

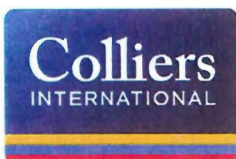
June 17, 2014

West Cambie – Alexandra Business/Office Area Review

Richmond, BC

Richmond Planning Committee Meeting

PREPARED BY:



PREPARED FOR:



West Cambie – Alexandra Neighbourhood Business / Office Area Review

Blaire Chisholm, Brook Pooni Associates (Urban Planning)

David Bell, Colliers (Market Assessment)

Westmark was established in 1986 and over the years has established a strong reputation for building communities in Richmond. They are a family-owned, hands-on business that understands the people and communities where they work.

Committed to Richmond - want to contribute to building a complete community in Alexandra. The neighbourhood remains dilapidated and needs a different land use designation to stimulate the development of desirable employment space, with better jobs than those that are projected with the existing land use designation.

Rezoning Application submitted in January 2014 for 5 acres of land owned by Westmark within the Business / Office Area designation. The proposal would create a liveable, mixed use development with commercial, office and residential uses. The project proposes a distinct street presence, sustainable building features and pedestrian orientation.

Land Use	Mixed Use - 80% residential (282,385SF) - 20% employment (71,780 SF)
Density	Base: 1.77 FAR
Bonus	Approx. 20 units to be provided as market rental units committed through a Housing Agreement
Jobs (@220SF/employee)	330 jobs (of total envisioned in the B/O designation)
Type of jobs: good paying, high quality	- Office including Westmark Corporate office - Wellness oriented - chiropractic, physiotherapy - Pharmaceutical - Ground-oriented commercial
No Precedent	A transition area between CCAP into Alexandra neighbourhood, it is a unique area with Garden City as the divider.

Westmark understands the City's economic development objectives and will work with staff to achieve these goals; however, the development community will not build office unless it makes sense to do so.

The current staff report includes a number of limitations that we would like to further address and have clarified.

Market/Economic Response to Staff Report Dated May 27, 2014

- **Richmond office market conditions are, and have been, much more challenging than implied by the staff report.** While *Colliers* agrees that a “healthy office vacancy rate” is around 8% (say 7-8%), the Richmond city-wide rates by class are far beyond healthy levels and are in fact substantially oversupplied:

Richmond Office Market Vacancy by Class (at at Q1 2014)						
Market	CLASS A		CLASS B		CLASS C	
	Vacant sf	Vacancy %	Vacant sf	Vacancy %	Vacant sf	Vacancy %
Richmond	321,527	16.6%	368,215	20.4%	85,803	25.8%
Metro Vancouver Suburban	1,693,361	11.8%	1,277,791	10.5%	258,266	8.1%
Richmond vs. Suburban:						
Richmond Vacancy as % of Suburban Vacancy		19.0%		28.8%		33.2%
Richmond vs. Suburban Vacancy Index		140.7		194.3		318.5

