

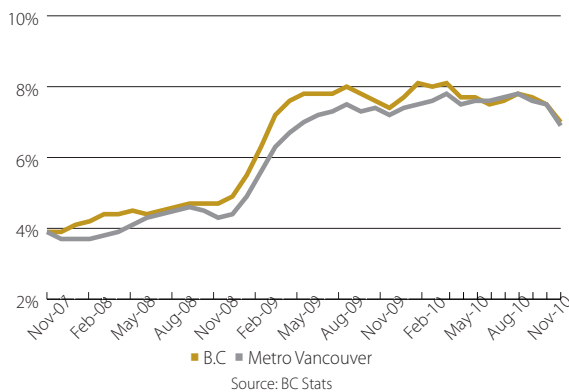
ECONOMIC UPDATE

DECEMBER 2010

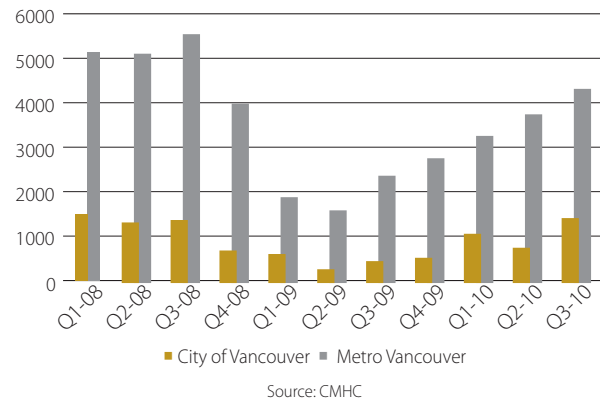
OVERALL

- Vancouver economy is back on track and most sectors have returned to growth, with strength expected to continue into 2011
- Unemployment below 7% in November, well below the Canadian average though highest among major cities in Western Canada
- Construction activity is up, and excitement about the city is building with several major commercial development proposals
- Particularly strong growth in transportation, resources, film
- HST has made Vancouver relatively competitive and provides incentive for firms to invest
- Creative and high tech sector activity steady and local industry continues to build profile
- Commercial credit expanding, firms planning for future growth and IPOs
- Arts one of few areas of concern with continued impact of cuts

Unemployment Rate

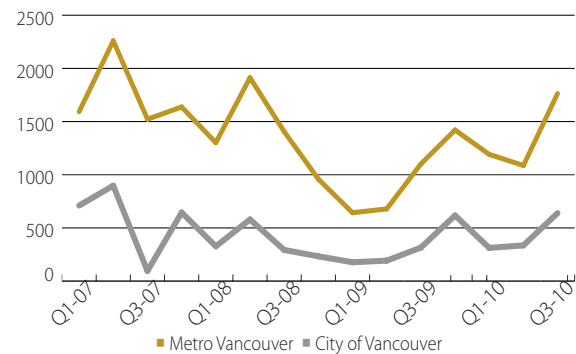


Housing Starts



Building Permit Values

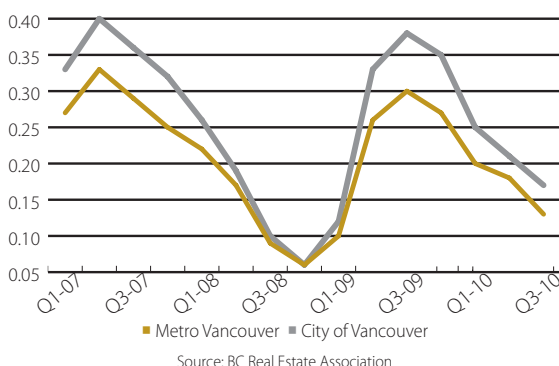
(Millions \$)



HOUSING AND CONSTRUCTION

- Metro construction employment up to 96,400 as activity grows across the region
- TELUS and Pattison proposals have created excitement about return of major commercial development in the city; large office proposals and company relocations once geared towards suburbs increasingly targeting downtown
- Small and mid-sized projects have returned in force, while some major projects are proceeding more cautiously; less concern about slowdown despite expiry of stimulus funding in early 2011

Sales-to-Active Listings Ratio, All Sales



FREIGHT/CARGO

- Port volumes have recovered, with double-digit percentage increases nearly across the commodities board
- Potash, grain, autos all up strongly; record-high levels for coal shipments

Metro Vancouver

TEU	Cargo in Tonnes	% Change y/y
Total - 2008	2,492,107	-0.1%
Total - 2009	2,155,287	-13.5%
Q1 - 2010	524,778	6.2%
Q2 - 2010	639,180	16.2%
Q3 - 2010	690,264	22.6%

Source: Port Metro Vancouver

TOURISM

- Olympic boost helped push tourism up 3.5% through 2010 YTD over 2009, despite flat numbers of US visitors (a segment that declined in most other markets)
- Chinese market up considerably (20%), and expected to continue growing with new ease of travel; overall Asian numbers up more than 15%, helped by strong growth in Japan and Korea segments
- European market struggling as air tariffs in Germany and UK hurting travel from those countries

