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North Shore commercial real estate investment rebounding strongly

By Canada NewsWire | May 09, 2011



Retail, industrial and office product in demand as tight supply and low cost of debt fuel active market

VANCOUVER, May 9 /CNW/ - Acquiring North Shore commercial real estate is shaping up to be one of the hottest property investment plays of 2011.

The low cost of debt and a tight supply of quality inventory combined with the region's affluence, proximity to downtown Vancouver, and geographical land constraints have made the North Shore commercial real estate classes - industrial, office and retail - attractive to public and private investors and developers alike.

These are some of the key trends noted in Avison Young's **Spring 2011 North Shore, BC Commercial Real Estate Market Report**, released today.

"After almost two years of challenges in our market we are pleased to see evidence of the turn-around," comments Avison Young Principal Terry Thies. "Both investor and business confidence is on the rise, leasing activity has started to increase, and deal velocity is up."

Thies says he expects lease rates to stabilize through 2011 and property values to remain strong.

"New developments on the North Shore combined with current vacancies will provide businesses with excellent leasing options and strata purchasing options."

Retail renaissance

Retail property investment recorded a 460% increase between 2009 and 2010, climbing from \$17 million in 2009 to \$93 million in 2010, according to RealNet Canada. About half of that is derived from the \$47 million purchase price paid for 845 Marine Drive in North Vancouver. Overall retail deal volume climbed to 23 transactions in 2010 from 16 the year previous.

Office ownership

Strata projects remain a hot commodity on the North Shore where a constrained inventory of new office product keeps local business owners aware of the benefit of making mortgage rather than lease payments. In 2010, dollar and deal volumes for office investment on the North Shore (\$26 million/16 transactions) remained consistent with 2009 levels (\$29 million/15 transactions).

"We are experiencing a significant increase in activity," says Matt Thomas, an Avison Young associate specializing in North Shore commercial real estate sales and leasing. "The office market, which was slow for the past year, has picked up considerably. Sublease product that was sitting on the market is starting to move."

Industrial initiative



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North Shore industrial lease rates remain among the highest in Metro Vancouver, ranging between \$9 and \$14 net psf, and certain developers are acquiring older industrial buildings to stratify and sell off, or to redevelop. Industrial lease rates are expected to remain steady although more owner-users are likely to consider purchasing their property as prices stabilize - not decline - and public and private investors gain a better understanding of the market fundamentals post-downturn.

"The outlook for leasing on the North Shore is positive, with activity increasing across all property segments," says Avison Young associate Ian Whitchelo. "While the past 16 to 18 months have been slow, during the first quarter of this year we saw leasing activity start to pick up and expect it to continue improving through the balance of 2011."

Thies and Whitchelo joined Avison Young in Vancouver in March, doubling the size of the office's North Shore commercial real estate team.

"Now as the largest North Shore commercial real estate team, we can meet and exceed market expectations and serve our clients even better," adds Thomas. "The North Shore may not be a major market compared to Vancouver, but there is a need for quality real estate services on the part of the sophisticated ownership group."

Overall, cap rates for North Shore commercial real estate will trend between 4% and 6.5% in 2011. Quality products without development potential or below-market rents are achieving between 5.5% and 6%. Those properties achieving cap rates 4% or lower are likely in areas where redevelopment is envisioned by North Shore municipalities.

"Developers from all over Metro Vancouver want to be on the North Shore and they are willing to pay the required premium to be there," adds Thomas.

Avison Young's *Spring 2011 North Shore Commercial Real Estate Report* also features an in-depth look at the District of North Vancouver's new official community plan, *Identity DNV 2030*.

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. Headquartered in Toronto, Ontario and 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. The company provides value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-residential properties.

Please click on link to view Avison Young's **Spring 2011 North Shore, BC Commercial Real Estate Market Report**: http://www.avisonyoung.com/library/pdf/Van_Research/NVNewsSpring2011web.pdf

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