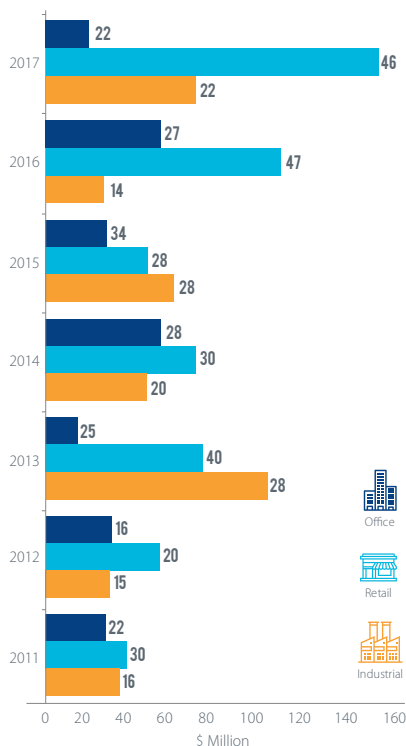


North Vancouver, BC

Spring 2018
North Shore Report

NORTH SHORE COMMERCIAL REAL ESTATE TRANSACTIONS



North Shore CRE investment activity and pricing on the rise amid development boom

Commercial real estate activity on the North Shore surged to new heights in 2017 with more than \$258M invested in 90 transactions involving office, retail and industrial assets. The level of activity in 2017 surpassed the previous record dollar volume set in 2013 (\$249M) but fell just short of the record number of transactions (93) also registered that year.

The significant volume of residential development transpiring across the North Shore during the past four years, particularly in more transit-friendly nodes such as Lower and Central Lonsdale as well as along Esplanade and segments of Marine Drive, have contributed to increased demand for retail and service amenities along with additional hospitality options in these neighbourhoods. Commercial development has been further encouraged by local, provincial and federal governments investing in cultural infrastructure such as museums and galleries, public spaces and historic features, including parks and

amphitheatres, as well as recreational amenities such as a new community centre, walking trails, an ice rink and water play park.

The disposition of retail assets has come to dominate commercial real estate transactional activity on the North Shore the past two years with more than \$156M (46 deals) in sales in 2017 after registering more than \$111M (47 deals) in retail sales in 2016. This marked the first time on the North Shore that a commercial asset class exceeded \$100M in sales in consecutive years. **Hungerford Properties'** acquisition of **Taylor's Crossing**, a 44,000-sf two-storey retail complex, for \$24M was the largest retail sale on the North Shore in 2017.

The largest overall CRE building transaction on the North Shore in 2017 was **MDC Property Services'** acquisition of 500 Brooksbank Avenue in North Vancouver, a 95,950-sf office and light industrial property situated on 2.6 acres of land. The property is

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MARKET
OUTLOOK

CAP
RATES



INDUSTRIAL
VACANCY



OFFICE
VACANCY



RETAIL
VACANCY



LEASE RATES
(ALL CLASSES)



INDUCEMENTS
(ALL CLASSES)





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Sale options limited; retail leasing activity rises

Sales and leasing activity on the North Shore was strong through 2017 and into 2018 with pricing and industrial lease rates on the rise as the number of options for those looking to purchase remain extremely limited in all asset classes. Office lease options are available.

Industrial sale pricing and land values in North Vancouver have increased significantly with recent sales along Pemberton and Harbour Avenue achieving \$500 psf to \$600 psf. There is very limited industrial space for owner-occupiers or investors to acquire. Other than 350 & 370 East Esplanade, no other new confirmed industrial developments are in the pipeline. Industrial vacancy was at 0.5% at the end of the first quarter of 2018, which has resulted in very few options for industrial tenants looking to grow or relocate within North Vancouver. This has led to upward pressure on lease rates. Most industrial lease transactions were limited to smaller deals and renewals; however, **ALS Global** completed a large renewal of 116,500 sf at **NorthWoods Business Park**. Availability may improve slightly with **Keith Plumbing & Heating** relocating its warehouse space to Port Coquitlam by mid-2018 and vacating 22,000 sf in Harbourside. **Prosnack Natural Foods** is vacating 5,000 sf at 369 Lynn Avenue to consolidate with **Naturally Splendid** in Pitt Meadows.

While there are very limited strata office options (and a lack of strata office projects in the pipeline) to meet demand from buyers, there remains a healthy number of lease options for tenants. Vacancy increased to 12.9% due to the recent delivery of **Onni's CentreView** mixed-use development, which included an office component that was about two-thirds leased on delivery. **Hollyburn Properties** has started construction on its mixed-use development at 13th and Lonsdale that is set for delivery in 2020. The sale of the

Northmount Medical Centre I & II office buildings as a mixed-use redevelopment site was one of the largest land deals on the North Shore in 2017. While Keith Plumbing & Heating is expanding its office space by leasing 17,885 sf at 788 Harbourside Drive, **WorkSafeBC** vacated 20,000 sf at 224 West Esplanade when it relocated out of market.

