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## OUTLOOK

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## Burnaby industrial market transaction value surpasses \$100m in 2010

In 2010, the value of industrial sale transactions in Burnaby surpassed \$100 million for the first time since 2006 (compared with \$83.7 million in 2009) as the number of transactions increased year-over-year and signs of an economic recovery took hold.

There were 41 transactions in 2010 versus 38 in 2009, according to **RealNet Canada**. Although more transactions closed in 2008 (46) and 2007 (54), deal volume in both those years were below 2010 levels.

An improved debt market and increased investor demand all contributed to a positive environment where affordable inventory and strategic development opportunities in proximity to port operations and major transportation arteries bolstered market activity in 2010. Smaller industrial owner-users re-entered the market first. Larger players – including owner-users and investors – followed suit.

The recent high-water mark in the Burnaby industrial submarket was achieved in 2006 when more than 1 msf of industrial space transacted in 64 deals valued at \$108.8 million.

The average price per square foot (psf) realized in 2010 (including strata) was \$183 – not far from the \$186 psf paid in 2009, but still down from the five-year high of \$194 psf in 2008.

Strong investor demand coupled with declining vacancy (2.8%) created an environment for vendors to realize improved returns on a square footage basis in 2010 versus \$175 psf in 2007 and \$148 psf in 2006, when more transactions took place in the market.

Activity remained brisk on the leasing side as tenants demonstrated confidence in the economy and based real estate decisions on strategic grounds

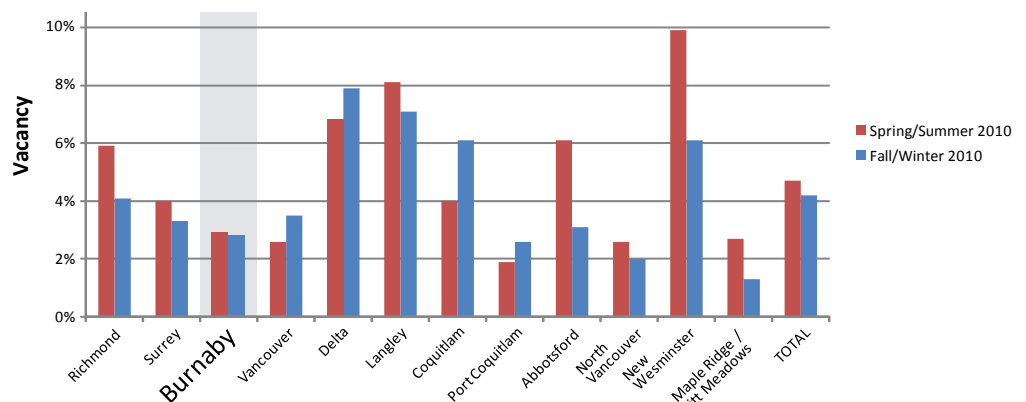
rather than financial pressures. Fewer large lease deals completed in Burnaby in 2010, as the majority of transactions involved properties less than 50,000 sf, with the greatest demand for premises between 20,000 sf and 40,000 sf.

Vacancy was flat between spring 2010 and fall 2010. At an estimated 2.8%, Burnaby's vacancy rate continues to rank as the lowest in Metro Vancouver (based on municipalities with more than 10 msf of industrial space).

Plans by the **City of Burnaby** to convert some of its industrial areas to other uses and increase the density of those that remain are contributing upward pressure to rates and prices.

The outlook for the Burnaby industrial market remains extremely positive as general economic and specific business conditions continue improving in 2011. ■

## Burnaby Industrial Vacancy vs. Metro Vancouver



## BURNABY TEAM



**Kyle Blyth**

(604) 647-5088

kyle.blyth@avisonyoung.com

Kyle Blyth began his career with Avison Young upon graduation from BCIT's marketing/management program in May 2005. Since then, he has helped close more than \$150 million worth of industrial transactions. He specializes in Burnaby industrial property sales and leasing transactions.



