

End of an Era?

Phasing Out Industrial Use in Brentwood and Holdom



Introduction

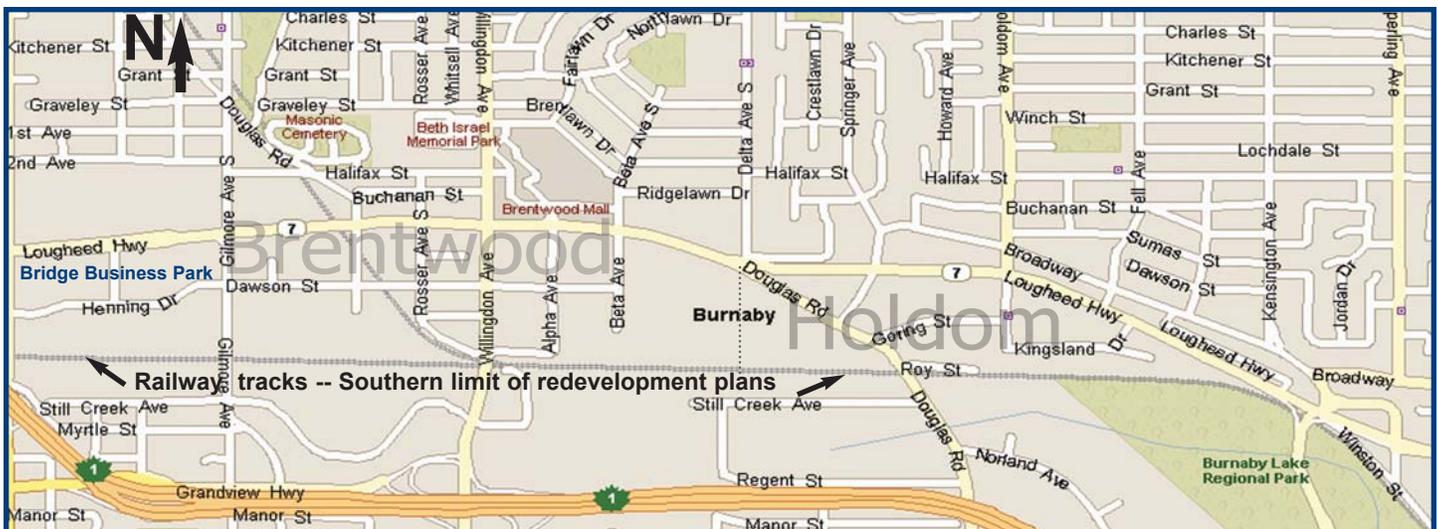
Heavy industrial use is being phased out in the Brentwood and Holdom areas of North Burnaby. The City has designated these districts for redevelopment to high and medium density residential, street front commercial and office / light-industrial business parks.

Reasons for Re-development

As laid out in the Greater Vancouver Regional District's (GVRD) Livable Region Strategic Plan (LRSP), Burnaby must absorb its share of the region's anticipated population growth. The LRSP, which acts as a guide for managing

growth through 2021, further calls for housing to be developed close to transit and shopping as well as nearby a range of employment opportunities in order to minimize the need for motor vehicle use. In its lobby for the Skytrain extension on the Lougheed Corridor, the City of Burnaby agreed to promote both residential development and job growth along the route. The "Brentwood Town Centre Plan" and the "Holdom Station Area Guide Plan" resulted.

This report provides an assessment of these two plans, along with some projections on how they will progress in the years to come.



Brentwood Town Centre Development Plan Assessed

Summary

The Brentwood area of Burnaby has changed since 1996, when the city first launched its Brentwood Town Centre Development Plan. High and medium density housing has emerged primarily in the streets immediately West of Brentwood Mall, while street-front retail and restaurant use have mushroomed on Lougheed Highway.

The industrial area South of Lougheed Highway is next for transformation. The plan calls for virtually all of the remaining industrial usage north of the railway tracks to be phased out. Although no goal date is established, most of the remaining transformation is expected to occur over the next 5 to 15 years.

High and medium density residential buildings, retail as well as some business parks (allowing for office and light industrial use) together with a public park and school are slated to replace older industrial buildings throughout the region.

