

Strata industrial-housing mix may trigger a trend

FEATURE | Investors drawn to industrial and commercial strata tucked beneath sold-out condominium towers on Vancouver's East Hastings strip

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Investors are circling an East Vancouver development, the first in North America to mix condominium towers with industrial strata space.

"I thought the industrial buyers would all be owner-occupiers, but we are getting a lot of calls from investors," said Dan Jordan, a Colliers International agent who began marketing the non-residential space at Wall Financial's Strathcona Village this month.

In 2014, the City of Vancouver rezoned a two-block strip of East Hastings to allow both residential and "light industrial", defined as production, design and repair uses.

Strathcona Village, being built on the north side of the 900-block of East Hastings Street, is the first development under the zoning change. It is a three-tower condominium complex skirted by two floors of industrial, commercial and retail strata. All 280 condos in the development sold out last year at prices ranging from \$199,000 to \$439,000. As a condition of the rezoning, Wall Financial is including 70 apartments that will be turned over to the city for social housing. Those will be rented at rates ranging from \$375 a month to market levels.

Now 54,000 square feet of industrial and commercial space



Strathcona Village on East Hastings Street combines 350 housing units with 54,000 square feet of industrial and commercial space. | WALL FINANCIAL



Dan Jordan of Colliers International: Industrial space sold for \$700 per square foot. | SUBMITTED



Russ Bougie, a partner with Avison Young: "There are a lot of eyeballs on this project." | SUBMITTED

has been divided and is being sold at \$450 per square foot and up - way up. Two of the 18 units have already sold, Jordan said, including a 1,000-square-foot ground floor industrial space with Hastings Street frontage that was bought for \$700,000.

The city's "light industrial" definition captures nearly any kind of production, from making video games or films, a bakery or even roasting coffee.

Investors appear interested because they can buy non-residential space close to the downtown core

and then lease it to a variety of commercial tenants, he said.

"There are a lot of eyeballs on this project," said Russ Bougie, an industrial real estate specialist and principal with Avison Young, Vancouver.

Bougie said annual lease rates for Vancouver industrial space have doubled in the past 18 months to around \$20 per square foot, even higher in some areas, partly

because of soaring demand from the film and tech sector that has driven Vancouver industrial vacancy down to 1.4 per cent, the lowest in Canada.

Jordan estimates that Strathcona Village's light industrial space could lease for \$30 per square foot, net.

This would pencil to a capitalization rate of 3.5 per cent, Bougie estimates, noting "a 4 per cent return would attract multiple offers."

If Strathcona Village proves successful in attracting new residents and employment to East Vancouver, the city should look at extending the mixed-use zoning in the area, Bougie suggested.

"We do have a number of inquiries for sites in the area," confirmed a spokesman for Vancouver's planning department.

Bruno Wall, president of Wall Financial, said the biggest surprise with Strathcona Village was the acceptance by condo owners of living above industrial space.

"There was no resistance," he said. "It has all been very positive." ■

Metro Vancouver industrial vacancy rate plunges to lowest level in Canada

	Fall 2015	Fall 2016
Vancouver	2.8%	1.2%
Surrey	4.1%	2.0%
Burnaby	1.8%	1.1%
Coquitlam	1.4%	1.6%
Richmond	2.1%	2.9%
Metro Vancouver	2.8%	1.8%

SOURCE: AVISON YOUNG, VANCOUVER

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