

Rapid Transit Office Index

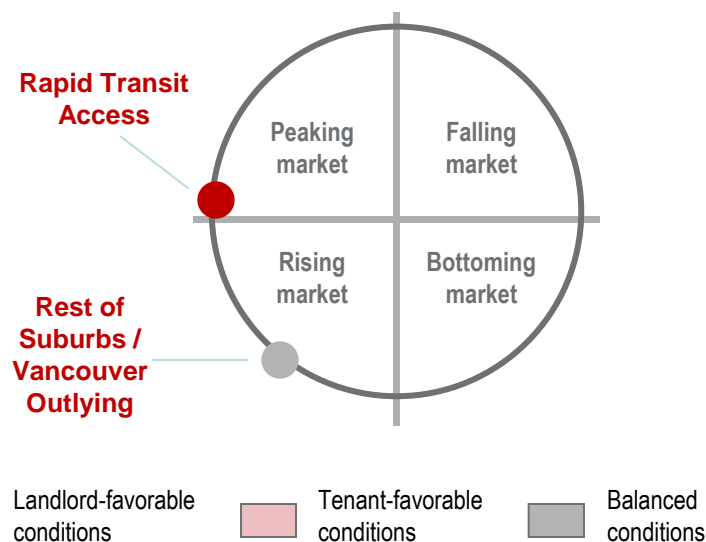
Rapid transit oriented office space is becoming increasingly popular across the Vancouver Outlying and Suburban markets. This geographical preference is particularly evident outside of the Downtown Core and Broadway Corridor. Although these markets are serviced by rapid transit, they also benefit from their central location and convenient access to other nodes of public transportation such as frequent bus service and the SeaBus. Rapid transit access, therefore, is not deemed to be a determining factor for tenants in these two regions.

There are several benefits of having rapid transit as a viable commuting option. Financial incentives include the ability for employees to save money on costs associated with driving to and from work, as well as the option of residing in a more affordable suburban neighborhood. The convenience of having a reliable transportation schedule that isn't affected by traffic patterns is also appealing. Increased rapid transit usage has positive environmental implications as well, directly correlating to fewer cars making daily commutes. Tenants that have gravitated towards rapid transit stations range from international companies that are new to the Vancouver market to local businesses looking to relocate.

The Rapid Transit Office Index is the result of an in-depth study on trends in vacancy rates and occupancy costs for all Suburban and Vancouver Outlying buildings within 0.5 kilometers of a SkyTrain or Canada Line station. The results indicate an obvious preference to these buildings in comparison to the rest of the market. **Direct vacancy of office space with rapid transit access is well below half the rate of the rest of the market.** The total vacancy rate for buildings with immediate rapid transit access is also significantly lower than those that don't benefit from this convenience, despite Telus' 160,656 square foot sublease at 1795 Willingdon Avenue in Burnaby. If this sublease is disregarded, the Index's sublease vacancy rate falls to 1.2% and the adjusted total vacancy, at 6%, is also less than half of the rest of the market.

