

**REGIONAL ROUNDUP** University expansion injects youth – and a fresh vibrancy – into city's downtown

# Nanaimo is so much younger now

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**N**anaimo is far enough away from Vancouver to offer investors good pricing but close enough to be a suburb with many of the benefits that entails.

A 90-minute ferry ride from Horseshoe Bay – half an hour by float plane from the downtown core – Nanaimo remains on the periphery of the Lower Mainland even as developers such as **Cape Development Corp.** and **InSight Holdings Ltd.** have been actively redeveloping sites along the city's waterfront. **Millennium Development Corp.** was even a contender in the development of the hotel planned adjacent to the city's conference centre but did not complete on the project and has since been sued by Nanaimo in connection with its failure.

Still, the city's downtown core evinces the makeover that's happening as capital flows in at the bidding of a business-friendly mayor and students flock to **Vancouver Island University (VIU)**, the former **Malaspina University College** that gained university status in 2008. The school is now transforming itself into an ambitious post-secondary institution and doing as much as business interests to revitalize this city of 85,500 people (a population closer to 150,000 when unincorporated areas and the surrounding communities of Lantzville, Parksville and Qualicum Beach are added in).

While an estimated \$180 million of infrastructure projects bring money into the community – including a \$25 million expansion of the local airport, a \$27 million upgrade to boilers at the **Harmac** paper mill just outside the city in Cedar, a \$37 million expansion of the Nanaimo General Hospital emergency department and \$91 million in upgrades to **BC**



**Nanaimo: \$180 million in upgrades includes hospital and airport expansion. Upcoming is a \$250 million university campus. Downtown is seeing a fresh optimism with a new convention centre and an influx of university students.**

**Transmission Corp.**'s local facilities – downtown is being transformed by new residential construction and students.

An eclectic mix of shops have taken over space formerly occupied by pawnshops and strip clubs, and though the old-timers can still be heard in local watering holes, they are being drowned out by the clatter of laptops and cappuccino cups.

While classes were disrupted this past winter by labour action, student enrolment at VIU rose 14 per cent in 2010. This is boosting hopes for a 50-year master plan for VIU's campus, which is located in Nanaimo's Harewood neighbourhood. A campus centre is also located in Parksville, with regional campuses in Duncan and Powell River.

VIU is embarking on a \$250 million building

program that will expand the main university campus with science, health and sporting centres as well as a central building for the providing office space and classrooms.

Harewood, a former mining community to the west of Nanaimo's downtown, is benefiting from the activity. The local strip mall has been rebranded as **University Village Plaza**, and investment in residential properties is accelerating.

But arguably the most significant impact of Malaspina's recent accession to university status is in downtown Nanaimo, where boutiques and a multicultural array of restaurants are lending new character to old streets.

While the city's industrial past isn't far away, it's receiving a makeover in the form of condos, clubs and cafés that reflect the city's aspirations.

The influx of students has been critical to the development of new businesses, said **Amrit Manhas**, acting economic development officer for Nanaimo. This is seen not only in the university area, with the makeover of University Village Plaza and other projects within walking distance of the university, but also downtown.

"The demographic that the university attracts leads to the general vibrancy of the downtown," Manhas said. "The university plays a key role in bringing the younger demographic into Nanaimo, which of course helps support and spur certain types of businesses."

Building permits, which peaked in 2007 at \$258.3 million, dropped to \$159.6 million in 2009 but have now edged back up to around \$172 million annually. Residential construction is leading the way, with commercial and public projects following.

## Commercial

Seaplane and ferry connections to Vancouver make the city an accessible destination, while average home sale prices for the area are steady at just over \$365,000.

Manhas, who grew up in Burnaby, is quick to point out that Nanaimo recently garnered kudos as the third most-livable city in the province.

But it's also a marketable city when it comes to commercial activity, according to **Gerry Van Vaals**, who handles commercial properties and investment sales for the Nanaimo office of **DTZ Barnicke**.

"We've got a good influx of potential new users coming into the city and existing folks looking at buying light industrial," he said. "The price of light industrial here on a per-square-foot basis is approximately 60 per cent of what the same property would cost you in Victoria."

Strata commercial and light-industrial properties are in particular demand as the city becomes a hub for distributors who feel the cost of space in Victoria is too high. The space supply is limited in Nanaimo, especially after two years of soft economic times, but new construction is ready to kick off as demand

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warrants.

"There's a new look being taken at some of the commercial projects," Van Vaals said, noting that this spring has been especially busy.

Green Rock Industrial Park, a new 24-lot light-industrial subdivision just off Bowen Road, will be coming to market this fall. Serviced lots adjacent to the Nanaimo Parkway will range in size from 9,688 square feet to 71,849 square feet.

The best news for investors – who see greater room for returns here than in well-developed markets like Victoria – as well as developers of new space is that lenders are ready to do business.

While loan-to-value ratios dropped to 50 per cent during the recession, Van Vaals said many lenders are now back to offering traditional levels of financing on projects. "They're back to – some of them – lending 75 per cent."

## Tower on hold

But if demand is driving new construction, it's also what has helped stymie plans by InSight Holdings' for a 26-storey residential development on the Nanaimo harbourfront.

The downturn in real estate and financial markets in 2008 has delayed marketing and construction of the tower, which is approved and ready to rise from an excavation prepared for it.

"We realize that this is a market that doesn't pre-buy," said **Doug Bromage**, general man-

ager of InSight. "Right now, it's just on hold."

The pause in the market has meant a strategic approach is needed for the projects that are going ahead. **First Capital Realty Inc.** is moving ahead with a planned makeover of the **Port Place Shopping Centre**, but it will proceed in three phases.

The first phase will transform the 145,000-square-foot enclosed mall into a village-style shopping centre while subsequent phases will add office and residential components. The project will add density to the city's harbourfront, potentially polishing its working character into an urban gem.

But it may also feed demand for core retail space in a city where the majority of new mall construction has followed development at the north end of the city. First Capital also owns the **Terminal Park**, **Woodgrove Crossing** and **Longwood Station** malls on the north side of Nanaimo, but redeveloping Port Place will give it a stake in the heart of the city.

**Mike Lowe**, managing director, British Columbia, for First Capital, said economic prospects have been improving in Nanaimo and the mid-Island area generally. Its investments reflect the confidence it has in the city.

## Free land

The one missing piece of the downtown puzzle is the hotel adjacent to the city's convention centre. The centre has helped anchor revitalization in the downtown core, but Millennium's failure to develop the adjacent site slated for a hotel (and ongoing legal wrangling) has left a

## Quick facts



## Nanaimo, B.C.

**Population** 85,000

**Regional population** 149,000

**Housing starts** 786 (2010)

**Average detached house price** \$363,985

**Housing sales** 2010 1,124

hole in the core.

While the city is seeking \$3 million in damages through the courts from Millennium, word is that the city would grant the 17,000-square-foot site beside the convention centre free to any developer who could deliver the long-awaited hotel. The hotel could have upward of 170 rooms, and would complement investments in downtown accommodation by the owners of the **Coast Bastion Inn** and the **Dorchester Hotel**, which operates as a boutique property under the **Best Western** banner. ♦