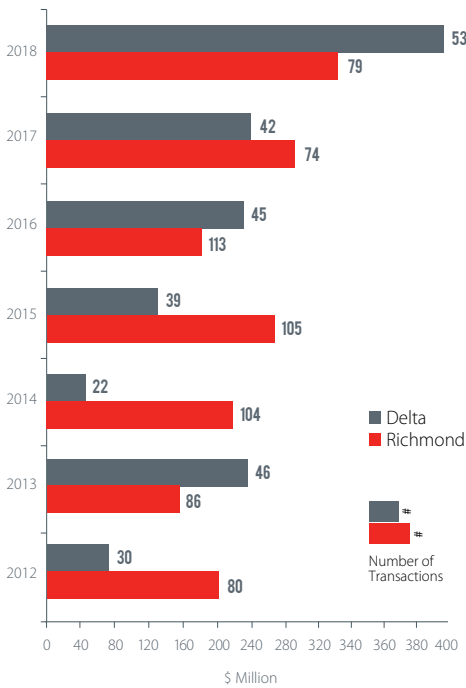




Richmond/Delta, BC

Fall 2019
Richmond/Delta Industrial Report

RICHMOND & DELTA INDUSTRIAL REAL ESTATE SALES AND TRANSACTIONS



Sales dollar volume hits new records in Richmond/Delta industrial markets amid strong strata demand

Industrial real estate sales in both Richmond and Delta set new dollar volume records in 2018 as owner-occupiers and investors alike continued to fuel extremely strong demand for industrial space, particularly strata units, a trend which has also largely carried through the first nine months of 2019.

Delta industrial sales in 2018 (53 deals/\$396.6M) surpassed all previous deal (46) and dollar (\$238.6M) volume records in the municipality. The \$151.2M sale of the **South Fraser Distribution Centre** – the largest industrial deal in BC in 2018 – and the \$48.3M disposition of 480 Audley Boulevard, both in December 2018, were largely responsible for the record dollar volume, along with 15 strata sales in phases one and two of **Delta Link Business Centre** that were valued at more than \$59.8M and closed in August 2018 and November 2018, respectively. The \$42.5M sale of **Delta Building Products Ltd.'s** building in November 2018 also contributed significantly to total dollar

volume in the municipality with strata units forming a larger percentage of overall volume than previous years.

The story was much the same in Richmond in 2018 with 79 transactions totalling a record \$331.3M, including the \$57.4M sale of 1751 & 1771 Savage Road and the \$22M sale of 9160-9200 Van Horne Way. While industrial strata sales also contributed significantly to deal and dollar volume in Richmond in 2018, it was the delivery of **IntraUrban Rivershore** in 2019 that dominated industrial sales activity in Richmond with 28 sales totalling almost \$80M associated with the strata project. In another example of the rise in strata development in Richmond, six strata sales totalling \$19.2M were associated with the **South Shore Business Centre**.

Industrial strata sales contributed substantially to the 91 transactions valued at more than \$230M that closed in Richmond in the first nine months of 2019. The largest

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MARKET OUTLOOK

	Cap Rates	Industrial Vacancy	Sales Volume	Absorption	Lease Rates
RICHMOND	↔	↓	↗	↓	↗
DELTA	↔	↓	↗	↓	↗



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Strata sales dominating markets as leasing activity slows

While a lack of new supply – combined with record-low industrial vacancy – in Richmond and Delta have limited the number of lease transactions (especially for new entrants) during the past 12 months, sales activity has remained strong. Strata sales grew to comprise a significant amount of the sales volume in Richmond; however, that was not the case in Delta. And while the total dollar volume of Delta industrial sales was drastically skewed by three transactions valued at more than \$242 million, there were no singular significant Richmond sales in terms of value. Instead, there were substantially more sales, particularly strata units, during the same period.

South Fraser Distribution Centre at 7510-7550 Hopcott Road was acquired for \$151.2 million at a going-in capitalization rate of 2.8%. **PIRET**, a division of **Blackstone**, was the buyer of the 737,000-sf complex that is home to **Canadian Alliance Terminals**, **Fountain Tire**, **West Fraser Mills** and **SCI Logistics**.

The **Vancouver Fraser Port Authority** acquired a 14.97-acre waterfront property on Annacis Island with a 45,090-sf building in a deal with **The Washington Companies**. The purchase price for 480 Audley Boulevard was \$48.3 million and represents a cost of approximately \$3.227 million per acre in what is largely considered to be a land deal.

