




Millennium Skytrain Line


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Small businesses drive most industrial sales and leasing transactions

Burnaby's industrial real estate sales and leasing activity is on the rise as increasingly confident owner-users and investors – and more capital – return to the marketplace.

Due to low supply, few sales transactions were completed in the first quarter of 2010, but property tours have picked up and prospective buyers are making more offers than they were 12 to 18 months ago. Meanwhile, favourable rental rates and an increase in sublease space are spurring more lease deals.

Small businesses, eager for space ranging from 10,000 to 30,000 square feet (sf), are driving sales transactions and lease agreements.

Traditionally, following a downturn, smaller industrial owner-users re-enter the marketplace first and then larger companies return. The size of the companies and transactions gradually increase over time. Nevertheless, Burnaby's industrial market has remained relatively strong due to its proximity to Port Metro Vancouver and other rail and highway routes.

Properties with high ceilings,

Notable Burnaby Industrial Lease Deals

Tenant	Address	Square Feet
Core-Mark International	7800 Riverfront Gate	70,552
Canada Post Corporation	3181 Thunderbird Crescent	30,021
Surefit	7979 Enterprise Street	18,508
Midway Excel Tire Centre	2849 Norland Avenue	7,000
NSK Canada Inc.	3353 Wayburne Drive	7,000

good visibility and exposure, and easy access to arterial routes are in high demand. Sale and lease product vacancy has increased to 3%, a level slightly skewed by older properties needing renovation or redevelopment, from 2.6% in the fall of 2009. However, Burnaby's vacancy rate remains approximately two percentage points below the Metro Vancouver average of 4.7%.

Landlords, well educated on market conditions, are more open to the needs of the marketplace and offering inducements to attract new tenancies or retain existing ones. To offset relocation costs, some new tenants will likely receive free rent for a few months in return for signing a long-term lease agreement.

Existing tenants will likely also be able to capitalize on

more favourable lease rates to accommodate their long-term needs. In many cases, tenants have delayed expansion, using only what they need now, due to adverse global economic conditions. As the world economy continues to improve, tenants are more likely to act on delayed decisions and fulfill larger, long-term space requirements – for a similar rental rate.

Accordingly, some tenants will likely choose to remain in existing locations if they can access the same space for a lower price.

Meanwhile, development opportunities are expected to be limited due to high land prices and a shortage of available brownfield locations. In the few cases where developable land is available, developers will be asked to pay a premium. ■

BURNABY TEAM



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Matt Thomas specializes in Burnaby industrial, sales and leasing transactions. He joined Avison Young in October 2009 after four years with DTZ Barnicke's Vancouver office. He has developed a large client base as well as a strong reputation as a successful, client-focused broker. Thomas holds a commercial real estate/marketing management degree from BCIT.

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TransLink has listed for sale two parcels of prime undeveloped land on North Fraser Way in Burnaby's Big Bend area with Avison Young.

Strata ownership opportunities increase in South Burnaby

The following is a summary of industrial property, sales, leasing and development activity in Burnaby districts.

South Burnaby/Big Bend

Few deals were completed in South Burnaby in the first quarter of 2010 as the market continued to recover from global impacts; however, the area remains extremely active due to its relatively new product, proximity to transportation routes and some sizable land parcels available for industrial development.

To offset high land prices, some developers are giving owner-users and investors more opportunities to purchase strata industrial properties in South Burnaby as well as other districts. One such South Burnaby project is the **Spire Corporate Centre** at 7635 North Fraser Way. (See article on page 3.) Another is the **Beedie Group's** 117,000-square-foot (sf) industrial flex office building at 7898 North Fraser Way, which was completed May 1 with two of four units already sold.

Beedie has completely sold another six-unit strata building (125,000 sf) at 7978 North Fraser Way, where construction will be complete by October 1. The company also proposes to build a free-standing building for a single tenant at 8080 North Fraser Way (108,000 sf) and will begin pre-sales this summer on its next

proposed strata development at 8118 North Fraser Way (95,000 sf). Meanwhile, Beedie is currently preloading a 99,000-sf structure at 8138 North Fraser Way that has yet to be designed. Beedie's properties are located near two prime undeveloped parcels of land that **TransLink** has put up for sale at 7770 and 8398 North Fraser Way (see photo above). The properties, which total 17 acres, are being marketed as a package deal or separately, pending buyer interest.

