
Richmond Resilient Economy Strategy
Technical Report #3:
Richmond's Role as a Regional Office Centre

November 2013

Prepared for:
The City of Richmond

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1.0 Introduction

Many of the economic sectors that have potential for employment growth in Richmond locate in office space. While in the past some of these firms located in business parks, of which Richmond has a large inventory, an increasing share of office-based businesses are choosing locations near rapid transit stations. There is still a significant proportion of office based firms that want the large floor plates, ground orientation, and highway access of a business park and Richmond has a large inventory of vacant space that can accommodate new firms of this type. However, there is a concern about whether Richmond is well-placed to capture a large share of the regional suburban office market that seeks high density, urban locations served with rapid transit.

One of the concerns is that lands designated for high density use in the City Centre (near transit) allow residential development, which tends to out-compete office development because of market conditions. The purpose of this report is to evaluate the office market situation in Richmond, evaluate the potential to accommodate new office development at transit stations, and consider whether any action is warranted to make Richmond more attractive for new office development.

2.0 Approach

Our approach is as follows:

1. We reviewed the OCP and the City Centre Area Plan as they pertain to office development. (Section 3.0)
2. We reviewed office market conditions in Richmond, including the existing floorspace inventory, type of tenants, vacancy rates, and recent development trends (Section 4.0).
3. We discussed the implications of the findings on the potential for future office development in Richmond (Section 5.0).

3.0 OCP-Designated Office Development Areas

3.1 OCP

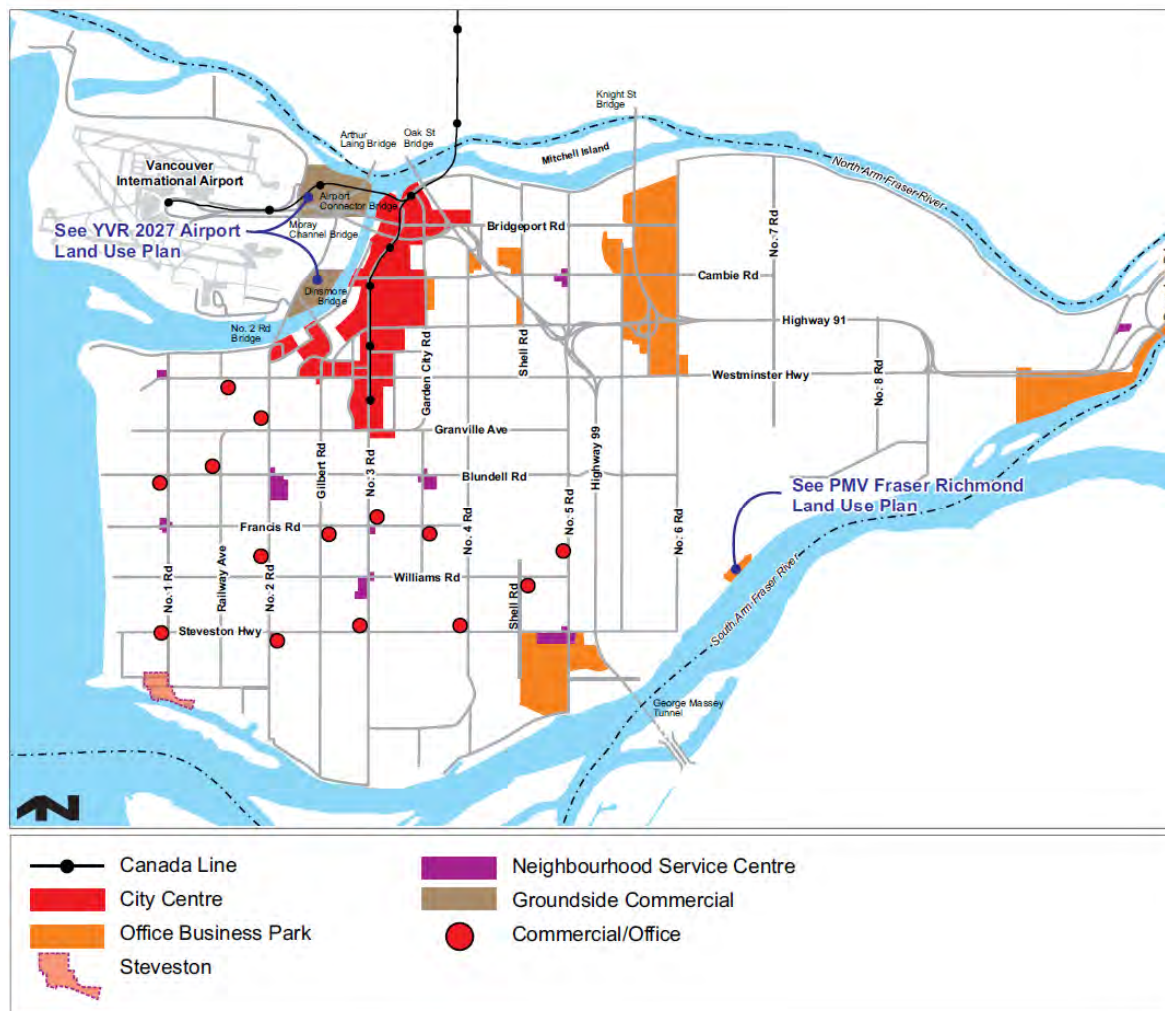
The City of Richmond Official Community Plan (OCP) adopted in November 2012 establishes long-term land-use designation policies for the municipality. The land-use designations are summarized on the citywide 2041 OCP Land-Use Map. The OCP draws on the 2041 Employment Land Strategy completed in 2010 to determine the office land location and requirements to 2041. Here are the key aspects regarding the OCP office-designated lands in Richmond:

