



Vancouver International Airport

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OUTLOOK

Capitalization
Rates



Industrial
Vacancy



Sales
Volume



Lease
Rates



Supply



Demand



partnership.
performance.

Richmond gains more market appeal as energy costs rise April 7

As 2010's midway mark draws closer, Richmond industrial property sales and leasing activity continues to improve dramatically from mid-year 2009. The recent number of sale transactions and total investment dollar volume easily exceed year-earlier levels. In the first quarter of 2010, dollar volume surpassed \$60 million compared to only \$3 million in the first quarter of 2009, when the global markets were experiencing an unprecedented financial upheaval. **IKEA's** acquisition of **KeyWest Business Centre** for \$35 million spiked the dollar volume in the first quarter of 2010, but the market also displayed underlying strength with transactions tripling to nine from just three in the same period a year earlier.

Moreover, in the fourth quarter of 2009, Richmond's industrial sales volume quadrupled to \$33 million from \$8 million in the fourth quarter of 2008 while deals jumped to 23 from nine.

With fuel prices expected to continue their upward trend for at least the next six to 12 months, Richmond's proximity to **Port Metro Vancouver**, major air, railway and highway routes and the Canada-U.S. border bodes well for landlords and tenants. Consequently, sales and leasing

Notable Recent Richmond Lease Transactions		
Tenant	Address	Square Feet
Richard's Packaging Inc.	9200 Van Horne Way	59,280
Pegasus Pharmaceuticals	100/150-13260 Delf Place	45,530
ECS Cable	Shelter Island Commerce Centre	42,000
Sun Rich Fresh Foods	Unit 1, 22151 Fraserwood Way	37,000
Conglom Inc.	13180 Mitchell Road	35,174
Lesley Stowe Crackers	13951 Bridgeport Road	27,344
V-Tech	11188 Featherstone Way	26,691
LKQ Corporation	13180 Mitchell Road	26,182
Shock Entertainment	160-6631 Elbridge	22,000

activity in Richmond – Metro Vancouver's largest industrial market – should remain relatively active as the region continues to rebound from the recession.

Vacancy, hovering slightly north of 6%, is at its highest point in more than a decade, but the upward trend that began 12 to 18 months ago should start to abate. Supply remains relatively tight due to limited available new and existing inventory, traditionally strong demand, postponed developments, and delays in developer decision-making.

More sublease opportunities are available than in recent years, but a variety of tenants operating in diverse industrial sectors, ranging from aviation to agriculture, will likely capitalize

on large inducements to sign new lease agreements or renew existing ones. In some cases, several months of free rent are being offered in return for long-term lease renewals and new leases.

Richmond's industrial property rental rates have likely reached bottom, and landlords will face challenges to retain tenancies. However, landlords will also be aided by the steady growth of **Vancouver International Airport (YVR)**, which is based in Richmond, and the new **Canada Line**, which is opening the suburb to a larger workforce.

On the development side, few projects are expected to be built on a speculative basis. Owner-users and tenants will likely opt for purpose-built facilities that suit their unique needs. ■

RICHMOND TEAM



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Michael Allen specializes in Richmond industrial property sales and leasing transactions. Since beginning his career with Avison Young in 2002, he has represented several public and private industrial owner-users based in BC and other parts of Canada, including Chrysler Canada Ltd., Rocky Mountaineer Railtours, and Canadian Pacific Railway.

Allen holds a Masters in Public Administration from Carleton University and a B.A. (Honours) from the University of Western Ontario.



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Ryan Kerr specializes in Richmond and Delta industrial property sales and leasing transactions and mid-term tenant representation. A member of Avison Young's growing Metro Vancouver Industrial Team, he has worked on behalf of such clients as Investors Group, Bentall Real Estate Management, the Equitable Life Assurance Company of Canada and Standard Life Canada.

Kerr, a Vancouver native, holds a B.A. from the University of Calgary.

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Sales and leasing activity picks up from Q4 2009

The following is a summary of recent notable industrial property sales and leasing transactions in Richmond districts.

Bridgeport/Crestwood

Bridgeport witnessed a major industrial sale transaction with **IKEA Properties Ltd.'s** purchase of **Key West Business Centre** (3760 – 3960 Jacombs Road) from **GWL Realty Advisors** for \$35.2 million. The 17-acre site boasts approximately 420,000 square feet (sf) of improvements in nine buildings. The site is adjacent to IKEA's current facility on Sweden Way and will reportedly be partially redeveloped in conjunction with an eventual demolition and reconstruction of the current store. Another larger sale transaction saw **Sun Life Assurance** dispose of a 67,511-sf single-tenant industrial building at 3500 Viking Way to **Pure Industrial Real Estate Trust**. This deal closed on March 1 for a reported \$7.3 million with 12 years remaining on the lease to **Teldon Print Media**, representing a going-in yield of approximately 7.2%.

