COLLIERS INTERNATIONAL | MARKET REPORT

Metro Vancouver

INDUSTRIAL | FOURTH QUARTER | 2008

MARKET INDICATORS

	2008 Q3	2008 Q4
VACANCY	↑	↑
NET ABSORPTION	↓	↑
NEW SUPPLY	↑	↑
RENTAL RATES	↔	↓

ECONOMIC UPDATE

In November, the Conference Board of Canada announced that their fore-casted annual growth rate for 2009 was too optimistic and their previously forecasted rate of 2.2% was being low-ered to a more reasonable rate of 1.5% given the continuing decline in the global economy.

BC's unemployment level in November remained at 4.7%, a level it has retained over the previous 2 months. BC has not seen the large decrease in employment that has been prevalent in Eastern Canada.

Over the fourth quarter, the Canadian dollar slipped from a high of $0.94 to a low of $0.72. It has since then slowly strengthened and as of mid December was $0.81. The extreme volatility in the dollar over the last quarter resulted in the largest one-month drop on record.

British Columbia saw an increase in the value of commercial building permits in October 2008. This contrasted with an overall decrease in the value of building permits, which can be largely attributed to the decrease in residential building permits. The decrease in BC was not as large as those seen in other provinces such as Ontario and Alberta.

MARKET OVERVIEW

The vacancy rate in Metro Vancouver increased in the fourth quarter to 2.5%, compared to 1.5% in the same period last year. This increase can be attributed to a variety of causes, specifically the current global economic situation, challenges surrounding financing, and vacant new supply in Burnaby, Richmond, and Langley.

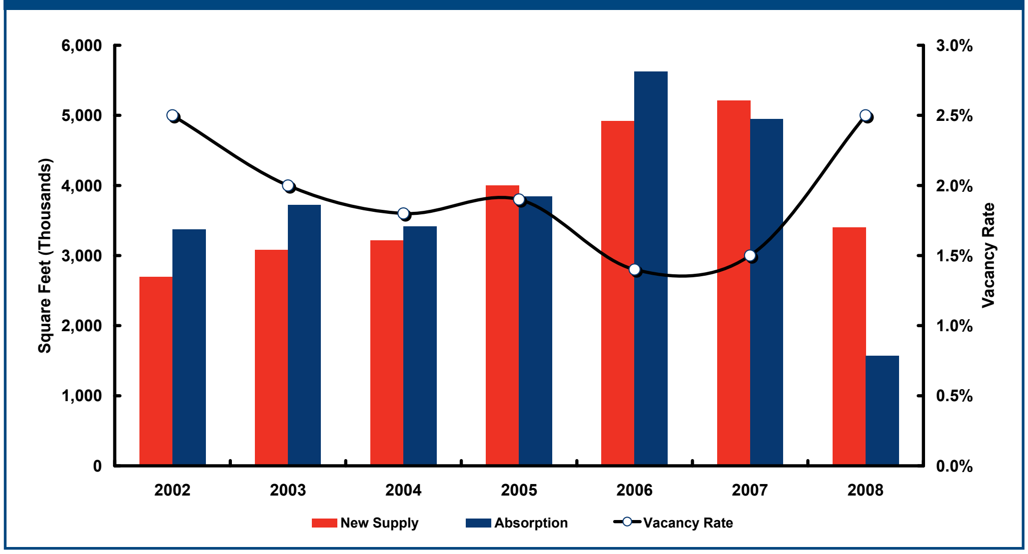
With one of the lowest unemployment rates in Canada, a highly skilled workforce, diversity of job sectors and industries, and an ever increasing supply of immigrant laborers, Metro Vancouver is partially insulated from more severe economic forces affecting other North American markets.

SUBMARKET REVIEW

Vancouver/Burnaby/North Vancouver

Vancouver's vacancy rate increased to 1.5% in the fourth quarter of 2008 from 1.2% in the third quarter. Vacant small bay units of less than 15,000 square feet helped contribute to the increase in the vacancy rate. Two projects scheduled for completion in early 2009 are The Prospero Group's strata project at 650-662 Evans Avenue with units ranging from 2,000 to 3,500 square feet, and The Beedie Group's project at 8410 Fraser Street, with a typical unit size of 4,035 square feet.

METRO VANCOUVER REGIONAL AREA INDUSTRIAL MARKET
New Supply, Absorption & Vacancy Rates



Burnaby's vacancy rate increased to 1.6% in the fourth quarter of 2008, as a result of new projects such as Glenwood 5 and 8165 Glenwood Drive. These projects at 88,000 square feet and 40,000 square feet respectively have yet to secure any tenants. Major expansion is expected in the Big Bend area of South Burnaby, with over 500,000 square feet in the planning stages.

