

INDUSTRIAL REAL ESTATE AND THE REGIONAL GROWTH STRATEGY

February 2011

Overview

- ▶ A 15 minute overview of the industrial market and how it is being impacted by the RGS particularly if there is a land shortage.
- ▶ The goods handling industries are vital to the economy yet planning seems to assume office employment not industrial will be the future of Metro Vancouver.
- ▶ Our economic profile to date is low office employment (half the office space per capita of a Seattle for example) and a substantial public sector.

Port Economy

- ▶ The port is the largest driver of the Metro industrial economy and central to the Canadian economy with a direct GDP of \$10.5 billion and \$22 billion in total economic output.
- ▶ Generates direct and indirect demand for approximately half of recent industrial development in the Metro Region and an estimated 50,000 jobs in BC and 130,000 across Canada.

Container Traffic

- ▶ PMV is the largest port in North America by weight, and the third largest on the west coast by container volume.
- ▶ Handles 102 million tons each year including 2.2 million containers primarily from the keys markets of Asia. The Port has many functions but three of the most important for the industrial real estate market relate to containers.
- ▶ Deltaport accounts for 70% of all container traffic and its share and volumes are growing because it has better rail and highway connections than the Inner Harbour and is generally more convenient and lower cost.

Container Activity

- ▶ Approximately 66% of all container traffic arriving at the Port is either (i) relayed at the Port into other ships, or (ii) goes east in the same international container that it arrived in.
- ▶ Containers are typically placed on a train at the Port, or routed through one of two intermodal yards (CN facility by Port Kells; CP facility in Port Coquitlam).
- ▶ Majority of these are taken long distances to Toronto, Calgary and Chicago.

Container Activity

- ▶ The other 33% of the containers arriving at the Port are taken by truck to a variety of destuffing facilities or distribution facility, where they are opened and sorted in a warehouse or restuffed into larger domestic containers.
- ▶ Distributed locally by truck or the container is taken via train inland. This is primarily retail goods, but also includes automobile parts, heavy equipment, construction materials and so on.

Container Activity Needs Land

- ▶ The west coast ports compete with each other for business on price, efficiency, higher order logistics services, speed of rail, and many factors collectively known as the supply chain.
- ▶ The high cost of land and labour, coupled with congested rail and highway traffic, impacts Metro Vancouver's attractiveness as a location at which to break down containers.

Container Activity Needs Land

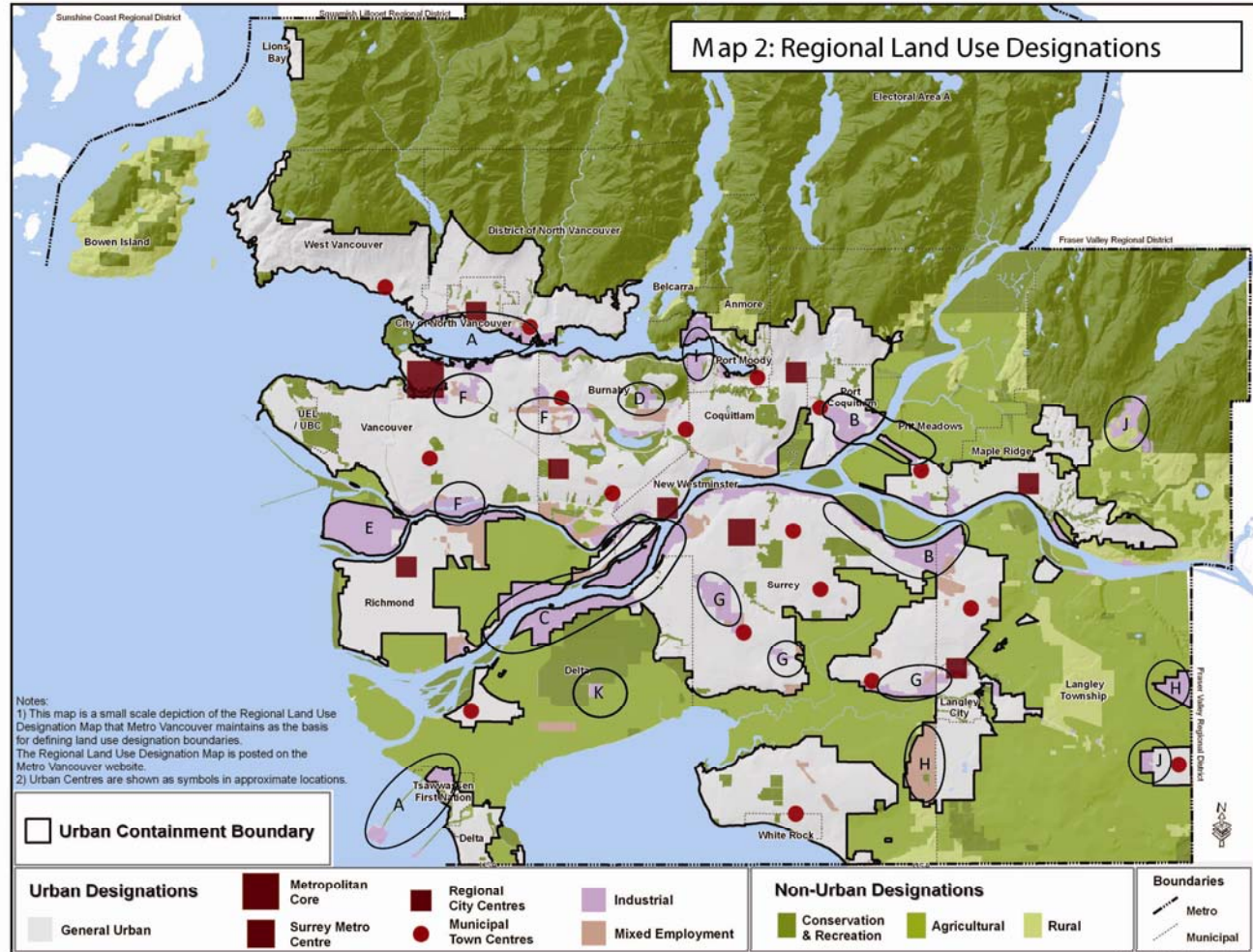
- ▶ The opportunity created by our strategic location depends on appropriate lands being available, located typically near the water or intermodal yards and highways.
- ▶ Metro Vancouver has an ideal Port location, but, in order to take advantage of this critically important asset, the region needs sufficient suitable and well-located vacant industrial lands.

