

# Fraser Valley IC&I Market Overview



*BC Assessment*



# Introductions:

## **Session Theme:**

Fraser Valley IC&I

- **Neil Jennings**—IC&I Appraiser— Fraser Valley Region

# Overview:

- Introduction
  - BC Assessment
  - Fraser Valley IC&I Team
- Global and National Market Recap
- IC&I Fraser Valley
  - BC Assessment Portfolio
- Sales Transactions 2007-2010
- Notable Recent Sales
- Development Trends
- Conclusion
- Questions

# BC Assessment

- Unique position that all sales transactions, property transfers are fed to us through Land Titles data feed
- Typically a 3-6 week lag time between registration at LTO and BC Assessment receiving it.
- Analyse sales through contact with Market participants (real estate agents, owners, vendors)

# BC Assessment (cont'd)

- Also collect Rental Data via
  - Mass Mailouts, PARP/PAAB appeals and direct contact with owners and agents
- Receive transaction details and market information after the fact, as such we **follow** and **react** to **market changes**
- Very evident in falling markets as witnessed in 2009

## BC Assessment (cont'd)

- Largest organisation with centralised up to date inventory and recent market transactions for IC&I properties throughout Province of BC

# BC Assessment Fraser Valley

## IC&I Team

**Mike Lomax** - RI, Deputy Assessor for IC&I

**Bonnie Knight** - RI, Senior Appraiser and IC&I Team Leader

**Trevor Brown** – AACI, Senior Appraiser Major Retail

**Prit Sidhu** – AACI, Senior Appraiser PAAB

**Neil Jennings** – Appraiser Chilliwack - Hope

**Vivian Thompson** –RI, Appraiser Township and City of Langley

**Darren Beuthin** – Appraiser, Abbotsford - Mission

**Tracey Love** – RI, Appraiser, Pitt Meadows – Maple Ridge

# Global Market Recap

## ➤ **2007**

- Early on stock market and real estate market booming
- Warning signs at the end of 2007
  - shift of great wealth from sub-prime lenders to borrowers spurring on consumption USA
  - Undisciplined underwriting USA
  - People that shouldn't be getting loans were. USA



# Global Market Recap

## ➤ **2008**

- Late 2008 Global Financial Meltdown US Epicentre
  - Toxic real estate investments bundled in US, marketed worldwide.
  - Bankruptcy and government bailouts within the financial and manufacturing sector worldwide
  - Stalling of real estate investment and construction

# Global Market Recap

## ➤ 2009

- Recalibration
- Global Corporate rightsizing, sub leasing additional space, bankruptcies (Circuit City, Linens'n'Things)
- Real Estate investors sidelined for first half 2009, second half activity picked up for top tier investments in primary markets for institutional investors.
- World GDP growth spurred on by Asia Pacific Markets and Brazil.

# Global Market Recap

## ➤ 2010

- Optimism
- Pressure from sidelined capital trying to enter markets, REITS, Institutional Investors and private investors
- Banks are blending and extending options for struggling owners, not releasing product on the market, Limiting supply
- World GDP growth spurred on by Asia Pacific Markets and Brazil, stabilization in US and UK

# Global Market Recap

## Global Real Estate Health Monitor

March 2010	US	UK	Germany	France	Japan	China	Australia
Official Interest Rate	0 - 0.25%	0.5%	1.0%	1.0%	0.1%	5.3%	4.0%
GDP QOQ %	1.4%	0.3%	0.0%	0.7%	0.9%	10.7%*	0.9%
CPI YOY%	2.6%	3.4%	0.4%	1.1%	-1.7%	2.7%	2.1%
Consumer Confidence MOM %	-18.5%	8.1%	-3.0%	-10.0%	n/a	0.7%	0.2%
Employment YOY %	-2.1%	-1.5%	-0.4%	-1.8%	-0.6%	1.0%	1.7%
Retail Trade MOM %	0.5%	1.0%	0.1%	-0.1%	2.9%	12.4%	1.2%
Housing Starts YOY %	21.1%	16.0%	n/a	-3.0%	-8.2%	n/a	-6.0%
OECD Leading Indicator MOM%	0.9%	0.6%	0.8%	0.4%	1.3%	0.2%	0.6%
Manufacturing PMI, Index level	56.6	56.6	57.2	54.9	52.5	55.8	53.8
Stock Market, MOM to 26 Feb	2.9%	3.2%	-0.2%	-0.8%	-0.7%	2.1%	1.5%
REIT Market, MOM to 26 Feb	5.8%	0.5%	-1.7%	-3.1%	-2.2%	n/a	-0.4%
General Trend	Recovery	Recovery	Recovery	Recovery	Recovery	Growth	Growth

