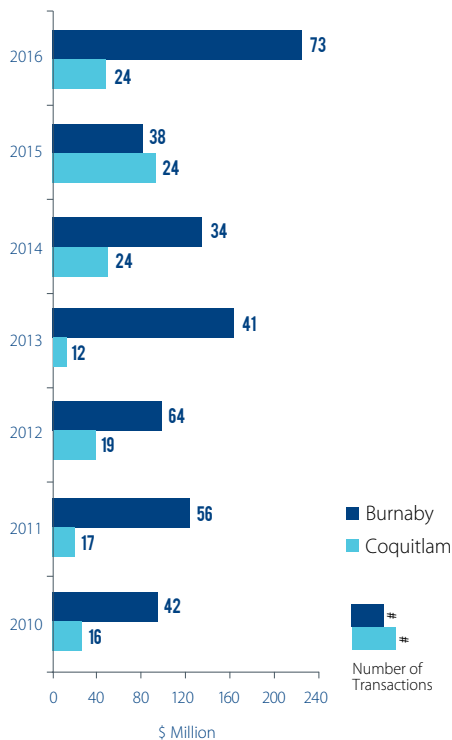


Burnaby/Coquitlam, BC

Fall 2017
Burnaby/Coquitlam Industrial Report

BURNABY & COQUITLAM INDUSTRIAL REAL ESTATE SALES AND TRANSACTIONS



Robust demand in Burnaby/Coquitlam industrial markets highlights lack of supply and rising lease rates

Exceptionally strong demand for industrial space in Burnaby and Coquitlam has elevated sale pricing and pushed rents higher in 2017 as a lack of supply and limited new construction contribute to tight conditions in both industrial markets. Rising land values in both markets have pushed up prices and lease rates for buildings and strata units.

Industrial sales in Burnaby set a new record in terms of deal and dollar volume in 2016 with 73 transactions valued at \$230 million, far surpassing the previous dollar volume record of \$169 million set in 2013 and the previous deal volume record of 64 transactions that was set in 2012 and 2006. While strata sales did play a role in boosting volumes in 2016, the majority of acquisitions were owner/occupiers willing to meet vendor pricing expectations that achieved new heights in 2016 and convinced many existing owner/occupiers to sell into the market and realize significant gains. However, many of those

vendors subsequently found it difficult to secure similar premises in Burnaby and needed to relocate east and to areas such as Pitt Meadows or south of the Fraser River.

Pricing appreciation and limited acquisition opportunities in 2017 has limited sales activity in Burnaby to just 22 deals as of August 31, 2017; however, those deals are valued at \$107.6 million. The top four transactions are responsible for more than 60% of dollar volume recorded to August 2017: 6064 Spur Avenue & 8335 Meadow Avenue (\$33.85 million), 2751 Production Way (\$15.4 million), 5371 Regent Street (\$8.316 million) and 6010 Trapp Avenue (\$8.3 million).

These four industrial sales also marked the return of investors to Burnaby's industrial market in a significant way in 2017. Attracted by rapidly rising rental rates, low vacancy and strong demand, investors, who have been quiet recently due to a lack of available listings, were responsible for the top four largest deals of

[continued on page 3](#)

MARKET OUTLOOK

BURNABY
COQUITLAM

Cap Rates



Industrial Vacancy



Sales Volume



Absorption



Lease Rates





Russ Bougie, Principal
604.757.5115
russ.bougie@avisonyoung.com

Russ Bougie specializes in the sales and leasing of industrial properties and development sites in the Metro Vancouver market. His honest, advisory approach and service excellence have resulted in Russ doing multiple assignments with loyal clients.



Kyle S. Blyth, Vice-President
604.647.5088
kyle.blyth@avisonyoung.com

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.



Ben Lutes, Vice-President
604.646.8382
ben.lutes@avisonyoung.com

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.

Industrial investors making a mark in Burnaby/Coquitlam



Inter Source Trading secured 37,512 sf in GWL-managed 8131 Wiggins Street in South Burnaby.

Burnaby

Unlike past years when owner/occupiers were typically the most active buyers, investors have been active in the Burnaby market and acquired significant assets.

