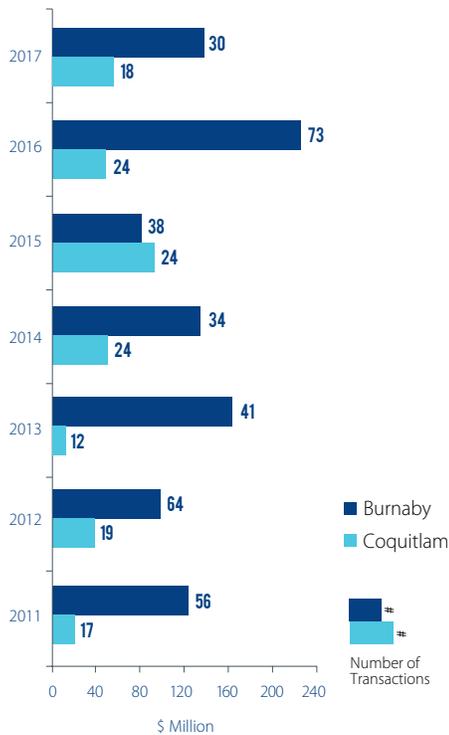




Burnaby/Coquitlam, BC

Winter 2019
Burnaby/Coquitlam Industrial Report

BURNABY & COQUITLAM INDUSTRIAL REAL ESTATE SALES AND TRANSACTIONS



Burnaby/Coquitlam industrial markets remain in strong demand amid rising lease rates and tightening vacancy

Demand for industrial space in Burnaby and Coquitlam was insatiable in 2018 with vacancy reaching new lows as rental rates pushed higher and deal and dollar volume from industrial sales remained strong. A depleted development pipeline is unable to offer meaningful relief in the short- to mid-term to either market as industrial land prices remain elevated and availability highly constrained, which continue to throttle the new development activity necessary to meet demand.

Burnaby recorded more than \$203 million in 44 sales in the first 10 months of 2018, surpassing the number of deals closed in all of 2017 as well as exceeding that year's total dollar volume of \$137 million. While sales activity in 2018 will surpass the dollar-volume record of \$204 million but not the 73 done deals established in 2016, demand for Burnaby industrial space will remain undiminished in 2019 with owner-occupiers and investors vying to acquire properties.

With industrial vacancy in the 28.8-million-square-foot (msf) Burnaby market at 1.6% at the third-quarter of 2018, down from 2.4% a year earlier, rental rates continued to rise in 2018 to an average of \$12.84 psf.

Industrial strata sales, particularly at **Beedie's Crescent Business Centre 2** (10 sales totalling more than \$34 million), along with multiple unit sales at **Riverway Business Park, Douglas Centre** and **Eagle's Landing Business Park**, dominated Burnaby industrial sales activity through to October 2018. The largest strata sale in that period was the \$14.65-million acquisition of a 35,406-sf unit at **North Fraser Corporate Centre**. The largest deal in Burnaby in the first 10 months of 2018 was the \$30.125-million sale of 8651 Eastlake Drive, a 111,152-sf multi-user industrial building in the Lake City submarket, to **Pure Industrial Real Estate Trust**. Free-standing properties remain increasingly

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MARKET OUTLOOK

BURNABY
COQUITLAM

Cap Rates



Industrial Vacancy



Sales Volume



Absorption



Lease Rates





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With 12 years of commercial real estate experience, Kyle has closed more than \$300 million worth of industrial transactions. He specializes in Burnaby and Coquitlam industrial property sales and leasing.



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Ben Lutes specializes in Tri-Cities industrial sales and leasing. Since 2009, Ben has developed a strong reputation as a successful, client-focused agent with excellent knowledge of the Tri-Cities' industrial real estate market.

Burnaby/Coquitlam active despite supply constraints



Goodman Company Canada leased 37,000 sf at 6741 Cariboo Road in North Burnaby.