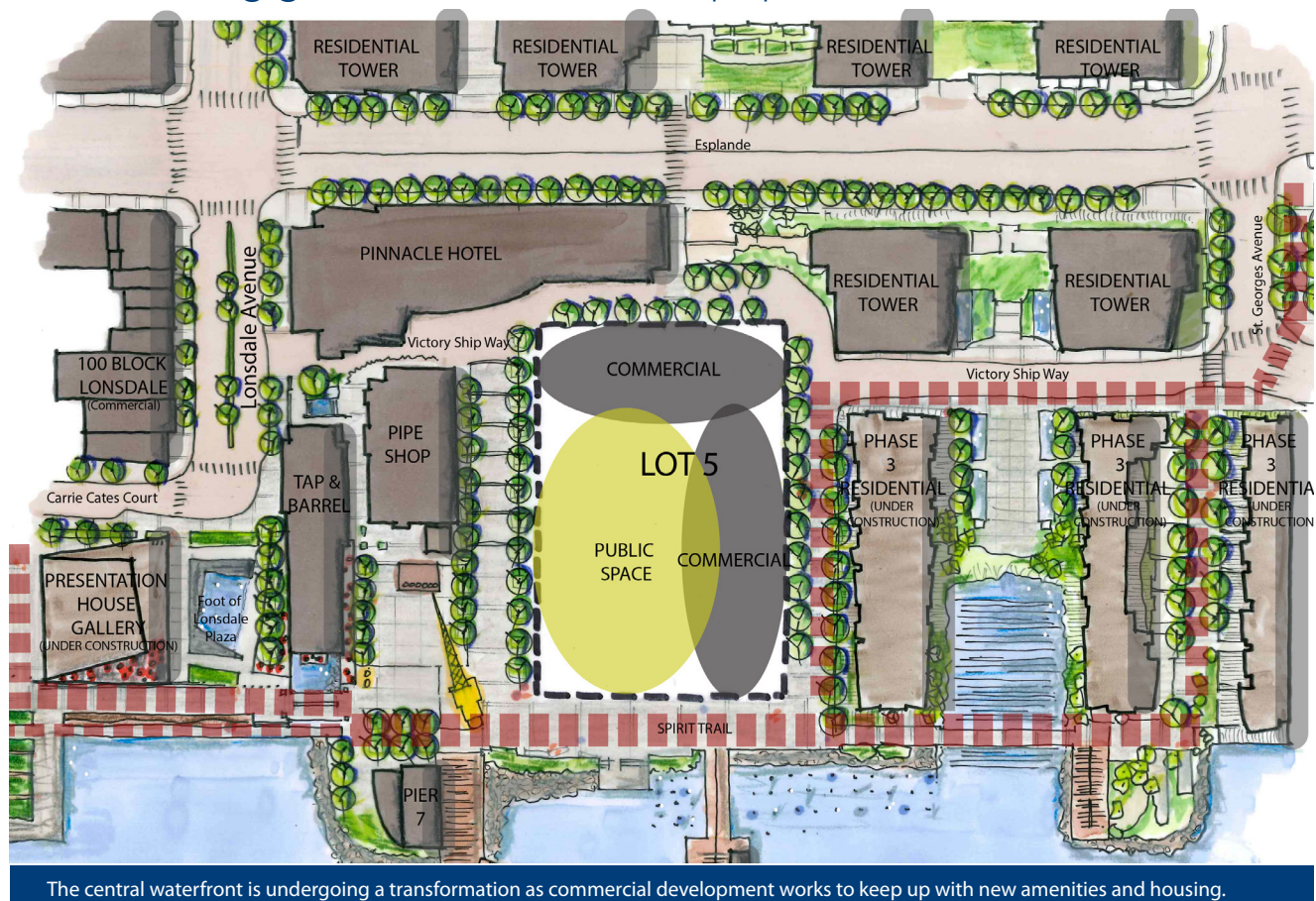
Retail sales and leasing activity has been on the rise on the North Shore with new restaurants such as **Joey Shipyards** (located in **Executive Hotels & Resorts'** new 70-room boutique hotel also on site) opening in the **Shipyards** development on the central waterfront. Construction has also begun on the new outdoor ice rink and amphitheatre located in the Shipyards development. Nearby, **Captain's Boil** leased 3,562 sf at 100 East 1st Street. Retail space in Lower Lonsdale has been in demand by North Shore retailers with rental rates ranging from low \$30s to mid \$40s psf net. Besides Captain's Boil, other recent new tenants have included **Ride Cycle Club** and **Windsor Meats**. Leasing activity for retail spaces larger than 1,500 sf in Central Lonsdale slowed in 2017, with rates stabilizing in the mid \$30s to low \$40s psf net. Premium locations can range up to \$50 psf net. Recent new tenants in the area include **Poke Bar** and **Steve Nash Fitness World & Sport Club**.