- The Employment Land Strategy estimated that there were approximately 74 acres of net available office land in Richmond, all of which is distributed between the City Centre (39 acres), Sea Island (25 acres), and the West Cambie Area (10 acres).
- The OCP identifies all office-designated lands in Richmond and divide them into six office type categories as shown on Exhibit 1.

- City Centre
 - Office Business Park
 - Groundside commercial
 - Commercial/Office (Stand-alone)
 - Neighborhood Service Centre
 - Steveston (small-scale office projects)
- The OCP calls to establish the City Centre as “the primary area of future office development in the City, to accommodate future regional/local office and institutional demands” (OCP, Chapter 6, p.14).

Note that the lands identified on Exhibit 1 are not designated as “office” on the City of Richmond 2041 OCP Land-Use Map. They are designated for one of the six land-use categories that allow office development in the OCP, namely “Commercial”, “Downtown Mixed-Use”, “Limited Mixed-Use”, “Mixed Employment”, “Mixed-Use” and “Neighborhood Service Centre”, which may also allow for other uses such as retail, residential, and institutional development.

Exhibit 1: OCP Office Lands to 2041



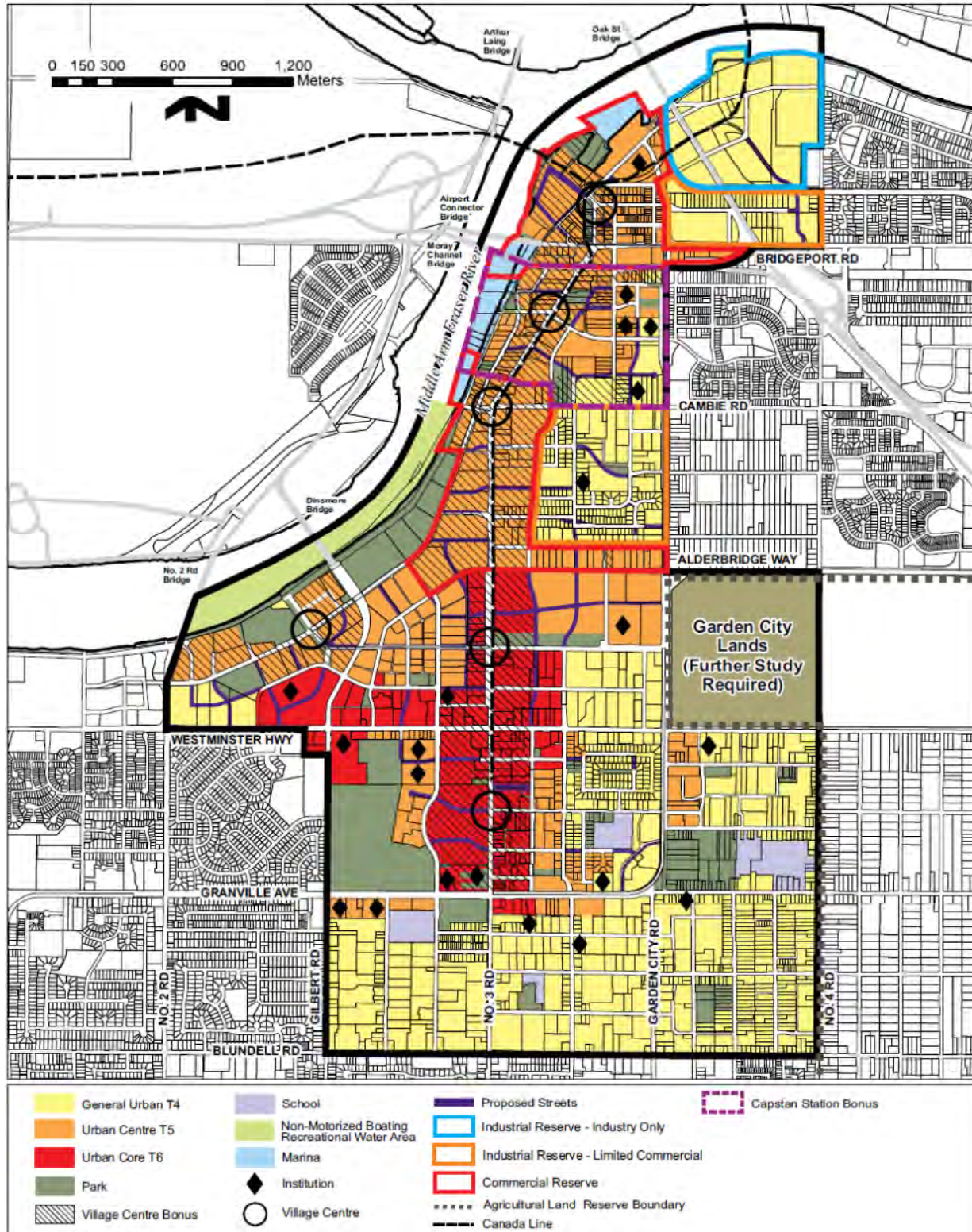
Source: City of Richmond Official Community Plan (OCP), Chapter 6.0 Resilient Economy

Considering the available office land inventory completed in 2009 for the ELS and the OCP land-use designations presented above, future office developments will almost entirely be concentrated in the City Centre, at Sea Island and in the West Cambie Area (i.e. where the land capacity exists). However, note that Richmond has a flexible zoning district called “Industrial Business Park” which also allows for office development despite it being a primarily industrial district. This means that some office development may also occur in business park and industrial locations outside the City Centre.

3.2 City Centre Area Plan


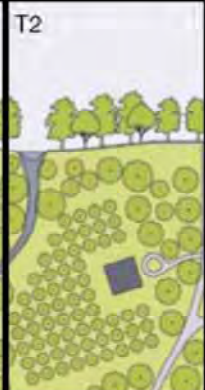

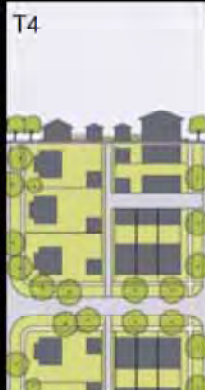
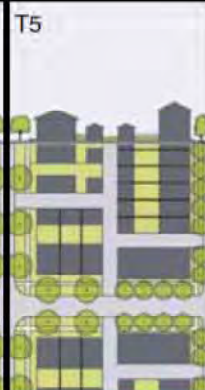
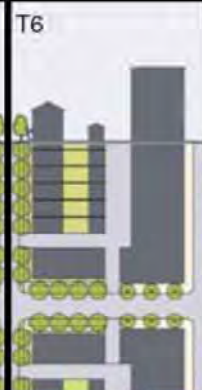