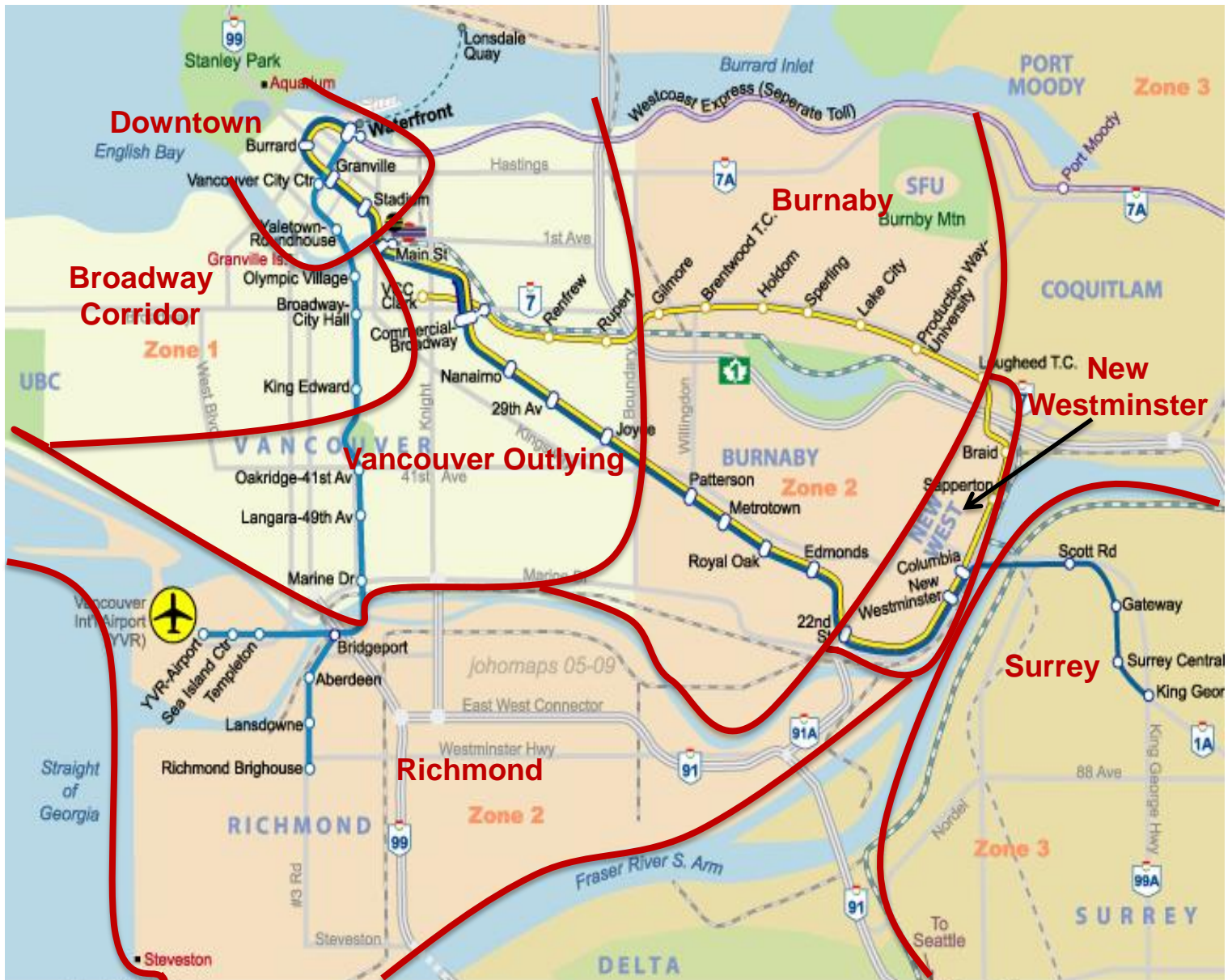
| Suburban & Vancouver Outlying Buildings with Rapid Transit Access - Current Perspective | | 12 Month Outlook |
|---|--------------|------------------|
| Inventory | 5,686,773 SF | ↑ |
| Direct Vacancy | 4.8% | ↓ |
| Sublease Vacancy | 4.1% | ↓ |
| Total Vacancy | 8.9% | ↓ |
| Avg. Asking Rent | \$18.63 | ↑ |
| Avg. Additional Rent | \$11.14 | → |

| Suburban & Outlying Vancouver Buildings more than 0.5 km from Rapid Transit- Current Perspective | | 12 Month Outlook |
|--|---------------|------------------|
| Inventory | 14,275,083 SF | ↑ |
| Direct Vacancy | 12.3% | ↘ |
| Sublease Vacancy | 1.8% | → |
| Total Vacancy | 14.1% | ↘ |
| Avg. Asking Rent | \$17.26 | ↗ |
| Avg. Additional Rent | \$10.70 | → |



The Suburban and Vancouver Outlying Markets

The implications of rapid transit proximity are evident across the Suburban and Vancouver Outlying office markets. The direct vacancy rate for buildings within 0.5 km of a rapid transit station is 4.8% compared to the 12.3% direct vacancy rate of the rest of the market, and the average asking net rental rate is approximately 8% higher. The fact that vacancy rates are continuing to decrease despite rising occupancy costs suggests that tenants are willing to pay a premium for daily access to the SkyTrain or Canada Line. Furthermore, the direct vacancy rate of office space located just outside the Index's radius, 0.5 km – 1 km from a light rail station, is 315% higher than the Index itself at 15.1% and the average net asking rates are 12.9% lower. This major discrepancy over a relatively short distance illustrates the value that tenants place on immediate access to rapid transit.