On the leasing side, **Core-Mark International** renewed on 70,000 sf at 7800 Riverfront Gate while **Mustang Survival** (45,000 sf), **Japan Foods** (40,000 sf), **Dynamex Couriers** (30,000 sf) and **Shoppers Home Health Care** (20,000 sf) signed new rental deals. **Lululemon** took up an additional 25,000 sf as part of its expansion.

Beresford

Beresford has witnessed minimal industrial property sales, leasing and development activity in recent months as it prepares to undergo rezoning. Plans call for Beresford to become a predominantly residential neighbourhood as nearby Metrotown becomes a centre for retail and condo development.

North Burnaby

North Burnaby districts, which include Still Creek, Winston and Lake City, remain the areas of choice

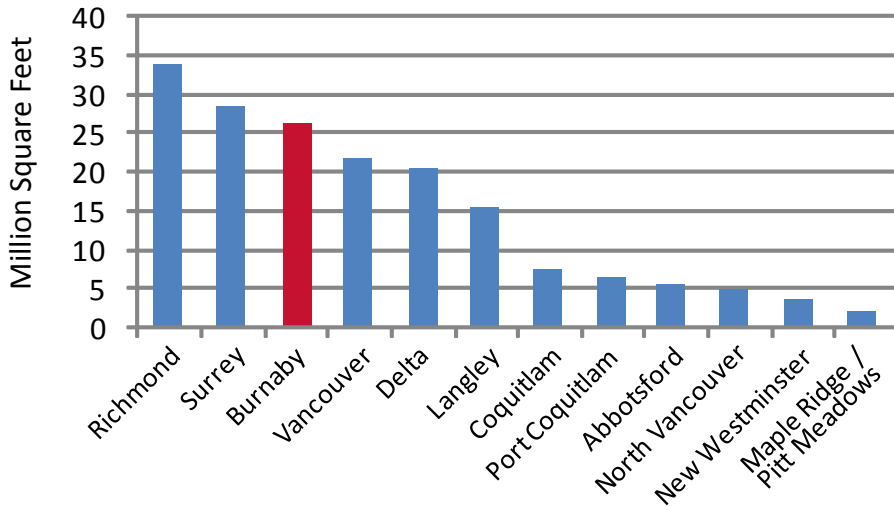
for industrial property owner-users, investors and developers.

In notable lease deals, **Canada Post Corporation** took up 30,000 sf at 3181 Thunderbird Crescent while **Surefit** leased 18,500 sf at 7979 Enterprise Street. **Midway Excel Tire Centre** leased 7,000 sf at 2849 Norland Avenue, and **NSK Canada Inc.** renewed its lease on 7,000 sf at 3353 Wayburne Drive over a five-year term.

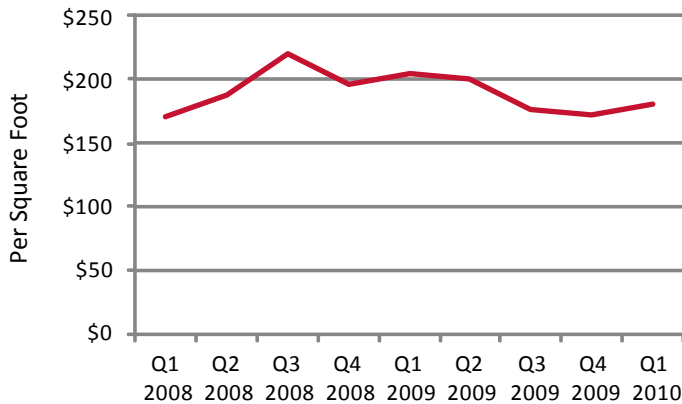
Otherwise, few lease deals have occurred mainly due to a lack of available product for rent. But some pockets of space, ranging from 20,000 sf to 60,000 sf, remain available. These availabilities have resulted from new product not being fully used, downsizing, and a reduction in subleasing activity as landlords seek head lease deals. Sublease offerings have dipped to seven or eight per month from 12 to 18 per month in the fourth quarter of 2009. As the market gains more strength, they will likely continue to decline.

