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(All Asset Classes)

partnership.
performance.

Activity rises on North Shore as confidence increases

North Shore commercial real estate sales and leasing activity is expected to rise in all asset classes in the second half of 2010.

Sales activity, which began to increase at the end of 2009, continues to trend upward as purchasers seek to expand their businesses. At this time last year, prospective buyers stayed on the sidelines in order to reduce costs and protect themselves from global economic impacts.

Vendors motivated

Vendors are also motivated by long-term strategy and goals

rather than by downsizing or financial concerns.

The increased activity reflects increasing confidence in the global economic recovery and the underlying strength of the North Shore marketplace, where property values typically exceed those in other Metro Vancouver submarkets. Total office, retail and industrial sales transactions increased 35% in the first half of 2010 to 19 from 14 in first-half 2009.

While first-half 2010 sales are down from 30 in second-half 2009, first-half sales traditionally

lag second-half deals. Transaction dollar volume and size also show signs of increasing.

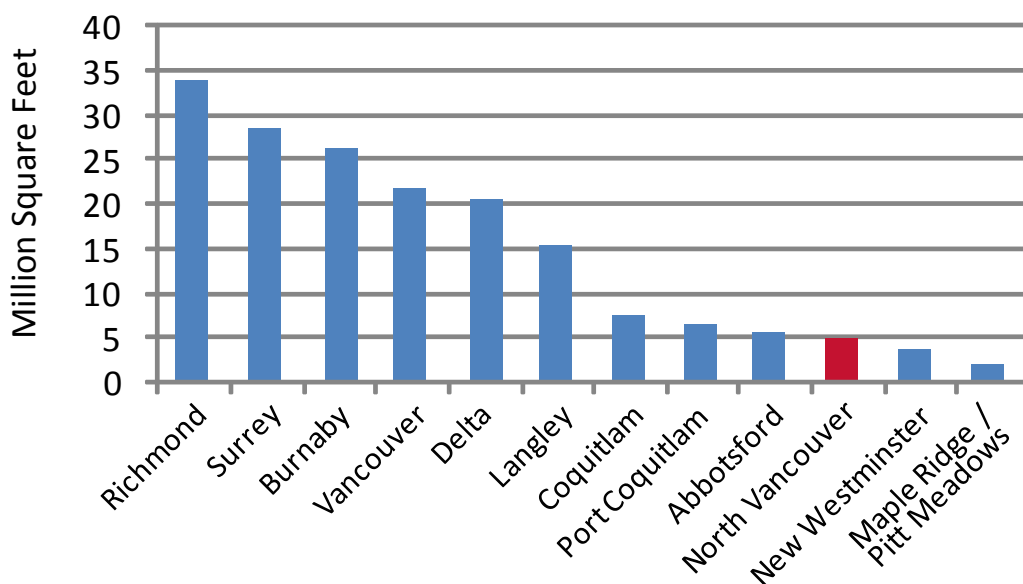
Tenants look to expand

On the leasing side, tenants are also making decisions based on expansion rather than contraction or concerns about the global economy. With the exception of the Downtown Vancouver office sector, North Shore lease rates for all asset classes continue to exceed those in the rest of Metro Vancouver.

On the development side, **Pinnacle International's** ambitious \$500-million **Pier** development

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North Vancouver vs. Metro Vancouver Mid-2010 Industrial Inventory



NORTH SHORE TEAM



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Matt Thomas serves as Avison Young's North Shore specialist, marketing industrial, office and retail properties. He joined Avison Young in October 2009 after four successful years with another national firm. Over the years, Matt 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 diploma from the British Columbia Institute of Technology (BCIT).



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Kyle Blyth began his career with Avison Young in May 2005, immediately upon graduation from BCIT. Since joining the industrial team, he has been a part of closing over \$150 million of industrial transactions. Kyle's determination and analytical approach earn him respect and loyalty from his clients.

For more information on Avison Young industrial submarket reports, please contact **Monte Stewart** at (604) 646-8381 or mstewart@ay-bc.com.



Avison Young represented the purchaser in the sale of this industrial property at 175 Harbour in North Vancouver, the largest recorded North Shore transaction in the first half of 2010.

North Shore commercial real estate market remains strong

The following provides a summary of first-half 2010 North Shore commercial real estate activity, along with an outlook for the remainder of the year.