The City Centre Area Plan proposes a management framework for the development of the City Centre to 2031. The City Centre Area Plan sets long-term planning strategies (which are presented on the City Centre Generalized Land Use Map 2031) that are consistent with the 2041 OCP Land-Use Map. The Generalized Land Use Map (2031) and the related planning strategies are shown on Exhibits 2 and 3. The 2041 OCP Land-Use Map (with a focus on the City Centre Area) is shown on Exhibit 4 and the definition of the land-use categories is shown on Exhibit 5.

Exhibit 2: City Centre Generalized Land Use Map (2031)



Source: City Centre Area Plan

Exhibit 3: Planning Strategies Pertaining to the City Centre Area

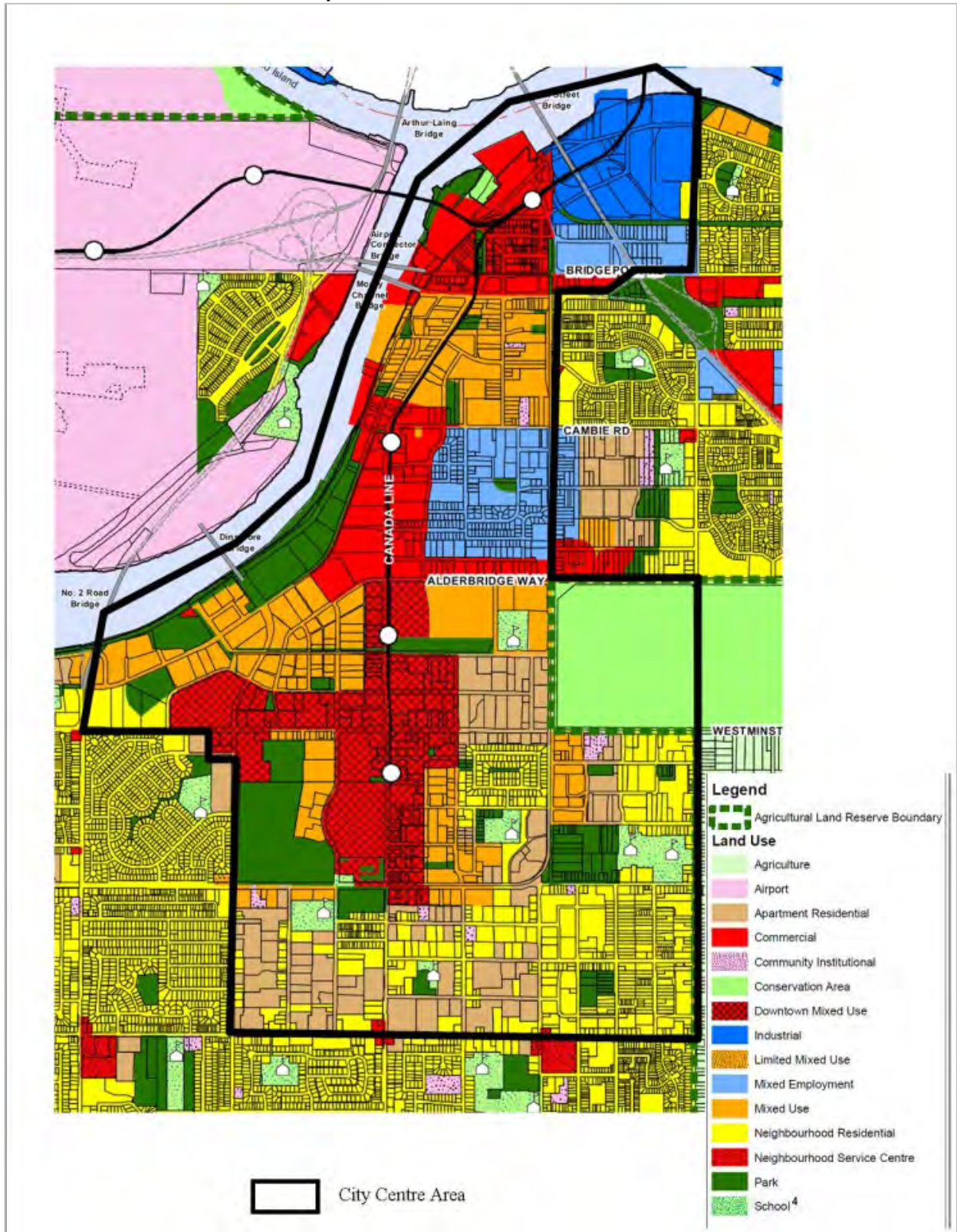
Planning Strategies	Description					
A. Urban Transect	The Urban Transect is a way to describe a: <ul style="list-style-type: none"> • continuum of development from natural areas through to high-density urban areas based on their relative intensities of use and scale of buildings; • "form-based code" that supports sustainable, mixed-use strategies for organizing community development, as opposed to approaches that seek to segregate uses. Across Richmond, the full spectrum of transects is represented. Within the City Centre, Richmond's most urbanized area, three transects are represented: "T4 – General Urban", "T5 – Urban Centre", and "T6 – Urban Core".					
T1	T2	T3	T4	T5	T6	
						