Delta Building Products had planned to move into a 161,312-sf building that **Beedie** developed for them at 7939 Huston Road but instead Delta Building Products sold the building for \$42.5 million upon its completion. The purchaser was Toronto-based **Cosa-Nova Fashions Ltd.**, who have since leased the building to an affiliated distribution company.

Strata sales in Beedie's **Delta Link Business Centre I** closed mostly in August 2018 with additional presales in **Delta Link Business Centre II** closing in November 2018. **Green Century Enterprises Inc.**, an environmentally friendly packaging company from Richmond, purchased 51,722 sf of strata space in phase II at \$256 psf. The highest price per SF achieved during project presales

was \$252 in phase one and \$318 in the second phase. However, a strata unit in the first phase has subsequently resold for \$314 per square foot.

Dayhu renewed **Veritiv Canada** at 1425 Derwent Way. The 282,526-sf building had been occupied by **Unisource** before that company was merged with **xpedx** to create Veritiv. **Argo Ventures** was able to backfill **Heli-One's** former space, a 234,629-sf standalone building at Boundary Bay Airport, to **MTU Aero Engines**.

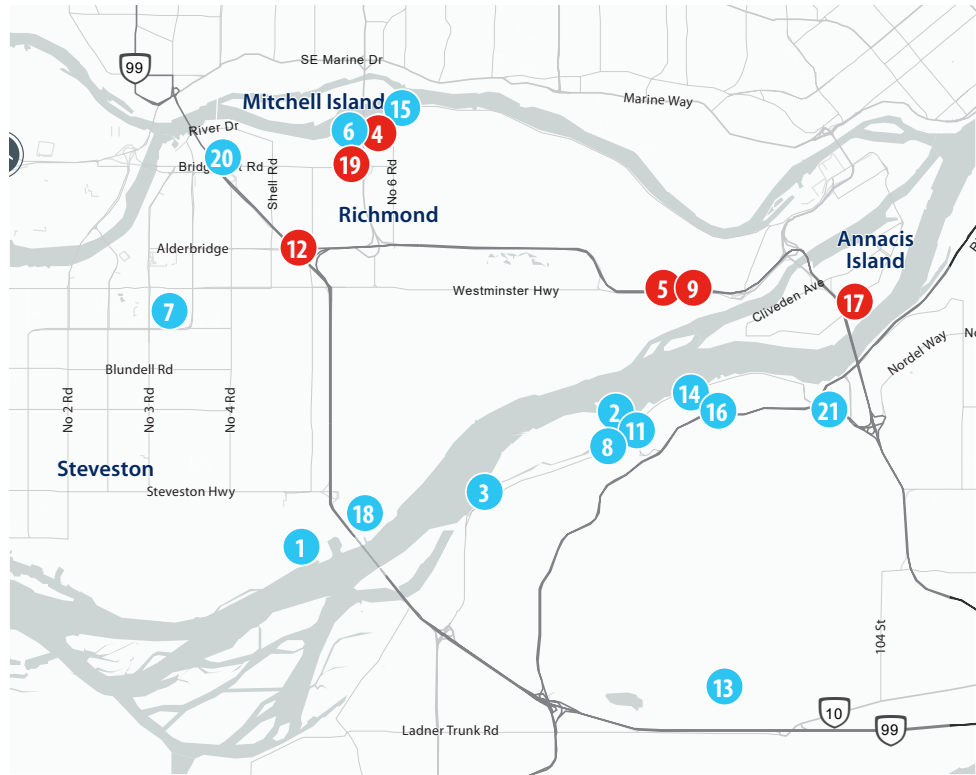
PC Urban's IntraUrban Rivershore, a 258,324-sf strata development on Mitchell Island, accounted for 28 separate sales in Richmond. The price per square foot achieved during presales ranged from \$270 to \$365, depending on the size and location of the unit within the development. PC Urban had purchased the land for the project for \$20.3 million in 2017. Strata unit sales for the project totalled almost \$80 million in 2019.

The sale of 9200 Van Horne was the most expensive single industrial transaction in Richmond since mid-2018. Beedie sold the approximately 90,000-sf building for \$22 million to **Storguard**. The two tenants in the building, **Green Century Enterprises Inc.** and **Richards Packaging**, had committed to moving to Delta and Surrey, respectively. The new owner intends to retrofit the building to become a self-storage facility.

