

Suburban spice

Municipalities pursue strategies to boost commercial real estate

By Peter Mitham

Suburban office space was hot during the last boom, with companies such as Catalyst Paper Corp. moving to Richmond to take advantage of lower lease rates and downtown planners scrambling to develop strategies to ensure that opportunities would continue to exist for new office towers in Vancouver's city core. Now, with a new economic cycle taking shape and population growth encouraging densification, municipalities around Metro Vancouver are dusting off plans that will give them their shares of the commercial pie.

Among the most ambitious is Surrey, proud of its designation as the second downtown core in Metro Vancouver's Regional Growth Strategy. During the last boom, Toronto-based Blackwood Partners Inc. paid \$245.8 million for the landmark Central City complex, a project both fully leased to a diverse mix of tenants and having future development potential.

South of Central City in the 9600-block of King George Boulevard, developer Tony Russo has proposed a 17-storey mixed-use building with retail, restaurant and medical-office space as well as supportive housing for seniors.

To the west, Toronto's Dundee Real Estate Investment Trust and GE Capital Real Estate plan two towers comprising close to 500,000 square feet of office space adjacent to the Gateway SkyTrain station. Two additional towers will offer a mix of residential and commercial space.

The projects are typical of Surrey's city centre, where the Expo SkyTrain's three easternmost stations are attracting and anchoring new development. Parking costs being a major component of highrise office construction, transit-oriented developments are one means of reducing the need for parking space while addressing the

"We have achieved a record low in terms of overall vacancy rates"

— Darrell Hurst, principal,
Avison Young

regional imperative of compactness.

While major office projects in downtown Vancouver require preleasing by tenants willing to pay \$40 a square foot, commercial projects in Surrey and other suburbs can take advantage of cheap land and SkyTrain access to provide space at rents \$10 to \$15 a square foot less than in Vancouver's core. This difference helped push office vacancies in Surrey down to 2.5 per cent at the end of 2010.

"We have achieved a record low in terms of overall vacancy rates," says Darrell Hurst, a principal in the Vancouver office of Avison Young (Canada) Inc. and one of

the brokers handling the leasing for the Dundee and GE project.

Highlighting transit's role is the fact that the area around Central City has surpassed the municipality's historical business core, Guildford, in new commercial development. City Centre has about 1.4 million square feet of office space to Guildford's 600,000, and demand for space now amounts to 300,000 to 400,000 square feet a year.

While smaller projects are feeding the market, Hurst says demand is returning for larger chunks of space. Current construction has led Avison Young to project vacancies hitting 7.1 per cent in Surrey in 2011, but Hurst doesn't expect this.

"We are constantly receiving inquiries from mid to large-size tenants that have a demand or need to be in that market and would like to be on SkyTrain and in a Class A building. And we have no space for them," he says.

Going west

Surrey isn't alone in offering transit-oriented space. In September 2010, TransLink announced that it would relocate itself to Wesgroup's Brewery District in New Westminster, which sits next to Sapperton SkyTrain station. Other organizations are being equally liberal in scouting locations.

"It is highly competitive," Hurst says. "These types of tenants have given themselves broad-brush locational parameters. Even though they say they want to be on SkyTrain, they could look at opportunities from Burnaby to New West to Surrey."

Similarly in Burnaby, a fast-growing market has seen high vacancies (13.2 per cent at end-2010), and projects such as Metrotower III are on hold pending significant prelease commitments. This even as smaller, phased projects such as Bentall Kennedy (Canada) LP's Broadway Tech Centre have enjoyed swift commitments from major tenants such as HSBC Bank Canada and British Columbia Lottery Corp.

An appropriate emblem of the dilemma is Willingdon Park, whose final phases completed in fall 2010. Situated between two SkyTrain stations, it's leasing up thanks to its location and the selection of space it makes available to growth-oriented businesses.

"The connection to transit certainly gives it an edge," says Jocelyne Legal, director of leasing (B.C.) for Tonko Realty Advisors Ltd., which manages the million-square-

foot park on behalf of owner Healthcare of Ontario Pension Plan (HOOPP).

Tonko offers shuttle service from the park to the SkyTrain, which is also a comfortable 15-minute walk away either via the local greenway or via street. With floor plates of up to 47,000 square feet, Willingdon Park has secured tenants such as Terasen Gas and engineering firm Morrison Hershfield by supplying spaces that offer efficiency and dynamism to companies whose needs may change over time.

"A common theme is potential for future growth," Legal says, noting that this points to an increasing confidence among businesses. Such anticipated growth bodes well for office vacancies in Burnaby to fall through 2011.

North by northeast

Other municipalities have strengths beyond transit.

