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Redevelopment of Labatt brewery site in New Westminster moves closer to reality

The latest potential cash crop for the province's farmers: rapidly rising property values

Real Estate Roundup: Peter Mitham

Brewing changes

The redevelopment of the former Labatt brewery site in New Westminster could be a step closer by the time you read this. New Westminster council was set to vote on a rezoning application for the property following fourth reading on July 14.

Wesgroup Income Properties plans to redevelop the site with upwards of 1.4 million square feet of residential, retail and commercial space. While initial site servicing for the first phase of the project could begin this fall, occupancy of the initial units – likely retail – wouldn't occur until mid-2010 at the earliest.

Retail space will be fundamental to the first phase because it will set the tone for the area and provide a core of shops serving the Royal Columbian Hospital, said Carol DePaoli, a development manager with Wesgroup.

The hospital, which has been undergoing its own makeover, sits adjacent to the brewery site and is the major draw of traffic to the area. The retail space, and eventually the residential and commercial space Wesgroup plans for the site, will take the fact into account with a view to developing a community in the area. The first phase will also have up to 120 residential units.

"To have that community feel and sense of place is really important," DePaoli said.

Other features of the site include the development of view corridors and adjustments to grading to improve accessibility from the adjacent SkyTrain station as well as to improve views over the Fraser River.

Land rich

The value of real estate to B.C. farmers is at its greatest level ever, representing 89% of total farm worth. That works out to \$18.6 billion in real property, compared with total farm worth of \$20.9 billion.

Small wonder farmers are seeing more opportunities for their properties than agriculture (and those who want to get into the business are finding it difficult to secure land). Throw in the fact that 2007 was the worst of any on record for the province's agricultural sector, which collectively racked up a loss of \$129.1 million, and the burden of the land is even clearer.

"It doesn't matter how much the land is worth. It still only generates so many dollars of cash to debt service, so your cash flow becomes much more critical," explained Reg Ens, a farm management consultant with Meyers Norris Penny LLP in Abbotsford, in an interview earlier this year.

Given the prospect of short fruit crops this year – blueberry and cherry growers both expect to harvest significantly smaller crops – some hard decisions may be expected regarding the land position of the province's farmers.

Demand to slacken?

Just like a good gag, the latest office market report from Colliers International for Metro Vancouver had a zinger punch line. Only, it wasn't that funny.

Those who read to the end discovered in the last line that office vacancies for the downtown core now sit at 1.7% (a rate not seen since 1981, when vacancies of 1.8% were reached), but that "many industries are bracing themselves for an economic slowdown."

Citing the dampening effect high construction costs have had on new construction, Colliers notes that a lack of new office product has pushed regional vacancies to 4% – twice the 2% rate seen in 1981. But lest tenants become too discouraged at the high lease rates landlords have been able to achieve under the circumstances, and the high cost of tenant improvements, the Colliers report indicates that demand may be slowing.

While tenants that have space to sublease have had no trouble recovering costs, Colliers hints that economic woes may reduce demand for office space and ease conditions for tenants seeking new space.

The suggestion finds some support when other sources of data are examined.

The most recent outlook report from RBC Economics says that economic growth in B.C. could slow to 2.2% in 2008 versus growth of 3.1% last year – the slowest rate of growth of any of the four western provinces. That's down from the 2.5% growth rate the bank forecast for the province back in January, when it remarked that "the balance of risks in the longer-term has swung more toward the pessimists' camp." The spin was rosier this time, while reluctantly noting that economic challenges "are not easing as quickly as previously hoped."

Moreover, the latest Statistics Canada figures indicate that non-residential construction values achieved a single-month record for the Lower Mainland in May of \$399.6 million. Commercial permits accounted for much of the gain, suggesting

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that relief could be on the way for tenants.

On the other hand, overall building permit values for the first five months of the year are down 10% from the same period in 2007, falling to \$1 billion – not quite so good news. •

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