Euro Asia Transload leased approximately 7.27 acres of yard space from **Equitable Real Estate** at 13320 Mitchell Road. The heavy industrial property is adjacent to the Knight Street Bridge on Mitchell Island and permits the outside storage and stacking of shipping containers. Euro Asia also did a short-term lease of 178,787 sf at 16131 Blundell Road.

The balance of 1700 No. 6 Road was finally leased by **Daiso Store Canada Ltd.**, a Japanese dollar store retailer. The vacant 125,294-sf space had faced leasing challenges since the **Port of Vancouver** purchased the 206,710-sf building in 2017 and had required prospective tenants to use its port facilities. ■

Industrial developments proposed or under construction in Richmond/Delta



More than 5.1 million square feet of new industrial space proposed or under construction by 2022

Address	Project Name	Developer	Size (SF)	Construction Type	Estimated Completion
1 12040 No. 5 Road, Richmond		Haydenco Holdings Ltd.	30,000	Development	Q3 2019
2 7560 Beedie Way, Delta	Delta Link Business Park	Beedie	281,650	Development	Q3 2019
3 6425 River Road, Delta	Bridgeview Marine	Husby Forest Products Ltd.	36,450	Development	Q4 2019
4 2020 No. 6 Road, Richmond		Grafton Enterprises	58,921	Redevelopment	Q4 2019
5 6333 & 6311 Graybar Road, Richmond	Series Business Centre - Buildings 1 & 2 (strata)	Beedie	149,671	Redevelopment	Q4 2019
6 13201 River Road, Richmond	Spire Business Centre II	Spire Development	72,986	Development	Q1 2020
7 8020 Zylmans Way, Richmond	Richmond Industrial Centre - Building 3	Omicron	200,000	Development	Q2 2020
8 7799 Berg Road, Delta	Westpointe Business Centre (strata)	Beedie	195,564	Development	Q3 2020
9 6355 Graybar Road, Richmond	Series Business Centre - Building 3 (strata)	Beedie	152,802	Redevelopment	Q4 2020
10 8040 Zylmans Way, Richmond	Richmond Industrial Centre - Building 4	Omicron	300,000	Development	Q1 2021
11 7927 River Road, Delta	Deca Business Centre (strata)	Beedie	46,627	Development	Q3 2020
12 4720 & 4740 Vanguard, Richmond	Vanguard (strata)	Alliance Partners & Union Allied Capital Corp.	200,000	Redevelopment	Q4 2021
13 5244 88th Street, Delta	Parkwood Industrial Estates	Beedie	66 ha/ 163 ac	Development	Q4 2021
14 8576, 8594, 8620, 8644 River Road (North), Delta		Wesgroup	360,000	Development	Q4 2021
15 Zylmans Way, Savage Road, Pierson Road, Richmond	Richmond Industrial Centre - Buildings 1, 2, 6-13	Omicron	2,000,000	Development	2022 +
16 8576, 8594, 8620, 8644 River Road (South), Delta		Wesgroup	225,000	Development	TBD
17 1168 - 1170 Derwent Way, Delta		Beedie	344,175	Redevelopment	TBD
18 13751, 13760 & 13851 Steveston Highway, Richmond		Port of Vancouver	330,540	Development	TBD
19 12580 & 12586 Vickers Way, Richmond		Christopher Bozyk Architects	35,800	Redevelopment	TBD
20 9151 - 9211 Beckwith Road, Richmond		Christopher Bozyk Architects	95,000	Development	TBD
21 7969 Highway 91 Connector, Delta		MK Delta Lands Group	62.7 ha/ 154.9 ac	Development	TBD

¹ See number 7 on map for location

Source: Avison Young & RealNet

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deal in terms of a single industrial building was the \$21.9M sale of 11511 No. 5 Road, a single-tenant industrial building that includes renovated finished office space. Strata industrial units comprised the majority of industrial sales in Richmond in 2019 as available freestanding industrial buildings remain scarce (and costly) with most new industrial construction in the municipality now being delivered as strata projects. Industrial vacancy remained at or near record lows in Delta (1%) and Richmond (1.5%) at the end of the third quarter of 2019. Average asking net rental rates were also at or near record highs in both Richmond (\$13.29 psf) and Delta (\$10.14 psf).

