

REGIONAL ROUNDUP South and North Delta may represent the boldest speculative plays in B.C.

Delta's dawn

WI STAFF

WESTERN INVESTOR

The largest shopping mall in British Columbia, a 300-acre waterfront port development, a new \$1.26 billion freeway, a new highrise condo and retail projects and the largest rush of speculative industrial development in the province.

A new dawn is rising in Delta, separated into “north” and “south” communities and laying claim to a vast swath of territory just south of Vancouver in the Fraser Valley. Two key changes have ushered in the transformation of what has been a rather pastoral enclave known for its lowrise industrial and manufacturing base in the north and the bedroom towns of Tsawwassen and Ladner to the south.

The first was the transfer of 1,789 acres from the Agricultural Land Reserve to the development-hungry **Tsawwassen First Nation** (TFN) under a land-treaty agreement with the provincial government four years ago. The second: the construction of the South Fraser Perimeter Road, a truck-friendly freeway that links South Delta ports to the Trans-Canada Highway to complete this December.

The TFN wasted little time in staking out what big real estate plays. Development on band lands includes a 300-acre, port-oriented industrial development. **Ivanhoe Cambridge** and the **Property Development Group** also have plans for two developments that will create the province's largest retail centre:

more than 40 acres of shops catering to residents and ferry travellers.

This is the face of the future for the TFN, a development wave that – in the words of newly elected Chief **Bryce Williams** – will support a cultural renaissance. **UMA Engineering Ltd.** drafted the land-use plan in 2008 for the former farmland that passed to TFN control in 2009 when its historic treaty with the province took effect. It identified 225 acres of tidal marsh, among other sites, for cultural uses.

The major projects might promise jobs and a legacy for band members, but the unprecedented scale of the development isn't above criticism.

For example, during an interview with **CKNW** host **Bill Good** last year, Delta councillor **Ian Paton** noted that the aboriginal word “tsawwassen” means “land facing the sea,” but quipped, “By the time they're finished there, nobody's going to be getting a chance to look at the sea from Highway 17 because you'll be looking at the side of big-box stores and container storage.”

Williams, who, at 24, is perhaps the youngest First Nations chief in B.C., has a different perspective.

“[Development] will provide more revenue and more monies to be able to help provide those services and provide those workshops and teachings and things like that. I think it will open more doors than shutting any doors,” he said, adding that he's counting on new residents to support that vision.

Industrial on spec

But it's real estate developers that have real-



Photo: Colliers International



Photo: Partnerships BC

RIGHT: The \$1.2 billion, 40-kilometre South Fraser Perimeter Road will open this December, linking South Delta ports with the Trans-Canada Highway at Langley.
LEFT: Delta's tallest residential tower, 38-storey Delta Rise, begins presales this fall.

ly stepped up to the plate in Delta, drawn as much by the Tsawwassen port development as the potential of the South Fraser Perimeter Road. The 40-kilometre, four-lane highway will run along the south side of the Fraser River, from Delta to Langley. The roadway is meant to remove large trucks from residential streets, connect to rail and port infrastructure and shorten commuting times by as much as one hour.

“The full impact [of the freeway] remains unknown, but it could ramp up demand for developable industrial land and tighten vacancy further,” noted **Avison Young** in a report on the Delta industrial scene.

The commercial broker added that, while the dollar value of deals in Delta in 2012 was, at \$74 million, the lowest since 2008, the number of transactions, 30, was the highest.

In the first half of 2013, 19 deals worth a total of \$65.6 million were completed. The low number of properties available for sale

has also contributed to the crunch. Vacancy rates are currently at 6.9 per cent in Delta, down from 7.5 per cent in spring 2012.

Developers appear convinced of Delta's potential and have kicked off the biggest speculative industrial construction spree in B.C., with more than 1.5 million square feet breaking ground. The projects include:

- **Dayyu Group's** 900,000-square-foot Boundary Bay Industrial Park, itself the largest speculative industrial project in Delta's history;
- The South Delta Industrial Centre by **Triovest**, with 277,000 square feet in two buildings;
- **Grosvenor's** 160,000-square-foot Millennium V development on Annacis



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Island; and

- the 120,000-square-foot Tilbury West Corporate Centre II, Phase 1, by **Beedie Development Group**.

None of these projects have secured tenant commitments and it is not known if individual companies will be gunning for leases or strata sales.

If the latter – and Beedie, for one, has had some success in this field – current industrial sales see property selling for around \$120 per square foot but spiking as high as \$393 per square foot, which is the price paid for 9,550 square feet at 6537 River Road in March.

In the largest sale, Trivost paid \$64 per square foot to acquire the former **Buckeye Technologies** manufacturing plant for its South Fraser Industrial Centre, a deal worth \$20.6 million.

Retail

Meanwhile, preloading and site preparation is proceeding for a huge shopping mall at the TFN site. The **TFN Economic Development Corp.** is in partnership with Ivanhoe Cambridge and the Property Development Group to develop almost 1.8 million square

feet of shopping, entertainment and office space on 180 acres just off Highway 17 at 52nd Street. Tsawwassen Mills is to be modelled after Ivanhoe Cambridge's huge CrossIron Mill enclosed mall north of Calgary and its Vaughan Mills mall north of Toronto. However, there is some indication that the largest piece of the project may not rocket toward its planned completion in 2015. Ivanhoe Cambridge has no renderings of the project as yet and one pre-load contractor expressed "hope" the project would proceed as planned.

Commercial retail analyst **Neil McAllister** of **DTZ Vancouver Real Estate Ltd.** is among those wondering whether Tsawwassen Mills will go ahead at the scale and speed envisioned.

"Large-format malls are having problems," he said, also noting that Delta may not have the population base to support what could be B.C.'s biggest shopping centre.

McAllister added that the site "is quite isolated," unlike CrossIron and Vaughan Mills, both of which are served by major arterial highways.

It is doubtful that an experienced developer like Ivanhoe Cambridge would proceed with the project unless retail anchors were firmly in place, McAllister said.

Quick facts

Delta, B.C.

Population 100,000

Average house price \$570,000

Industrial property \$120 per square foot

Residential

New housing appears to be a safe bet in South Delta, as witnessed by the success of Tsawwassen Springs – an upscale golf and residential development by **Shato Holdings** and **Talisman Homes** that has seen strong sales over the past few years.

In North Delta the first speculative high-rise residential construction is being seen, with the September launch of **Blexo's** Delta Rise – a 37-storey condo tower fringed with retail at 84th Avenue and Scott Road. Delta's tallest tower, it was conceived after the city approved a new bylaw that limits single-family home construction along the Scott Road Corridor.

"North Delta continues to evolve as a great place to live and will now offer its first true walk-live-work option," said **Scott Brown** of **Colliers International**, the marketing firm responsible for Delta Rise presales. ♦