\* Chinese GDP YOY

General Trend: **Worsening**, Neutral, **Improving**

Sources: Global Insight, UK ONS, ABS, OECD, Markit Economics, Reserve Bank of Australia, Federal Reserve Bank of New York, Jones Lang LaSalle

# North American Perspective

## ➤ **United States**

- at the heart of Global Financial Crisis
- Undisciplined lending practises,
- Bankruptcies of retail outlets (Circuit City, Mervyns, Linens n Things)
- Over-retailed, “ghost boxes” withdrawal of national tenancies from under performing retail outlets yet maintaining non competition clauses
- Since the early 1990s, the pace of retail development has far outstripped growth in spending. Between 1990 and 2005, the amount of store space in the United States doubled, ballooning from 19 to 38 square feet per person. Meanwhile, real consumer spending rose just 14 percent. “Minneapolis Star Tribune January 2009”

# North American Perspective

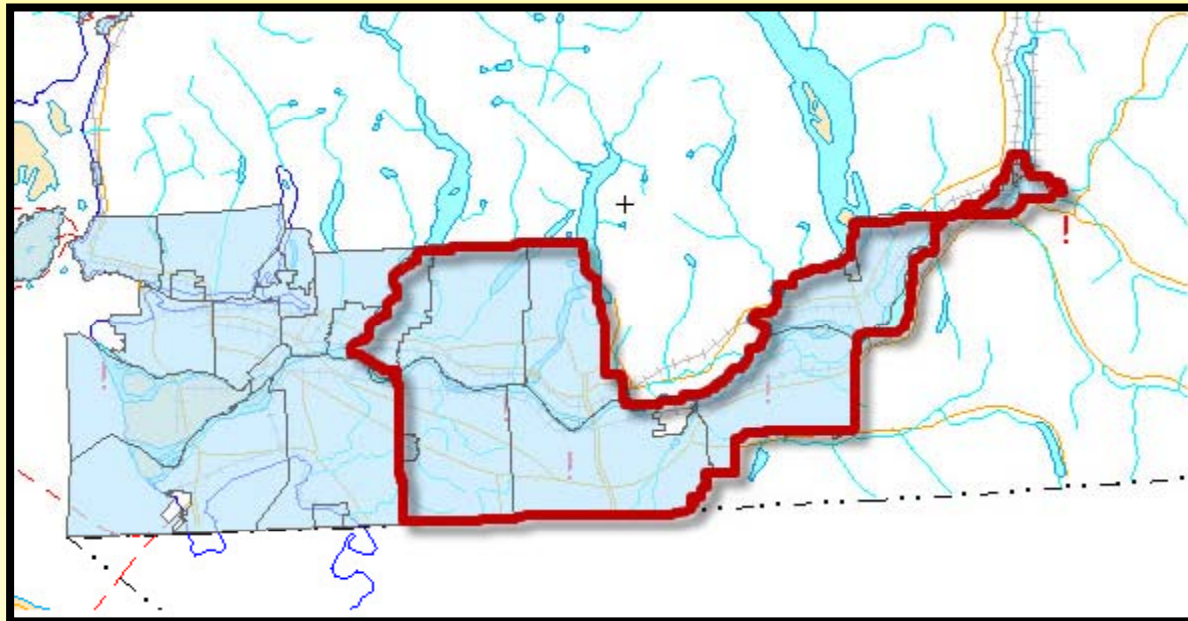
## ➤ **Canadian Experience**

➤ “Prudent lending practices for home buyers, developers and investors differentiate the Canadian reality from the US experience” Peter Linneman NAI 2010 Global Outlook Market report

➤ Eastern Canada heavily reliant upon export/manufacturing to United States.