- Translink Network**
- Skytrain Expo Line
 - Skytrain Millennium Line
 - Canada Line
 - West Coast Express (Commuter trains only)

Intercity Rail Station (Pacific Central Stn)

Intercity Bus Station (Pacific Central Stn)

Passenger Rail

Ferry (SeaBus)

Abbreviations

- Joyce..... Joyce Collingwood
- Main St..... Main St Science World
- New West..... New Westminister
- Production Way.. Production Way University
- Sperling..... Sperling Burnaby Lake
- Stadium..... Stadium Chinatown
- VCC Vancouver Community College
- T.C..... Town Centre

Vancouver Outlying



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Real value in a changing world

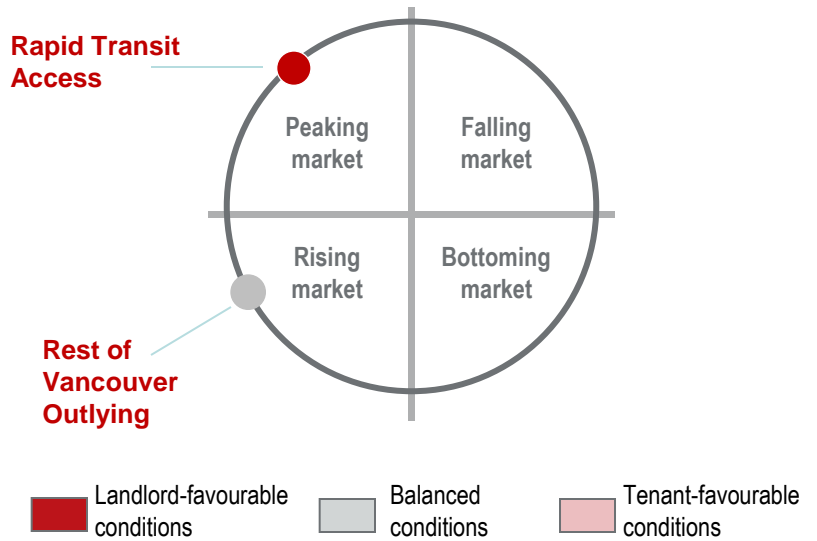
The Vancouver Outlying region is becoming an attractive option for tenants. It's proximity to the CBD and more affordable occupancy costs make it a popular alternative to the Downtown Core and Broadway Corridor. The submarket is serviced by the SkyTrain to the east and the Canada Line to the south. The direct vacancy rate within 0.5 km of these stations is 3.4%, less than a third of the vacant space in the buildings without rapid transit access.

Vacancy rates across Vancouver Outlying have decreased from 11.5% during mid-2010 to the current rate of 6.8%, despite a 9% increase in 'C' class vacancy. This increase in 'C' class availability is a reflection of companies gravitating towards rapid transit stations because there are no 'C' class buildings in this submarket that qualified for the Index. During the same time period, 'A' class vacancy has fallen from 9.5% to 2.9%. Of the 1,265,002 square feet of 'A' class office space with rapid transit access, only 2.3% is currently vacant. This is due in large part to the occupancy of the buildings near Renfrew Station, consisting of the Broadway Tech Centre and Phase I of the Renfrew Business Centre, where only 1.2% of the 607,712 square feet is currently vacant. Phase II of the Renfrew Business Centre will add another 161,500 square feet to the market in late 2014 and Broadway Tech Centre 4 is scheduled for completion in Q1 2012 and will contribute an additional 172,000 square feet to the development. HSBC has already identified the building as an ideal location and leased the entire space. The occupation of all 115,976 square feet of 'A' class space in Oakridge Centre is another contributing factor to the low vacancy rates in this region.