The most notable recent deal was the \$33.85-million sale of the logistics/distribution warehouse at 6064 Spur Avenue & 8335 Meadow Avenue in July 2017. The 279,900-sf building was fully leased at the time of the sale and was sold to **Kingsett Capital**. The vendor was a company based out of Edmonton that had previously purchased the property in 2008. Another notable sale transaction was the disposition of 5371 Regent Street for \$8.3 million to an investor in August 2017. The other noteworthy transaction was the June 2017 sale of 2751 Production Way, a 105,000-sf facility once occupied by the Government of BC. The purchaser was the **Conwest Group**, a construction firm, developer and investor.

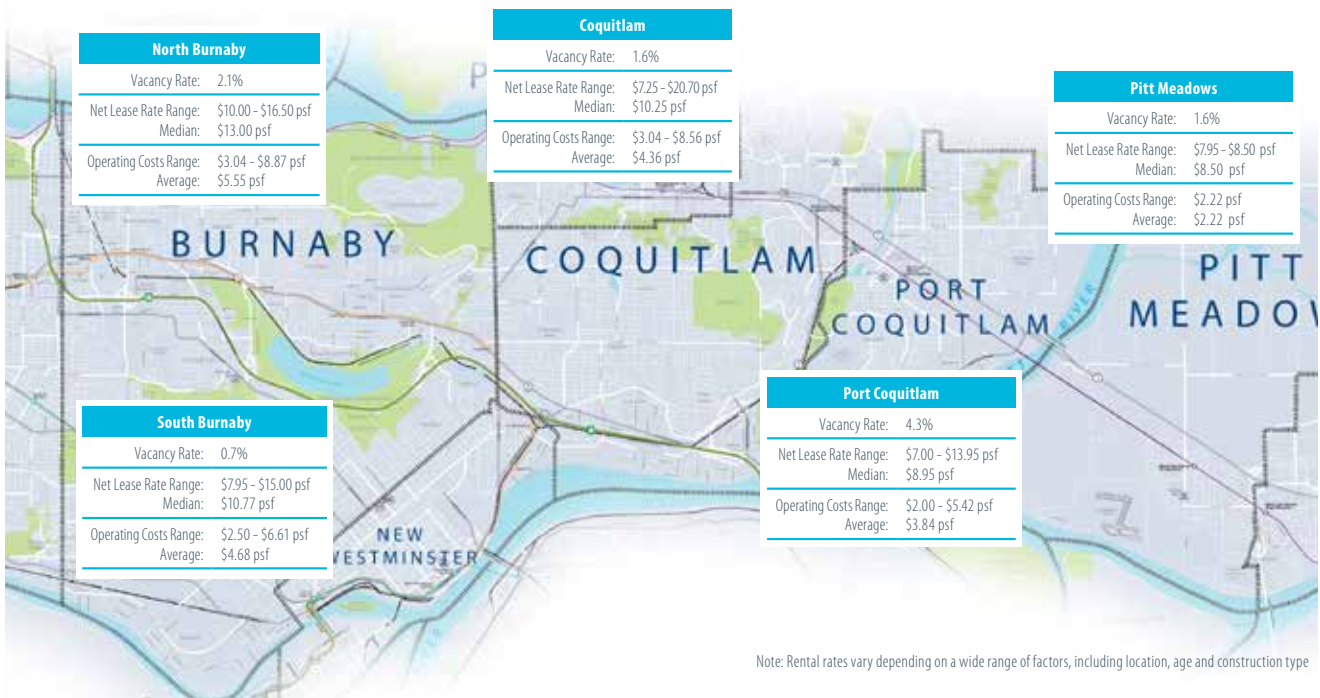
Industrial vacancy has remained tight – 2.8% at June 30, 2017 – which has fuelled rising rental rates, but also limited leasing activity due to the lack of options. Despite a lack of availability, **The Crossing Studios** leased 43,000 sf at 6100 Kingsland Drive in North Burnaby. **Inter Source Trading** sold its large-bay strata units and leased 37,512 sf at 8131 Wiggins Street in South Burnaby. **K-Bro Linen** and **Canada Post** leased up the 210,000-sf building 4 at **Oxford Properties' Riverbend Business Park**. The second building in the development under construction, the 119,000-sf building 2, is scheduled to be completed by the end of 2017 and is currently under contract with a tenant.