➤ Western Canada smaller market less manufacturing, buoyed by commodities

# Fraser Valley IC&I



# IC&I Fraser Valley

- Within Metro Vancouver
  - City of Pitt Meadows
  - District of Maple Ridge
  - Township and City of Langley
- Within Fraser Valley Regional District
  - Abbotsford
  - Chilliwack
  - District of Kent
  - Village of Harrison Hot Springs
  - District of Hope up to Boston Bar and east to Manning Park
  - (based on BC Assessment Boundaries)



# IC&I Fraser Valley

- Market participants dominated by small - large private investors and owner occupiers. Currently limited exposure to institutional investors (REITS, Pension Funds etc.)

# Fraser Valley Industrial Portfolio

- approximately 29,356,000 square feet of non strata industrial space
- approximately 5,898,043 square feet of Strata industrial space
- Total Industrial Space
  - approximately 35,254,000 square feet

# Fraser Valley Industrial New Construction

<b>Industrial</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>
new construction strata	275,415.00	459,777.00	86,563.00
new construction non strata	566,660.00	246,451.00	609,607.00
<b>Total</b>	<b>842,075.00</b>	<b>706,228.00</b>	<b>696,170.00</b>

# Fraser Valley Retail Portfolio

- approximately 12,167,452 square feet of non strata Retail space
- approximately 902,707 square feet of Strata retail space
- Total Retail Space
  - approximately 13,070,00 square feet

# Fraser Valley Retail New Construction

<b>Retail</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>
new construction strata	81,732.00	75,168.00	6,310.00
new construction non strata	77,115.00	88,984.00	81,595.00
<b>Total</b>	<b>158,847.00</b>	<b>164,152.00</b>	<b>87,905.00</b>

# Fraser Valley Office Portfolio

- approximately 4,586,741 square feet of non strata Office space
- approximately 689,119 square feet of Strata office space
- Total Office Space
  - approximately 5,275,000 square feet

# Fraser Valley Office New Construction

<b>Office</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>
new construction strata	51,767.00	14,780.00	0
new construction non strata	39,001.00	1,045.00	44,376.00
<b>Total</b>	<b>90,768.00</b>	<b>15,825.00</b>	<b>44,376.00</b>