						
T1 Natural Predominantly lands in a wilderness condition.	T2 Rural Predominantly open & farmed lands that are sparsely settled.	T3 Suburban Predominantly, low-density, low-rise buildings on large blocks.	T4 General Urban Predominantly ground-oriented buildings of 4 storeys or less.	T5 Urban Centre Predominantly medium-density buildings of 6 storeys or less.	T6 Urban Core Predominantly high-density buildings greater than 6 storeys.	

Source: City Centre Area Plan

Exhibits 2 and 3 show that:

- The Generalized Land Use Map 2031 sets design and density guidelines for the City Centre using urban strategies referred to as "Urban Transects".
- In the City Centre Area Plan, the three following "Urban Transects" are represented:
 - "T4 General Urban" is a district composed predominantly of ground-oriented buildings of 4 stories or less. This district corresponds to existing low-density residential and employment areas of the City Centre.
 - "T5 Urban Centre" is a district comprised predominantly of medium-density buildings of 6 stories or less located in different parts of the City Centre. This district provides a gradual transition between the high-density urban core district and the low-density areas in the City Centre.
 - "T6 Urban Core" is a district comprised predominantly of high-density buildings greater than 6 stories located along No. 3 Road between Alderbridge Way and Granville Street and along Westminster Highway between Gilbert Road and Cooney Road.

Exhibit 4: 2041 OCP Land-Use Map



Source: City of Richmond Official Community Plan (OCP)

Exhibit 5: Land-Use Categories Permitting Office Uses in the City Centre Area

Category	Definition
Commercial	"Those areas of the City where the principal uses provide for retail, restaurant, office, business, personal service, arts, culture, recreational, entertainment, institutional, hospitality and hotel accommodation. Marina uses are permitted on the waterfront, in which case retail sales are limited to boats, boating supplies and equipment, and related facilities and services for pleasure boating and the general public. Commercial areas exclude residential uses, except for caretaker accommodation".
Downtown Mixed-Use	"Those areas in the downtown of the City where high-rise and high density development provides for residential, commercial, industrial, office and institutional uses".
Mixed Employment	"Those areas of the City where the principal uses are industrial and stand-alone office development, with a limited range of support services. In certain areas, a limited range of commercial uses are permitted such as the retail sale of building and garden supplies, household furnishings, and similar warehouse goods".
Mixed-Use	"Those areas of the City which provides for residential, commercial, industrial, office and institutional uses. Marina uses and waterborne housing are permitted on the waterfront, in which case the retail sales is limited to boats, boating supplies and equipment, and related facilities and services for pleasure boating and the general public".

Source: City of Richmond 2041 Official Community Plan, Chapter 16 - Definitions

Exhibits 4 and 5 show that:

- The land-use categories within the City Centre Area Plan which include office development potential are "Commercial", "Downtown Mixed-Use", "Mixed Employment", and "Mixed-Use".
- Only the following two land-use categories do not permit residential uses: "Commercial" and "Mixed Employment". This means that in the two other categories, "Downtown Mixed-Use" and "Mixed-Use", high-density residential development competes with office development.

