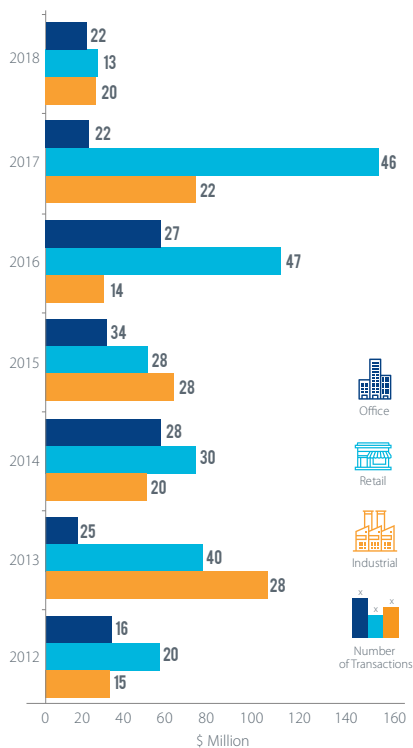




North Vancouver, BC

Summer 2019
North Shore Report

NORTH SHORE COMMERCIAL REAL ESTATE TRANSACTIONS



Investment activity slowing on North Shore as supply constraints hinder deal velocity

While ongoing development and construction activity continues to characterize much of the North Shore, the number and value of commercial real estate investment sales in 2018 dropped to its lowest point in a decade as investment opportunities dwindled amid new supply constraints and planning uncertainty.

Sales of office, retail and industrial properties fell to \$87M in 2018, down from \$258M in 2017, and marked the first time that annual dollar volume did not surpass \$100M since 2009. No substantial freestanding industrial, office or retail assets sold in 2018, with the majority of sales comprising small strata units. Commercial real estate sales activity in the first quarter of 2019 remained muted with office, retail and industrial deals totalling slightly more than \$20M as investors and owner-occupiers alike struggled to secure and execute on the investment opportunities that have arisen.

Many of those opportunities have manifested

along or close to the Lonsdale Avenue corridor starting at the waterfront and running north to the Upper Levels Highway. With the official naming of **Shipyards Commons** (formerly **Shipyards Lot 5**) and the announcement that **Capilano University** will open a satellite campus in Lower Lonsdale to the ongoing transformation of **Lonsdale Quay** and addition of cultural and recreational amenities along with retail and residential development in the area, investment opportunities abound.

Strata office and retail space remain at a premium and in demand in Lower and Central Lonsdale with retail vacancy very tight as restaurants, retailers and small businesses seek to secure a presence in these vibrant neighbourhoods. The recently closed **Cineplex Cinemas Esplanade Theatre**, located slightly west of Lonsdale Quay, is being redeveloped by **First Capital** and **Cressey** into a new rental apartment building. While to the east of Lonsdale Quay, a new

[continued on back page](#)

MARKET OUTLOOK

CAP
RATES



INDUSTRIAL
VACANCY



OFFICE
VACANCY



RETAIL
VACANCY



LEASE RATES
(ALL CLASSES)



INDUCEMENTS
(ALL CLASSES)





Ian Whitchelo, Principal
604.647.5095
ian.whitchelo@avisonyoung.com



Terry Thies, Principal
604.646.8398
terry.thies@avisonyoung.com



Matt Thomas, Principal
604.646.8383
matt.thomas@avisonyoung.com

Fewer opportunities slow sales & leasing activity

Sale and lease options for office, industrial and retail properties remain highly limited on the North Shore as vacancy remains tight and pricing strong in all asset classes. Development sites, particularly for mixed-use developments, also remain in high demand and short supply.

The North Shore's industrial market remains very tight with a 0.5% vacancy rate at the end of the first quarter of 2019 and an extremely limited supply of options available for lease or sale. Available industrial space that does come to the market has tended to be leased quickly (unless there are significant challenges in regards to layout or location). There are virtually no industrial properties suitable for owner-occupiers available for sale while there are a handful of occupied industrial properties available for sale on an investment basis.

While industrial lease rates have increased significantly over the past five years and averaged \$16.55 psf at the end of the first quarter of 2019, rates finally appear to be levelling off. With the departure of **Keith Panel Systems** to Burnaby and **Keith Plumbing and Heating** (now **Modern Niagara**) relocating to Port Coquitlam, one of the largest industrial lease opportunities in recent memory has emerged at 40 Gostick Place, which features 51,430 sf available for lease on a 1.85-acre site.