Burnaby

Goodman Company Canada relocated within the **Cariboo Business Park** in North Burnaby to lease three units totalling 37,000 sf, expanding from the 20,000 sf the firm occupied in previous two units.

Olympia Tile is relocating from its facility on Willingdon Avenue in North Burnaby and relocating to Oxford Riverbend Business Park in South Burnaby and will be occupying all 119,035 sf in building #2. The next phase, the 152,575-sf building #1, will be completed and ready for occupancy in the first quarter of 2019. Also relocating from North Burnaby to the Big Bend area, **SeneGence** has leased the new 39,300-sf building at 7765 North Fraser Way. **The Crossing Studios** also extended its 82,110-sf lease at 8355 Riverbend Court following its initial sublease term.

Raider Hanson is expanding within North Burnaby, relocating from its 21,000-sf facility on Remi Place to move down the street into 47,000 sf at 8335 Winston Street.

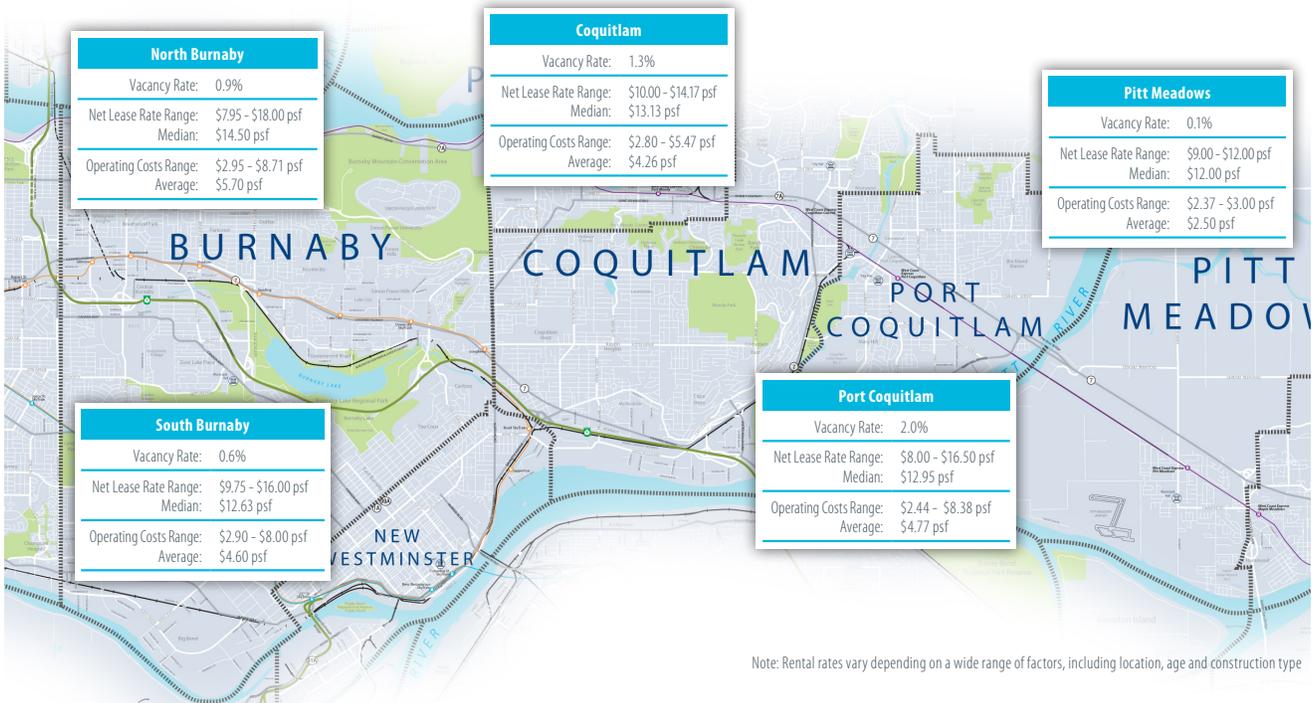
Standard Building Supplies Ltd. purchased 4912 Still Creek Avenue, Burnaby for \$13 million from **Jack's New & Used Building Materials Ltd.** in a multiple offer situation. **Canadian Urban Ltd.** sold its 111,152-sf building at 8651 Eastlake Drive in Burnaby to **Pure Industrial Real Estate Trust** for \$30.125 million. At the time of sale the building was leased to **Kingsdown Mattresses**. **Watson Gloves** was able to purchase a 35,406-sf strata unit at 7978 North Fraser Way in Burnaby for \$14.65 million. The building was completed back in 2010.