Prospective tenants should be prepared to pay a premium for rapid transit access in Vancouver Outlying, as the average net asking rent is 55% higher than the average for the rest of the region's buildings. 'A' class rates in some buildings, such as Broadway Tech Centre, are comparable to average Downtown occupancy costs as tenants can expect to pay gross rent in the \$40 range. Broadway Tech Centre is commuter-friendly for reasons other than its proximity to Renfrew Station; the buildings are also adjacent to the Central Valley Greenway, a bikeway connecting New Westminster and Vancouver, and has a B-Line transit stop. The development also has desirable amenities such as a fitness centre and outdoor athletic courts.

| Vancouver Outlying Buildings with Rapid Transit Access - Current Perspective | | 12 Month Outlook |
|--|--------------|------------------|
| Inventory | 1,633,380 SF | ↑ |
| Direct Vacancy | 3.4% | ↓ |
| Sublease Vacancy | 0.9% | ↘ |
| Total Vacancy | 4.3% | ↓ |
| Avg. Asking Rent | \$21.79 | ↑ |
| Avg. Additional Rent | \$11.97 | → |

| Vancouver Outlying Buildings more than 0.5 km from Rapid Transit- Current Perspective | | 12 Month Outlook |
|---|------------|------------------|
| Inventory | 662,726 SF | ↑ |
| Direct Vacancy | 10.6% | ↓ |
| Sublease Vacancy | 0.8% | → |
| Total Vacancy | 11.4% | ↓ |
| Avg. Asking Rent | \$14.02 | ↗ |
| Avg. Additional Rent | \$12.37 | → |



Burnaby



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Real value in a changing world

During the past four quarters the Burnaby submarket has outperformed all other Suburban regions in absorption, with direct vacancy declining from 10.1% to the current rate of 7.3%. The high absorption rate throughout the suburb has resulted in a narrow discrepancy between vacancy and rental rates of the buildings with SkyTrain access and those located outside of the Index's 0.5 km radius. The direct vacancy rate of the Index is, however, still slightly lower than the rest of the market.

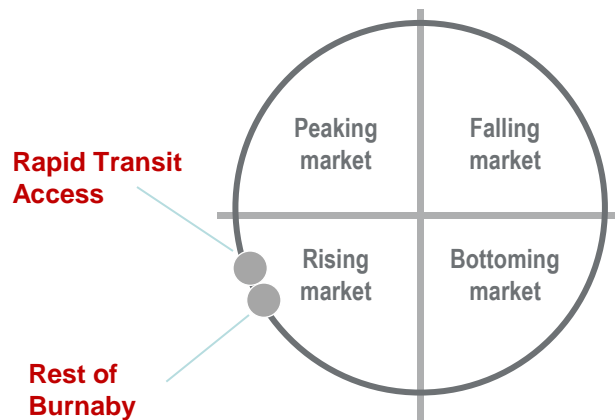
The high sublease vacancy rate of buildings in the Index significantly impacts the overall vacancy rate. The majority of this available sublease space can be attributed to Telus' premises at 1795 Willingdon Avenue, a building in which they're the sole tenant and are attempting to dispose of the entire 160,656 square feet. Apart from this listing, only 1.7% of Burnaby's supply that falls within the index is currently available for sublease.

Furthermore, the overall vacancy rate for Burnaby office space with rapid transit access would decline to 8.4%. Occupancy costs for buildings near SkyTrain stations and the rest of Burnaby are also very comparable, with gross rent of the former costing a 1.8% premium.

Although the overall strength of the region seemingly mitigates the effect of rapid transit orientation in comparison to other submarkets in the study, office space located near certain SkyTrain stations is outperforming the market. Buildings within reasonable walking distance of the Sperling and Patterson Stations are fully occupied and office space surrounding Gilmore and Metrotown Stations, a combined 1,282,861 square feet, is only 3.3% vacant. On the other end of the spectrum, office space in close proximity to the Production Way/University and Brentwood Stations has direct vacancy rates of 17.4% and 15.2%, respectively, and Telus' sublease also falls within the range of Brentwood station. Interestingly, the Index's direct vacancy rate of 6.7% is currently outperforming that of the buildings located 0.5 km – 1 km from the SkyTrain by 5.3%, supporting the suggestion that tenants prefer to be in the immediate vicinity of rapid transit.