3.3 Implications of Office Land-Use Policies in the City Centre Area

- The land-use designations presented on the 2041 OCP Land-Use Map (from the OCP) and on the Generalized Land Use Map 2031 (from the City Centre Area Plan) are complementary. The 2041 OCP Land-Use Map specifies land-use designations whereas the Generalized Land Use Map 2031 sets design and density guidelines for the City Centre. Overall, the two maps are consistent in terms of the areas designated to accommodate office space (i.e. the land-use and urban transect categories on both maps match).
- No land is designated specifically for office uses in the City of Richmond 2041 OCP Land-Use Map. Office development is in competition with other uses, such as residential, retail and hotel, in "inclusive OCP land-use categories", particularly in the City Centre. While these inclusive land-use categories allow flexibility as to the uses to be included in new developments, they do not provide land reserves

specifically for future office development. This constitutes a challenge for future office development in the City Centre for these reasons:

- Most of the office lands are located in the flight path zone and are subject to building height restrictions. These height restrictions limit the scale and density of potential office developments and hence their financial performance.
- Using a highest-and-best use approach, high-density residential and mixed-use developments are likely to be the form with the highest financial performance on lands with a land-use designation allowing residential uses. Office development will compete against high-density residential developments, which yield higher financial returns.

4.0 Office Market Conditions and Trends in Richmond

4.1 Floorspace Inventory

4.1.1 Total Floorspace Inventory

Exhibit 6 shows the distribution of the office inventory by subarea in Metro Vancouver. This includes space in all primarily office buildings (i.e. it excludes office space in primarily industrial and institutional buildings).

Exhibit 6: Office Floorspace Inventory by Subarea in Metro Vancouver, 1993 to 2013

Area ^c	Office Inventory (Sq. Ft.) ^a		Share of Metro Vancouver (%)	
	1993	2013	1993	2013
Downtown (Vancouver)	20,188,408	24,408,488	53.3%	45.5%
Burnaby	5,485,276	10,144,138	14.5%	18.9%
Broadway Corridor (Vancouver)	5,022,026	6,221,730	13.3%	11.6%
Richmond ^b	3,585,756	4,148,384	9.5%	7.7%
Surrey	1,014,880	3,621,689	2.7%	6.8%
North Shore	1,676,665	2,451,456	4.4%	4.6%
New Westminster	920,759	1,584,373	2.4%	3.0%
Langley	N/A	1,040,769	N/A	1.9%
Metro Vancouver	37,893,770	53,621,027	100.0%	100.0%

Source: Colliers International Vancouver Office Real Estate Statistic 1993-2013 and Coriolis data compilation on Space List.ca.

Notes:

- The floorspace figures do not include properties with less than 10,000 square feet of office space.
- The Richmond figure for 2013 was compiled by Coriolis based on property information available on Spacelist.ca as of October 9th, 2013.
- The data for Metro Vancouver excludes the Tri-Cities (Port Moody, Coquitlam and Port Coquitlam), Pitt Meadows, Delta, Maple Ridge and other communities because the data is unavailable for these municipalities.

The data shows that:

- As of 2013, Richmond is the fourth largest office market in Metro Vancouver with an inventory totaling about 4.15 million square feet, after Downtown Vancouver, Burnaby and the Broadway Corridor.

- Richmond's share of the Metro Vancouver office floorspace inventory declined from 9.5% in 1993 to 7.7% in 2013.

Exhibit 7 shows the office floorspace inventory by subarea in Richmond.

