




Vancouver International Airport


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## OUTLOOK


Capitalization Rates 

Industrial Vacancy 

Sales Volume 

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Supply 

Demand 

partnership.  
performance.

## Richmond industrial market recovering as transactions and dollar volume climb

Lower vacancy rates and higher sales volumes helped Richmond's industrial market rebound in 2010 with key indicators pointing to a continued recovery in 2011.

According to **RealNet Canada**, 95 transactions had been completed by early December 2010 compared with 73 in 2009 and 122 in 2008. Sales dollar volume and average sale price in 2010 also rose sharply above 2009 levels, along with the number of transactions valued at more than \$1 million (24 YTD 2010 versus 12 in 2009).

An improved lending environ-

ment drove most of the increases as was demonstrated by the heightened activity of owner-users in both strata and free-standing-building transactions.

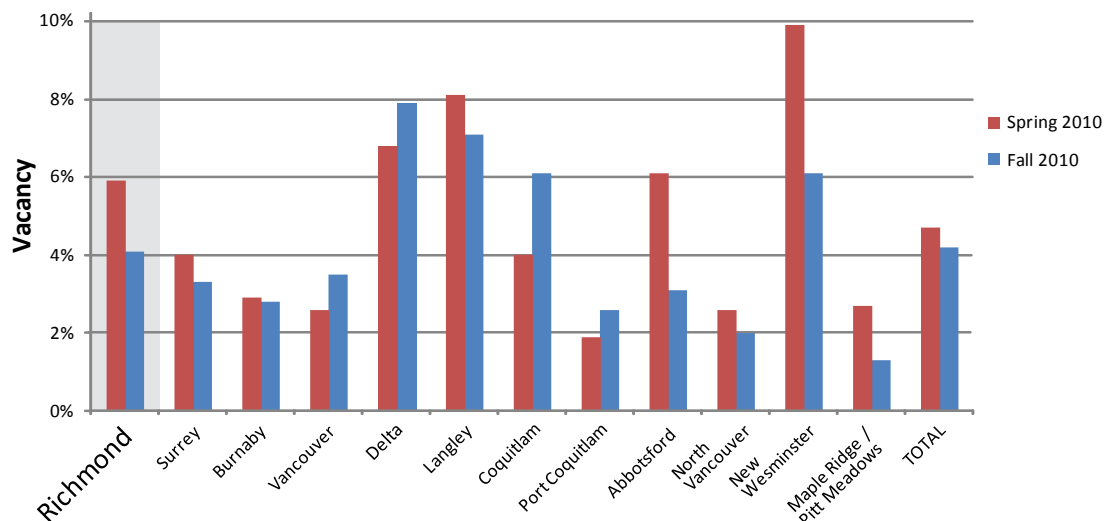
Developers continued to focus on strata and build-to-suit developments while minimizing large speculative projects as nominal new construction heightened demand. Consistent across Metro Vancouver, this trend shows no sign of change in the near term.

Activity is expected to strengthen in 2011 as the bid-ask gap narrows and more buyers and sellers jump back into the mar-

ket due to improving economic and business conditions.

The Richmond industrial leasing market also improved during the first three quarters of 2010. With the vacancy rate sitting at 4.1% in fall 2010, it marked a significant decline compared with 5.9% in spring 2010 and 5.3% in fall 2009. A diminishing supply of rental space will continue to put downward pressure on vacancy rates and upward pressure on rental rates going forward. Demand for lease space will be moderated by some tenants' desire to purchase strata properties. ■

## Richmond Industrial Vacancy vs. Metro Vancouver



Source: Avison Young

## 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.

## 5400 Minoru Boulevard fetches \$13.5 million price

The following is a summary of industrial sales and leasing activity in Richmond districts since the second quarter of 2010.

### Bridgeport/Crestwood

Two private investors traded a stratified multi-tenant flex industrial building located at 3851 Jacombs for \$3.7 million or \$232 per square foot (psf). In leasing activity, **Leeza Distribution** took 32,000 square feet (sf) at 1331 Vulcan Way and **Ricoh Canada** renewed its lease for 8,383 sf at 4020 Viking Way.