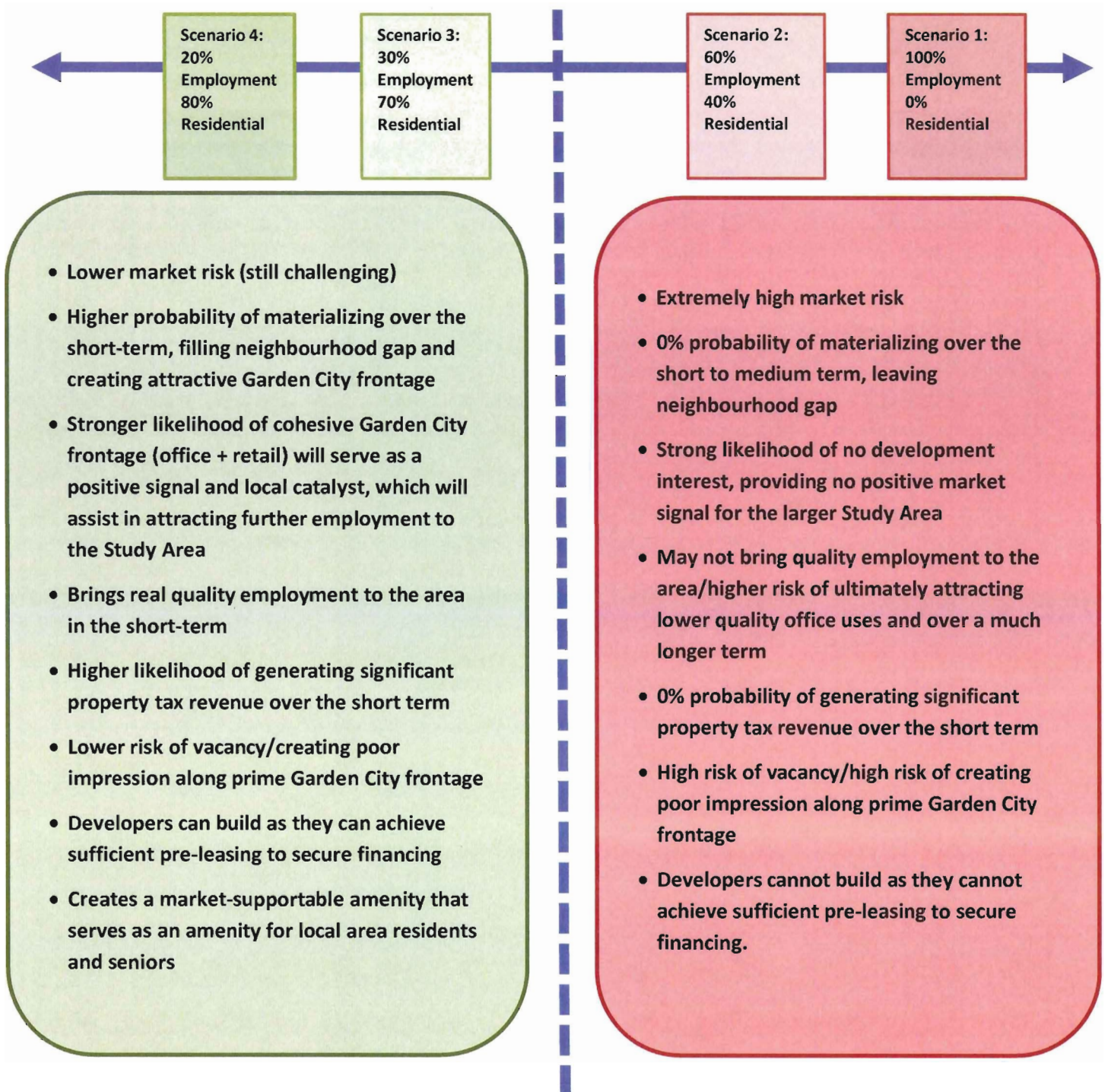
Source: Colliers International - Vancouver Office - 1st Quarter, 2014.

- **Colliers agrees that lower office vacancy rates are occurring in Richmond in proximity to SkyTrain stations. See Map 1 – there is a strong relationship between proximity to SkyTrain stations and vacancy rates, with vacancy rates increasing significantly beyond 500 metres and dramatically beyond 800 metres.**
- Key assumptions driving staff report conclusions regarding study area office demand do not accurately reflect market realities:
 - **The study area is not “near transit” from a market or planning perspective and thus the assumption that a 6.8% study area vacancy rate is appropriate is false.** See Map 2 – actual walking distances to the subject site from Aberdeen Station (to the intersections of Cambie/Garden City and Garden City/Odlin Road range from 910 metres to 1.25 kms. The real estate market does not view this as being “near transit” or “easily walkable” due to walking times and exposure to adverse weather conditions, so new supply in this location will generate lower lease rates and suffer much higher vacancy.
 - **The staff report on page 7 references the 2009 City Centre Area Plan’s 80 acres of zoned land for office uses, with “projected demand of 119 acres required by 2041 to accommodate the estimated 17.0 M square feet of new office space”.** This equates to annual demand, over 27 years, of 630,000 sf. Colliers’ review of the last decade of activity (Q1 2004 to Q1 2014) indicates that actual net absorption in Richmond of both A and B class office space has averaged roughly 30,600 sf per year.
 - **Richmond’s office market is driven primarily by YVR activity and by population growth which generates demand for more localized, service-based office users.** The Richmond office market inventory (all classes) currently tracked by Colliers stands at just under 4.1 million sf. Of this total, 775,000+ sf are currently vacant. Colliers cannot envision a scenario for Richmond that justifies projected demand of 17.0 million sf of new office space.