Coquitlam

Investors returned to Coquitlam's industrial market in 2017 with four significant acquisitions: 2441 United Boulevard (\$7.3 million), 75 Golden Drive (\$3.6 million), 1300 Ketch Court (\$5.4 million) and 63 Fawcett Road (\$7.65 million). Cap rates for these sales were all in the mid-4% range (except Ketch Court) and served as rare examples of investors capitalizing on the strong demand and limited availability in Coquitlam. Owner/occupiers, who have been traditionally dominant in Coquitlam, were also quite active. In one of the largest industrial sales in Coquitlam history, **Ikea** acquired 1751 Brigantine Drive for \$13.5 million in November 2016. Another owner/occupier purchased 18 Fawcett Road for \$4.65 million in October 2016.

Industrial vacancy has remained extraordinarily tight – 1.6% at June 30, 2017 – which has led to a dramatic increase in lease rates. With limited available space, tenants need to start looking 12 to 18 months prior to their lease expiry or potentially face a move farther east to submarkets such as Pitt Meadows.

Plumbing and HVAC supplier, **Wolsey Canada Inc.**, was able to secure a 11,500-sf lease on Golden Drive and open a new branch in Coquitlam. As **Beedie Group's Fraser Mills** project is nearing completion, larger tenants are moving into the submarket including the main bakery for **Olivier's Breads**, which is relocating from a smaller facility in Port Coquitlam. Burnaby-based **The Crossing Studios** leased 96 North Bend Street, which had previously been occupied by the marine propulsion division of **Rolls-Royce Canada**.



Vacancy remains very tight in Burnaby and Coquitlam as upward pressure on rents remains due to a lack of new supply in the short term.

continued from page 1

New supply limited as rents rise and vacancy tightens and demand remains strong

the year so far. Available cap rates from the select few Burnaby industrial properties that traded hands in the past 12 months ranged between 3.9% and 5.1%. For owner/occupiers looking to acquire new premises, they will have to be patient or look in other municipalities.

With industrial vacancy at 2.8% as June 30, 2017, industrial operators in Burnaby have few options to lease or acquire in the municipality. This realization started settling in during 2017 as owners grew more reluctant to sell even in the face of strong pricing as they struggle with what they will do with the profits from a disposition or where they would relocate their business. Rental rate increases have been rapid with a lack of supply driving them higher for both new lease agreements as well as renewals. In many cases, upcoming vacant space is being backfilled before it is even exposed to the market. Tenants looking to relocate should be starting at least 12 to 18 months before their lease expiry.

New construction remains limited in Burnaby with just 630,000 sf scheduled to be delivered by the third quarter of 2018. The largest project is **Oxford Properties' Riverbend Business Park**, which will deliver almost 330,000 sf by the end of 2017. However, the first phase, the 210,282-sf building 4, is already leased. The 119,035-sf building 2 is currently under contract with a tenant. **Beddie Development Group** is building **Crescent Centre 2**, a 115,842-sf strata project on North Fraser Way, which is scheduled for delivery by end of the first quarter of 2018. In 2018, construction on phase

three of **Adera/Sun Life's Eastlake Campus** light industrial/flex development, which includes two buildings that total 128,000 sf of lease space, will also be completed. **Rockwell Pacific Properties** will construct two strata buildings in **Glenlyon Business Park** that total 62,870 sf and is also set for delivery in 2018.

Industrial sales activity in Coquitlam remained stable in 2016 with 24 sales valued \$49.6 million. It was the third year in a row that the number of annual deals totalled 24. Dollar volume fluctuated during that period from \$51.6 million in 2014 to a record \$93.7 million in 2015 before slipping back down to \$49.6 million in 2016. A lack of supply and new development kept dollar volumes low in 2016 with the exception of Ikea's \$13.5-million acquisition of 1751 Brigantine Drive in November 2016, the second largest industrial deal in Coquitlam history after the \$19.25-million sale of 65 North Bend Street in 2015.