Coquitlam

Investors have remained the predominant buyer of Coquitlam industrial real estate with the most notable being **Crestpoint's** acquisition of **Mayfair Square** at 175-185 Golden Drive for \$25.5 million as part of a larger portfolio transaction. The \$9.9-million sale of 93 North Bend, fully leased to Sunbelt Rentals, was the second largest recorded sale. Owner-occupiers were still active with the notable acquisition of 1501 Hartley Avenue by **Corporate Couriers** for \$5.85 million.

Coquitlam's historically low vacancy rate in 2018 will remain with little relief in sight as there are no near-term developments planned. **Beedie** has nearly completed its buildings for lease in its **Fraser Mills** development at 10 & 12 King Edward Street with the majority of space now leased as businesses start to occupy in early 2019. **AG Professional Hair** has taken possession of its new build-to-suit facility at 14 King Edward Street representing one of the largest lease transactions (68,595 sf) in Coquitlam in 2018.

Small-bay leasing has continued to be the backbone of Coquitlam's industrial market with vacant space in the 4,000-sf to 10,000-sf range being leased often before it is vacated. Long-time local businesses such as **Dynamic Rescue Systems** expanded its operations by opening a second, 7,000-sf location on Burbidge Street. **Dobbins Sales** relocated its distribution centre from Delta to Coquitlam leasing space at 91 Golden Drive, while **Outline Millwork** (from New Westminster) relocated to 81 Golden Drive in Coquitlam.



Industrial rental rates rose rapidly in 2018 and that trend is likely to continue in 2019 albeit at a slower rates than the previous 24 months.

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Limited new development likely to restrain leasing and sales activity in 2019

difficult to secure with owners generally unwilling to sell due to a lack of relocation and/or expansion options in Burnaby or even within surrounding industrial markets. When buildings have transacted on an investment basis, cap rates for industrial acquisitions are currently between 3.5% and 4.5% for most product. The new supply of buildings for lease and strata units remains highly constrained. The availability rate in Burnaby at the third quarter of 2018 – a measure of new space coming available in the next six months – decreased to 4.3% from 5.3% at mid-year 2018. More than 250,000 sf is set for delivery in the Big Bend sub-market with one-third consisting of strata space and two-thirds representing space for lease. **Oxford Riverbend Business Park** remains one of the few options available for lease in Burnaby. Beedie’s **Glenlyon Business Park** also offers build-to-suit opportunities for purchase or lease.

Annual industrial sales dollar volume in Coquitlam will be the second highest on record in 2018 as 16 sales valued at almost \$65 million was already achieved as of October 31, 2018; however, the 2018 high total is primarily skewed by the sale of **Mayfair Square** for \$25.5 million, which was part of a larger portfolio of Metro Vancouver properties sold off by the **Investors Group** in spring 2018. The dollar volume record for Coquitlam is \$94 million and was established in 2015, while the record for greatest number of deals – 38 – was set in 2007. Demand remains very strong, particularly among owner-occupiers, for industrial space.

With industrial vacancy in the 8.2-msf Coquitlam market at 1.3% at the third quarter of 2018, up from 1.1% a year earlier, rental rates still rose rapidly in 2018 to an average of \$12.44 psf – up an astonishing \$0.71 psf from just three months earlier.