The area also witnessed several leases over the past few months: **Cowry Kitchen Station Corp.** leased 15,000 sf at 11180 River Road; **Lesley Stowe Fine Foods** took 27,334 sf at 13955 Bridgeport Road for a seven-year term that commenced January 2010; and **Pegasus Pharmaceuticals** leased 45,530 sf in Great West Life's **Knightsbridge Park** at 13260 Delf Place for a 10-year term.

Fraserwood

Walls are tilted at **Farrell Estates Ltd.'s** 100,000-sf multi-tenant development **Shelter Island Commerce Centre Marinaside**



An **Avison Young** client has listed space for lease in this flex industrial-office building at 6651 Fraserwood Place.

Phase II at 6900 Graybar Road. This development witnessed its first major prelease with **Electrical Cable Supply Ltd.** committing to 42,000 sf for a planned October 2010 occupancy. Leasing activity in the area saw **Sun Rich Fresh Foods** take 37,000 sf in **Fraserwood Corporate Centre** at 22151 Fraserwood Way, commencing in spring 2010. Further east of this development, the 26,000-sf speculative development in the **River Edge Business Park** conceived by **Dava Developments** and located at 22091 Fraserwood Way is ready for occupancy. Further north, **Translink** purchased 2.4 acres for approximately \$26 per square foot, or \$2.7 million total, for an operations and maintenance facility.

Mitchell Island

Greypointe Business Centre – located in the eastern portion of the island at 12920-13180 Mitchell Road – witnessed an impressive amount of leasing activity, including **Conglom Inc.** taking 35,174 sf on a seven-year term head lease commencing in December 2009. Meanwhile, **Aria Foods** leased 19,855 sf on a 10-year term, commencing in November 2009; and **LKQ**

Corporation leased 26,182 sf under a deal that commenced in January for a 10-year term.

Riverside

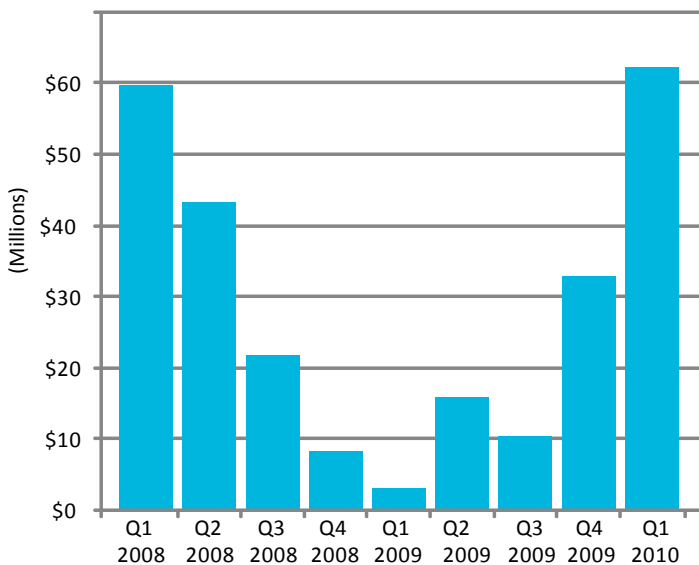
Private investor **Riverside Centre Holdings** purchased 123,000 sf at 11780 Hammersmith Way from a pension fund for approximately \$12.8 million, and **Prism Construction** completed a build-to-suit facility (18,000 sf) at 12020 Rice Mill Road, near No. 5 Road, for **Hayden Diamond Bit Industries**. In leasing activity, **V-Tech** moved into 26,691 sf at 11188 Featherstone Way.

Van Horne/Brighthouse

Spurred by the Citywide Area Community Plan (CCAP), robust deal activity in this district over the past several months shows no signs of slowing down. Recent sales transactions indicate that new land use and density designations are starting to have the desired effect of creating transit-oriented communities around the new Canada Line. In the area's largest sale, **Plaza 54**, located at 5400 Minoru Boulevard, changed hands between two private firms for \$10 million. Improved with a 40,475-sf multi-tenant retail/industrial building, this property is designated Urban Centre T-5.