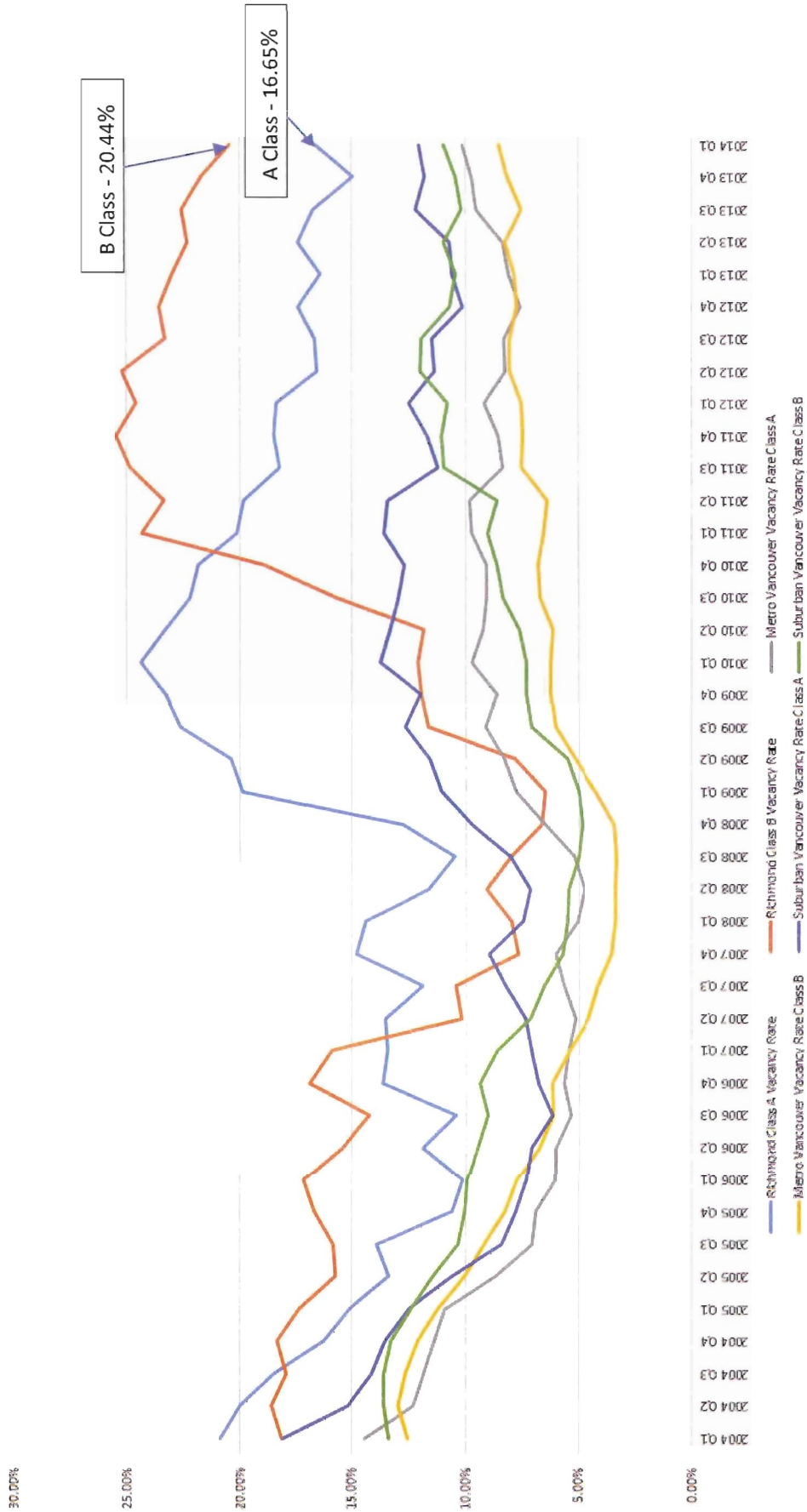
- **Colliers acknowledges the importance of creating high quality employment in order to generate incremental property tax revenue and to improve the overall jobs-to-labour force balance. The jobs, however, must be real/delivered to the market to generate actual benefits.** The Westmark proposal for the Study Area includes a pharmacy-anchored professional medical/health & wellness centre which is market-supportable at the proposed scale. Properly phased, this will lead to fully leased space, quality employment, and property tax revenue over the short term. Colliers sees this as the best potential employment that can be delivered to the market in this location.
- **The West Cambie-Alexandra neighbourhood and its prime Garden City frontage deserve to be completed with high quality building and uses to match – a strong and attractive amenity for the neighbourhood and larger community.** *A properly-scaled and cohesive professional health services mix with ground level retail, fully leased along Garden City Road will send a positive signal to the market. A larger complex of struggling speculative office space or vacant land will at best perpetuate current conditions, and at worst, increase negative perception of the area.*