Strata office space remains in relatively short supply with only the occasional older office unit coming available in Central and Lower Lonsdale. **The Offices at Harry Jerome** will likely offer the next generation of strata office space on the North Shore once the City of North Vancouver finally approves the project to commence. Office

vacancy on the North Shore, which was 10.3% at the end of 2018, has tightened in 2019 as steady leasing activity continued in most of the North Shore's office nodes. Class A rates have averaged \$28.50 psf and absorption will likely remain stable in 2019. Tenants continue to occupy **Onni's** recently completed **CentreView** project and have started relocating from the Northmount Medical building, which is scheduled to be redeveloped by **Millennium Development** soon. Delivery of new office space for lease remains limited in the near term to **Hollyburn Properties'** mixed-use project, **The Lonsdale**, at 1301-1333 Lonsdale Avenue and Millennium's redevelopment of the Northmount Medical building on East 13th Street, which will be named **Millennium Central Lonsdale**. With annual absorption of 39,000 sf in 2018 (the most recorded since 2007), office leasing activity is expected to remain active in 2019 albeit somewhat constrained by a lack of new supply.

Retail leasing activity in Lower and Central Lonsdale remained very strong with lease rates pushing north of \$50 psf for new space in Central Lonsdale. With little availability in either Lower or Central Lonsdale, lease rates for retail space now typically start in the low \$40s psf in existing properties and range from \$50 psf to \$55 psf in new construction. **Mercedes Benz Canada's** sale of its dealership at 1375 Marine Drive to the **Dilwari Group** for \$21.6M in December 2018 was the largest retail business transaction in 2018; while **Living Balance Investment Group's** \$65M sale of a development site at 2452-2496 Marine Drive was the largest commercial real estate transaction on the North Shore in 2018.

NOTABLE NORTH SHORE LEASE TRANSACTIONS

ADDRESS	SQUARE FEET	TENANT
171 West Esplanade (office)	30,360	A&W Food Services of Canada Inc.
1025 Marine Drive (retail)	20,000	Planet Fitness
125 Victory Ship Way (office)	11,000	Capilano University
171 West Esplanade (office)	10,230	North Shore Law LLP
138 East 13th Street (office)	8,200	Copeman Healthcare Centre
1396 Marine Drive (retail)	6,600	Kuddles Early Learning Centre
2900 Lonsdale Avenue (retail)	4,640	North Vancouver Daycare
1394 Main Street (retail)	4,500	Back In Motion
3151 Edgemont Boulevard (retail)	3,600	Smiling Stars Daycare

North Shore's newest community amenity, Shipyard Commons, set to open in July 2019 with largest outdoor rink in the region



Image Credit: Quay Property Management

Quay Property Management was selected to develop the Shipyards - Lot 5 site in Lower Lonsdale. It's now called Shipyard Commons.

The revitalization of North Vancouver's waterfront is finally complete after decades of planning, permitting and construction with the completion of the **Shipyard Commons** (formerly known as The Shipyards - Lot 5), an 84,000-sf mixed-use commercial building and community amenity space opening in July 2019.

Located east of Lonsdale Quay and the SeaBus terminal, the Shipyard Commons represents the last phase in the revitalization of the waterfront in Lower Lonsdale. The redevelopment will include 20,000 sf of outdoor public space, including a 12,000-sf covered event space that will also serve as an ice rink in the winter and will be the largest outdoor rink in the region. There will also be a 8,000-sf water spray park and public plaza.

The building will be host to a number of commercial tenants including the **Seaside**, a 70-room boutique hotel operated by **Executive Hotels & Resorts** and a satellite campus of **Capilano University**, which has indicated its continuing studies and executive education programs will

relocate to the new 11,000-sf branch campus located on the second floor of the building. All five of Capilano University's faculties (business & professional studies; fine & applied arts; arts & sciences; education, health & human development; and global & community studies) will offer select courses or programs at the branch campus starting in fall 2019.

Other commercial tenants include **JOEY Shipyards**, a 9,500-sf two-level restaurant with substantial patio space and sweeping views of the harbour and downtown Vancouver skyline; Italian restaurant **Nook**, **Welcome Parlour** ice cream shop, Lebanese restaurant **Jamjar Canteen**, organic vegetarian grocer **Larry's Market**, **Caffe Artigiano** coffee shop, **Main Street Honey Shoppe**, a 2nd-floor, 2,500-sf **Method Indoor Cycling** location and outdoor clothing retailer **Volcom**.

Shipyard Commons will also include a rental event space, **The Wallace**, a modern-industrial venue located on the third level of the reconstructed Machine Shop that features a 2,300-sf outdoor

terrace and capacity for 200 guests.

