	4,321

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	847,886	68,828	930	69,758	8.2%	-8,823	\$16 - \$26	\$28 - \$38
B	548,720	78,732	0	78,732	14.3%	11,617	\$12 - \$16	\$21 - \$25
C	190,713	5,491	0	5,491	2.9%	12,652	\$9 - \$12	\$17 - \$20
Total	1,587,319	153,051	930	153,981	9.7%	15,446	-	-

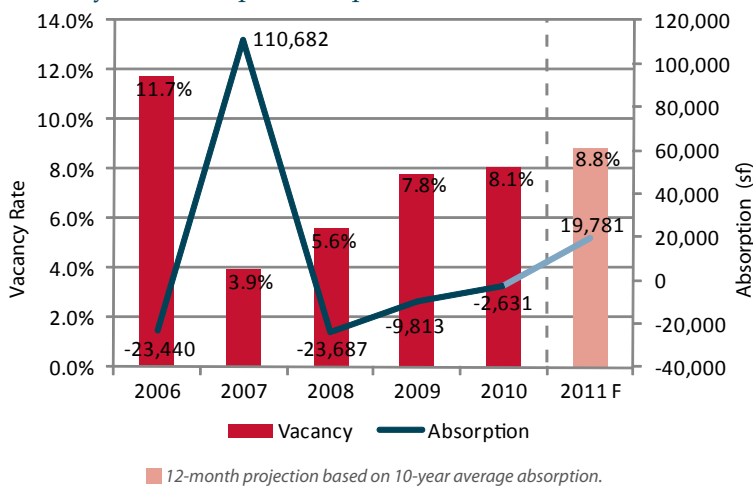
Vacancy Trends

With the vacancy rate sitting at 8.1% at year-end 2010 and inventory levels across all classes constant, the North Shore submarket of 1.8 msf has stagnated as tenants renew rather than incur moving costs. A lack of quality available product is also causing firms to hold on to existing spaces. Overall, 2010 vacancy held steady compared with 8% at year-end 2009. An additional 10,600 sf at phase two of the **Harbourside Centre** helped edge up the overall vacancy rate in late 2010. Although office premises smaller than 2,000 sf are leased up quickly, larger premises have to compete with several other similar offerings. Sublease vacancy dipped to 19,744 sf at year-end 2010 from 21,364 sf at mid-year, but remained higher than the 14,914 sf registered at year-end 2009.

Absorption Trends

The North Shore submarket finished 2010 with minimal negative annual absorption of 2,631 sf after posting positive absorption of 1,925 sf during the first six months of 2010. This follows negative annual absorption of 9,813 sf in 2009 and 23,687 sf in 2008. While the trend has been for the negative annual absorption to shrink in each of the past three years, the North Shore last posted positive annual absorption in 2007 (110,682 sf) - the highest positive annual absorption the region had seen since Avison Young started tracking the submarket in 2002.

Vacancy and Absorption Graph



New Construction

GWL Realty Advisors' NorthWoods Business Park is awaiting prelease commitments for buildings 5 and 6. With development permits in place, the two buildings will add 80,000 sf to the existing, fully-leased inventory of 243,000 sf in the first four buildings. **Concert Properties** remains engaged in the municipal process with its proposed 136,000-sf waterfront office development at 801 Harbourside Drive. One of the newest North Shore offerings, the **Seven Hundred**, by the **I4 Property Group**, will feature 12,000 sf of office space as part of a four-storey, mixed-use residential/office/retail development scheduled for completion in the last quarter of 2012. Meanwhile, **Harbourview Projects** is proposing a mixed-use office/warehouse building at **Harbourside Landing**.

Artist rendering of **Wesgroup Properties/ North Shore Credit Union's** proposed redevelopment, **13th + Lonsdale**, which calls for 60,000 sf of office space



Developer	Building	SF	Completion
Harbourview Projects Corp.	Harbourside Landing, 788 Copping Street (office/warehouse)	35,000 (office)	Q3 2011
I4 Property Group	The Seven Hundred, 700 Marine Drive (mixed use)	12,000 (office)	Q4 2012
GWL Realty Advisors (on behalf of bcIMC)	NorthWoods Business Park, 2202 Dollarton Highway	80,000 over 2 buildings	Awaiting prelease commitment
Wesgroup Properties/ North Shore Credit Union	13th + Lonsdale, 1250 Lonsdale Avenue (mixed use)	60,000 (office/retail)	Proposed
Concert Properties	801 Harbourside Drive (part of master mixed-use community plan)	136,000	Proposed

The three-storey, 35,000-sf building would have offices on the second floor and up to 10,000 sf of contiguous office space on the third floor. Finally, **Wesgroup Properties** and **North Shore Credit Union (NSCU)** have partnered to propose a new mixed-use development, **13th + Lonsdale**. Plans call for 60,000 sf in a three-storey commercial podium occupied by NSCU.