Marketable/Developable Index of Scenarios 1-4 in Richmond Market:

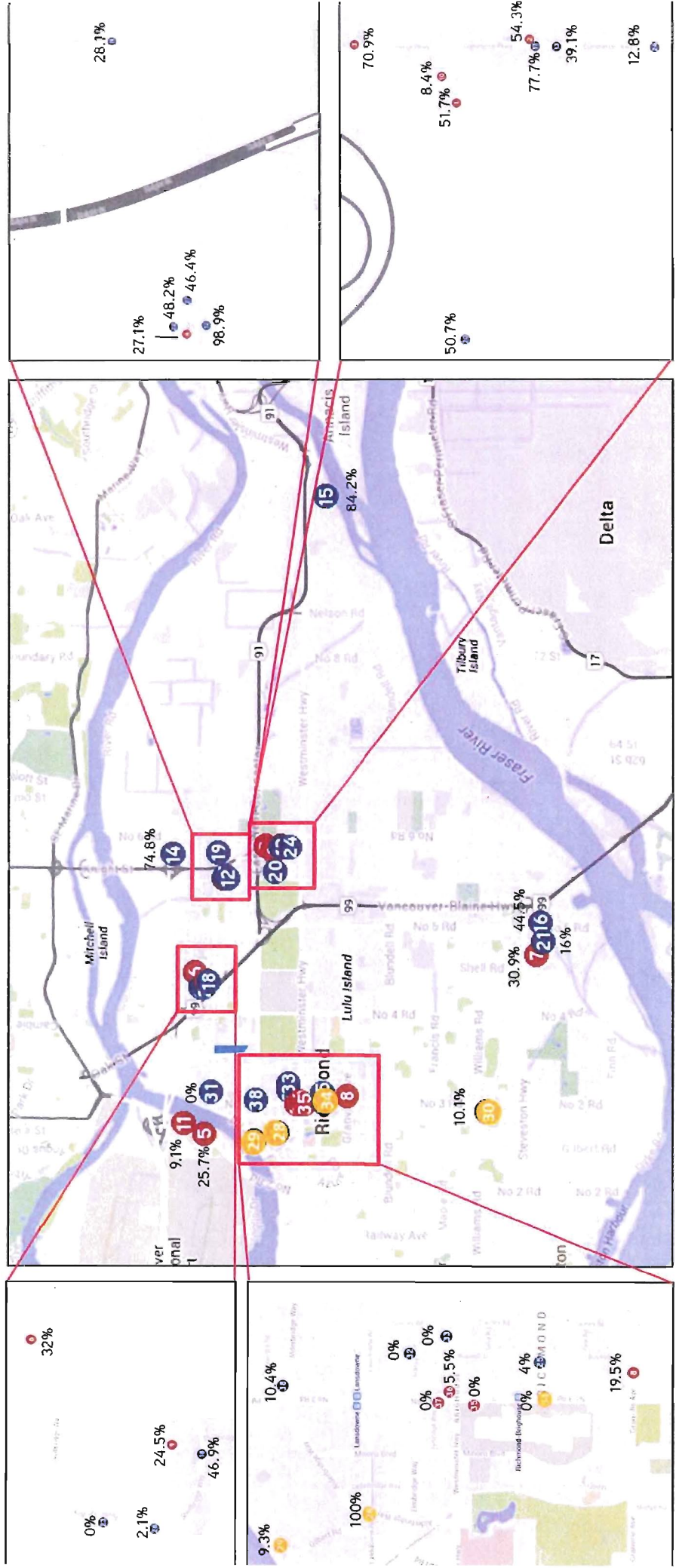
Based on a range of key factors, including ongoing Richmond market conditions, shifting area context and the various objectives/desires of the City, developers, lenders, and tenants, the following scale is relevant in evaluating the pros and cons of scenarios 1 through 4:



