

BUSINESS BC

TO-DATE BUSINESS NEWS
vancouversun.com/businessbc

ENERGY, METALS PROFITS JUMP

PHONE 604-605-2520

FRIDAY, AUGUST 1, 2008

E-mail sunbusiness@vancouversun.com

Almost no room at the office

Metro Vancouver office vacancy rates remained tight during the first half of 2008 at an average of five per cent across the region, according to commercial realtor Avison Young's latest report.

2.5%

Downtown

3.9%

Yaletown

6.2%

Broadway

5.4%

Burnaby

12.3%

Richmond

7.9%

Surrey

12.1%

New Westminster

3.4%

North Shore



SOURCE: AVISON YOUNG

IAN SMITH/VANCOUVER SUN FILES

Burnaby gains ground in office construction

P
tha
Ply
Car
ter
the
tion
enc
"V
long
pric
of s
tive
our
con
the
reb
mar
said
E
abo
bee
for
drie
"V
qua
was
sup
too
that
"V
spr
ava
pre
cuts
of t

Almost no room at the office

Metro Vancouver office vacancy rates remained tight during the first half of 2008 at an average of five per cent across the region, according to commercial realtor Avison Young's latest report.

2.5%

Downtown

3.9%

Yaletown

6.2%

Broadway

5.4%

Burnaby

12.3%

Richmond

7.9%

Surrey

12.1%

New Westminster

3.4%

North Shore



SOURCE: AVISON YOUNG

IAN SMITH/VANCOUVER SUN FILES

Burnaby gains ground in office construction

REAL ESTATE |

Lower costs make it more appealing than Vancouver for builders

BY DERRICK PENNER
VANCOUVER SUN

While developers are building a trickle of new office projects in downtown Vancouver, they are pouring a deluge into Burnaby, where lower land costs and rising rents have made it an attractive location to build, according to a report from commercial realtor Avison Young.

The tale of two office cities is a continuation of the trend in Metro Vancouver's hot office-

leasing market that has seen the cost of new construction downtown become prohibitive to new office development, although demand for space is high.

And the surrounding cities, particularly Burnaby, have benefited by having more land that is readily available at less-expensive prices.

"On a proportional basis, there is a lot more going on in Burnaby as far as new construction than in the rest of the office sector," said

See **DEMAND GROWING E2**

P
tha
Ply
Car
ter
the
tion
enc
"
lon
prio
of s
tive
our
con
the
reb
ma
said
E
abo
bee
for
dri
"
qua
wa
sup
too
tha
"
spr
ava
pre
cut
of t
der
tion
for
F
refi
fib
wh
"
the
dov
suj
apl
tha
F
mu
Se

Demand growing for downtown office space

From E1

Michael Gill, a principal in the Avison Young firm.

"The reason for that is little bit perplexing."

Gill added that it is difficult for developers to secure land downtown because most prime office

sites have been lost to residential towers. It has been easier to locate suitable office sites in other areas.

In Burnaby, where office vacancy dropped a tick to 5.4 per cent during the first half of 2008, developers have 477,020 square feet of office space under construction in five different projects, according to Avison Young's mid-year Office Market report.

That is on top of a base of 8.3 million square feet of office space in Burnaby that Avison Young tracks.

And builders are planning another 1.5 million to 1.8 million square feet of office space in Burnaby.

Meanwhile in downtown Vancouver, which is struggling with

a record low 2.5-per-cent vacancy by Avison Young's measure, developers currently have just 185,500 square feet of office space underway in a handful of mixed-use buildings.

Those new office projects, including about 60,000 square feet in the high-profile Jameson House on West Hastings and 70,500 as part of the Delta Group's Hotel Georgia redevelopment, have smaller floor plates and spaces.

"That's not really going to relieve the pressure downtown," Avison Young leasing broker Matthew Craig added.

Developers do have proposals for a few large office towers totalling about 1.2 million square, but Craig noted that planning for those has proceeded slowly.

The Aquilini Investment Group/Tripower Development proposal for 197,000 square feet of office space in a 24-storey, 236,000-square-foot tower adjacent to GM Place was recently put on hold while the firm waits for the City of Vancouver to finish a density study for northeast False Creek.

And Bentall Real Estate is about a year away from completing the zoning and development-permit work for the proposed 22-storey, 400,000-square-foot office tower at 745 Thurlow St., which is owned by the investment arm of the B.C. public-sector pension fund, B.C. Investment Management Corp.

"All the right things are being done to position [the firm] to build a building [at 745 Thurlow]," Bentall senior vice-president Tony Astles said in an interview. "And if the market supports it, and construction costs support it, then it will get built."

Rents in downtown have risen dramatically, with Avison Young counting some contracts in the \$45- to \$50-per-square-foot per-year range, but Astles added that construction costs continue to rise.

In the meantime, Craig said the pace of leasing activity in downtown Vancouver has slowed simply because there aren't enough leases turning over to free the space that will satisfy demand.

"There's lots of pent-up demand within existing buildings with tenants that want to expand," Craig said. But there no space for them move into.

The possibility of an exodus from downtown is being talked about in the real estate community, but Gill sees little evidence of it actually happening.

Gill said a small percentage of firms that don't really have to be downtown may move out to get the space they need.

"But major financial users [such as banks], major law firms and accounting firms are still going to stay downtown," Gill added.

The types of companies locating in Burnaby are firms that have already built their base there, or new tenants that find Burnaby more convenient, such as engineering firms, software developers and other technology companies such as PMC Sierra or Electronic Arts.

"There is a preponderance of those types of companies going to Burnaby versus other areas," Gill said.

Burnaby isn't alone in seeing the benefits of the hot office market. The Avison Young report notes Surrey has 412,000 square feet of office space under construction in a market that presently has only about 2.3 million square feet of space.

GE Real Estate and Dundee Real Estate Asset Management also have a proposal for a 600,000-square-foot Gateway Park around the Gateway SkyTrain station.

Richmond has also seen the construction of some high-profile office projects such as the Sun Life Airport Executive Park and BCIT Aerospace Campus.

depenner@vancouver.sun.com

TRUST COMPANY

RY WINDING UP

Pacific Corporate Trust voluntarily wind up of the Company in s], c. 62 (the "Act"), to section 270 of the ointed as the liquidator r").

st meeting of creditors gust, 2008, at 10:30 a.m. c., as noted below.

that any person having whether this claim re or contingent, n in writing to the er 30, 2008, to o the office of the wise, at the following s capacity as Liquidator iny, 2300 - 700 West 7Y 2C7. To the 91 8262.

any

ERNST & YOUNG

CASH + RRSP + RESP
INVESTMENT



Quality Investment Since 1967

2008 2nd Quarter NET Return

10%

13-Year Average 11.65%

For a booklet including quarterly returns since 1995 on this WCO's investment (minimum \$1,000) secured by Canadian real estate, please call

604-324-9255 or 1-866-382-9255

www.fisgard.com info@fisgard.com

9 to 5



We've come here from planet Dworkin looking for better-paying jobs.