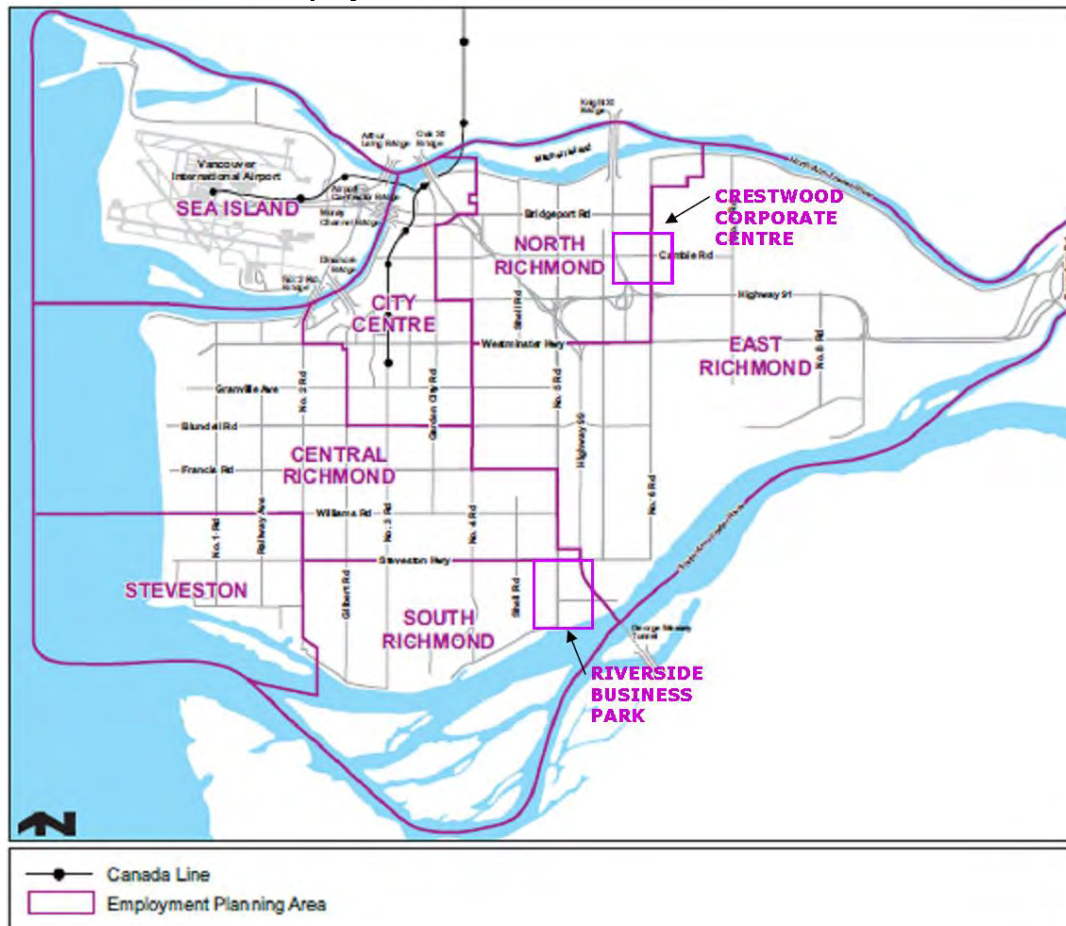
Exhibit 7: Office Floorspace Inventory by Subarea in Richmond, October 2013

Area	Total floorspace (Sq. Ft.)	Share of Richmond Floorspace (%)
City Centre	1,184,783	28.6%
Crestwood	1,111,469	26.8%
North Richmond	748,999	18.1%
East Richmond	464,504	11.2%
Sea Island (YVR)	399,445	9.6%
Riverside	204,134	4.9%
South Richmond	19,800	0.5%
Steveston	15,250	0.4%
Total	4,148,384	100.0%

Source: Compiled by Coriolis based on property information available on Spacelist.ca as of October 9th, 2013.

Notes: Because market reports do not provide detailed information about the distribution of the office floorspace stock by subarea, we collected information about each office property on Spacelist.ca.

Exhibit 8: Richmond Employment and Office Subareas



The data shows that:

- The office floorspace inventory is distributed in several areas of Richmond, particularly in the City Centre, Creswood Corporate Centre, North Richmond, East Richmond, Sea Island and Riverside Business Park.
- The City Centre boasts the largest concentration of office floorspace in the City with 1.85 million square feet (28.6% of the total), followed by the Crestwood Corporate Centre with 1.11 million square feet (26.8% of the total) and North Richmond with 750,000 square feet (18% of the total).