City of Burnaby Estimates for Brentwood Land Use in 2016	Area (in Acres)
Commercial / Mixed Use	51
Residential	95
Industrial (including succession areas slated to become residential)	74
Service Commercial	8
Transitional Industrial - Residential	35
Public Open Space (school and park)	37

Source: City of Burnaby, Brentwood Town Centre Development Plan

City of Burnaby Estimates for Brentwood Residential	Units	Population
High Density by 2016	4,560	7,200
Medium Density by 2016	2,800	5,300
Succession Areas (after 2016)	2,800	4,000
Total	9,360	16,500

Source: City of Burnaby, Brentwood Town Centre Development Plan



Dawson Street of the future will see these industrial buildings replaced with street front retail at ground level and mixed density residential above and on the adjoining streets.

An Assessment

Brentwood North of Lougheed has been transformed over the past 7 years, providing inertia for further change. The area South of Lougheed is on the cusp of transforming from industrial to residential. Housing developers have been busy optioning parcels of land for residential development and inquiring about rezoning.

Further office development, including that planned for Gilmore street between Dawson Street and Lougheed Highway, may take longer owing to high office vacancy rates in this region and Burnaby generally. The strength of the existing Bridge and Willingdon business parks nearby, together with the new Skytrain line, should make Brentwood a desired location for the next wave of office construction once vacancy rates drop.

What is needed to make the Brentwood plan succeed:

- Continued low interest rates and a strong local economy, driving demand for residential housing.
- Solid economic growth over the next 5-10 years generating greater demand for existing business park space.
- Industrial owners choosing to sell and industrial users deciding to relocate.

What could cause the plan to stumble

- Economic decline and/or higher interest rates that will reduce the demand for housing and for business park space.
- Industrial owners in the area choosing not to sell. Given the low vacancy rates for industrial property and strong demand for facilities in this industrial district, relocation of existing industry may be difficult.
- Lack of funds to construct and operate the proposed school could reduce housing demand in the area from families.

Prediction

The residential side of the Brentwood Plan is moving ahead and should bring substantial change to the region over the next 3-5 years. The business park side will take longer. Until the existing inventory of business park office space is absorbed in Burnaby, this type of development is unlikely to proceed. We estimate it will take at least 5 years for this demand to materialize.

Burnaby currently has over 550,000 square feet of vacant "A Class" office space that would compete directly with any new Brentwood development. The 5 year average absorption rate is 140,000 square feet per year, although the past two years have seen substantial negative absorption that is expected to continue into 2004.

Holdom Station Area Guide Plan Assessed

Summary

In response to the opening of the new Skytrain line in 2002, Burnaby's planning department took steps to accelerate the redevelopment of the Holdom Station area, originally not scheduled for a redevelopment plan until 2005.



The area currently contains 52 separate properties ranging from 0.14 to 7.6 acres in size and from 5 to 40 years of age. As with Brentwood, the City plans to replace these industrial sites with high and medium density residential buildings along with live-work space and flex-office business parks to provide employment. The Holdom Avenue and Goring Street areas will be the center of an "urban village" that includes street front commercial, live-work spaces, and street-oriented townhomes.

Burnaby's Residential Projections for Holdom Area

	Units projected for 2017	Population projected for 2017	Maximum potential units	Maximum potential population
High Density	902 - 1,150	1,585 - 1,985	1,920 - 2,400	3,345 - 4,180
Medium Density	100 - 120	175 - 210	150 - 180	270 - 320
Low Density	35 - 50	110 - 150	45 - 60	110 - 150
Total	1,055 - 1,320	1,870 - 2,345	2,115 - 2,640	3,725 - 4,650

Burnaby's Holdom Station Commercial Plan

Floor Area	Existing s.f.	In year 2017 s.f.	Under full plan completion (in 15-25 years), s.f.
Industrial	865,000	798,800	390,400
Office (Bus. Parks)	204,800	777,500	1,258,600
Other	64,300	0	0
Street Front Commercial	0	35,000	35,000
Total	1,134,100	1,611,300	1,684,000
Employment	1,615	1,710	4,655

Source: City of Burnaby, *Holdom Station Area Guide Plan*.