Richmond A & B Class Office Vacancy (2004-2014)



Map 1: Richmond Office Vacancies by Class & Location



Richmond Office Vacancies by Class & Location

Map #	Address	Class	Vacancy Rate (%)
1	13571 Commerce Pkwy	A	51.7
2	13700 International Pl	A	54.3
3	13777 Commerce Pkwy	A	70.9
4	13091 Vanier Pl	A	27.1
5	3820 Cessna Dr	A	25.7
6	10991 Shellbridge Way	A	32.0
7	11331 Coppersmith Way	A	30.9
8	8100 Granville Avenue	A	19.5
9	10271 Shellbridge Way	A	24.5
10	13575 Commerce Pkwy	A	8.4
11	3600 Lysander Lane	A	9.1
12	13120 Vanier Pl	B	98.9
13	13511 Commerce Pkwy	B	39.1
14	3011 Viking Way	B	74.8
15	6651 Fraserwood Pl	B	84.2
16	12033 Riverside Pl	B	44.5
17	13511 Commerce Pkwy	B	77.7
18	10760 Shellbridge Way	B	46.9
19	4020 Viking Way	B	28.1
20	5600 Parkwood Way	B	50.7
21	11120 Horseshoe Way	B	16.0
22	13071 Vanier Pl	B	48.2
23	10691 Shellbridge Way	B	0.0
24	13351 Commerce Pkwy	B	12.8
25	8171 Cook Road	B	4.0
26	10551 Shellbridge Way	B	2.1
27	13151 Vanier Pl	B	46.4
28	7671 Alderbridge Way	C	100.0
29	7080 River Road	C	9.3
30	10151 No 3 Road	C	10.1
31	8181 Cambie Road	B	0.0
32	8171 Ackroyd Road	B	0.0
33	5611 Cooney Road	B	0.0
34	6400 No 3 Road	C	0.0
35	6081 No 3 Road	A	0.0
36	5900 No 3 Road	A	5.5
37	5951 No 3 Road	A	0.0
38	4940 No 3 Road	B	10.4

Map 2: West Cambie-Alexandra SkyTrain Walking Distance

