Critical Port Property Management Issues

AAPA Port Property Management & Pricing Seminar

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June 26, 2008
Presentation Overview

- Port Amalgamation
- Overview of Port Metro Vancouver
- Current Property Issues
Vancouver Gateway
Port Amalgamation

Vancouver Port Authority

Fraser River Port Authority

North Fraser Port Authority
Port Amalgamation

• Port amalgamation has been discussed for years
• Potential opportunities to capitalize on the opportunities of Asia-Pacific trade was a major catalyst
• June 6, 2006 the 3 Ports agreed with the Federal Government to look into integration
• Throughout 2007 working teams established amalgamation plans
• Amalgamation took effect January 1, 2008
Benefits of Amalgamation

• Improved land use planning and co-ordination
• More effective Marketing
• Improved Operational Efficiencies
• Enhanced Financial Resources
• Possible Overhead Reductions
• Greater Influence
• Increased Human Resource Opportunities and Expertise
• Streamlined User Interface
Port Jurisdiction

• Jurisdiction includes 600 km of waterfront and 2,500 acres of land

• Borders 16 separate municipalities
Governance

- It is a non-shareholder, for-profit corporation, established by the Government of Canada
- Accountable to the Federal Minister of Transportation through the Canada Marine Act
- Governed by a diverse 11-member board of directors representing government and industry
Governance

- Port is governed by detailed “Letters Patent”
- Board can to approve spending up to $510 million and leases up to 60 years
- Board is able to make independent and timely decisions on business plans and capital spending, clearly focused on the operational needs of port users, and guided by a vision for long-term growth and competitiveness
Cargo

- Largest Port in Canada.
- Largest Port in North America in Total Foreign Exports
- 127 million tonnes of cargo in 2007
- Trade with more than 120 economies
- 30 major marine terminals
Total Tonnage 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Tonnage (millions of metrics tonnes)</th>
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<tbody>
<tr>
<td>2003</td>
<td>117.73</td>
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<tr>
<td>2004</td>
<td>127.93</td>
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<td>2005</td>
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<tr>
<td>2006</td>
<td>128.90</td>
</tr>
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<td>2007</td>
<td>127.85</td>
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Major Trading Economies
Imports 2007

- China: 5.8
- U.S.: 1.7
- S. Korea: 0.9
- Japan: 0.6
- Hong Kong: 0.5
- Taiwan: 0.4
- Thailand: 0.4
- Mexico: 0.4
- Malaysia: 0.2
- Indonesia: 0.2

Thousands metric tonnes
Tonnage by Sector 2007

- Bulk: 74.6 million metric tonnes
- Breakbulk: 31.8 million metric tonnes
- Container: 2.5 million metric tonnes
- Autos: 0.5 million metric tonnes
Bulk 2007

- Coal: 24.8 millions metric tonnes
- Chemicals & Petroleum: 11.3
- Woodchips: 6.4
- Potash: 3.4
- Grain: 11.5
- Sulphur: 5.3
- Other: 11.1
Breakbulk 2007

- Iron, Steel & Alloys: 1.6 million metric tonnes
- Lumber: 1.1 million metric tonnes
- Woodpulp: 1.5 million metric tonnes
- Paper: 1.0 million metric tonnes
- Logs: 14.7 million metric tonnes

portmetrovancouver.com
Autos 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Thousands</th>
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<tbody>
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<td>2000</td>
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<tr>
<td>2001</td>
<td>372</td>
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<tr>
<td>2002</td>
<td>438</td>
</tr>
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<td>465</td>
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<tr>
<td>2007</td>
<td>493</td>
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Cruise 2007

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2000</td>
<td>1,054</td>
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<tr>
<td>2006</td>
<td>838</td>
</tr>
<tr>
<td>2007</td>
<td>961</td>
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Containers 2007

<table>
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<th>Year</th>
<th>TEUs</th>
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<tr>
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<tr>
<td>2001</td>
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<td>2002</td>
<td>1.16</td>
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<td>2003</td>
<td>1.79</td>
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<td>2004</td>
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<td>2006</td>
<td>2.30</td>
</tr>
<tr>
<td>2007</td>
<td>2.50</td>
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Container Terminals

- Fraser Surrey Docks
- Centerm
- Vanterm
- Deltaport
Roberts Bank Developments
Containerized Traffic – B.C. Forecast
Critical Property Issues

- Lack of land to grow port operations
- Need for off-dock logistics facilities
- De-industrialization of the waterfront
- Tightening of the industrial land supply in the region
- Increasing industrial land values
- The effect of industrial land values on port land leases
Need for Port Terminal Lands

• Studies indicate facilities will be needed for container, liquid bulk and autos
• Liquid bulk can be accommodated within existing terminal footprints
• Potential for auto terminal on Fraser River
• Container capacity being addressed:
  ▪ capacity increases at existing Inner Harbour terminals without need for additional land
  ▪ Deltaport Expansion
  ▪ Terminal 2 at Roberts Bank
  ▪ Potential conversion of a break bulk terminal
Off Dock Logistics Facilities

- Import distribution
- Export transloading
- Empty container storage
- Trucking
Need for Logistics Facilities

• Major competitive factor for choosing container gateway
• Serve as major economic development opportunities for gateway regions
• Vancouver’s major competitors - Seattle & Tacoma - both exploiting opportunities
Ideal Logistics Parks

- A location with access to excellent road access to container facilities
- Rail access is also important
- Water access would be ideal Short Sea Shipping opportunities
- Lands should have “logistics-friendly” zoning - for low floor ratios, large outside storage areas, container stacking
De-Industrialization of the Waterfront

- Waterfront lands in Metro Vancouver are not protected for marine industry
- Many areas have been redeveloped close to the city centre
- Latest threat are large industrial areas on the Fraser River once used for forest products
- Conflicts between Port and local development interests
- Port ownership protects waterfront lands for future generations
Land Availability

• A 2006 study found that only 14% of Metro Vancouver’s industrial land is vacant
• Just over 500 acres is suitable for Logistics Parks
• Geographical constraints and agricultural lands limited the amount of additional lands can be added to the industrial inventory
Vancouver Real Estate Market

<table>
<thead>
<tr>
<th>City</th>
<th>Vacancy Rate</th>
<th>Ind. Sales psf</th>
<th>Warehouse Rents psf</th>
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<tbody>
<tr>
<td>Vancouver</td>
<td>1.50%</td>
<td>$130.00</td>
<td>$8.00</td>
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<tr>
<td>Canada</td>
<td>4.80%</td>
<td>$104.97</td>
<td>$7.53</td>
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<tr>
<td>Seattle</td>
<td>6.30%</td>
<td>$127.60</td>
<td>$6.88</td>
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<tr>
<td>US</td>
<td>7.92%</td>
<td>$78.94</td>
<td>$5.62</td>
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Impact of Increasing Land Values

• Port is aggressively pursuing land acquisitions - money doesn’t go as far
• Justifications for land banking are becoming harder
• Increased land values are putting upward pressure on land leases - this is difficult for some of our tenants - but you don’t want to lag too far behind the market
Thank you