The vacancy rate in North Vancouver decreased from 1.8% in the fourth quarter of 2007 to 1.0% in the fourth quarter of 2008. Limited supply of available land for development has restricted options for prospective purchasers and tenants interested in this submarket. The only development planned is Buildings 5 and 6 of Northwoods Business Park totaling 50,000 square feet.

Richmond/Delta

The vacancy rate in Richmond increased to 1.7% in the fourth quarter of 2008 compared to 1.2% in the third quarter. Chrysler LLC has vacated their 120,000 square foot building on 22031 Fraserwood Way, as the North American automotive industry continues to suffer financially. Effective January 1, 2009, the City of Richmond has implemented a bylaw stating that all new industrial and office buildings over 21,529 square feet must have a "green roof" or a LEED Silver Certification.

The Deltaport Third Berth Project (DP3) is currently under construction with completion scheduled for fall 2009. DP3 will increase capacity of the Port by adding a third berth and 49 acres of container storage facilities. The Port will also benefit from the BC Railway Company, which is expanding its operations to include two more rail lines to gain more access within the Port.

Surrey/Langley/Abbotsford/Chilliwack

Surrey had a vacancy rate of 2.0% in the fourth quarter of 2008, down from 2.5% in the third quarter. More than half of all projects currently under construction in the Metro Vancouver region are in the Fraser Valley. This phenomenon is largely due to the limited supply of industrial land in and around the City of Vancouver compared to supply east of the Fraser River. Investors and companies are taking a cautious approach as there is an over supply of planned developments in this market, with many of these projects having little or no success securing tenants.

Langley's vacancy rate increased from 3.1% in the fourth quarter of 2007 to 6.1% in the fourth quarter of 2008. This is largely due to an abundance of untenanted new supply, which has been added over the past year including over 300,000 square feet in the fourth quarter of 2008. Langley currently has two projects under construction and seven major projects in the planning stages. One of the major projects in the pre-loading stages totaling 168,000 square feet are Lots 701-705 at 48th Avenue and 275th Street, being developed by The Beedie Group.

Sales have been increasing in Abbotsford, mostly due to several companies wanting to position themselves closer to the US Border. Many of these sales have included properties with low site coverage. As more developments are planned in this market, the City of Abbotsford has held discussions in regards to releasing potential industrial sites for exclusion from the agricultural land reserve.

Ritchie Bros. Auctioneers purchased 24 acres of land in Chilliwack at the Cattermole Industrial Estates, at $600,000 per acre. This site will be home to a future auctioneer house, greatly increasing the company's presence in the Fraser Valley. Currently there are no projects under construction or in the planning phase.

Coquitlam/Port Coquitlam/Pitt Meadows/Maple Ridge

Coquitlam's vacancy rate remained steady at 2.1% in the fourth quarter of 2008. The sale of the 26,200 square foot building at 35 Burbidge Street, which sold for $346 per square foot compared to an average of $165 per square foot in Coquitlam, is largely attributed to excess land and cross-docks at this location.

Port Coquitlam had over 73,000 square feet of new supply completed in the fourth quarter, which is nearly 80% of the total new supply delivered in 2008. Brewers Limited's 450,000 square feet build-to-suit is scheduled for completion in early 2009.

Pitt Meadows and Maple Ridge continue to have little activity, as there is only one industrial development under construction. Phase One of Golden Ears Industrial Centre developed by Onni Group of Companies has 120,000 square feet of speculative development with completion scheduled for Spring 2009.

FOURTH QUARTER 2008 NOTABLE SALE TRANSACTIONS

Property Address	Market	Purchaser Profile	Sale Price	Site Size - Acres	Size - Sq. Ft.
1077 Great Northern Way	Vancouver	Owner-User	$9,750,000	2.3	47,700
35 Burbidge Street	Coquitlam	Owner-User	$9,250,000	5.0	26,740
7620-7660 Vantage Way	Delta	Investor	$8,700,000	7.1	73,396
79-91 East Kent Avenue North	Vancouver	Investor	$4,600,000	2.0	41,000
30 2nd Avenue	Abbotsford	Investor	$4,250,000	4.0	45,564
51 Leeder Street	Coquitlam	Investor	$4,100,000	1.9	22,954