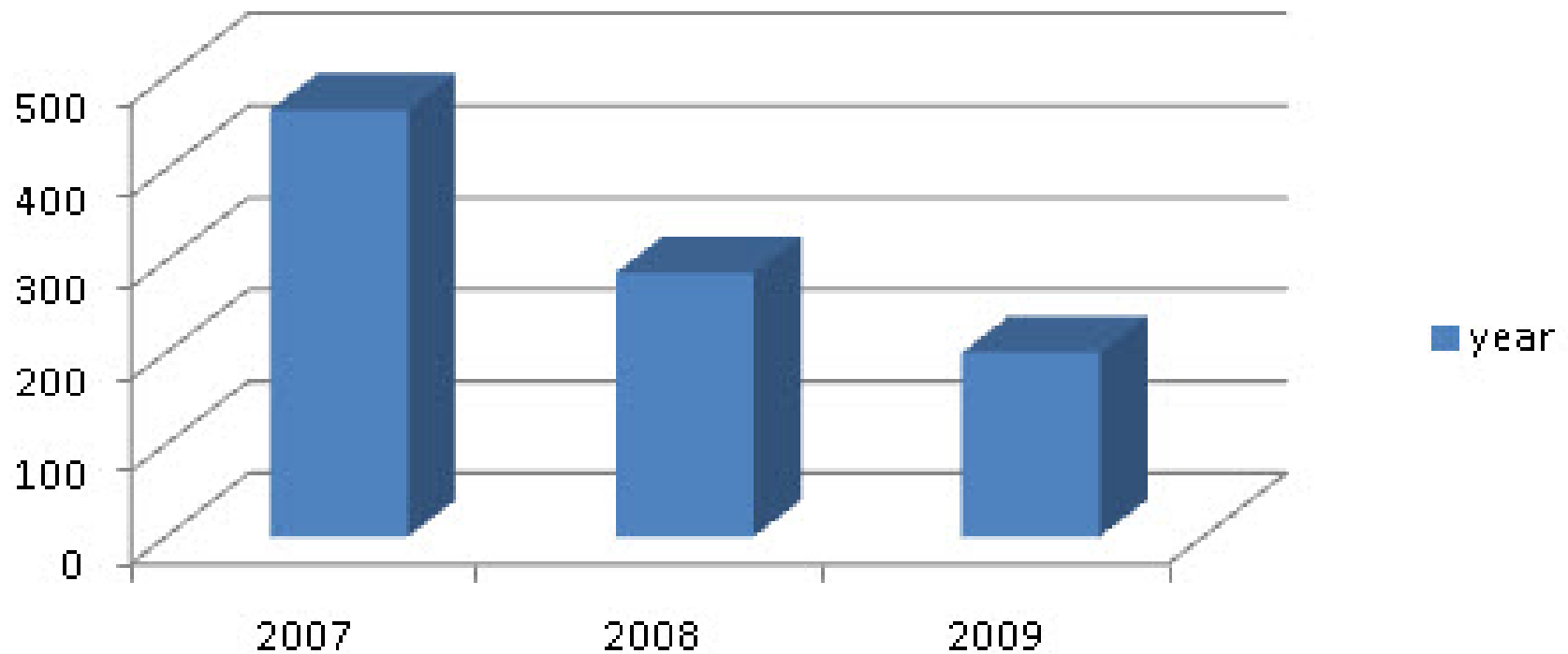
# Fraser Valley IC&I Portfolio

- Overall all sectors saw significant reduction in new construction for 2009, Industrial new construction impacted by 300,000 square foot warehouse constructed in Langley.
- Mirrors Global reaction throughout past 3 years, noticeably quick reaction in terms of reduction in new construction.