| Burnaby Buildings with Rapid Transit Access - Current Perspective | | 12 Month Outlook |
|---|--------------|------------------|
| Inventory | 2,323,833 SF | → |
| Direct Vacancy | 6.7% | ↓ |
| Sublease Vacancy | 8.6% | ↓ |
| Total Vacancy | 15.3% | ↓ |
| Avg. Asking Rent | \$19.57 | ↑ |
| Avg. Additional Rent | \$11.54 | → |

| Burnaby Buildings more than 0.5 km from Rapid Transit - Current Perspective | | 12 Month Outlook |
|---|--------------|------------------|
| Inventory | 7,016,589 SF | → |
| Direct Vacancy | 7% | ↓ |
| Sublease Vacancy | 0.6% | → |
| Total Vacancy | 7.6% | ↓ |
| Avg. Asking Rent | \$18.58 | ↗ |
| Avg. Additional Rent | \$11.99 | → |



Landlord-favourable conditions
 Balanced conditions
 Tenant-favourable conditions





Real value in a changing world

There appears to be no other region in Greater Vancouver where tenants deem rapid transit access as important. Surrey's vacancy rate for office space without rapid transit access is 25%, yet buildings near the SkyTrain are a hot commodity with a direct vacancy rate of just 0.4%. Central City, located at 13450 102 Avenue, is an important factor in the low vacancy rate because its 572,778 square feet of office space is fully occupied.

Gross occupancy costs for buildings with access to the SkyTrain are 33.3% (\$8.50) higher than the rest of the Surrey market. The combination of high occupancy costs and limited vacancy in buildings with rapid transit access allows these landlords to negotiate aggressively by seeking high net rental rates and offering modest inducement packages.

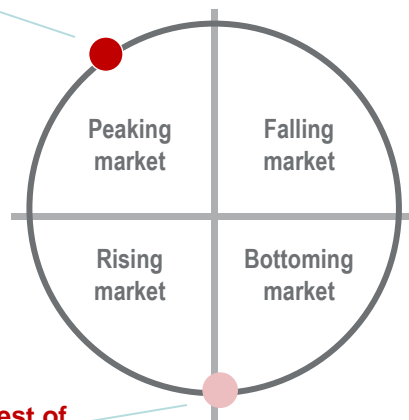
The fact that the average occupancy costs of Surrey's buildings in the Index are higher than all other regions in the study is primarily a result of higher rates in two buildings: Central City and Station Tower at 13401 108 Avenue. Tenants in these buildings can expect to pay in the \$40 range, proving that they value the option of taking rapid transit to and from work and will pay a premium for the luxury regardless of the location within the GVA.

Vacancy rates and occupancy costs across the entire Surrey submarket have remained steady over the past year. 'A' and 'B' class buildings have experienced a rise in vacancy rates during that span but there has been a minimal change in circumstances regarding buildings along the SkyTrain. Since the rest of the Surrey market clearly hasn't benefited from the competition for – and subsequent lack of – space along the SkyTrain, the disparity between vacancy rates of the two groups of buildings suggests that tenants are more interested in SkyTrain access than the suburb itself. Tenants can be expected to show interest in alternative submarkets along the SkyTrain, such as Burnaby and New Westminster, before they begin to occupy Surrey office space that lacks access to rapid transit.

| Surrey Buildings with Rapid Transit Access - Current Perspective | | 12 Month Outlook |
|--|--------------|------------------|
| Inventory | 858,309 s.f. | ➔ |
| Direct Vacancy | 0.4% | ➔ |
| Sublease Vacancy | 2.0% | ⬇ |
| Total Vacancy | 2.4% | ⬇ |
| Avg. Asking Rent | \$22.13 | ⬆ |
| Avg. Additional Rent | \$11.90 | ➔ |

| Surrey Buildings more than 0.5 km from Rapid Transit- Current Perspective | | 12 Month Outlook |
|---|--------------|------------------|
| Inventory | 1,835,734 SF | ⬆ |
| Direct Vacancy | 25% | ↗ |
| Sublease Vacancy | 0% | ↗ |
| Total Vacancy | 25% | ↗ |
| Avg. Asking Rent | \$17.01 | ➔ |
| Avg. Additional Rent | \$8.52 | ➔ |