	Existing Properties								Absorption		New Supply		Under Construction
Submarket	Total Inventory Sq. Ft	Direct Vacant Sq. Ft.	Direct Vacancy Rate	Sublease Vacant Sq. Ft.	Sublease Vacancy Rate	Total Vacant Sq. Ft.	Vacancy Rate Q4-08	Vacancy Rate Q3-08	Net Absorption Q4-08 Sq. Ft.	Net Absorption YTD Sq. Ft.	New Supply Q4-08 Sq. Ft.	New Supply YTD Sq. Ft.	Under Construction Current Sq. Ft.
Richmond	31,145,582	433,513	1.4%	100,000	0.3%	533,513	1.7%	1.2%	(8,610)	1,032,508	150,885	1,103,971	1,229,795
Burnaby	25,461,387	365,849	1.4%	39,935	0.2%	405,784	1.6%	1.2%	32,283	487,261	128,000	558,050	308,179
Surrey	24,893,964	421,626	1.7%	72,274	0.3%	493,900	2.0%	2.5%	145,170	807,712	27,500	807,680	1,257,634
Vancouver	20,745,490	321,262	1.5%	0	0.0%	321,262	1.5%	1.2%	(73,642)	(62,918)	0	91,220	57,945
Delta	20,051,857	693,311	3.5%	2,272	0.0%	695,583	3.5%	3.9%	92,914	(534,955)	0	18,000	0
Langley	16,534,458	997,996	6.0%	12,000	0.1%	1,009,996	6.1%	5.4%	172,514	(1,441)	301,412	519,412	38,747
Coquitlam	7,592,575	157,895	2.1%	0	0.0%	157,895	2.1%	2.1%	4,939	(84,000)	0	0	0
Port Coquitlam	6,763,140	84,978	1.3%	2,133	0.0%	87,111	1.3%	0.6%	24,839	73,712	73,354	93,354	494,000
North Vancouver	4,636,146	30,492	0.7%	13,633	0.3%	44,125	1.0%	1.1%	26,375	80,313	20,000	40,000	0
Abbotsford	4,691,355	261,862	5.6%	0	0.0%	261,862	5.6%	5.5%	62,925	(31,120)	70,100	169,037	55,000
New Westminster	2,989,400	87,146	2.9%	0	0.0%	87,146	2.9%	2.9%	0	(87,146)	0	0	0
Chilliwack	2,783,118	70,000	2.5%	0	0.0%	70,000	2.5%	1.0%	(42,432)	(25,933)	0	0	0
Maple Ridge/Pitt Meadows	1,810,984	60,977	3.4%	0	0.0%	60,977	3.4%	6.3%	52,585	7,142	0	0	120,000
Port Moody	897,300	83,556	9.3%	5,000	0.6%	88,556	9.9%	9.3%	(5,000)	(88,556)	0	0	0
Total	**170,996,756**	**4,070,463**	**2.4%**	**247,247**	**0.1%**	**4,317,710**	**2.5%**	**2.4%**	**484,860**	**1,572,579**	**771,251**	**3,400,724**	**3,561,300**
QUARTERLY COMPARISON AND TOTALS													
Q3-2008	170,225,505	3,986,463	2.3%	44,856	0.0%	4,031,319	2.4%	2.1%	123,248	1,087,719	648,822	2,629,473	3,826,422
Q2-2008	169,576,683	3,379,887	2.0%	121,958	0.1%	3,505,745	2.1%	1.5%	163,784	964,471	1,169,327	1,980,651	1,606,108
Q1-2008	168,407,356	2,484,923	1.5%	15,279	0.0%	2,500,202	1.5%	1.5%	800,687	800,687	811,324	811,324	2,135,507
Q4-2007	167,596,032	2,458,854	1.5%	30,711	0.0%	2,489,565	1.5%	1.6%	1,967,629	4,949,064	1,853,521	5,212,357	966,309

FOURTH QUARTER 2008 NOTABLE LEASE TRANSACTIONS

Address	Municipality	Size - Sq. Ft.	Tenant
7003 68th Street	Delta	412,000	Home Depot
19488 Telegraph Trail	Richmond	125,000	Tree of Life
9300 Van Horne Way	Richmond	114,045	Paramount Storage BC Ltd.
9200 Van Horne Way	Richmond	95,072	Coast 2000 Terminals Ltd.
20146 100A Avenue	Langley	75,000	A52 Warehouse Inc.
7411 Nelson Road	Richmond	52,500	Brother International Corporation (Canada) Ltd.
695 Derwent Way	Delta	51,391	Joriki Holdings Inc.
1175 Derwent Way	Delta	39,024	Vanguard Bottle

LOOKING FORWARD

There is expectations that more lenders will be back in the market in early 2009 with new lending allocations, which should help alleviate restrictions on current financing. Borrowers will have to lower their expectations as lenders are currently looking for lower ratio financing in the 60% to 65% range, with only well-leased, well-financed projects. Interest rates should remain at current levels for the first three to six months of 2009, as economic concerns will eliminate any upward pressure on rates. With many planned developments, speculation is that developers will hold off on their projects until the markets begin to turn upwards.