### Fraserwood

**Farrell Estates** completed construction on a 100,000-sf multi-tenant building – phase II of the **Shelter Island Commerce Centre Marinaside** development at 6900 Graybar Road. In addition to **Electrical Cable Supply**, which had preleased and now occupies 45,818 sf, the building is also now home to **Nuheat Industries Ltd.**, which leased 33,583 sf for a 10-year term commencing in January 2011. Rounding out the tenant role for the building is **Richelieu Ltd.** with its lease of 21,000 sf.

Nearby at 6511 Graybar Road, **Newark Paperboard Products** sold its 50,040-sf single-tenant building to owner-user **Searay Holdings** for \$5.1 million. Earlier in the summer, the **Beedie Group** sold its brand new 48,000-sf distribution building at 18388 McCartney Way to a private user for \$5.5 million (\$113 psf) with vendor financing after a lengthy attempt at leasing the building. In another private-user purchase, **1010 Tires** acquired a 25,982-sf single-occupant building at 22091 Fraserwood Way from **Dava Developments** for \$4.05 million.

A significant lease transaction



An Avison Young client has listed space for sublease in this industrial flex/office building at 3671 Viking Way.

involved **Sun Rich Fresh Foods** taking 37,000 sf at 22151 Fraserwood Way in the **Fraserwood Corporate Centre** for a seven-year term, which commenced in September 2010. Just further west, **H-Cold Storage** took approximately 48,000 sf at 2177 Fraserwood Way.

### Mitchell Island

On the heels of several deals completed in the latter part of 2009 and the first few months of 2010, **Greypointe Business Centre** added **National Importers** to its tenant roster in a 10-year lease transaction for approximately 47,333 sf that commenced in September 2010.

### Riverside

In a significant land transaction, the **City of Richmond** purchased 21.3 acres from **Dayhu Investments** for approximately \$21 million. The site, located at Hartnell Road and Rice Mill Road, had been marketed as a bulk-distribution leasing opportunity but will now become a municipal works yard. Also, **HRS Enterprises Ltd.** sold its 42,200-sf building to **Hospitality Designs**, which has subsequently occupied the building, for \$5.4 million.

### Van Horne/Brighthouse

For the second time in 2010 and third time in three years, 5400 Mi-

noru Boulevard changed hands. In a transaction between two private investors, the 40,475-sf building on 2.14 acres fetched \$13.5 million, representing a 35% lift from the January 2010 transaction. The multi-tenant building is 75% leased to **Trail Appliances**, with five years left on the term. That said, the continued interest in this property stems from its intrinsic land value derived from favourable zoning. It is designated Urban Centre T-5 in the **Lansdowne Village** section of the **City Centre Area Community Plan (CCAP)** and permits residential development.

In another deal linked to future redevelopment, two private investors exchanged 5600 Cedarbridge Way for \$6.2 million. The 28,320-sf, multi-tenant warehouse is also earmarked for Urban Centre T-5 zoning. On the leasing front, **Home Quarters Furnishings** took 22,800 sf at 4551 No.3 Road.

### Steveston

The oldtimer multi-tenant building known as the **Steveston Industrial Estates** at 12280 Trites Road was acquired by a private developer from a private investor for \$7.75 million. The industrial-zoned property is designated for single-family residential use within the local area plan. ■



Aerial photo of Richmond

## City planning to develop designated industrial land reserves

The City of Richmond has undertaken an ambitious long-range planning exercise that maps out industrial land use for years to come.

City planners, in consultation with global architectural and planning firm **AECOM**, have prepared an employment land strategy that forecasts industrial use until 2041. The strategy document is slated to be presented to city council for approval by year-end 2010 or shortly thereafter.

It is estimated that Richmond has 34 million square feet (msf) of industrial space, with available land surpluses on Mitchell Island, in Riverside and near the ferry terminal, thereby ensuring adequate long-term supply. However, industrial space will diminish in the city

centre. As a result, Richmond is attempting to determine where displaced industrial users will relocate while also examining ways to incorporate industrial use in central business district areas typically associated with retail and office usage.

Under one scenario, industrial use could be permitted in a second-storey location above a retail outlet on a main street like No. 3 Road, with access to the industrial premises at the rear of the building.