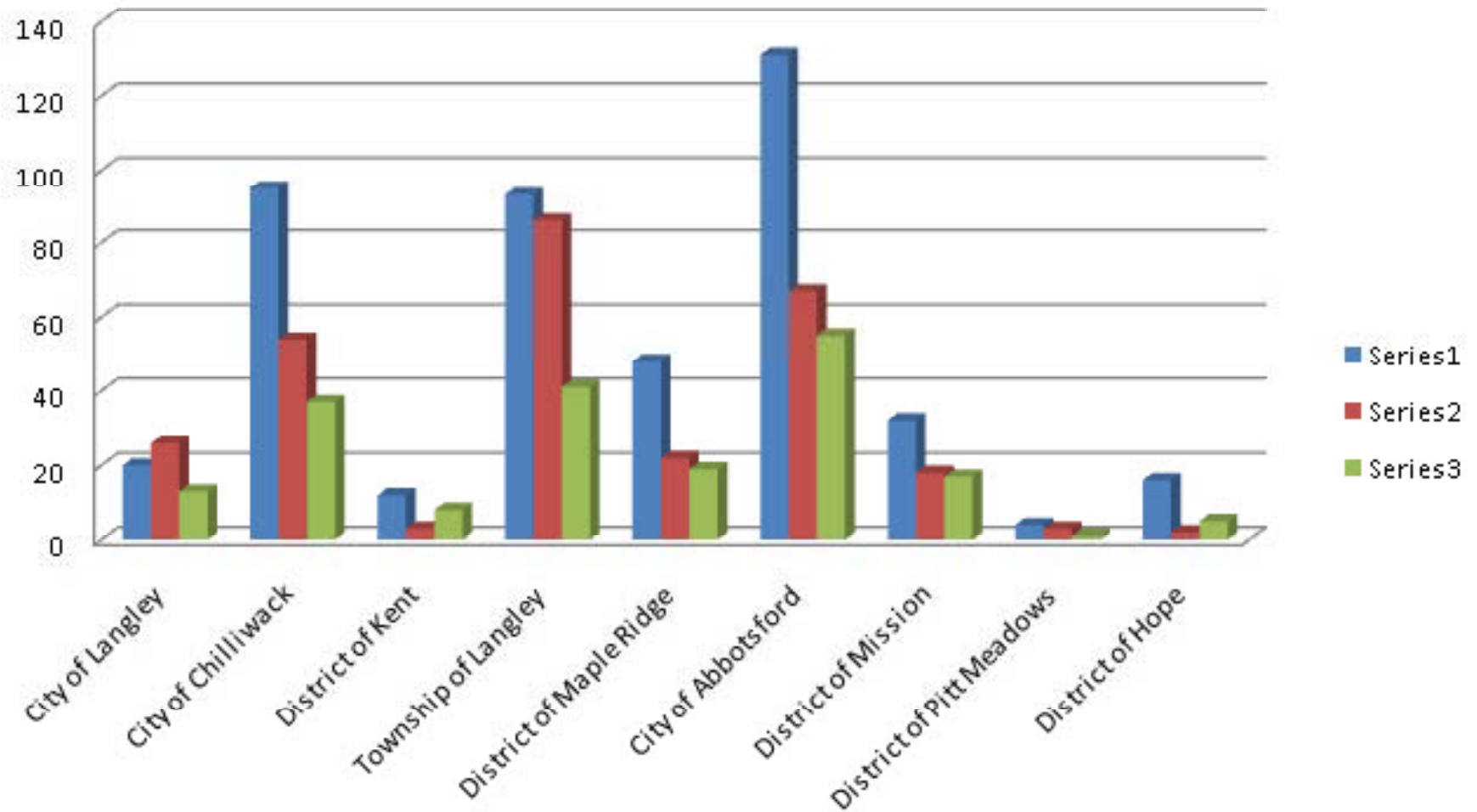
# Sales Activity Fraser Valley IC&I

**Total Sales Volume for IC&I 2007-2009**



# Sales by Jurisdiction 2007-2009

Total Number of IC&I Sales/year



# Sales by Jurisdiction

- Closely mirror global activity 43% of all 2009 sales occurred in the 4<sup>th</sup> quarter with 26% occurring in the month of December
- City of Abbotsford most active by sales volume in the Fraser Valley Region
- 2010
  - currently 49 sales completed since January 2010 carrying over the strength on volume from December 2009

# Notable Sales Transactions

Chilliwack vacant  
industrial land sale  
transaction

3.0 Acres Net,

Highway One Business  
Park

Sale Date: Jan 19 2010

Sale Price: \$1,750,000

**\$572,000/acre**, peak  
values at end of 2008

\$575,000 - \$600,000/acre



# Notable Sales Transaction

- Chilliwack
  - Old University Lands
  - Interim Date:
    - March 18 2010
    - 27.05 Acre Site
    - \$22,100,000
    - Currently under review





# Notable Sales Transaction

- Pitt Meadows Ind. Land, Airport
- 57.45 Acres
- Sale Price: \$18,250,000
- \$317,000/acre
- Geotech Issues
- Purchased by Onni
- December 29 2009



# Notable Sales Transaction

- Vacant Commercial Land
- 2.18 Acres
- PP: \$2,800,000
- \$1,284,400
- Interim sale date March 2009, completion Jan 2010
- Motivated purchaser, adjacent property owner
- Matches Peak 2008 values



# Notable Sales Transaction

- Langley Retail Strata Sale
- Sale Date March 2010
- 2009 construction, shell space
- PP: \$1,088,880
- \$400/sf shell space