Small-bay industrial strata sales, particularly at **River’s Edge Business Park** (4 sales totalling almost \$2.9 million) in Port Coquitlam along with multiple unit sales at **Cape Horn Corporate Centre**, **Clipper Court** and **Mayfair Park**, have dominated Coquitlam industrial sales activity since summer 2017. The largest sale in 2018 (other than Mayfair Square) was the \$9.9-million acquisition of 93 North Bend Street, a 24,240-sf building on 2.26 acres, which was fully occupied by **Sunbelt Rentals**. The \$8.9-million sale of 1505 Brigantine Drive, a 35,400-sf building on 1.77 acres, to **Natural Factors** represented the largest sale to a user in the first 10 months of 2018. Cap rates ranged from 3.6% to 4.6% in 2018 with a very limited number of buildings transacting. The availability rate in Coquitlam at the third quarter of 2018 – a measure of new space coming available in the next six months – decreased to 3.4% from 4.3% at mid-year 2018. There is currently no new supply under construction in Coquitlam. The only development currently in the pipeline is a build-to-suit project at 11 King Edward Street. **Kwikwetlem Business Park**, a 120-acre site on reserve land

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that proposes more than 1.6 msf in seven buildings, will offer industrial lease and build-to-suit opportunities in the coming years and likely represents the only significant new supply of industrial space in Coquitlam for the foreseeable future.

With very limited new supply in the development pipeline and ongoing strong demand, vacancy in both markets – already at or near record lows – is expected to remain extraordinarily tight for the next 18 months. Rental rates are also anticipated to continue to rise in 2019 but the rate of increase should start to slow as rents push tenants' rate tolerances and force many to either relocate to less expensive markets, postpone expansion plans or close up shop. While tenants in Burnaby are typically trying to make elevated rents work in order to remain in place, whether that means accepting higher rates on renewal or deciding to delay expansion until a wider array of relocation options come available, some tenants in Coquitlam are relocating to markets further east such as Pitt Meadows. New strata options are not forthcoming in either Burnaby or Coquitlam in the near- to mid-term so sale options will be largely limited to existing strata units or free-standing buildings. Pricing is forecasted to remain strong in 2019 with the bid-ask gap likely remaining wide and owner-occupiers likely having to stretch even further in order to secure space. Despite a rising rental rate environment, most investors are unlikely to find a return on investment on offer suitable for their portfolios. Industrial land sales remain rare.

Just two industrial land sales apiece were recorded in Burnaby and Coquitlam in 2018, including a 1.013-acre site in Burnaby's Big Bend area that sold for \$4.3 million in April 2018. The other land sale in Burnaby, the \$6-million acquisition of a 2.21-acre site in the Still Creek area at 3267 Norland Avenue (\$2.71 million per acre), closed in January 2018. The two industrial land sales in Coquitlam: the \$25.17-million acquisition of 12.56 acres at 1701 Lougheed Highway (\$2 million per acre) in September 2018 and a \$1.75-million purchase of 0.51 acres at 1640 & 1650 Booth Avenue that completed in February 2018, highlighted the rising costs of acquiring industrial land in Metro Vancouver. While Burnaby and Coquitlam remain highly sought after by owner-occupiers, tenants and investors, sales and leasing activity will likely slow in 2019 due to a lack of such opportunities in those markets. ■