**Matt Thomas**

(604) 646-8383

matt.thomas@avisonyoung.com

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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Listed for sale in Burnaby's Big Bend area by **Avison Young**, two parcels of prime undeveloped land on North Fraser Way remain on the market as **TransLink** continues to weigh multiple offers

## Burnaby the place to be for industrial properties

The following is a summary of industrial property sales, leasing and development in Burnaby districts between spring 2010 and winter 2010.

### South Burnaby/Big Bend

Continuing a trend that began in early 2010, owner-users, investors and tenants are showing strong interest in South Burnaby's new product, available land and proximity to major transportation routes as well as Vancouver International Airport. Most second-half 2010 Burnaby sales have occurred in this area.

Developers continue offering small-to-mid-sized strata projects while requiring build-to-suit rental and sale properties to be significantly preleased or pre-sold. Examples include **Amacon's New Haven Business Park**, a 57-acre, 450,000-sf industrial/flex office development at Marine Way and Glenlyon Parkway. Amacon plans to complete construction in three phases, with the first phase comprising approximately 161,000 sf in three industrial flex/office buildings with 24-foot ceilings.

**The Beedie Group** is in the early stages of marketing its next strata project, **North Fraser Pointe**, at 8118 North Fraser Way within **Burnaby Business Park**. The company continues to develop a 100,000-sf free-standing building at 8080

North Fraser Way. Pre-loading is complete, but a rezoning application has yet to be filed. Beedie is also proceeding with plans to develop a 98,000-sf, large-bay strata building at 8138 North Fraser Way, where pre-loading was near completion in early December while designs and a rezoning application had yet to be finalized.

These projects are expected to accelerate after **TransLink** sells two parcels of land comprising 17 acres at 7770 North Fraser Way and 8398 North Fraser Way. The vendor is being represented by Avison Young.

In one of the largest Burnaby sale transactions in 2010, a private Canadian investor sold a 20,000-sf flex building at 3871 North Fraser Way in Marine Way Business Park for \$3.2 million.

In notable lease transactions, **Agat Laboratories Ltd.** took up 44,000 sf in New Haven Business Park at 8600 Glenlyon Parkway on a 10-year term. Also in New Haven, **Acer Service Corp.** leased 8,900 sf on a five-year term while **Canfor Pulp Ltd.** leased 6,300 sf on a 10-year term.

### Beresford

In a sign of the improved lending conditions, a user purchased a single-occupant building that it formerly leased at 7272 Buller Avenue for \$1.8

million. Another user purchased a 19,000-sf manufacturing facility at 5742 Beresford Street for \$3.6 million.

Beresford continues to witness minimal industrial sales, leasing and development activity as the city's long-term plan to rezone the area to mainly residential proceeds (see page 3). Further progress on the rezoning effort will eventually result in increased sales activity, creating a spin-off effect in other parts of Burnaby as industrial owner-users and tenants relocate. Some relocation attempts are already in progress.

### North Burnaby

Owner-users, investors and tenants continue to covet properties in the North Burnaby districts of Still Creek, Winston and Lake City. But good-quality space remains in short supply.

In Still Creek, **Dorigo Systems** leased 22,000 sf of industrial/flex office space at 4185 Dawson Street on a five-year term.

In Lake City, **Ledcor** leased 28,000 sf of warehouse and office space at 8051 Enterprise on a six-year term. Meanwhile, **Suncor Energy Inc.** renewed its lease at 8027 Enterprise Street on a five-year term, and **Hazmasters Vancouver** took up 29,000 sf at 3103-3105 Thunderbird Crescent on a six-year term. ■

## Burnaby industrial areas face conversion as “nature” of city development changes

Burnaby's industrial areas will become fewer in number but more dense as the city updates its official community plan (OCP) in response to the “rapid change” in the nature of industrial land development in the municipality and the region.

With an industrial land inventory of roughly 3,000 acres and about 20% (or 600 acres) vacant, the **City of Burnaby** estimates about 10% of its currently developed industrial properties will be ready for redevelopment within the next 10 years. Based on current trends, the city expects annual average industrial land absorption of about 20 acres or less for the next 10 to 15 years (even less if the density of future industrial development rises). This will ensure what the city describes as an “adequate” supply of developable industrial land to meet its needs until at least 2021.