Market Forecast

With 35,000 sf planned for 2011 and just 12,000 sf in 2012, the North Shore submarket has little room for significant movement. Vacancy is expected to increase slightly in early 2011 and then level off for the rest of the year. Lease rates should remain steady in the first half of the year and decrease later in 2011.

Notable Lease Deals – Year-End 2010

TENANT	BUILDING	SF
Genesis Athletic	125-949 West 3rd Street	20,000
North Shore Credit Union	1133 Lonsdale Avenue	6,000
EyeWest Vision Inc.	1343 Lonsdale Avenue	5,000
Global Market Insight	221 West Esplanade	5,100
Echo System Restoration Associates Inc.	788 Harbourside Drive	4,336

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	1,071,411	73,269	18,744	92,013	8.6%	-10,141	\$20 - \$28	\$30 - \$42
B	479,077	44,706	0	44,706	9.3%	9,198	\$15 - \$20	\$23 - \$32
C	236,182	7,577	1,000	8,577	3.6%	-1,688	\$12 - \$16	\$18 - \$26
Total	1,786,670	125,552	19,744	145,296	8.1%	-2,631	-	-

Downtown demand kicks off office tower construction race

Downtown Vancouver's relatively low office vacancy rate coupled, with slowly but steadily rising lease rates, is heightening the likelihood that one or more proposed downtown office developments will break ground within the next 18 months.

Positive annual absorption of 53,846 sf in 2010 is a reversal to the negative absorption of 556,876 sf witnessed in 2009, and the current vacant supply of just over 1 msf will likely not support the demand being generated in the market.

Despite a lingering disparity between Downtown vacancy rates and those in suburban submarkets such as Richmond and Burnaby, Downtown Vancouver's appeal has expanded off the peninsula to encompass the Yaletown and Broadway submarkets.

With little more than 40,000 sf of new space coming to market in Yaletown in 2011 and no new product planned for the Broadway submarket until 2012,



suburban Vancouver may be the only option for expanding businesses or new market entrants until the next Downtown development comes on stream in late 2014 at the earliest.

Local factors aside, Vancouver's increasing international stature as Canada's gateway to the Pacific Rim and its subsequent globalization has resulted in a renewed interest, by business and investors, in a vibrant Downtown core

that includes a strong and active office market, according to **John Tylee**, director of policy and communications for the **Vancouver Economic Development Commission**.

"Downtowns are the connectors to the global economy," he says. "We are the western connector of the country in a time when Asia is doing extraordinarily [well]."

But with little more than 130,000 sf of new downtown office space coming to market in 2011 and none the two years following, expectations are that developers such as **Bentall Kennedy**, **Oxford Properties** and **Aquilini Development and Construction**, along with a new development proposed by **Jim Pattison Developments/Reliance Properties**, could potentially boost downtown's total office inventory by almost 1.1 msf by 2015.

Downtown Vancouver's average class AAA net rental rate (\$32-\$42 psf) and gross occupancy cost (\$50-\$64 psf) rank among the highest in the country, while the its Downtown vacancy rate (5.2%) falls below the national average of approximately 7.5%. When – or if – a project is complete, it will be the first downtown office tower built since **Bentall 5** (phase 2) in 2007.

Bentall Kennedy has already received a development permit for its proposed 398,000-sf, 23-storey tower at 745 Thurlow Street, which will include 33,000 sf of retail space. Bentall Kennedy anticipates construction could commence as early as 2012 with completion in late 2014 or 2015. **Aquilini Development and Construction** is proposing a 22-storey, 223,000 sf retail/office building at 800 Griffiths Way adjacent to **Rogers Arena**, while Oxford is also laying the groundwork for two potential Downtown office projects. Its first project is slated to be built on the former University Club site in the 1000-block of West Hastings Street. Oxford continues working with the city on the design of the proposed 36-storey, 260,000-sf tower. Oxford's second potential downtown project is the redevelopment of the office/parkade complex at 1133 Melville Street. The company acquired the property in summer 2010 as a long-term development site.

With 205,000 sf of office space proposed for Pattison/Reliance's **Burrard Gateway** project, the \$500 million, three-tower development still needs to go through rezoning.

Bernie Magnan, chief economist for the **Vancouver Board of Trade**, says city hall needs to streamline the processes for approving new Downtown construction. While developers still need to follow all rules and regulations, reducing the processing time to 12 to 18 months instead of three years or more would lower costs and allow construction to start quicker and be more reactive to market demand.