BURNABY & COQUITLAM INDUSTRIAL SALES TRANSACTIONS (>\$1.5 MILLION) SEPT. 1, 2017 TO OCTOBER. 31, 2018					
ADDRESS	MUNICIPALITY	TRANSACTION VALUE	SQUARE FEET (SF)	PER SQUARE FOOT (PSF)	DATE
211 Schoolhouse Street	Coquitlam	\$2,789,990	12,907	\$216	September 2018
1501 Hartley Avenue	Coquitlam	\$5,850,000	15,663	\$373	May 2018
93 North Bend Street	Coquitlam	\$9,900,000	24,240	\$408	April 2018
Mayfair Square *	Coquitlam	\$25,500,000	164,577	\$155	April 2018
211 Schoolhouse Street	Coquitlam	\$1,930,000	7,011	\$275	March 2018
Clipper Court	Coquitlam	\$2,400,000	8,823	\$272	February 2018
1505 Brigantine Drive	Coquitlam	\$8,900,000	35,400	\$251	January 2018
1321 Ketch Court	Coquitlam	\$5,865,000	16,854	\$348	December 2017
1555 Brigantine Drive	Coquitlam	\$8,100,000	19,890	\$407	November 2017
2966 Pheasant Street	Coquitlam	\$4,086,000	11,800	\$346	November 2017
3910 Charles Street	Burnaby	\$1,575,000	2,520	\$626	October 2018
8651 Eastlake Drive	Burnaby	\$30,125,000	111,152	\$271	October 2018
7171 - 7173 Buller Avenue	Burnaby	\$2,570,000	6,785	\$379	September 2018
Lakeview Business Park	Burnaby	\$1,525,000	2,300	\$663	September 2018
5792 Beresford Street	Burnaby	\$1,795,000	4,084	\$440	September 2018
2961 Norland Avenue	Burnaby	\$6,175,000	9,500	\$650	August 2018
North Fraser Corporate Centre	Burnaby	\$14,650,000	35,406	\$414	August 2018
4912 Still Creek Avenue	Burnaby	\$13,000,000	NA	NA	July 2018
Bridge Corporate Centre	Burnaby	\$1,700,000	3,577	\$475	July 2018
4415 Juneau Street	Burnaby	\$3,500,000	4,100	\$854	May 2018
Crescent Business Centre 2	Burnaby	\$3,390,000	12,496	\$271	May 2018
3871 North Fraser Way	Burnaby	\$1,590,000	6,778	\$235	May 2018
Crescent Business Centre 2	Burnaby	\$2,622,891	9,496	\$276	April 2018
Crescent Business Centre 2	Burnaby	\$3,060,960	12,754	\$240	April 2018
Crescent Business Centre 2	Burnaby	\$3,546,594	13,759	\$258	April 2018
Crescent Business Centre 2	Burnaby	\$3,694,778	12,304	\$300	April 2018
Crescent Business Centre 2	Burnaby	\$3,661,200	15,255	\$240	April 2018
Crescent Business Centre 2	Burnaby	\$3,828,490	12,272	\$257	April 2018
Crescent Business Centre 2	Burnaby	\$3,944,941	15,174	\$260	April 2018
Crescent Business Centre 2	Burnaby	\$2,401,314	8,077	\$297	April 2018
Crescent Business Centre 2	Burnaby	\$4,095,000	12,385	\$331	April 2018
Bridge Business Centre	Burnaby	\$1,578,000	2,138	\$738	April 2018
6851-6855 Antrim Avenue	Burnaby	\$6,300,000	14,098	\$447	April 2018
1530 Boundary Road	Burnaby	\$1,835,000	2,112	\$869	April 2018
6891 Antrim Avenue	Burnaby	\$2,850,000	6,400	\$445	February 2018
1515 Douglas Road; 4050 Grant Street	Burnaby	\$3,339,649	9,160	\$365	February 2018
7520 & 7550 Conrad Street	Burnaby	\$9,650,000	30,429	\$317	February 2018
7570 Conrad Street	Burnaby	\$6,750,000	32,750	\$206	February 2018
7052 MacPherson Avenue	Burnaby	\$4,400,000	12,636	\$348	January 2018
3239 Ardingley Avenue; 6390 Darnley Street	Burnaby	\$3,650,000	4,902	\$745	December 2017
2555 Gilmore Avenue	Burnaby	\$8,000,000	13,556	\$590	December 2017
5291 Imperial Street	Burnaby	\$2,980,000	5,200	\$573	November 2017
Maple Leaf Centre (formerly: McLaren Centre)	Burnaby	\$19,711,206	68,196	\$289	September 2017

Source: Avison Young & RealNet

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