According to Dialog, the architectural & structural design firm behind Shipyard Commons, "As a National Site of Significance, The Shipyards is a precinct with a rich social, economic, and physical history. It was originally developed by the **Burrard Dry Dock Company** and then utilized by **The Wallace Shipyard Company** at the turn of the 20th century. Shipbuilding booms during both the First and Second World Wars resulted in The Wallace Shipyard Company becoming the largest employer of shipyard labour in British Columbia, producing 109 "Victory" ships – more than any other yard in Canada. The shipbuilding boom and The Shipyards site were significant influences establishing the North Shore."

That legacy of community building comes full circle in July when citizens from the North Shore and from across the region will once again find themselves able to take in the views from the waterfront at Lower Lonsdale and contemplate the role that development plays in placemaking. ■

continued from front page

'brewery district' was established after the City of North Vancouver voted in April 2019 to rewrite part of the city's zoning bylaw to allow for breweries to more easily open lounges in the industrial area east of St. Georges along First Street and East Esplanade. This has sparked a flurry of industrial sales and leasing activity in the area as several prospective brewery owners jockey for position.

Central Lonsdale, Lonsdale and 13th Street in particular, has captured much of the new office space for lease currently planned for the North Shore with mixed-use projects including **Onni's CentreView, Millennium Development's** redevelopment of the **Northmount Medical** buildings as well as **Hollyburn Properties'** new rental residential tower with office and retail space in the podium. With office vacancy in North Vancouver at 10.3% at year-end 2018 and class A office lease rates averaging \$28.50 psf, demand remains stable with vacancy likely tightening through 2019 as North Shore tech, legal and medical users relocate or secure additional space. Demand for strata office from owner-occupiers remains strong in certain areas, while the appetite to acquire strata office space for investment purposes has been much more location-driven. Strata office and retail space is being offered further north along Lonsdale (at 22nd Street) at **The Offices at Harry Jerome**, which is part of **Darwin's** mixed-use development.

The fate of Darwin's proposed **North Shore Innovation District**, which would offer approximately 420,000 sf of office and light industrial space in its revised form, remains in limbo as the District of North Vancouver voted in May 2019 to defer voting on the project until 2020. A previous vote on the project had been postponed in July 2018. With industrial vacancy on the North Shore hitting 0.5% at the end of the first quarter of 2019, the need for additional industrial space remains acute. **Wesbild**, the developer of the proposed multi-phase **Waterfront** industrial development on McKen Avenue, is awaiting the decision of the District of North Vancouver's approving officer as to whether or not their site can be subdivided with an 11.6-acre parcel on the waterfront to accommodate port/trade related industrial uses and six lots ranging from two acres to four acres on the northern portion to accommodate the significant pent-up demand for light industrial space in North Vancouver.

As the North Shore continues to grow, investment opportunities in all asset classes will continue to present themselves, particularly in light of tightening vacancy, strong rental rates and limited new supply. ■

NORTH SHORE COMMERCIAL PROPERTY DEALS (JANUARY 1, 2018 TO DECEMBER 31, 2018)