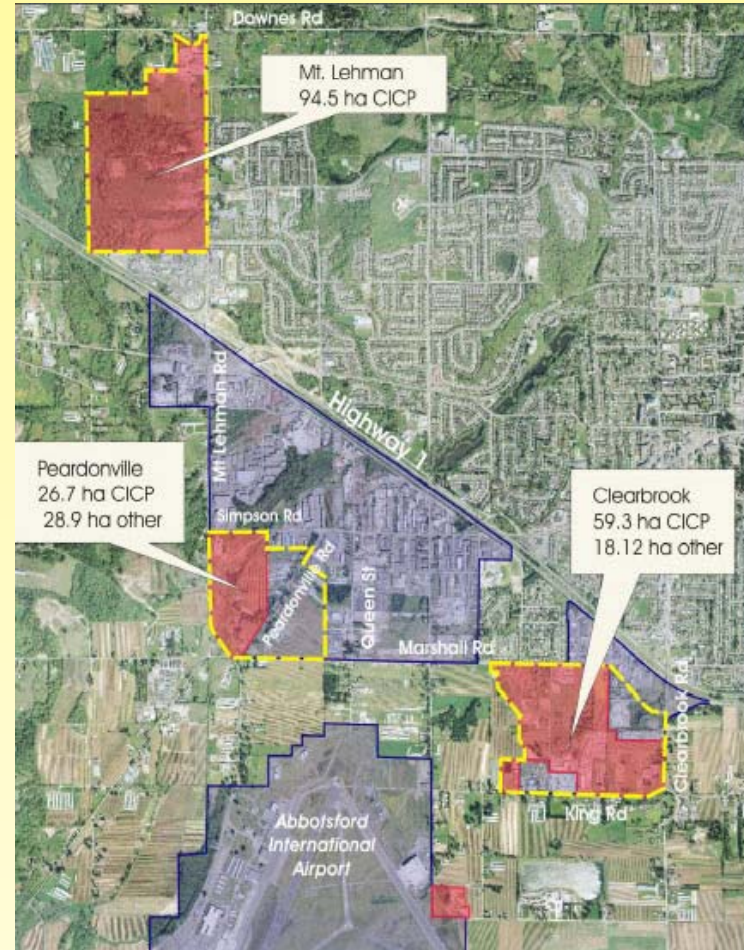
# Notable Sales Transaction

- Abbotsford Office/Retail Centre
- Sale date: December 2009
- Purchase Price:
  - **\$21,428,000**
  - **GLA 72,335**
- Purchaser:
  - ICBC



# IC&I Developments Abbotsford

- 562 Acres Mount Lehman, Peardonville, Clearbrook Road interchanges
- Riverside lands 470 Acres
- Interchanges being upgraded to suit future demands
- Removed from ALR application in 2004



# IC&I Developments Langley

- Aldergrove 262<sup>nd</sup> and Fraser Highway
  - Roughly 108 Acres
- Carvolth (Highway One and 200<sup>th</sup> street interchange)
  - Roughly 256 Acres
- Gloucester Industrial Estates, Northside of Highway One and 272 Street 178 Acres from vacant to part .developed
- Northwest Langley
  - Roughly 104Acres ranging from vacant to partially developed
- Willowbrook Industrial Area
  - Roughly 35 Acres from vacant to partially developed
- Gloucester Industrial Estates, 178 Acres

# IC&I Developments Maple Ridge/Pitt Meadows

- Airport Industrial lands and Golden Ears Business Centre along Airport Way owned by Onni
- Smart Centre (Walmart Development Northside of Highway One)
- Completion of Golden Ears and Pitt River Bridges
- Kanaka Creek Business Park
- Downtown reconfiguration of Zellers Mall Lands
- 256 Industrial Lands
- Completion of Golden Ears Way connecting to Golden Ears Bridge

# IC&I Developments

## Mission/Chilliwack

- Solterra Development being built out
- Riverside Development
- Garrison Crossing Project nearing completion
- Industrial lands Cattermole, Highway One, and Progress Way being built out

# Interchange Lands Development

- Proposed retail developments along Mount Lehman, Whatcom Road interchanges, by Shape properties.
  - High Road Project estimated to be 670,000 sf scheduled for completion fall 2011.
  - Parallel Market Place 135,000 sf scheduled for completion fall 2009
  - Eagle Landing Development constructed by PDG, approx. 700,000 square feet retail.



# Conclusions

- Fraser Valley IC&I
  - Has weathered the global economic storm
  - Appears to be recovering however closely tied to American Experience watching for aftershocks
  - Industrial Market in the Western Valley is saturated and will require some time to absorb vacant space. Sluggish Industrial development in eastern valley.
  - Significant retail development along interchange lands.

# Contact Information

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Thank You,

Questions ?