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Richmond Industrial Property Sales Transactions (Q1 2008 to Q1 2010)



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Garden City Lands sold for \$59 million

Meanwhile, 9871 River Drive (4.23 acres, General Urban T-4) traded for \$7.1 million from a private owner to a public body while a private investor purchased a 0.94-acre parcel at 8740-8900 Charles Street (Urban Centre T-5) for \$3.3 million. In addition to increased density, the new land use and density designations are designed to boost housing and employment via increases in uses, floor-space ratio, site coverage and heights.

Just east of this area, the **City of Richmond** purchased a 136.5-

acre property known as the **Garden City Lands** from the **Musqueam Indian Band** and **Canada Lands Company** for a reported \$59.2 million (\$433,000 per acre) – compared to only \$9.5 million four years ago. The vacant parcel in this controversial purchase is bounded by Garden City Road, Westminster Highway, No. 4 Road and Alderbridge Way. It remains in the province's **Agricultural Land Reserve** while city council members and community groups debate its future. ■

Farrell Estates preparing to unveil Phase II of Shelter Island project

Richmond's industrial vacancy levels are not deterring the progress of **Farrell Estates Ltd.'s Shelter Island Commerce Centre Marinaside** development.

According to **Stephanie Setchell**, Farrell's leasing manager, 42% of Shelter Island's Phase II building is preleased. Construction on the speculative 100,000-sf flex industrial-office structure at 6900 Graybar Road is slated for completion June 30.

Setchell expects more preleasing activity now that the walls and steel decking are in place.

"It's a lot easier to market a building that's under construction than one you say is coming," says Setchell, who is responding to requests for proposals.

Farrell, a division of the **McPhail Group of Companies**, is satisfied with the Richmond market's performance, she notes. Most of the company's property portfolio is in the Fraserwood area, and its Richmond holdings have low vacancy.

"We like the location. It has great



Phase II of **Farrell Estates Ltd.'s Shelter Island** project will be complete June 2010. The next phase is in the planning stages.

access to the border, airport and downtown with an abundance of parking and spectacular waterfront views," says Setchell.

She adds that Farrell Estates has had great success in the past with 10 previous buildings built on a speculative basis.

Electrical Cable Supply Ltd., a cable and wire distributor, has preleased 42,000 sf of warehouse space in Phase II, which is designed to accommodate warehouse requirements from 10,000 sf and office requirements from 2,000 sf.

The building's I-3 zoning permits

both industrial or office space users. Setchell expects most users to lease space for manufacturing, office and distribution purposes.

Phase II's features include 26-foot clear ceilings, flexible bay and unit sizes, build-to-suit showrooms and a mezzanine area and both grade

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Richmond Industrial Transactions > \$1 Million (September 1, 2009 to March 1, 2010)

Property	Price	Size (Sf)	PSF	Date
3500 Viking Way	\$7,300,000	67,511	\$108	March 2010
Plaza 5400	\$10,000,000	40,475	\$247	January 2010
Key West Business Centre	\$35,150,000	419,996	\$84	January 2010
14351 Burrows Road	\$4,860,000	49,901	\$97	January 2010
Mitchell Island Business Centre	\$2,730,669	16,550	\$165	January 2010
12820 Clarke Place	\$1,312,000	8,387	\$156	December 2009
6720 & 6740 Graybar Road	\$2,500,000	20,120	\$124	November 2009
2633 Simpson Road	\$1,340,000	6,167	\$217	November 2009
CDF Corporate Centre	\$1,798,000	11,041	\$163	October 2009
Fraserwood Landing	\$1,439,880	6,540	\$220	October 2009
Riverside Corporate Centre	\$12,790,000	123,000	\$104	October 2009
9151 Van Horne Way	\$3,800,000	19,989	\$190	October 2009
Average	\$7,085,046	65,806		
Total	\$85,020,549	789,677		

Source: RealNet Canada Inc.

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Phase III slated for 2012

and dock-level loading. The structure has been designed to meet the province's September 2008 Energy Code Addendum, resulting in a 30% reduction in energy use.

Amenities in the immediate area include a marina, running and walking trails, public pier, restaurant, pub, both banquet and meeting room facilities and transit within walking distance.

Setchell says the third and final phase, which will comprise approximately 100,000 sf over three floors, is slated for completion in 2012. The second and third floors will be designated 100% office use while the ground floor will be devoted to warehouse, flex and office space.

"At least one third of the building will be warehouse," she says. ■

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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