Two main factors contributed to the increase in industrial deal and dollar volume in Richmond and Delta in 2018/19. The delivery of a number of new strata projects boosted both deal and dollar volume as business owners were able to secure new premises in a market with very few acquisition options other than strata units and even fewer options to lease. The pricing being achieved for strata units – which also supports higher per-square-foot rental rates – provided owner-occupiers who own freestanding buildings with a gauge to what pricing could be achieved for their properties. Owners who were considering selling did not want to miss the peak pricing many felt was being achieved through 2018 and into 2019. Many owner-occupiers (and investors) held on to their properties as pricing (and rents) rose rapidly between 2015 and 2017. After three years of gains, some vendors felt the market would peak in 2018 and sold into an active market and achieved elevated pricing for their assets, which contributed to the record deal and dollar volumes. Many passive investors choose to realize gains before they had to re-invest in their properties as it would likely be a challenge to capture the next wave of value without additional capital expenditures.

The back half of 2019 is expected to remain busy in terms of industrial sales with activity in Richmond likely surpassing 2018 totals; however, industrial leasing activity is expected to remain muted due to a lack of options. Tenants are mostly renewing or backfilling existing lease space that comes available when businesses relocate, close or occupy strata space. Rental rates will likely continue to rise into 2020 but at a more moderate pace. Landlords remain aggressive with select deals not getting done as a result. Many landlords are willing to wait in order to achieve their asking rents. Strata presales, which were already selling at or near market rates for existing buildings in both Richmond and Delta, will remain strong through 2020. Investors will continue to find it increasingly difficult to buy properties in Richmond or Delta compared with other select Metro Vancouver markets where there is still room to grow rental rates and new construction is providing acquisition opportunities. Vacancy is expected to remain at or near record lows for the next 12 to 24 months as strata development remains a substantial component of the new supply being delivered. ■

