

REGIONAL ROUNDUP It's full-speed ahead for spec developers in Burnaby, despite economic storm clouds

Damn the torpedoes

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The third-largest city in British Columbia, the site of B.C.'s largest shopping centre and considered the leader in advanced office space, Burnaby is also one of the hottest residential markets in the Lower Mainland.

An economic powerhouse in the centre of the Metro region, Burnaby is home to major high-tech firms such as **Electronic Arts, Creo, Ballard Power Systems and Telus**. Heavy industry includes **Chevron Corporation and Petro-Canada** petroleum refineries on the shores of Burrard Inlet. Other companies such as **eBay, Future Shop and Nokia** have significant facilities in the city as well. Burnaby also features superb transportation, including the SkyTrain, and will be a key route for the new rapid-transit Evergreen Line.

The economic downturn that has flattened commercial real estate markets across Canada has spooked – but not slowed – the speculative action that has driven Burnaby's real estate sector for most of this decade.

Six of the seven major office projects in Metro Vancouver being built this year are in Burnaby and, according to a survey by **Altus Group**, Burnaby accounts for all but 200,000 square feet of the 1.2 million square feet of new offices being built across the Metro region.

However, developers across Burnaby, apparently believe the location is worth the risk.

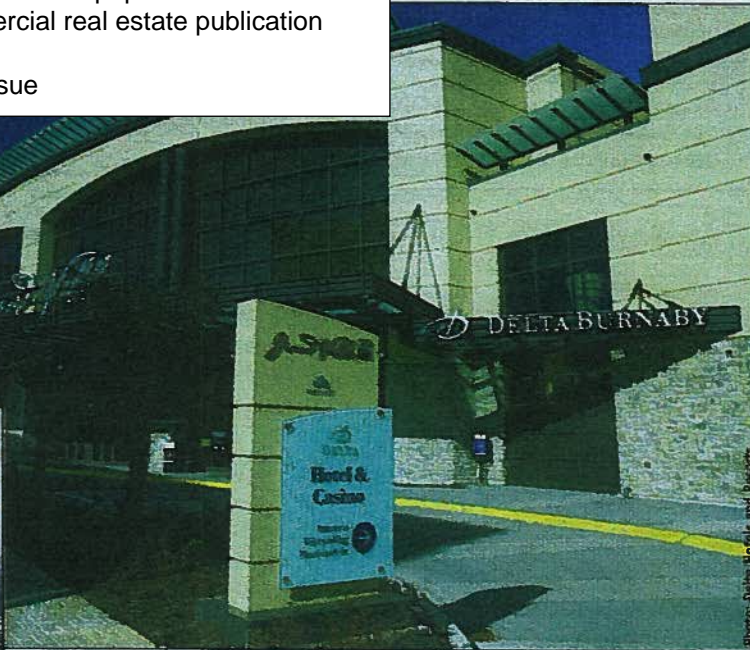
"We never slowed down," said **Sandy Cruickshank** of **Tonko Realty Advisors**, one of the most active players in the hot Willingdon area. Tonko is continuing with its 185,000-square-foot of high-quality Phase 8 and Phase 9 of its giant Willingdon Park com-

plex on Still Creek Drive. One of the buildings is already finished. Tonko is also completing **Lake City Court 11**, a mixed office and industrial park that opens this summer in the 400-acre Lake City industrial area.

Other new projects include 150,000 square feet at **Discovery Place – Building 12** on Canada Way, to complete by year end. In addition, 160,000 square feet at **Glenlyon Business Park** will open this fall, and has been fully leased by **Ritchie Bros**.

Vacant space

With 9.5 million square feet of offices, Burnaby is now suffering vacancy rates of 8 per cent range, up from 5.4 per cent six months ago. Burnaby now has the greatest amount of vacant office space in suburban Metro markets. at



TOP: Delta Hotels and Resorts completed its new 200-room Delta Burnaby Hotel and Conference Centre this June. **LEFT:** The 10-storey Metrotown Place III sold in April for \$14.25 million – the only suburban office tower sold in Metro Vancouver this year.

594,000 square feet, and that does not include nearly 50,000 square feet of vacant sublease space.

Nowhere is the change more dramatic than in the Willingdon-Canada Way corridor.

The high-tech home to the campus of the **B.C. Institute of Technology**, Canada Way Business Park, Discovery Park and Willingdon Park, the area has the largest massing of office space in Burnaby. When Tonko completes its latest buildings, Willingdon Park alone will account for one million square feet of new offices, most of it built close to or at LEED (leadership in energy and environmental design) standards.

Nearby, **Morguard** is completing the five-storey **Discovery Green** near Willingdon Avenue and Canada Way, with 155,248

square feet; and **Appia Group** will finish the 12-storey, 110,000-square-foot **Commerce@CTI** on the Lougheed Highway, a block from Willingdon, this fall.

But a look to the east and west in Burnaby may give even the bravest spec developers the shakes.

To the west is **Lake City Centre Properties'** Lake City Centre project. Built on spec and completed a year ago, the 108,000-square-foot building has only leased about 10 per cent of the space. To the east is **Ivanhoe Cambridge Inc.**'s \$170 million **Metrotower III**, the first LEED platinum office building in B.C. But the project's first potential tenant, **Best Buy**, has walked on a proposed deal to lease half of the 400,000-square-foot tower, which is still under construction.

Burnaby, however, is also the site of the only office tower sale in Metro suburban markets since the market downturn last October. In April, **Michael Gill**, a principal with **Avison Young**, brokered the \$14.25 million sale of **Metrotown Place III**, a fully leased, 10-storey, 57,000-square-foot building on Kingsway Avenue, across from the 1.2-million-square-foot **Metrotown Mall**. In normal times, the sale would have been business as usual. In the period between October 2007 and April 2008, for instance, five Metro suburban office buildings had sold, worth \$96 million.

This year, the deal is big news.

"This is the first major suburban office building sale of 2009," Gill noted, adding that it could signal that this year's investment market is stronger than most anticipated. He may be right. Since March, six office buildings have sold in the Metro region – five in downtown Vancouver – with a total value of \$500 million.

Industrial

Burnaby has 27 million square feet of industrial space, ranking it among the top five industrial markets in the Metro region. It is also among the most active, with nearly one million square feet under construction, most of it on spec. The vacancy rate has risen recently to the

Please see Spec stories, page A16