Noteworthy: The data above assumes approximately 40,000 square feet of office space will be absorbed annually from 2002 through 2028 -- just in the Holdom area -- an optimistic number. The five year average absorption for Burnaby is 140,000 square feet annually, and the three year average is (-30,000) square feet per year.

Assessment

Given current and forecast market conditions, the office development projected in this plan is not realistic. Vacancy rates are high in existing business parks nearby and Burnaby generally continues to experience negative absorption. Once other business parks become fully leased, perhaps in 5 years, developers will prefer to expand next to existing business parks in nearby Brentwood, Lake City and Willingdon areas rather than pioneer a new business center node in Holdom. Therefore, demand emerging for 777,000 square feet of office space in Holdom in the next 15 years, and 1.2 million square feet in the next 25 years, seems optimistic.

What is needed for the Holdom Plan to succeed over 15 to 25 years:

- Office demand and absorption in Burnaby needs to rise significantly. A big office demand boost may happen if Vancouver hosts the 2010 Winter Olympics, which could generate demand for up to 4 million square feet (see the Avison Young research report: *Olympics and Beyond: Implications for Vancouver's Office Market* available at ayvan.com).
- Several prominent business tenants need to choose Holdom in order to spark further office development in the area.
- Residential development could succeed on schedule if the first development -- likely on the old Lumberland site beside Holdom Station -- generates interest and sales.

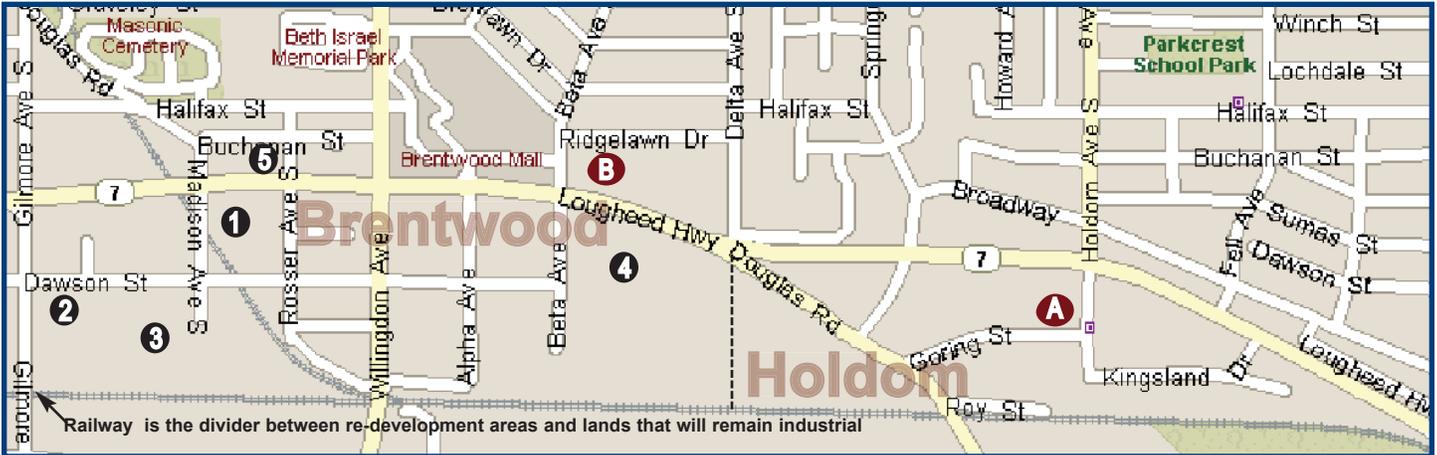
What could delay Holdom development beyond 15-25 years:

- The local economy does not raise business park demand enough to absorb existing office space together with new product built in nearby Brentwood, Willingdon and Lake City.
- Demand for residential units does not materialize.
- Low industrial vacancy rates together with strong demand for industrial space -- both from users and investors -- could convince owners to retain their industrial property, slowing transformation to residential and business park use.

