

METRO VANCOUVER

Metrotown Place III expected to ease regional district space crunch

City will set aside land in downtown for future office space

BY KELLY SINOSKI
VANCOUVER SUN

The City of Vancouver has agreed to set aside land in the downtown core for future office space, despite predictions by analysts that the growing recession will boost office vacancy rates.

At the same time, Metro Vancouver has struck a deal to buy Metrotown Place III in Burnaby for \$14.25 million, saying it was an attractive price and will ease a space crunch for the regional district.

The move comes as Metro Vancouver's office vacancy rate climbs toward seven per cent and sublease rates are rising as companies lay off people or put off expansion plans.

Vancouver city planning director Brent Toderain said the economy wasn't a factor in the city's decision, which enforces a 2004 interim city policy aimed at protecting the expanding central business district from "excessive residential" development.

"Most of this is long-term planning

so you have to put in the best strategy to ride our upturns or downturns," Toderain said. "The art of proper job space planning is to protect job space for the time when the market is ready to build in ... once you give it away for something else, you can't get it back."

Toderain noted that residential development has greater profitability but by ensuring land is available in the business district, the city will be able to provide jobs for up to 130,000 people.

"There's a real magic for certain tenants to want to be at centre ice where all the activity is ..." he said. "If we didn't protect that space, the jobs would go out to Surrey or Burnaby."

Michael Gill, a principal at Avison Young, said despite rising vacancy rates, this a good time for investors as property owners look to sell prime assets to raise capital.

He noted that although landlords will likely be offering larger inducement packages, such as lease takeovers to get tenants into their buildings, the market will eventually

rebound.

"When the market does turn around and the rents start to increase again, those assets will move in lock step," he said.

Meanwhile, the Metrotown Place III deal, which was brokered by Gill, marks the first sale of a B.C. suburban office building valued at more than \$5 million since last fall.

By comparison, between October 2007 and April 2008, five suburban office investment deals totalling \$96 million closed in B.C.

Michelle Garvock, property division manager for Metro Vancouver, said the regional district decided to buy the property because it was already a tenant in the building and was facing a space crunch.

The 10-storey building is fully leased with long-term major tenants including BC Housing Management Commission and Investors Group. Metro Vancouver also owns and occupies the adjacent 19-storey Metrotown Place I.

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