Rapid Transit Access



Rest of Surrey

Landlord-favourable conditions
 Balanced conditions
 Tenant-favourable conditions



New Westminster



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Real value in a changing world

The New Westminster market dynamics are heavily influenced by the region's SkyTrain stations. The direct vacancy rate of buildings in the Index is much less than half the rate of the rest of New Westminster's office space. There is an even greater discrepancy in overall vacancy rates between the two groups. Due to the fact that there are no sublease listings for buildings in the Index, the subject properties have less than a third of the total vacant space of those without access to rapid transit. Tenants that have secured rapid transit oriented office space are reluctant to dispose of it prematurely.

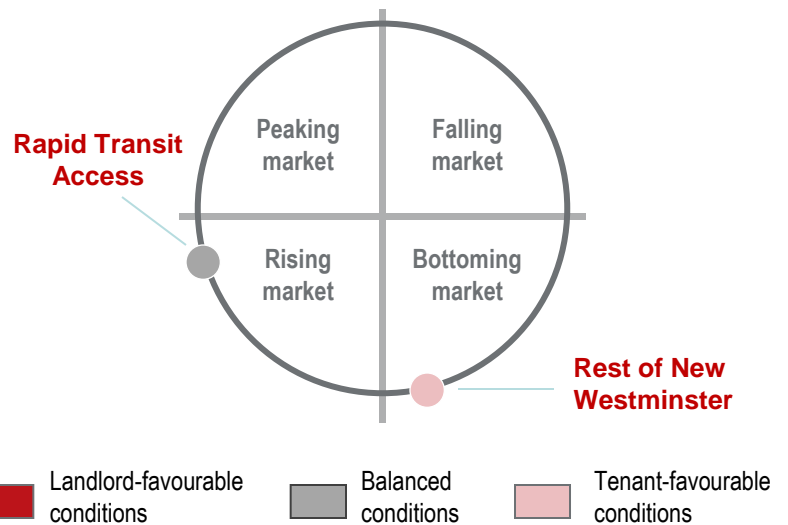
Both net and gross rents are notably higher in buildings that don't qualify for the Index. The 35.2% premium for gross rent away from the SkyTrain can be attributed to the fact that only one of the region's 'A' class buildings is located near rapid transit, while six 'C' class buildings are included in the Index. The rental rate discrepancy is therefore more reflective of building class than location. Gross rent for 'C' class buildings throughout New Westminster is 43% lower than 'A' class gross rent and, thus, goes a long way in explaining this shortfall.

The preference to be near the SkyTrain is further substantiated by examining vacancy rates according to building class. 'B' class vacancy for the Index is 10.3% compared to the 32.1% vacancy rate of the remaining 'B' class space. The lone 'A' Class building in the Index is fully occupied while the rest of New Westminster's 'A' class space is 21% vacant.

The New Westminster market is about to change due to an influx of new 'A' class office space. Three buildings, including the new Translink headquarters, are scheduled to be ready for occupancy in 2013 and will more than double the region's existing 'A' class inventory upon completion. These developments, which are adjacent to the New Westminster and Sapperton SkyTrain Stations, will drastically alter both the Index and the entire market's office leasing landscape.

| New Westminster Buildings with Rapid Transit Access - Current Perspective | | 12 Month Outlook |
|---|------------|------------------|
| Inventory | 503,357 SF | ➡ |
| Direct Vacancy | 7.4% | ⬇ |
| Sublease Vacancy | 0 % | ↗ |
| Total Vacancy | 7.4% | ⬇ |
| Avg. Asking Rent | \$14.31 | ↗ |
| Avg. Additional Rent | \$8.48 | ➡ |

| New Westminster Buildings more than 0.5 km from Rapid Transit - Current Perspective | | 12 Month Outlook |
|---|------------|------------------|
| Inventory | 454,996 SF | ➡ |
| Direct Vacancy | 17% | ↗ |
| Sublease Vacancy | 8.7% | ↗ |
| Total Vacancy | 25.7% | ↗ |
| Avg. Asking Rent | \$17.17 | ➡ |
| Avg. Additional Rent | \$13.64 | ➡ |