Prediction

Residential units will likely emerge slowly in this region and for many years may simply be bedrooms beside a Skytrain station intermixed with heavy industrial facilities. Fulfillment of the City of Burnaby's vision for the Holdom "Urban Village" may well take 25 years or more.

Developers Moving In



Brentwood

Avison Young has learned of 5 properties owned or under conditional contract, option, or consideration by 5 major residential developers.

1. A residential developer has a site optioned between Madison and Rosser Avenues for high rise residential condominiums (see NAPA insert, next page).
2. A residential developer has a conditional contract to build two high rise towers of rental apartments and 120,000 square feet of street front retail along Dawson street.
3. A residential developer is proposing two high rise towers plus townhouses at the foot of Madison Street.
4. A 40 acre parcel on Dawson near Delta was under contract to a developer for mixed density residential.
5. Appia Development Corporation's Madison Centre project has the third of three high rise condominium towers underway.

Holdom

Because the Holdom plan was released in late 2002, developers have had limited time to explore their options and submit proposals. Avison Young has knowledge of two residential projects under consideration by developers in Holdom.

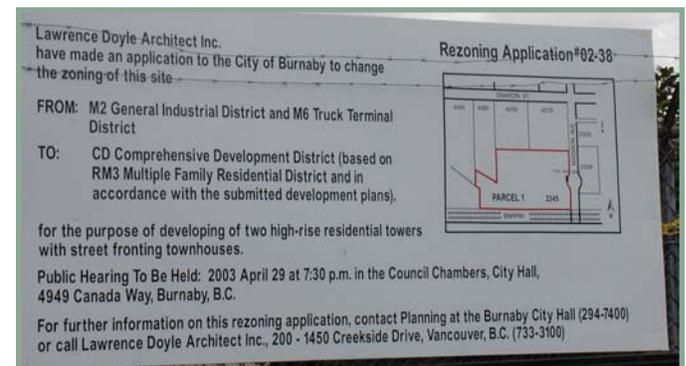


- A. A local developer has the old Lumberland site next to the Holdom Skytrain station under option for high rise residential development.
- B. Although on the North side of Lougheed Highway at Delta Avenue, a developer has optioned a site for low-rise multi-family residential encouraged by the redevelopment plan for Holdom.

Noteworthy: Every project proposed is residential, and one is residential with street front commercial. To date, we are not aware of any proposed business parks as encouraged in the City's plans.



Site #3 - Foot of Madison Street -- under re-development application.



Information For Industrial Users in the Brentwood Holdom Area

Industrial Users' Status

Industrial users should keep in mind that conversion from industrial to residential or commercial use will only happen when the City receives and approves a rezoning application. Until that happens, industrial owners and users can continue to use and improve their properties within existing zoning guidelines.

For most industrial owner/users or tenants, there is no urgent reason to relocate in the short term although tenants with expiring leases may be affected by landlords selling to developers.

In the medium to longer term, 5-15 years, industrial users will want to re-consider being in the Brentwood and Holdom areas. If the plans proceed and a pedestrian-oriented neighbourhood with families, a school and street-front retail emerges, this will create an unfriendly environment for industrial based businesses.

Relocation may be a good business decision in the medium term. Companies have time to consider all options and make a careful, informed business decision to relocate.

For more information on transformations happening in these areas or how they may impact your industrial business or investment, contact the Avison Young Industrial Group.

Moving On. . .

NAPA Auto Parts recently concluded that they needed to improve and grow their warehouse / distribution facility for the Lower Mainland. Their current site is on Rosser Street in the Brentwood area. NAPA had to decide whether this location made sense long term, given their changing business needs and the transformation underway in Brentwood. They consulted with Avison Young who helped them survey their options and negotiate for a new build-to-suit facility in Langley. Their Brentwood property is optioned by a residential developer (site #1 previous page) who is pursuing rezoning.



Burnaby's Future Options For Industrial Users

The City of Burnaby has identified 950 acres of heavy industrial-zoned land ready for development or redevelopment. The majority is in Big Bend, Royal Oak and Still Creek - Norland Avenue areas. Beyond that, the City states that they have identified a further 950 acres that could also be developed.

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