Industrial

Fueled by limited supply and strong demand, the North Shore industrial property sales and leasing market remains one of the strongest in Metro Vancouver.

The largest recorded industrial deal on the North Shore to-date in 2010 is the sale of an industrial property at 175-179 Harbour in North Vancouver for \$3.29 million.

Following a trend across the region, strata property sales dominate as owner-users continue to enter the real estate investment market. Owner-users are motivated by low interest rates, a preference to secure a long-term location that will not be subject to lease-market uncertainty in the future, and a desire to build equity.

Strata developments are also making projects more economic for developers, who face ongoing upward pressure on land prices. In

a recent national land purchase, **Palladium Development Corp.** acquired a 3.089-acre serviced parcel at 173 Forester for \$5.2 million. The development will include three office/warehouse buildings. Pricing starts at \$290 per square foot (psf).

Meanwhile, industrial vacancy rates remain low, but have increased slightly due to larger tenants relocating to other Metro Vancouver markets or U.S. firms consolidating. For example, **ALS Chemex** relocated to Burnaby, leaving 57,000 square feet (sf) vacant at 212 Brooksbank.

Industrial rents have remained between \$11 to \$13 psf due to limited supply. However, landlords continue to offer inducements to solidify tenancies.

Retail

The North Shore retail market, buoyed by one of the most affluent demographic groups in Canada, remains robust as it attempts to satisfy pent-up demand.

Strong purchaser interest has been muted by limited product availability as investors prefer to retain properties that produce

consistent income.

The sale of 4310 Gallant (4,000 sf) to a local private buyer for \$1.4 million ranked as the largest North Shore retail property trade in the first half of 2010. Four other properties, which ranged from 700 sf to 1,000 sf, sold for less than \$500,000.

Retail lease rates have varied between \$20 to \$45 psf depending on location and building quality.

In addition to **The Pier** project on the downtown waterfront (see page 1), two notable developments are underway at **District Crossing** (17,000 sf) and **Capilano Village** (92,000 sf). Both projects are part of a redevelopment of Marine Drive, where auto dealers are moving out and retailers are moving in.

Office

North Shore office lease rates have ranged from \$15 to \$25 psf. The area's industrial lease rates easily rank as the highest in Metro Vancouver due to a diminishing supply of quality space.

The sale of the **Woyatt-Bowie** building at 657 Marine and 666

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North Shore Commercial Property Deals January 1, 2010 to June 30, 2010

	Address	Price	Size	PSF or Price Per Unit	Date
Office	Gateway West	\$5,350,000	13,800	\$388	June 2010
	The Woyatt-Bowie Building	\$2,000,000	10,914	\$183	June 2010
	445 Mountain Highway	\$1,415,000	6,716	\$211	April 2010
	Plaza 15	\$300,000	788	\$381	February 2010
	Fell Avenue Business Centre	\$366,000	1,105	\$331	January 2010
	998 Harbourside Drive	\$370,000	1,255	\$295	January 2010
	Plaza 15	\$433,330	1,280	\$339	January 2010
Total \$2,884,330		Average SF 2,229	Average Price PSF \$259		
Retail	Tradewinds at the Quay	\$402,000	761	\$528	April 2010
	Fell Avenue Business Centre	\$350,000	945	\$370	March 2010
	194 Riverside Drive	\$325,000	875	\$371	February 2010
	4310 Gallant Avenue	\$1,425,000	3,983	\$358	January 2010
	The Metropolitan	\$466,000	826	\$564	January 2010
Total \$2,968,000		Average SF 1,478	Average Price PSF \$402		
Industrial	175-179 Harbour Avenue	\$3,290,000	17,047	\$193	May 2010
	407 Mountain Highway; 1480 Crown	\$1,685,000	9,475	\$178	April 2010
	Maplewood Landing	\$689,000	2,145	\$321	March 2010
	Norgate Business Park	\$693,745	2,594	\$267	February 2010
	1443 Crown Street	\$900,000	3,416	\$263	February 2010
	Norgate Business Park	\$550,000	2,072	\$265	January 2010
	Lynn Creek Complex	\$580,000	2,044	\$284	January 2010
Total \$8,387,745		Average SF 5,542	Average Price PSF \$216		
MF	Tinsley House	\$2,900,000	24 (Units)	\$120,833	March 2010

*Multi-Family

Source: RealNet Canada Inc.