The area near the **Richmond Oval** is one where new development is expected to be delivered in the near term. The city has already received some development applications, which are going through the approval process. Other areas targeted for industrial

development include Steveston and Garden City Road south of Cambie.

The city has also designated industrial reserves in **Bridgeport Village**, the **Van Horne** district and **Aberdeen Village** to ensure those areas are well served by highway, airport, sea port and transit access. In the case of mixed-use structures, non-industrial uses will be limited to 50% of total floor area.

Bridgeport Village, a large area near the north arm of the Fraser River, will allow for light-industrial use only, while another portion will permit mainly light industrial with other commercial ventures approved on a site-specific basis.

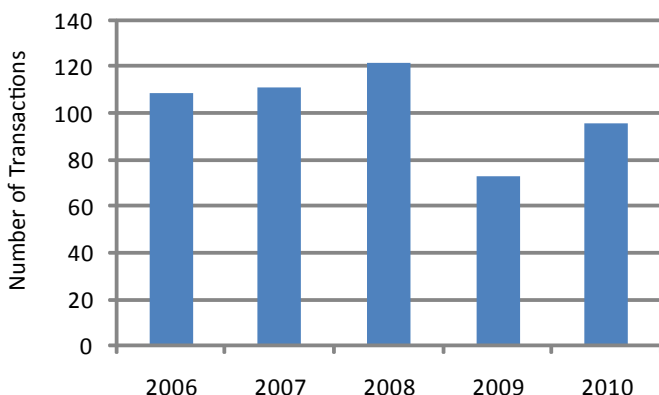
In Aberdeen Village along the middle arm of the Fraser, residential use will be largely prohibited under

T4 and T5 zoning and create more opportunities for light-industrial, retail, office and other services.

In Steveston, municipal policy aims to encourage a wide variety of industrial uses in **Steveston Village** while also encouraging maritime-oriented industries to relocate to the area. The city also aims to encourage the development of maritime-oriented industrial and commercial uses within selected areas in waterfront neighbourhoods. New Steveston industrial buildings will have to be compatible with the generally small-scale buildings there now.

Industrial use will not be permitted on the **Garden City** lands which are now under litigation. The long-term plan calls for more park and recreation use in that area. ■

### Richmond Industrial Sale Transactions (2006-2010)



Source: RealNet Canada Inc.

### Notable Recent Richmond Lease Transactions

Tenant	Address	Square Feet
National Importers	13100 Mitchell Road	47,333
H-Cold Storage Inc.	21771 Fraserwood Way	46,946
Pegasus Pharmaceuticals Group Inc.	13260 Delf Place	45,350
Nuheat	6900 Graybar Road	33,583
Leeza Distribution Inc.	13331 Vulcan Way	32,000
Western Canada Express	16068 Portside Road	25,000
Home Quarters Furnishing Inc.	4551 No. 3 Road	22,800
Richelieu	6900 Graybar Road	21,417

## Richmond Q2 & Q3 2010 Industrial Building Sales Valued At More Than \$1 Million

Address	Price	Size (SF)	Price Per SF	Date
6511 Graybar Road	\$5,100,000	54,161	\$94	September 2010
11720 Horseshoe Way	\$5,368,000	42,200	\$127	September 2010
3851 Jacombs Road	\$3,700,000	15,927	\$232	September 2010
Plaza 5400	\$13,550,000	40,475	\$335	August 2010
12011 Riverside Way	\$2,150,000	11,000	\$195	August 2010
5355 Parkwood Place	\$2,900,000	13,962	\$208	July 2010
18388 McCartney Way	\$5,500,000	48,600	\$113	June 2010
12080 Horseshoe Way	\$3,900,000	36,336	\$107	June 2010
Mitchell Island Business Centre	\$1,170,900	6,513	\$180	June 2010
River Edge Business Park	\$4,050,000	25,982	\$156	June 2010
5600 Cedarbridge Way	\$6,200,000	28,320	\$219	June 2010
Fraserwood Business Centre	\$1,700,000	12,229	\$139	June 2010
<b>Average PSF</b>		<b>335,705</b>	<b>\$164.69</b>	
<b>Total</b>	<b>\$55,288,900</b>			

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 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:  
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