	ADDRESS	MUNICIPALITY	TRANSACTION VALUE	SQUARE FEET (SF)	DATE
OFFICE	Dundarave Terrace Medical & Professional Centre (#105-2419 Bellevue Avenue)	West Vancouver	\$1,060,000	1,029	Dec 2018
	Dundarave Terrace Medical & Professional Centre (#119-2419 Bellevue Avenue)	West Vancouver	\$682,000	605	Dec 2018
	2458 Haywood Avenue	West Vancouver	\$739,000	1,322	Dec 2018
	Plaza 15 (#201-145 West 15th Street)	North Vancouver	\$838,000	982	Nov 2018
	Harbourside Corporate Estates (#101-828 Harbourside Drive)	North Vancouver	\$725,000	1,024	Oct 2018
	Manor House of Dundarave (#301-2440 Haywood Avenue)	West Vancouver	\$928,000	1,086	Sep 2018
	Delbrook Plaza (3747 Delbrook Avenue)	North Vancouver	\$1,050,000	1,671	Sep 2018
	The Professional Centre (#500 & #520-145 West 17th Street)	North Vancouver	\$935,000	1,241	Aug 2018
	#240, #250 & #260-1000 Roosevelt Crescent	North Vancouver	\$1,530,000	2,581	Aug 2018
	The Professional Centre (#450-145 West 17th Street)	North Vancouver	\$1,070,000	1,407	Aug 2018
	#303-350 East Esplanade	North Vancouver	\$1,550,000	1,856	Jul 2018
	Dundarave Terrace Medical & Professional Centre (#107-2419 Bellevue Avenue)	West Vancouver	\$695,000	549	Jul 2018
	#301-350 East Esplanade	North Vancouver	\$1,358,725	2,377	Jul 2018
	Harbourside Place (#205-998 Harbourside Drive)	North Vancouver	\$965,000	1,845	May 2018
	2420 Haywood Avenue	West Vancouver	\$1,596,500	2,222	Apr 2018
	2428 Haywood Avenue	West Vancouver	\$1,351,000	1,690	Apr 2018
	Dollarton Business Park (#401 & #402-197 Forester Street)	North Vancouver	\$909,000	1,581	Mar 2018
	Fell Avenue Business Centre (#202-814 West 15th Street)	North Vancouver	\$475,000	1,105	Feb 2018
	Harbourside Place (#221-998 Harbourside Drive)	North Vancouver	\$790,000	1,347	Feb 2018
	Lions Gate Medical Building (#205-135 East 15th Street)	North Vancouver	\$456,000	684	Feb 2018
	Lloyd Regency Point (#1 & #2 1680 Lloyd Avenue)	North Vancouver	\$988,000	1,924	Feb 2018
	Dundarave Terrace Medical & Professional Centre (#108-2419 Bellevue Avenue)	West Vancouver	\$935,000	898	Jan 2018
RETAIL	1301 Lloyd Avenue	North Vancouver	\$3,407,321	9,650	Dec 2018
	The Versatile Building (236 & 240 Lonsdale Avenue)	North Vancouver	\$2,200,000	2,514	Dec 2018
	1515 Pemberton Avenue	North Vancouver	\$3,900,000	8,550	Dec 2018
	700 Seven Hundred	North Vancouver	\$650,000	887	Nov 2018
	Lonsdale Court (#113-1433 Lonsdale Avenue)	North Vancouver	\$959,000	1,395	Oct 2018
	Sailview (#101-125 West 2nd Street)	North Vancouver	\$940,000	1,003	Sep 2018
	Cove Gardens (4316 Gallant Avenue)	North Vancouver	\$1,150,000	1,101	Aug 2018
	3759 Delbrook Avenue (50% interest)	North Vancouver	\$750,000	2,211	Jul 2018
	1783 Marine Drive	West Vancouver	\$9,200,000	5,074	May 2018
	Galleries on the Bay (#102-6388 Bay Street)	West Vancouver	\$450,000	399	Apr 2018
	The Anchor (133 & 135 East 3rd Street)	North Vancouver	\$2,216,042	2,198	Mar 2018
	900-904 West 16th Street	North Vancouver	\$3,700,000	3,980	Mar 2018
	1695 Marine Drive	North Vancouver	\$8,500,000	9,095	Feb 2018
INDUSTRIAL	260 East Esplanade	North Vancouver	\$500,000	1,439	Dec 2018
	801 West 1st Street	North Vancouver	\$1,700,000	4,783	Nov 2018
	Creekside Corporate Centre (#102-1075 West 1st Street)	North Vancouver	\$813,000	1,355	Aug 2018
	370 East Esplanade	North Vancouver	\$1,525,000	1,875	Aug 2018
	101-103 Riverside Drive; 1850 Spicer Road	North Vancouver	\$3,047,500	6,782	Aug 2018
	#203-350 East Esplanade	North Vancouver	\$1,100,000	1,293	Jul 2018
	#201-350 East Esplanade	North Vancouver	\$502,650	1,123	Jul 2018
	#101-350 East Esplanade	North Vancouver	\$1,092,700	2,224	Jul 2018
	#102-350 East Esplanade	North Vancouver	\$681,100	1,380	Jul 2018
	#202 & #302-350 East Esplanade	North Vancouver	\$1,531,320	3,033	Jul 2018
	266 East 1st Street	North Vancouver	\$2,550,000	3,620	May 2018
	#102-370 East Esplanade	North Vancouver	\$975,000	1,125	May 2018
	Norgate Business Park (#109-1305 Welch Street)	North Vancouver	\$1,420,000	2,779	May 2018
	390 Harbour Avenue	North Vancouver	\$2,375,000	4,693	Apr 2018
	Maplewood Landing (#105-2411 Dollarton Highway)	North Vancouver	\$1,185,000	2,299	Mar 2018
	Maplewood Landing (#102-2411 Dollarton Highway)	North Vancouver	\$950,000	1,836	Mar 2018
	1401 Crown Street	North Vancouver	\$2,300,000	5,000	Feb 2018
	Harbourside Place (#111-998 Harbourside Drive)	North Vancouver	\$680,000	1,227	Feb 2018
	142A West 3rd Street	North Vancouver	\$2,000,000	3,032	Jan 2018

For more information, please contact:

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

Andrew Petrozzi,
Principal & Practice Leader, 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

AVISON
YOUNG

 **BEST
MANAGED
COMPANIES**
Platinum member

avisonyoung.com

© 2019 Avison Young. All rights reserved.

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