On the development side, Beedie has submitted plans for permit on **Lake City Junction** at 2999 Underhill Avenue. An investor has purchased the three-building combination of medium and small-bay units (154,000 sf), which is being marketed for lease and will be ready for occupancy in spring 2011. ■

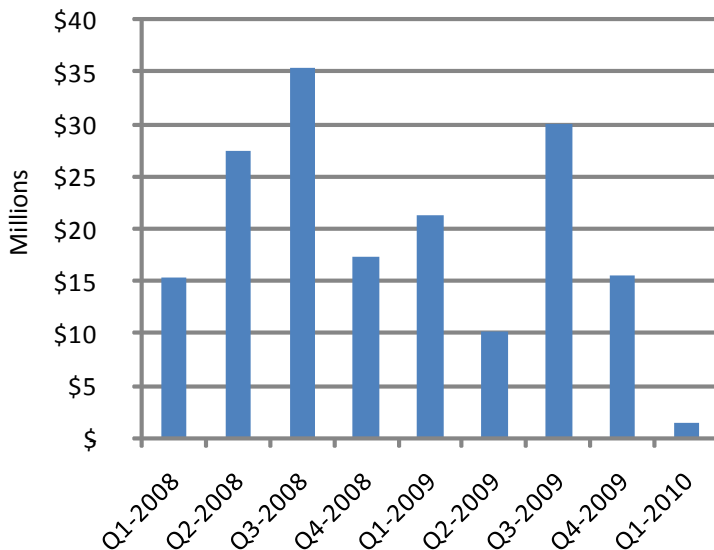
Burnaby vs. Metro Vancouver Industrial Inventory (Q1 2010)



Burnaby Q1 2008 to Q1 2010 Average Prices



Burnaby Transaction Dollar Volume (Q1 2008 to Q1 2010)



Sources: RealNet Canada Inc., Avison Young

Spire plans to develop more strata-ownership projects



The **Spire Corporate Centre** in South Burnaby, where strata developments are in high demand.

Spire Development Corporation's strata-ownership project in South Burnaby is almost sold out, and the company is looking for more to develop in the area, says the firm's president.

Lawrence Green says the company has received an offer on the last of six units in the 80,000-square-foot **Spire Corporate Centre** located at 7635 North Fraser Way in the Big Bend area.

"The Burnaby market is still strong and actually under value," says Green. "I sold my first unit at \$200 per square foot (psf) and I sold my last one at \$165."

Appearing on a panel at the **2010 Vancouver Real Estate Forum**, Green said strata projects have become "a big market." They have enabled developers to balance sale prices and building costs against high land values as the global economy recovers from the recession while helping to meet demand for new product.

As a result of high property values, Spire strategizes extensively on property acquisitions and strives to put land to use right away. Spire paid \$1.4 million per acre for its 4.2-acre North Fraser Way build-to-suit facility, which is now fully built and has a floor load of 500 pounds psf and 28-foot-high ceilings.

Green says Spire is contemplating more acquisitions in Big Bend to capitalize on the increasing demand for strata industrial build-to-suit properties.

Vancouver-based Spire is a fully integrated, design-build contractor / developer that specializes in high quality tilt-up concrete facilities. The company's offerings include design, construction, development services and project management. ■

Burnaby Industrial Sales Transactions (September 1, 2009 to May 1, 2010)

Property	Price	Square Feet	Per Square Foot	Date
102-7635 North Fraser Way	\$3,620,000	19,230	\$188	April 2010
5057-5059 Regent Street	\$1,180,000	4,200	\$281	March 2010
6979 Curragh Avenue	\$930,000	5,270	\$176	February 2010
The Marine Centre	\$515,000	3,046	\$169	January 2010
Eagle's Landing Business Park	\$390,000	2,316	\$168	December 2009
Spire Corporate Centre	\$2,552,768	12,764	\$200	December 2009
Fraserwood Corporate Centre	\$565,000	3,122	\$181	December 2010
Spire Corporate Centre	\$4,295,000	26,755	\$161	December 2009
Douglas Centre	\$473,000	2,912	\$162	December 2009
2410 Willingdon Avenue	\$990,000	4,802	\$206	December 2009
Fraserwood Corporate Centre	\$1,140,000	7,540	\$151	December 2009
4306 Dawson Street	\$1,120,000	6,425	\$174	November 2009
7500 Lowland Drive	\$3,450,000	21,490	\$161	October 2009
Northgate Business Centre	\$475,000	2,312	\$205	October 2009
Total \$21,695,768		122,184	Average \$177	

Source: RealNet Canada Inc.

The Avison Young Industrial Team

Avison Young's Industrial Team enables investors, landlords and tenants to find their industrial property solutions quickly and easily. Team members provide clients with timely news on industrial market trends across Metro Vancouver.

Whether you are looking to relocate, expand, renew, buy, lease, sell and/or lease back your property, Avison Young will help you assess your business objectives and negotiate a solution to meet your short- and long-term business needs.

Founded in 1978, Avison Young is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 600 real estate professionals in 17 offices across Canada and in the U.S.

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