Retail space on Marine Drive has continued to generate interest in terms of both sales and leasing with recent leasing including **Bulk Barn**, **Edmonds Fine Appliances** and **Hannam Market**. Rental rates have ranged from \$25 - \$50 psf net. Retailers also continue to locate in West Vancouver's **Park Royal** with **Saks Off 5th** opening a 33,000-sf location at Park Royal North. **BC Liquor Store**, **London Drugs**, **Loblaws City Market**, **Steve Nash Fitness World & Sport Club**, **Cineplex Odeon** and **Chipotle** have also opened and/or expanded at Park Royal South. ■

NOTABLE NORTH SHORE LEASE TRANSACTIONS

ADDRESS	SQUARE FEET	TENANT
NorthWoods Business Park (industrial)	116,500	ALS Global
788 Harbourside Drive (office)	17,885	Keith Plumbing & Heating
1074 Marine Drive (retail)	12,800	Hannam Market
224 West Esplanade (office)	10,305	Harbourfront Business Centre
55 Gostick Place (industrial)	8,500	Keith Panel Systems
1550 Marine Drive (retail)	8,015	Edmonds Fine Appliances
267 West Esplanade (office)	6,155	Red Lion Management
1500 Marine Drive (retail)	5,458	Bulk Barn
980 West 1st Street (office)	5,110	FDM Software Ltd.
111 Forester Street (office)	4,400	Multivista

Commercial space playing catch up to mixed-use development boom driving growth in North Shore population and amenities



The central waterfront is undergoing a transformation as commercial development works to keep up with new amenities and housing.

Image credit: City of North Vancouver

Commercial development has been on the rise in the City and District of North Vancouver along with West Vancouver as mixed-use projects have attracted additional residents to the North Shore.

Construction on Lot 5, a city-owned parcel of land located in the centre of The Shipyards site, is underway and scheduled for completion in late 2018 and will include an outdoor public skating rink and a water play area. These year-round activities are supported by a surrounding commercial development including **Joey Shipyards** and **Executive Hotels & Resorts**. The outdoor public skating rink will be the largest in the Lower Mainland. Additional commercial development is occurring to the west of Lot 5 at the Foot of Lonsdale, which also includes the **Polygon Gallery** and the recently opened **Tap & Barrel** along with

several public realm improvements and amenities. The **Pier Development**, which is located within The Shipyards, features 1.25 million square feet of commercial, public amenity and residential development, including the 105-room **Pinnacle Hotel** as well as other commercial uses such as shops, restaurants and services. However, it is not just the waterfront that is benefiting.

In March 2018, **Darwin Properties** proposed to redevelop the Harry Jerome Neighbourhood Lands in the City of North Vancouver with a significant mixed-use redevelopment featuring two 26-storey towers plus three six-storey buildings and a five-storey building. In exchange, a new \$190-million developer-funded Harry Jerome Community Recreational Centre would be built to replace the previous centre along with a new seniors activity centre, outdoor

skate park and lawn bowling club and greens. Council consideration is anticipated in July 2018. The District of North Vancouver amended its official community plan (OCP) in February 2018 to push forward its Maplewood Village plan. Roughly 1,500 new residential units are planned for the area along with capacity for an additional 100,000 sf of new commercial space.

West Vancouver, which had not updated its OCP since 2004, recently released a draft OCP dated February 13, 2018 and hopes to collect community input to produce a second draft that would be delivered to council in May 2018 for its consideration. Local area plans would then be developed for Ambleside Town Centre, Horseshoe Bay, Taylor Way and the newly designated Cypress Village, a 240-acre site located on Cypress Bowl Road above the Upper Levels Highway. ■

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100% leased to **Honeywell Ltd.** The limited number of industrial and office sales in 2017 was due to a lack of supply as demand remained very high, which resulted in premium pricing and multiple offers for most industrial and office properties that did come available.

The majority of office deals that closed in 2017 were strata sales, including six units at **Delbrook Plaza**, four suites in the **Ranotech Canada** building, along with a couple of units in phase two of **Dollarton Business Park** as well as **West Quay** and **Harbourside Projects'** 370 East Esplanade development, respectively. (The \$43.5M acquisition of the Northmount Medical Centre I & II office buildings by **Millennium Development** as a mixed-use redevelopment site in 2017 was subsequently classified as a land deal.) Industrial strata sales also accounted for a substantial amount of the limited industrial transactional volume recorded in 2017.