It is expected that sale prices will decrease slightly to similar levels as in 2006 and 2007, resulting in a 5% to 10% decrease. With decreasing land and building prices, it is projected in 2009 that lease rates will decline and land values may decrease up to 15% in some areas, leading to more a more balanced market.

AVERAGE LEASE RATES

Region	Submarket	Small Bay	Mid Bay 15,000-40,000 sf.	Bulk Warehouse >40,000 sf.
Vancouver	Grandview Highway	$8.00 - $11.00	$7.25 - $8.50	$7.00 - $7.50
	Clark/Terminal/Powell	$8.00 - $15.50	$9.00 - $12.00	$7.50 - $10.00
	Cambie/Main	$10.00 - $14.00	$9.00 - $13.00	N/A
	South Vancouver	$7.50 - $9.00	$7.00 - $8.00	$7.00 - $7.50
Burnaby	Central Burnaby/Lake City	$6.75 - $9.00	$6.50 - $8.50	$6.25 - $7.50
	Big Bend	$6.75 - $9.00	$6.25 - $8.50	$5.75 - $8.50
	Marine Way	$6.50 - $9.00	$6.25 - $8.00	$5.50 - $8.50
	Beresford	$7.00 - $8.50	$6.00 - $6.75	N/A
Delta	Annacis	$7.75 - $9.25	$7.25 - $8.75	$6.25 - $7.25
	Tilbury	$7.25 - $8.50	$7.00 - $7.75	$6.25 - $7.00
	Nordel	$7.25 - $8.00	$6.75 - $7.50	$6.25 - $7.00
Coquitlam	Pacific Reach	$7.00 - $9.50	$6.50 - $7.75	$6.50 - $7.25
	Mayfair/Cape Horn	$7.00 - $9.50	$6.50 - $7.75	$6.50 - $7.25
Port Coquitlam	Meridian	$6.50 - $8.50	$6.00 - $7.50	$6.00 - $7.00
	Mary Hill	$6.25 - $7.50	$6.00 - $6.50	$5.00 - $6.00
New Westminster	New Westminster	$6.00 - $7.50	$5.75 - $6.50	$5.50 - $6.25
Richmond	Crestwood	$8.25 - $10.00	$7.25 - $9.00	$6.50 - $7.50
	Van Horne/Brighouse	$6.50 - $7.50	$6.25 - $7.00	$6.00 - $6.75
	East Richmond	$8.00 - $10.00	$8.00 - $9.50	$7.50 - $8.50
	Riverside/Steveston	$7.25 - $8.25	$7.00 - $8.00	$6.50 - $7.50
North Vancouver	Capilano/Fullerton	$9.50 - $14.00	$9.00 - $13.00	N/A
	Maplewood	$9.50 - $15.00	$9.00 - $13.00	$9.00 - $12.00
Surrey	Newton	$7.00 - $7.50	$6.50 - $7.00	$6.50 - $7.00
	Cloverdale	$7.00 - $7.50	$6.75 - $7.25	$6.50 - $7.00
	Port Kells	$7.50 - $8.25	$7.00 - $7.50	$6.75 - $7.25
Langley	Northwest Langley/Port Kells	$7.75 - $8.50	$7.25 - $8.00	$6.75 - $7.25
	Gloucester	$7.50 - $8.25	$7.00 - $7.75	$6.50 - $7.00
	City of Langley/Mufford	$6.75 - $7.25	$6.50 - $7.00	$6.50 - $7.00
Maple Ridge	Maple Ridge	$7.25 - $7.75	$6.75 - $7.50	$6.00 - $6.50
Abbotsford	Abbotsford	$7.00 - $8.00	$6.75 - $7.75	$5.50 - $6.25
Chilliwack	Chilliwack	$6.75 - $7.75	$6.75 - $7.75	$5.50 - $6.25

267 OFFICES IN 57 COUNTRIES ON 6 CONTINENTS

USA 95
Canada 17
Latin America 17
Asia Pacific 53
EMEA 85

$63.5 billion in annual transaction volume

672.9 million square feet under management

10,171 Professionals

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