The development of highway infrastructure has brought areas such as the northeast sector within Metro Vancouver's ambit. Onni Group, for example, is taking advantage of the Pitt River and Golden Ears bridges, which connect the area north of the Fraser with the Trans-Canada Highway and the American border, to develop the Golden Ears Business Centre.

The promise is spurring municipalities such as Maple Ridge to develop incentives that lay the foundations for new development. The incentives include priority processing and tax forgiveness. They aim to encourage new construction of at least \$1 million in value, renovations of at least \$20,000 and façade improvements that contribute to the revitalization and densification of the downtown, currently dominated by single-storey buildings that recollect a quieter era. One office tower is already being discussed for the downtown.

With a population steadily growing and forecasted to continue to increase beyond the current 75,000, Maple Ridge wants to manage growth and capture jobs that provide well-paying employment to residents.

"We're going to double our population and double our jobs," says Sandy Blue, manager, strategic economic initiatives, Maple Ridge. "The idea would be for people to live and work here."

More than 70 per cent of residents now leave Maple Ridge for jobs elsewhere.

"We want to reverse that, so [that] people are actually living and working here," Blue says.



Today through tomorrow

- Indoor Air Quality/Mould
- Fall Protection
- Occupational Hygiene & Hazardous Materials
- Health & Safety Training

Contact our OH&S group at:
Suite 600, 4445 Lougheed Highway
Burnaby, B.C. V5C 0E4
Tel: 604-294-3811 Fax: 604-294-4664
oh&s@amec.com

amec.com



blackwood
PARTNERS

Knowledge • Integrity • Results

Central City is an award winning world class development located in the centre of Surrey, the fastest growing city in British Columbia.

Central City is a mixed use development combining 640,000 square feet of superior retail, a 340,000 square foot Simon Fraser University Campus and 550,000 square feet of AAA office space.

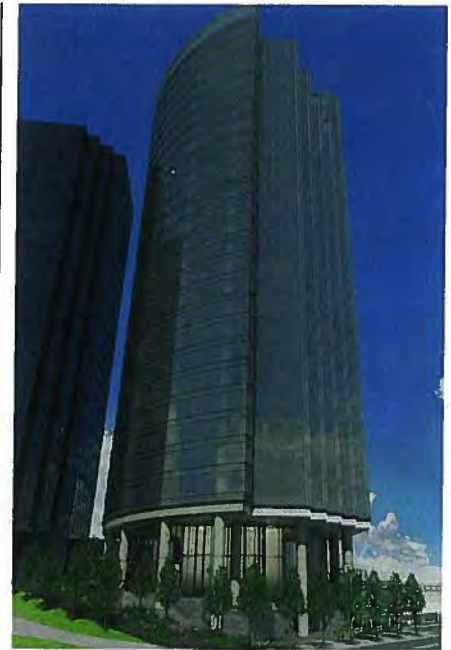
Retail anchors include: Canadian Passport Office, Best Buy, Future Shop, Winners, Shoppers Drug Mart, Urban Behavior, The Brick, T&T Supermarket, Zellers, Bed Bath & Beyond™ and Target Apparel.



Vancouver • Calgary • Edmonton • Toronto • Ottawa

leasing@centralcity.ca 604.588.5271

www.blackwoodpartners.com www.centralcity.ca



Developer Ivanhoe Cambridge seeks prelease commitments for Metrotower III, Burnaby

Ryan Hall is a senior sales associate with CB Richard Ellis who specializes in the leasing and sale of retail properties in the Tri-Cities and Maple Ridge.

"I don't see a demand for an office tower at this time. Retail works," he says, noting that even highrise residential towers are a tough sell. Pitt Meadows, in its core, has two developed by RG Properties for which it's been difficult to find buyers.

"It's very noble that that they would wish to have a tower in their downtown; I'm sure many cities across Canada would," Hall says, but he points out, "People move to Maple Ridge because they have a family – a wife, a kid, a dog – and they're looking for a white picket fence."

For her part, Blue credits the bridges with bringing the area closer to the rest of Metro Vancouver and a highly favourable rating from the Real Estate Investment Network with spurring developers' interest.

"The access has opened up huge opportunity, and there is so much affordable land here," she says. Here's where the incentives come into play. Maple Ridge is "for those who see the opportunity and want to get in early."

The municipality isn't setting targets for office development. There's been significant interest from commercial developers since the initiative was launched in January. In the end, as Blue says, the amount of office space will depend on what developers are willing to build. ■

COMMERCIAL REAL ESTATE

2011 Office Space

BOMA BC LEASING GUIDE

Centennial cheer

BOMA BC celebrates its 100th anniversary

Tower towns

Vancouver's core, suburban centres

Designs of the times

Stupendous lobbies, functional small offices

Roads ahead

Metro Vancouver invests in infrastructure

PUBLISHED BY
RIV
magazines


100 Years of
BOMA
The Building Owners
and Managers Association