Zoning changes broaden uses

New District of North Vancouver zoning rules will permit more light industrial uses adjacent to port lands and the North Shore rail corridor.

The changes, adopted by district council in mid-July, include the new Employment Zone – Industrial (EZ-I) that is designed to accommodate port-oriented uses, general manufacturing and other industrial activities. Most properties that were previously zoned for port and general use (I-1 and I-2) now fall within the EZ-I category.

The changes aim to boost employment and:

- Lower industrial tax rates (although increasing property values might actually boost rates in the long term);
- Broaden the range of land uses permitted in light industrial or commercial areas;
- Simplify regulations and make them easier to use and understand;
- Coordinate different regulations.

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City makes 70,000 sf available

project is reshaping North Vancouver's waterfront near **Lonsdale Quay**. The **City of North Vancouver** is reviewing requested proposals on ways to redevelop and sublease the **Coppersmith Shop and Pipe-smith Shop** buildings. Leasing will commence once the properties receive a certificate of compliance.

The city is also making a 70,000-square foot (sf) site available for a regional attraction, for tourists and residents, that highlights North Vancouver's shipbuilding heritage. The

site was originally intended as a national maritime museum; however, the city is examining other options after expected federal and provincial government funding did not materialize.

The Pier is a mixed-use development that includes a 104-room hotel, 500-delegate convention centre, offices, retail shops, restaurants and multiple residential towers. Pinnacle International has completed construction of the hotel and some public amenities. ■

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Dollarton Business Park Building C expected to reach market first

Clyde in West Vancouver for a combined total of \$7 million highlighted otherwise modest North Shore office sales activity in the first half of 2010.

Demand for acquisitions is strong but, as with other asset classes, offset by limited supply in a market that comprises 1.79 million sf.

Three major developments in North Vancouver will help accelerate activity slightly, but they are still in the planning stages.

The project likely to reach market first is **Dollarton Business Park Building C** (173 – 197 Dollarton Highway). **Citimark and Darwin Construction** expect to break ground by the end of 2010. The four-storey, 46,000-sf project will contain 34,000 sf of strata office space, with the remaining 12,000 sf accommodating light-industrial space.

GWL Realty Advisors (on behalf of **bclMC**) is awaiting prelease

commitment before commencing on 80,000 sf at **North Woods Business Park** (2100 Dollarton Highway). Meanwhile, 810 Harbourside Drive, a highly-anticipated **Concert Properties** development, is proceeding through the regulatory-approval process. The site is expected to form part of a master mixed-use community plan.

These developments are influenced by a traditionally tight office leasing market, where absorption moved back to a positive, albeit modest, 1,900 sf from negative 24,000 sf at mid-year 2009. Accordingly, the North Shore's office vacancy rate is holding steady midway through 2010, having dipped just 100 basis points to 7.9% from 8.0% at year-end 2009.

North Shore vacant sublease space levels rose to 21,000 sf during the first half of 2010 from 14,000 sf in all of 2009. The increase continues an upward trend that began at mid-



Citimark and Darwin Construction plan to break ground by year-end 2010 on Building C at **Dollarton Business Park**.

year 2008 when a mere 314 sf of vacant sublease space existed.

The rise in sublease space stems from tenants' strong desire to purchase strata or stand-alone buildings and flex office/warehouse space. Many tenants in older buildings continue to lease on a month-to-month basis while waiting for the perfect upgrade opportunity to come along.

Multi-Family

After a hot 2009, North Shore multi-family activity cooled in the first

half of 2010. One property, 24-unit **Tingsley House** at 255 East 2nd Street in North Vancouver, was sold to a private Canadian investor for \$2.9 million.

The modest activity is attributed to a lack of available product after seven North Vancouver properties traded in 2009. As a result of traditionally higher-than-average single-family home prices and tighter first-time buyer lending rules, this sector remains in strong demand going forward. ■

The Avison Young Industrial Team

While specializing in North Shore properties, Matt Thomas and Kyle Blyth are also members of Avison Young's Metro Vancouver 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.

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 21 offices across Canada and in the U.S.

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