

Nanaimo

Population
145,000

Office inventory
810,000 sq ft

Industrial inventory
1.9 million sq ft

Office vacancy
14%

Industrial vacancy
2%



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Market overview

Situated on the east side of Vancouver Island, the Regional District of Nanaimo is the island's second largest urban centre. The regional economy was very strong during 2007, with employment reaching its highest level in decades. New home construction continued at a brisk rate. The number of new building permits issued during the first nine months of 2007 exceeded the same period a year earlier. Population growth has created new demand in all service sectors.

The new \$72 million Port of Nanaimo Centre, a state of the art convention centre with capacity for 1,000 delegates, will be completed in May 2008. Located in the heart of downtown Nanaimo, this Centre also includes 15,000 square feet of retail, a museum and community meeting rooms. This major project will provide long-term benefits to regional tourism and is already providing a boost to downtown revitalization.

Office market

Demand continues to increase as both business and government expand their requirements. The combination of attractive lifestyle and affordable rents has encouraged the relocation of companies or departments from Vancouver. Catalyst Paper Corporation's lease of 12,240 square feet is the most recent example.

There has been a steady reduction in inventory with overall vacancy now at 14%. The inventory remains stable with only 10,000 square feet of new office space added to the market during 2007. Other than 20,000 square feet of build to suit, no new additions are planned for 2008. After many years of high vacancy, the market has turned in favour of landlords with net rents now ranging from \$12 per square foot for renovated downtown office space to \$16 per square foot for Class B space in the Woodgrove node. Anticipate overall vacancy rates dropping to below 10% during 2008 with upward pressure on lease rates.

Industrial market

With overall vacancy estimated at 2%, there is a scarcity of light industrial premises available in Nanaimo. Demand is steady as the local service industry seeks to expand and national and regional companies seek locations for warehousing and distribution facilities.

No new premises were completed during 2007 and only two projects totaling 59,000 square feet are scheduled for 2008. Zoned and serviced land is in very short supply. Lease rates for existing properties range from \$6.50-\$9.50 per square foot. New product will not arrive until 2009 at the earliest. Expect that tenants will struggle to find new premises in 2008 and landlords will benefit from the upward pressure on lease rates.

Investment market

2007 was a very active year for investment transactions. Regional growth projections attracted a number of national and regional investors to the market. First Capital Realty purchased Port Place and Terminal Park Shopping Centres (147,000 square feet for \$19.9 million) to add to their local portfolio. Artis REIT acquired an office and retail portfolio totaling 159,000 square feet for \$26.3 million. Indicated cap rates were in the mid-6% range for these two transactions, a new benchmark in this market. Another notable transaction was a 42,900 square foot warehouse retail building (4.22 acres for \$7.2 million) for redevelopment as mini storage.

In 2008, expect demand for quality product to remain constant. Retail strip centres are most sought after, followed by multi-tenant office buildings. The challenge will be availability of product as many current owners continue to see long-term opportunities here.

Retail market

Demand for retail premises increased during the year, driven by national tenants' desire to obtain a foothold in the region. With no new supply, and units in strip malls and enclosed centres becoming scarcer, lease rates have felt upward pressure. Shape Properties continued to reposition Nanaimo North Town Centre, adding a second London Drugs store (leasing 36,500 square feet) and completing numerous renovations.

Three new retail developments will be completed in 2008 adding a total of 128,000 square feet distributed between the Woodgrove node, downtown and Chase River. In addition, Linens 'N Things and Best Buy will open new pad locations at Nanaimo North Town Centre. Overall, a balanced market is forecast with demand being satisfied by new supply and little change to vacancy or lease rates.



Construction on the new Port of Nanaimo Centre,
British Columbia