This “adequate” supply of industrial land has led the city to start transitioning older or underutilized industrial properties to residential purposes. Such transitions have already occurred in the Metrotown and Edmonds town centre areas, with planned additional conversions within the Brentwood and Edmonds town centre plans and likely the Royal Oak area.

According to the city, the proposed conversion of industrial lands for non-industrial purposes within already adopted plans totals 213 acres. City staff estimated a further 159 acres should

be designated for future residential development purposes based on work done in preparation for the OCP update.

To replace any potential loss of jobs and promote higher overall employment, the city will seek to increase density on its developing and redeveloping industrial sites.

Burnaby will emphasize residential and retail development in industrial districts located near current or planned rapid transit lines and gradually shift industry to other designated locations. Rising land values and growing traffic congestion will also factor into identifying which sites convert to non-industrial uses.

The City of Burnaby's industrial framework defines three categories of industrial properties moving forward including *general industrial*, *business centres* and *petro-chemical industries*.

Eight *general industrial* areas represent the largest industrial component in the city's inventory and are associated with the manufacturing, wholesale, transportation, communications and utilities sectors. These areas are not considered suitable for conversion and will be targeted for redevelopment and densification. It is anticipated these areas will support 26,400 jobs by 2021 compared with 22,200 jobs in 2006.



The **City of Burnaby's** official community plan calls for more residential and retail properties and less industrial space near SkyTrain stations

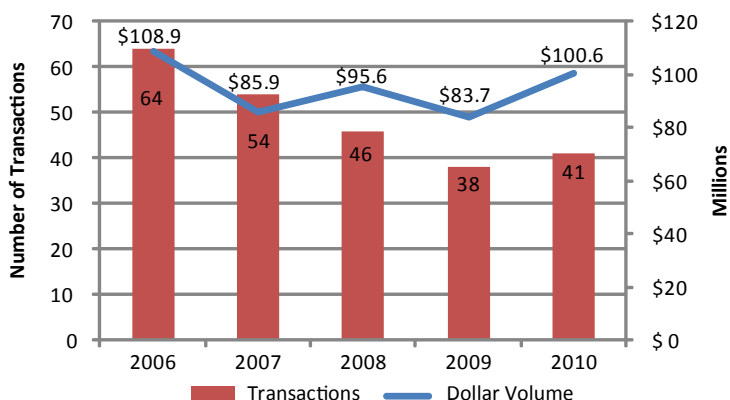
Seven *business centre* districts, which will focus on businesses with differing combinations of research, sales/service, light manufacturing and management/administration, will be developed independently of each other and take into account factors such as transit access. These districts are focused at **Discovery Place** and along the Lougheed corridor. It is anticipated these areas will support 48,400 jobs by 2021 compared with 33,900 in 2006.

According to the city, the three *petro-chemical industry* sites identified along the Burrard Inlet foreshore and the slope of Burnaby Mountain as well as Lake City cannot be considered for

conversion to other uses unless a decision is made to decommission the facilities. It is foreseen in the longer term that the **Shell Oil** lands on Burrard Inlet would potentially be appropriate for residential development assuming contaminated site regulations can be met and if Shell decides to voluntarily phase out its operations.

While the City of Burnaby said it supports retaining its industrial land inventory and intends to increase development and employment densities in such areas, it also recognizes that traditional “blue collar” industrial jobs will make up an increasingly smaller share of the city's overall future employment. ■

### Burnaby Sale Transaction Volumes (2006-2010)



Source: RealNet Canada Inc.