A lack of supply has significantly curtailed sales activity in Coquitlam in 2017 with just seven deals valued at \$22.5 million as of August 31. Similar to Burnaby, a resurgence of investors acquiring properties has been the primary source of transactional activity. The three largest deals in Coquitlam in 2017 – which comprised more than 82% of total dollar volume – all involved investors as purchasers: 63 Fawcett Road (\$7.65 million), 2441 United Boulevard (\$7.3 million) and 75 Golden Drive (\$3.6 million).

continued on page 4

continued from page 4

Rising rental rates and very limited supply have made industrial assets in Coquitlam more attractive to investors as demand remains exceptionally robust. Owner/occupiers have typically dominated the market and been willing to pay premium prices to acquire properties. While many businesses have been able to pay the increased rates, those businesses that are seeking to relocate, consolidate or expand in Coquitlam have little to no options and increasingly have to consider relocating to areas such as Pitt Meadows, which also offer only limited availabilities. There is limited new strata or lease product under construction in Coquitlam and only a very limited availability of build-to-suit options.

Beedie Group's Fraser Mills development is available for lease.

With industrial vacancy at 1.6% as of June 30, 2017, industrial tenants in Coquitlam have few, if any, options available to them. Rental rates have started catching up to the increases in land and construction costs that have gripped Metro Vancouver's industrial market for at least the past 36 months. While many landlords in Coquitlam (and Burnaby) have been able to raise rental rates, those increases have not been applied universally with the lease rates for many older, less efficient buildings with low ceiling heights remaining unchanged.

These lower-cost options will remain part of the market as the redevelopment potential that is transforming much of Vancouver's industrial properties into light industrial/flex/office space is not present in Coquitlam and is not yet occurring like in Burnaby. With issues ranging from different zoning by-laws to inappropriate soil conditions for intense multi-storey industrial developments, there have been few, if any, examples of investors acquiring industrial buildings to knock down and redevelop. While the pressure is continuing to build in Burnaby, it is likely some years off before that starts to occur.

With limited new supply being delivered in Burnaby during the next 18 months and virtually no new supply in Coquitlam, vacancy is anticipated to remain historically tight. While rental rates have increased, the rate of future increases is expected to slow. Strong demand and higher lease rates continue to make industrial properties attractive to investors, but redevelopment pressures remain constrained for the time being as owner/occupiers continue to dictate market activity. ■