Total Passengers at Vancouver Airport

YVR Passengers		% Change y/y
Total-2008	17,852,459	2.0%
Total-2009	16,172,780	-9.4%
Q1 - 2010	3,904,302	1.5%
Q2 - 2010	4,225,329	6.0%
Q3 - 2010	4,787,526	2.4%

Source: YVR International Airport

Quarterly Overnight Visitors

Overnight Visitors		% Change y/y
Total - 2008	8,629,103	-3.2%
Total - 2009	8,110,823	-6.0%
Q1 - 2010	1,582,020	7.8%
Q2 - 2010	2,074,207	2.7%
Q3 - 2010	3,007,802	1.7%

Source: Tourism Vancouver

RESOURCES

- In Vancouver Sun's list of fastest-growing BC companies for 2010, nearly half were mining firms headquartered in downtown Vancouver,
- Mining sector remains growth leader; all segments strong despite some concern about recent Prosperity mine decision's impact on future BC mine projects
- Demand from China driving recovery in forestry, approaching 20% of softwood lumber exports compared to less than 1% in 2005

HIGH TECH

- Tech sector performing well, with significant venture capital numbers
- Shortage of talent has returned as a concern, though Province of BC's initiative on Temporary Foreign Worker program provides boost
- Key projects bringing profile for local sector: Wavefront AC's Centre of Excellence designation, TELUS' launch of major wireless health pilot, release of TRON
- Venture capital activity has rebounded in 2010 after slow 2009; clean tech and Life Sciences particular area of focus

Venture Capital Activity

Dollars invested in Vancouver (\$M)		% of Cdn. Cities total
Total - 2008	233	17%
Total - 2009	137.5	12%
Q1 - 2010	33.1	14%
Q2 - 2010	90.5	27%
Q3 - 2010	47	18%

Source: Thomson Financial

FILM

- 2010 an excellent year for film, nearly double 2009 production numbers
- After impacts from Olympics causing activity to move elsewhere in early 2010, HST has provided competitive boost
- 2010 especially strong for features (11) and series (12), with interest continuing into 2011

ARTS & CULTURE

- 2010 remains tough for much of the arts community: large organizations such as the symphony and Arts Club had better years, while smaller companies were more conservative in their 2010 ventures in order to survive
- Cultural Capital of Canada designation for 2011 is expected to provide boost, along with Vancouver 125th anniversary celebrations
- Many artists turning to other ventures to finance work, looking to upgrade business skills and other capacity-building efforts

OFFICE & INDUSTRIAL MARKET

- Downtown office market tight, with average gross rates above \$40/ sq. ft.; tenants are faced with a lack of space and record-high prices
- Office availability low in downtown Vancouver (3.7%), especially tight in terms of larger floor plates (15,000+s.f.)
- Availability declining region-wide (9%), though some suburbs continue to experience widespread vacancy
- Some office projects returning in mixed-use zones where activity had predominantly been residential
- Few reported openings/closures in recent months, though companies are reporting hiring activity as economy returning to stable growth
- Vancouver industrial land values and vacancies remain steady (3.7% in Q3-2010), just below regional average (4.1%)

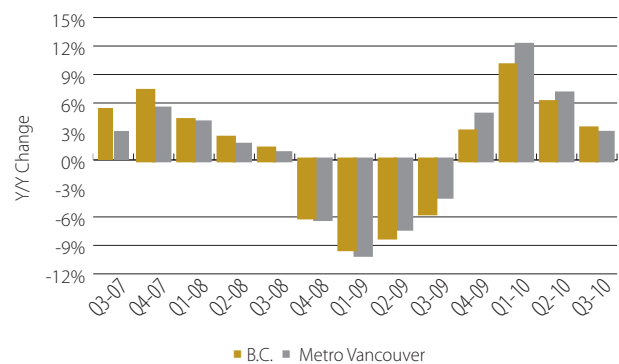
OTHER KEY SECTORS

- Architects' activity is steady, with commercial projects returning alongside ongoing residential market growth
- International education sector remains strong, with continued high numbers of Saudi students (scholarships), and low numbers of Mexicans (visa issues)
- Metro Vancouver incorporations on pace for highest year on record

NEIGHBORHOODS

- After a slow 2010, a busy Christmas season city-wide is building optimism for a stronger 2011
- Big variation among neighborhoods; some East Vancouver neighborhoods have yet to recover from the Olympic slowdown
- Restaurants are busier in downtown and nearby neighborhoods, where there is a renewed buoyancy with corporate events and spending
- Many higher-end retailers adjusted to new climate with offerings at lower price points that are bringing more customers back to those shops

Retail Sales



Source: BC Stats

COMINGS & GOINGS

New Companies/Expansions in Vancouver Q3-2010

(approximate # of employees)

- Microsoft: moved office from Richmond to Yaletown (150-200)