Lease rates for industrial space on the North Shore remain among the highest in Metro Vancouver in part due to North Vancouver having one of the tightest vacancy rates in the region (0.5%). Lease options for office tenants are more plentiful than strata office opportunities on the North Shore as leasing activity (and vacancy) has generally remained stable even as new supply has been delivered. Office lease rates have also remained largely steady and comparable with rates in suburbs such as Burnaby and Surrey.

Additional commercial development is being included in the planning of mixed-use projects across the North Shore. Examples include **Concert Properties' Harbourside**, a 12-acre mixed-use community in the southwest corner of the City of North Vancouver, **Wesbild's** recently acquired site, **The Waterfront**, in Lower Capilano along with the proposed redevelopment of the Harry Jerome Community Recreation Centre and the establishment of Maplewood Village Centre in the District of North Vancouver.

While local investors remain the primary driver of market pricing, purchasers who use capital originating from overseas to acquire assets also play a role. However, rising interest rates and the coming shift in municipal politics – the mayors of both the City and District of North Vancouver, respectively, have indicated they will not stand for re-election in fall 2018 – may lead investors to conclude that 2017 and early 2018 marked the highwater mark of investment activity in this most recent commercial real estate market cycle. ■

NORTH SHORE COMMERCIAL PROPERTY DEALS (GREATER THAN \$2M) (JANUARY 1, 2017 TO DECEMBER 31, 2017)				
ADDRESS	MUNICIPALITY	TRANSACTION VALUE	SQUARE FEET (SF)	DATE
West Quay	North Vancouver	\$2,830,000	5,127	October 2017
West Quay	North Vancouver	\$3,984,000	6,669	September 2017
Harbourside Corporate Estates	North Vancouver	\$2,000,000	3,567	August 2017
Lynn Valley United Church	North Vancouver	\$4,260,000	NA	December 2017
1534-1550 Main Street	North Vancouver	\$3,200,000	3,500	December 2017
West Quay	North Vancouver	\$2,790,000	4,410	October 2017
West Quay	North Vancouver	\$2,406,000	3,804	October 2017
660 West 3rd Street	North Vancouver	\$2,470,100	1,350	October 2017
2979 Mountain Highway	North Vancouver	\$4,420,000	1,320	October 2017
3150 Edgemont Boulevard	North Vancouver	\$4,030,000	1,900	October 2017
1490 Main Street	North Vancouver	\$2,544,300	1,340	October 2017
1613 Marine Drive	West Vancouver	\$4,220,000	660	October 2017
3690 Westmount Road	West Vancouver	\$2,908,600	2,425	October 2017
2452-2458 & 2460-2464 Marine Drive	West Vancouver	\$10,583,000	13,542	September 2017
1285 Marine Drive	North Vancouver	\$2,300,000	4,450	July 2017
1483-1485 Clyde Avenue	West Vancouver	\$2,500,000	4,300	June 2017
Taylor's Crossing	North Vancouver	\$24,000,000	44,000	June 2017
1471-1473 Clyde Avenue	West Vancouver	\$2,400,000	4,720	June 2017
1640-1648 Bridgman Avenue; 1293-1297 Marine Drive	North Vancouver	\$4,100,000	4,909	May 2017
351 West 3rd Street	North Vancouver	\$4,800,000	2,500	May 2017
1705 Marine Drive	West Vancouver	\$16,000,000	8,228	March 2017
991-999 Marine Drive	North Vancouver	\$3,500,000	4,220	March 2017
5020 Capilano Road; 1180 Clements Avenue	North Vancouver	\$2,594,000	5,325	March 2017
The Westbury	West Vancouver	\$6,500,000	6,650	February 2017
503-507 15th Street	West Vancouver	\$6,288,000	7,149	February 2017
1585 MacGowan Avenue	North Vancouver	\$2,900,000	3,249	January 2017
1601 Lonsdale Avenue	North Vancouver	\$13,300,000	12,813	January 2017
239-241 East 1st Street	North Vancouver	\$3,000,000	9,600	December 2017
1335 & 1353 Pemberton Avenue	North Vancouver	\$3,695,000	6,760	December 2017
500 Brooksbank Avenue	North Vancouver	\$27,350,000	95,955	November 2017
1315 Cotton Road	North Vancouver	\$7,750,000	18,561	November 2017
1405 Pemberton Avenue	North Vancouver	\$3,000,000	4,537	October 2017
1001-1051 Churchill Crescent	North Vancouver	\$5,200,000	14,000	August 2017
1365 Main Street	North Vancouver	\$8,240,000	20,000	July 2017
1160-1164 West 15th Street	North Vancouver	\$3,125,000	10,863	March 2017
1059 Churchill Crescent	North Vancouver	\$2,100,000	4,937	January 2017

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