### Notable Burnaby Industrial Lease Deals

Tenant	Address	Square Feet
AGAT Laboratories Ltd.	8600 Glenlyon Parkway	44,439
LTS Solutions Ltd.	8051 Enterprise Way	28,106
Dorigo Systems Ltd.	4181-4185 Dawson Street	22,407
Goodman Company Canada	6741 Cariboo Road	20,000

## Burnaby industrial sales transactions greater than \$750,000 (June 1, 2010 to December 31, 2010)

PROPERTY	PRICE	SQUARE FEET (SF)	PER SQUARE FOOT (PSF)	DATE
3889 Keith Street	\$3,000,000	20,704	\$145	November 17, 2010
North Fraser Corporate Centre	\$3,314,280	23,309	\$142	November 8, 2010
6984 Palm Avenue	\$880,000	5,000	\$176	November 8, 2010
North Fraser Corporate Centre	\$2,504,649	17,187	\$146	November 3, 2010
7481 & 7515 Gilley Avenue	\$4,012,000	17,040	\$235	November 2, 2010
North Fraser Corporate Centre	\$5,204,500	37,101	\$140	November 1, 2010
North Fraser Corporate Centre	\$4,319,084	29,039	\$149	November 1, 2010
North Fraser Corporate Centre	\$2,525,000	17,163	\$147	November 1, 2010
7357 Buller Avenue	\$1,587,000	8,734	\$182	October 25, 2010
7898 North Fraser Way	\$5,579,980	39,857	\$140	September 30, 2010
3144 Thunderbird Crescent	\$2,150,000	13,622	\$158	September 17, 2010
7272 Buller Avenue	\$1,750,000	7,308	\$239	August 13, 2010
Bridge Business Park	\$1,275,000	4,122	\$309	July 30, 2010
1270 Boundary Road	\$822,122	5,895	\$139	July 30, 2010
Lake City Plaza	\$1,125,000	6,327	\$178	July 21, 2010
5742 Beresford Street	\$3,600,000	19,050	\$189	July 19, 2010
3811 North Fraser Way	\$8,900,000	93,045	\$96	July 14, 2010
3805 2nd Avenue	\$774,850	2,266	\$342	July 8, 2010
Eagle's Landing Business Park	\$880,000	5,779	\$152	June 29, 2010
Spire Corporate Centre	\$3,040,000	18,613	\$163	June 25, 2010
<b>Total \$57,243,465</b>		<b>Average \$178</b>		<i>Source: RealNet Canada Inc.</i>

### 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 leaseback 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 700 real estate professionals in 23 offices across Canada and in the U.S.

*For more information, visit:*  
[www.avisonyoung.com](http://www.avisonyoung.com)

### Contacts

**Michael Allen**  
604.647.5085  
[michael.allen@avisonyoung.com](mailto:michael.allen@avisonyoung.com)

**Kyle Blyth**  
604.647.5088  
[kyle.blyth@avisonyoung.com](mailto:kyle.blyth@avisonyoung.com)

**John Eakin**  
604.646.8399  
[john.eakin@avisonyoung.com](mailto:john.eakin@avisonyoung.com)

**Michael Farrell**  
604.646.8388  
[michael.farrell@avisonyoung.com](mailto:michael.farrell@avisonyoung.com)

**Robert Gritten**  
604.647.5063  
[rob.gritten@avisonyoung.com](mailto:rob.gritten@avisonyoung.com)

**Ryan Kerr**  
604.647.5094  
[ryan.kerr@avisonyoung.com](mailto:ryan.kerr@avisonyoung.com)

**John Lecky**  
604.647.5061  
[john.lecky@avisonyoung.com](mailto:john.lecky@avisonyoung.com)

**Bennett Lutes**  
604.687.7331  
[ben.lutes@avisonyoung.com](mailto:ben.lutes@avisonyoung.com)

**Douglas McMurray**  
604.647.5082  
[douglas.mcmurray@avisonyoung.com](mailto:douglas.mcmurray@avisonyoung.com)

**Manjot Mattu**  
604.647.5096  
[jot.mattu@avisonyoung.com](mailto:jot.mattu@avisonyoung.com)

**Struan Saddler**  
604.647.5077  
[struan.saddler@avisonyoung.com](mailto:struan.saddler@avisonyoung.com)

**Matt Thomas**  
604.646.8383  
[matt.thomas@avisonyoung.com](mailto:matt.thomas@avisonyoung.com)