RICHMOND & DELTA INDUSTRIAL SALES TRANSACTIONS (>\$2 MILLION) SEPTEMBER 1, 2018 TO SEPTEMBER 30, 2019

ADDRESS	MUNICIPALITY	TRANSACTION VALUE	SQUARE FEET (SF)	PER SQUARE FOOT (PSF)	DATE
IntraUrban Rivershore	Richmond	\$4,300,000	12,563	\$342	Sep 2019
South Shore Business Centre	Richmond	\$3,006,000	7,314	\$411	Aug 2019
13600 Maycrest Way	Richmond	\$11,308,000	41,677	\$271	Aug 2019
8820 Beckwith Road	Richmond	\$2,040,000	2,875	\$710	Aug 2019
12440 Vulcan Way	Richmond	\$6,000,000	16,910	\$355	July 2019
12540 Vickers Way	Richmond	\$4,000,000	6,000	\$667	July 2019
South Shore Business Centre	Richmond	\$2,098,775	6,453	\$325	July 2019
South Shore Business Centre	Richmond	\$2,510,000	6,450	\$389	July 2019
South Shore Business Centre	Richmond	\$2,249,450	6,463	\$348	July 2019
South Shore Business Centre	Richmond	\$6,758,150	19,404	\$348	July 2019
South Shore Business Centre	Richmond	\$2,599,000	6,450	\$403	July 2019
12155 Riverside Way	Richmond	\$8,120,000	24,635	\$330	Jun 2019
16160 River Road	Richmond	\$13,000,000	36,200	\$359	May 2019
2900 Smith Street	Richmond	\$2,880,000	4,487	\$642	May 2019
11511 No. 5 Road	Richmond	\$21,900,000	95,983	\$228	Apr 2019
IntraUrban Rivershore	Richmond	\$9,347,400	34,635	\$270	Apr 2019
IntraUrban Rivershore	Richmond	\$5,339,655	19,228	\$278	Apr 2019
IntraUrban Rivershore	Richmond	\$5,656,920	19,168	\$295	Apr 2019
IntraUrban Rivershore	Richmond	\$2,795,020	9,635	\$290	Apr 2019
IntraUrban Rivershore	Richmond	\$3,045,843	10,047	\$303	Apr 2019
IntraUrban Rivershore	Richmond	\$2,855,000	9,503	\$300	Apr 2019
IntraUrban Rivershore	Richmond	\$3,301,500	11,006	\$300	Apr 2019
IntraUrban Rivershore	Richmond	\$2,795,020	9,635	\$290	Apr 2019
IntraUrban Rivershore	Richmond	\$3,388,500	12,563	\$270	Apr 2019
IntraUrban Rivershore	Richmond	\$2,499,520	7,818	\$320	Apr 2019
IntraUrban Rivershore	Richmond	\$2,487,900	8,296	\$300	Apr 2019
IntraUrban Rivershore	Richmond	\$2,843,210	9,536	\$295	Apr 2019
IntraUrban Rivershore	Richmond	\$2,700,000	8,707	\$310	Apr 2019
IntraUrban Rivershore	Richmond	\$2,981,760	9,308	\$320	Apr 2019
IntraUrban Rivershore	Richmond	\$2,329,600	7,268	\$321	Apr 2019
IntraUrban Rivershore	Richmond	\$2,790,090	9,616	\$290	Apr 2019
IntraUrban Rivershore	Richmond	\$2,790,090	9,614	\$290	Apr 2019
IntraUrban Rivershore	Richmond	\$2,641,680	9,775	\$270	Apr 2019
IntraUrban Rivershore	Richmond	\$3,338,290	9,156	\$365	Apr 2019
12351 Bridgeport Road	Richmond	\$3,600,000	8,105	\$444	Mar 2019
12331 Bridgeport Road	Richmond	\$3,500,000	8,105	\$432	Mar 2019
2600 Viking Way	Richmond	\$6,088,000	20,870	\$292	Dec 2018
12680 Bridgeport Road	Richmond	\$5,325,000	7,788	\$684	Dec 2018
12240 Vickers Way	Richmond	\$3,150,000	5,920	\$532	Dec 2018
6720-6740 Graybar Road	Richmond	\$5,150,000	26,141	\$197	Dec 2018
11920 Horseshoe Way	Richmond	\$5,534,793	27,997	\$198	Dec 2018
12500 Vickers Way	Richmond	\$7,100,000	28,660	\$248	Dec 2018
8960 Charles Street	Richmond	\$2,500,000	5,864	\$426	Nov 2018
12400-12420 Bridgeport Road	Richmond	\$5,800,000	20,196	\$287	Nov 2018
Vanquard Industrial Estates	Richmond	\$4,580,000	15,300	\$299	Nov 2018
9160-9200 Van Horne Way	Richmond	\$22,000,000	89,477	\$246	Oct 2018
1350 Valmont Way	Richmond	\$7,000,000	22,707	\$308	Oct 2018
12440 Vickers Way	Richmond	\$2,950,000	5,940	\$497	Sep 2018
7236 Wilson Avenue	Delta	\$4,300,000	12,730	\$338	Sep 2019
8550 River Road	Delta	\$4,800,000	25,960	\$185	Jun 2019
5646 12th Avenue	Delta	\$2,170,000	NA	NA	May 2019
10128 Nordel Court	Delta	\$5,200,000	10,510	\$495	Apr 2019
Delta Link Business Centre I	Delta	\$3,140,000	9,988	\$314	Mar 2019
1477 Derwent Way	Delta	\$14,525,000	59,866	\$243	Feb 2019
Tilbury West Corporate Centre - Phase II	Delta	\$2,880,000	9,445	\$305	Jan 2019
8137 Swenson Way	Delta	\$6,500,000	21,840	\$298	Jan 2019
480 Audley Boulevard	Delta	\$48,315,205	45,090	NA	Dec 2018
South Fraser Distribution Centre	Delta	\$151,200,000	737,000	\$205	Dec 2018
Tilbury West Corporate Centre II - Phase I	Delta	\$3,386,000	11,203	\$302	Dec 2018
8129 River Way	Delta	\$6,200,000	22,150	\$280	Nov 2018
Delta Link Business Centre II	Delta	\$2,884,240	10,079	\$288	Nov 2018
Delta Link Business Centre II	Delta	\$2,989,200	11,171	\$268	Nov 2018
Delta Link Business Centre II	Delta	\$2,348,165	7,392	\$318	Nov 2018
Delta Link Business Centre II	Delta	\$2,713,920	9,588	\$283	Nov 2018
Delta Link Business Centre II	Delta	\$4,395,205	16,983	\$259	Nov 2018
Delta Link Business Centre II	Delta	\$13,256,987	51,722	\$256	Nov 2018
Delta Link Business Centre II	Delta	\$2,933,760	10,596	\$277	Nov 2018
Delta Link	Delta	\$42,500,000	161,312	\$263	Nov 2018
7403 Wilson Avenue	Delta	\$3,528,000	7,600	\$464	Nov 2018
880 Cliveden Avenue	Delta	\$10,250,000	66,452	\$154	Oct 2018
747 Cliveden Place	Delta	\$9,000,000	14,375	\$626	Sep 2018
Delta Link Business Centre I	Delta	\$3,327,605	10,980	\$303	Sep 2018
8149 River Way	Delta	\$5,500,000	18,878	\$291	Sep 2018

Source: Avison Young & RealNet

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