THE INDUSTRIAL LANDS

- ▶ There may be a little over 6,000 acres of vacant industrial land; however something in the order of only 2,500 acres are useful to the logistics industry. Much is too small, too isolated or too congested.
- ▶ The ideal port related industrial location tend to be either in Delta or Richmond, the Lower Fraser area or near the river and Hwy 1 or close to the Inter modal yards.
- ▶ The emerging TFN lands are an ideal location for logistics and if planned to their highest use will become a “state of the art” facility.

THE INDUSTRIAL LANDS

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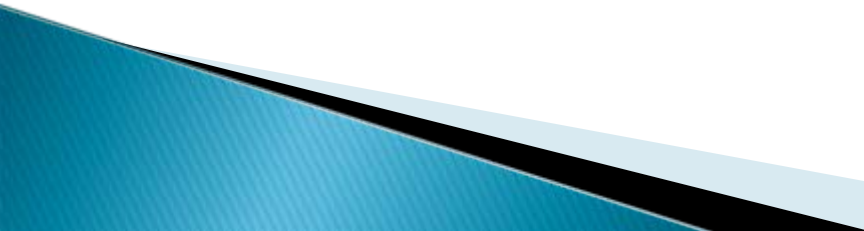
THE INDUSTRIAL LANDS

- ▶ Port facilities: Deltaport and TFN; Vanterm, Centerm, Lynn Term in the Inner Harbour (A)
- ▶ Inter-modal facilities: CN inter-modal, and contiguous lands (Port Kells) and CP inter-modal, and contiguous lands (Port Coquitlam) (B)
- ▶ Prime Lower Fraser lands: Coast 2000, East Richmond, Tilbury and Annacis Island Fraser Surrey Docks, key for distribution (de-stuffing and re-stuffing) (C)

THE INDUSTRIAL LANDS

- ▶ Lake City: Good location for the early distribution economy, convenient to Vanterm and Centerm and both of the inter-modal yards but now very congested. (D)
- ▶ Airport: Reserved exclusively for airport related uses and as such are unavailable for the container market and will not be developed for the very long term. (E)

THE INDUSTRIAL LANDS

- ▶ Inner City small bay flex space such as False Creek Flats, Kent Street and Boundary Rd. All typically have smaller new tenants on small sites and are not well suited for logistics. (F)
 - ▶ The same applies to suburban small bay flex space such as Newton and Cloverdale. (G)
 - ▶ Campbell Heights and Gloucester: light and heavy industry and fabrication and some food processing and food distribution but they are east of the rail yards, which injures suitability for logistics. (H)
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THE INDUSTRIAL LANDS

- ▶ Tank farms: Imperial Oil, Chevron, Petro Canada, Shell are typically located on steep land areas. (I)
- ▶ Long term outdoor storage: East Maple Ridge and Aldergrove for example tend to be too remote to be an integrated part of the repeat visit distribution economy. (J)
- ▶ The Vancouver dump and some other large industrial areas have a dedicated use. (K)

CONCLUSIONS

- ▶ In summary, congestion and a shortage of well located vacant land would hinder long term growth for PMV and the competitiveness of the Port.
- ▶ The most important and obvious location for additional port related lands are in Delta and Richmond. The RGS inhibits these industrial land bases being expanded when needed.
- ▶ Small old industrial lands such as inner urban near transit stations are not of high value due to congestion, and could be let go and rezoned to take advantage of transit.