Richmond



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Real value in a changing world

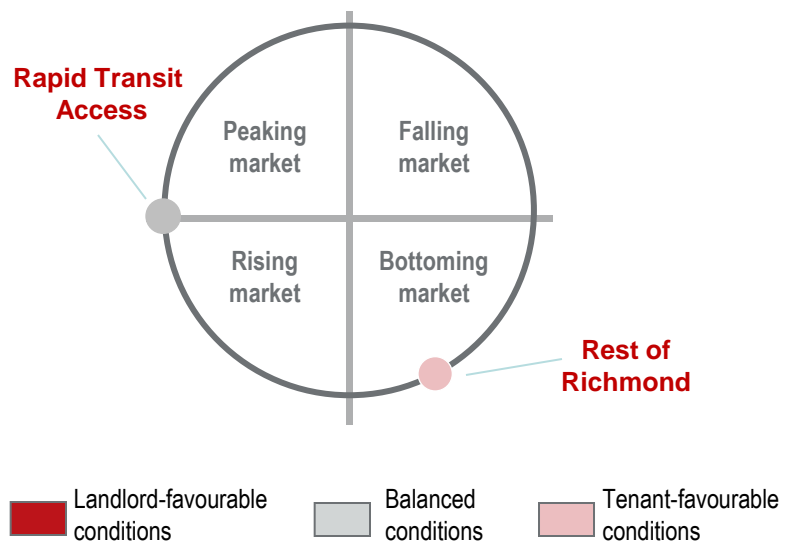
The Richmond submarket as a whole has the most tenant-favourable conditions of all the regions in the Index. Unlike the other submarkets, Richmond has experienced a slight increase in its vacancy rate so far in 2011. One explanation for this trend is the fact that only 7.8% of the total inventory is located within 0.5 km of the region's Canada Line stations. Tenants in search of rapid transit access, therefore, have more options in other markets.

There is significantly more competition for space in buildings near the Canada Line in comparison to the rest of the Richmond market. The direct vacancy rate of the Index is well below half of the vacancy rate of the rest of the region and, since there are no sublease listings with immediate rapid transit access, the Index's total vacancy rate is less than a third of the overall vacancy rate of Richmond's remaining office space. The lack of available sublease space further supports the statement that companies are reluctant to dispose of space near a rapid transit station.

While the average asking gross rent for buildings with Canada Line access has a 13.1% premium, this is mostly reflective of higher additional rent costs. The average asking net rental rates are only slightly higher for buildings in the Index, despite the significantly lower vacancy rate and the lack of available subleases. 95% of Richmond's 'A' class office space, however, is located outside of the scope of this study. This distribution of 'A' class office space accounts for the lack of a discrepancy in average net asking rent. The large proportion of high quality space without rapid transit access is primarily due to the location of 'A' class business parks away from light rail transit. The lack of increased asking rates around the Canada Line, therefore, can be attributed to the quality of the buildings in the Index. The fact that asking net rates in the Index are still higher, albeit slightly, supports the theory that access to light rail transit is sought after and demands a premium. It appears that tenants are willing to sacrifice quality and will pay comparable rents for lower class office space in exchange for access to rapid transit.

| Richmond Buildings with Rapid Transit Access - Current Perspective | | 12 Month Outlook |
|--|----------------|------------------|
| Inventory | 367,894 SF | → |
| Direct Vacancy | 5.8% | ↘ |
| Sublease Vacancy | 0% | → |
| Total Vacancy | 5.8% | ↘ |
| Avg. Asking Rent | \$14.58 p.s.f. | ↑ |
| Avg. Additional Rent | \$11.25 p.s.f. | → |

| Richmond Buildings more than 0.5 km from Rapid Transit - Current Perspective | | 12 Month Outlook |
|--|--------------|------------------|
| Inventory | 4,305,038 SF | → |
| Direct Vacancy | 15.4% | ↗ |
| Sublease Vacancy | 3.4% | ↗ |
| Total Vacancy | 18.8% | ↗ |
| Avg. Asking Rent | \$14.20 | → |
| Avg. Additional Rent | \$8.64 | → |





Real value in a changing world

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