BURNABY & COQUITLAM INDUSTRIAL SALES TRANSACTIONS (>\$1 MILLION) AUGUST 1, 2016 TO AUGUST 30, 2017					
ADDRESS	MUNICIPALITY	TRANSACTION VALUE	SQUARE FEET (SF)	PER SQUARE FOOT (PSF)	DATE
5371 Regent Street	Burnaby	\$8,316,000	40,669	\$204	August 2017
7337 NFW	Burnaby	\$4,100,000	12,315	\$333	July 2017
6064 Spur Avenue & 8335 Meadow Avenue	Burnaby	\$33,850,000	279,900	\$121	July 2017
2984 Norland Avenue	Burnaby	\$5,750,000	26,400	\$218	July 2017
7060 Waltham Avenue	Burnaby	\$5,900,000	32,797	\$180	July 2017
2751 Production Way	Burnaby	\$15,400,000	105,229	\$146	June 2017
6851-6855 Antrim Avenue	Burnaby	\$5,150,000	13,809	\$373	June 2017
5707 Beresford Street	Burnaby	\$1,450,000	2,100	\$690	May 2017
6010 Trapp Avenue	Burnaby	\$8,300,000	61,995	\$134	May 2017
3737 2nd Avenue	Burnaby	\$5,475,000	27,997	\$196	May 2017
3980 North Fraser Way	Burnaby	\$4,245,865	22,412	\$189	April 2017
6912 Hastings Street	Burnaby	\$1,500,000	2,300	\$652	April 2017
7089 Merritt Avenue	Burnaby	\$1,550,000	4,800	\$323	April 2017
4005 & 4075 Myrtle Street	Burnaby	\$6,210,000	13,800	\$450	December 2016
5701-5791 Byrne Road	Burnaby	\$8,416,667	52,500	\$321	November 2016
5784 & 5820-5828 Byrne Road	Burnaby	\$13,583,333	124,165	\$219	November 2016
8900 Glenlyon Parkway	Burnaby	\$17,700,000	51,494	\$344	October 2016
6409 & 6425 Beresford Street	Burnaby	\$2,925,000	10,200	\$287	October 2016
7435-7441 Lowland Drive	Burnaby	\$5,050,000	32,000	\$158	October 2016
7580 Lowland Drive	Burnaby	\$6,225,000	37,386	\$167	October 2016
1530 Boundary Road	Burnaby	\$1,400,000	2,112	\$663	October 2016
Bridge Corporate Centre	Burnaby	\$1,047,000	2,587	\$405	September 2016
Crescent Business Centre (#104)	Burnaby	\$3,137,200	14,260	\$220	September 2016
Crescent Business Centre (#106)	Burnaby	\$3,007,200	14,260	\$211	September 2016
Crescent Business Centre (#102)	Burnaby	\$2,923,300	14,260	\$205	September 2016
Crescent Business Centre (#103)	Burnaby	\$2,860,000	14,300	\$200	September 2016
Crescent Business Centre (#107)	Burnaby	\$2,852,000	14,260	\$200	September 2016
Crescent Business Centre (#109)	Burnaby	\$2,739,400	13,630	\$201	September 2016
Crescent Business Centre (#108)	Burnaby	\$2,494,590	11,882	\$210	September 2016
Crescent Business Centre (#101)	Burnaby	\$2,234,800	11,174	\$200	September 2016
Crescent Business Centre (#105)	Burnaby	\$2,940,000	14,000	\$210	September 2016
3910 & 3916 Grant Street	Burnaby	\$2,960,000	6,440	\$460	September 2016
3974 Kitchener Street	Burnaby	\$1,535,000	4,720	\$325	August 2016
7069 Russell Avenue	Burnaby	\$1,260,000	3,557	\$354	August 2016
3955 Myrtle Street	Burnaby	\$3,100,000	11,724	\$264	August 2016
3331-3333 Ardingley Avenue	Burnaby	\$4,050,000	22,328	\$181	August 2016
Riverway Business Park	Burnaby	\$1,315,000	5,642	\$233	August 2016
7337 NFW	Burnaby	\$2,679,807	11,910	\$225	August 2016
3903 2nd Avenue	Burnaby	\$1,200,000	2,000	\$600	August 2016
2075 Brigantine Drive	Coquitlam	\$1,900,000	6,788	\$280	June 2017
63 Fawcett Road	Coquitlam	\$7,650,000	38,000	\$201	May 2017
935 Sherwood Avenue	Coquitlam	\$1,200,000			April 2017
2441 United Boulevard	Coquitlam	\$7,300,000	34,698	\$210	February 2017
1300 Ketch Court	Coquitlam	\$5,400,000	25,566	\$211	December 2016
Cayer Industrial Park	Coquitlam	\$1,405,000	8,808	\$160	December 2016
1751 Brigantine Drive	Coquitlam	\$13,500,000	83,370	\$162	November 2016
River's Edge Business Centre	Coquitlam	\$1,350,000	5,543	\$244	October 2016
18 Fawcett Road	Coquitlam	\$4,625,000	26,500	\$175	October 2016
42 Fawcett Road	Coquitlam	\$1,200,000	6,336	\$189	September 2016

Source: Avison Young & RealNet

For more information please contact:

Michael Keenan,
Principal & Managing Director
Direct Line: 604.647.5081
michael.keenan@avisonyoung.com

Andrew Petrozzi,
Principal & Vice-President, Research (BC)
Direct Line: 604.646.8392
andrew.petrozzi@avisonyoung.com

Avison Young
#2900-1055 W. Georgia Street
Box 11109 Royal Centre
Vancouver, BC V6E 3P3, Canada



avisonyoung.com

© 2017 Avison Young. All rights reserved.

E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young Commercial Real Estate (B.C.) Inc.; DBA, Avison Young.