"The two-year downturn in the economy we've had postponed the pressure for additional office space if only because everyone was saying we are not going to expand right now," says Magnan. "However, that said, depending on what happens with the economy over the next year, you could see that pressure ratchet upward."

Looking forward, it is expected that market fundamentals will enhance the viability of new office development as declining Downtown vacancy rates apply upward pressure on net rental rates. Moreover, with few large blocks of contiguous space available, tenants and landlords alike may become frustrated by their inability to secure or provide suitable premises. However, with much of Downtown's sublease space now absorbed and head lease vacancy stabilizing, it is only a matter of time before new office towers redefine Vancouver's skyline. ■

vacancy rates declined to 5.1% and 5.2%, respectively, from 5.8% and 5.6% at mid-year. The Broadway submarket's performance was made all the more impressive by the addition of 204,520 sf of new inventory in the second half of 2010. Downtown's vacancy rate held steady at 5.2% at year-end 2010 (versus 5.1% at mid-year), down from 5.5% at year-end 2009. If the space availability factor (SAF) is taken into consideration, Downtown's effective availability rate was actually 7.1%, similar to the 7.2% recorded at mid-year 2010 and down from 7.8% at year-end 2009. (SAF refers to head lease or sublease space that is being marketed but is not physically vacant, or new supply that is nearing completion and available for lease.)

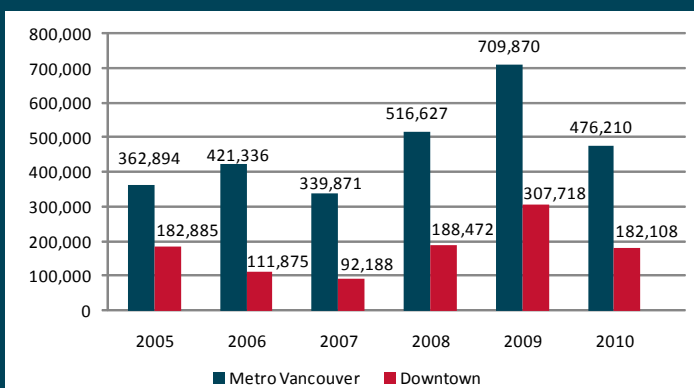
Burnaby and, to a greater extent, Richmond are still working through the inventory that has come online in recent times. Burnaby's office vacancy rate held steady at 13.2% through 2010 with a regional square-footage high of 1,178,769 sf of vacant space at the end of 2010. Richmond's vacancy rate climbed to 24.6% - currently the highest vacancy rate in Metro Vancouver - from 21.6% at mid-year 2010. The overall suburban vacancy rate inched up to 11.2% from 11.1% at mid-year 2010 and 9.2% at year-end 2009.

The region is on the right track with Metro Vancouver tenants occupying 246,777 sf more space than they left behind between January 1 and December 31, 2010. This compares with negative annual absorption of 1,034,999 sf in 2009. Five of the eight submarkets experienced positive annual absorption in 2010, with the Broadway submarket leading the way at 200,047 sf followed by Yaletown at 181,330 sf. Surrey, Downtown Vancouver and New Westminster also enjoyed positive absorption in 2010. While the North Shore remained relatively flat, conditions in Richmond and Burnaby continued to be challenging with negative annual absorption levels of 146,554 sf and 139,781 sf, respectively.

Sublease vacancy continues to dry up throughout the region for the most part. As of year-end 2010, 476,210 sf of vacant sublease space existed, down from 511,181 sf at mid-year 2010 and 709,870 at year-end 2009. Richmond and Burnaby remained the exceptions with 138,279 sf and 104,293 sf of sublease vacancy, respectively, at year-end 2010. Vacant sublease space now represents 12.4% of Metro Vancouver's total vacancy compared with 13.4% at mid-year 2010, 20% at year-end 2009 and 28% at mid-year 2009, which was at that time the highest percentage of sublease vacancy in more than a decade. Improved confidence and heightened demand reduced sublease vacancy significantly in 2010 as tenants occupied existing surplus space or pulled listings in anticipation of future growth.

Developers added more than 500,000 sf of new inventory to the Metro Vancouver office market in 2010, more than half of which was in Burnaby. In 2011, developers are poised to add another 400,000 sf in Metro Vancouver, with Surrey receiving the lion's share. With just 131,500 sf planned to come on stream Downtown in 2011 and no new Downtown office tower expected to complete construction until the end of 2014 at the earliest, upward pressure on lease rates will likely intensify. Demand for Metro Vancouver office space is expected to increase in the core in 2011 while some suburban markets continue to deal with higher vacancy rates and negative absorption. ■

Vacant Sublease Space



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