4.1.2 Transit-Oriented vs Non-Transit Office Floorspace Inventory

Exhibit 9 shows the Metro Vancouver suburban rapid transit oriented office inventory prepared by Jones Lang LaSalle as of 2011. Jones Lang LaSalle defined the suburban transit-oriented office inventory as all primarily office properties located within 500 meters from a Skytrain or Canada Line station outside of Downtown Vancouver and the Westside of Vancouver (which includes the Broadway corridor).

Exhibit 9: Metro Vancouver Suburban Rapid Transit Oriented Office Inventory, 2011

Location	Floorspace (Sq. Ft.)			Share of Metro Vancouver (%)	
	Transit-Oriented	Total	Share of Transit-oriented (%)	Transit-Oriented	Total
Vancouver Outlying	1,633,380	2,296,106	71.1%	28.7%	11.5%
Burnaby	2,323,833	9,340,422	24.9%	40.9%	46.8%
Surrey	858,309	2,694,043	31.9%	15.1%	13.5%
New Westminster	503,357	958,353	52.5%	8.9%	4.8%
Richmond	367,894	4,672,932	7.9%	6.5%	23.4%
Total Suburban	5,686,773	19,961,856	28.5%	100%	100.0%

Source: Jones Lang LaSalle Metro Vancouver Rapid Transit Index Office Market Report 2011

Notes: The inventory prepared by Jones Lang LaSalle is based on a different methodology which explains why the floorspace inventory figures are different than those of the Colliers inventory shown in Exhibit 6.

The data shows that:

- With approximately 368,000 square feet of office space, Richmond has the smallest suburban transit-oriented office floorspace inventory among the five municipalities with rapid transit coverage in Metro Vancouver¹.
- Richmond accounts for about 6.5% of Metro Vancouver's suburban transit-oriented office floorspace inventory. In comparison, Burnaby, Vancouver, Surrey and New Westminster account for about 41%, 29%, 15%, and 9% respectively of the regional suburban transit-oriented office inventory².

¹ Jones Lang LaSalle. Rapid Transit Office Index Report (2011). Note that the floorspace figures do not include properties with less than 10,000 square feet of office space and the Downtown Vancouver floorspace inventory. Note that "office near rapid transit" is defined by location within 500 meters from a rapid transit station. The study does not include North Vancouver in the analysis.

² Same as above.

- Richmond has the lowest share of transit-oriented office space of all municipalities in Metro Vancouver with 7.9% of its total inventory being located within 500 meters from a rapid transit station. In comparison, about Burnaby and Surrey have 24.9% and 31.9% of their office inventory located near rapid transit.

Jones Lang LaSalle used a 500 meters cut-off distance rule to define the transit-oriented office inventory, which in our view may underestimate the actual amount of transit-related floorspace inventory in Richmond. Therefore, we elected to expand the analysis to include all primarily office properties located within about 800 meters from a rapid transit station, which is an acceptable walking distance (i.e. about 10 minute walk) and the threshold used by Translink and Metro Vancouver for transit-oriented development planning purposes. Exhibit 10 shows the total office floorspace inventory in Richmond based on location with respect to rapid transit. Exhibit 11A and 11B list the properties located near rapid transit. All these properties are located in the City Centre and constitute the stock of “Business Centre Office” properties in Richmond.

Exhibit 10: Office Floorspace in Richmond (Transit-Oriented Vs. Non-Transit)

Location	Total floorspace (Sq. Ft.)	Share of Richmond Floorspace (%)
<i>Transit-Oriented (Within 800 meters from Rapid Transit)</i>	1,100,929	26.5%
<i>Non-Transit (Not near Rapid Transit)</i>	3,047,455	73.5%
<i>Total</i>	4,148,384	100.0%

Source: Compiled by Coriolis based on property information available on Spacelist.ca as of October 9th, 2013.

Notes: Because market reports do not provide detailed information about the distribution of the office floorspace stock by subarea, we collected information about each office property on Spacelist.ca.

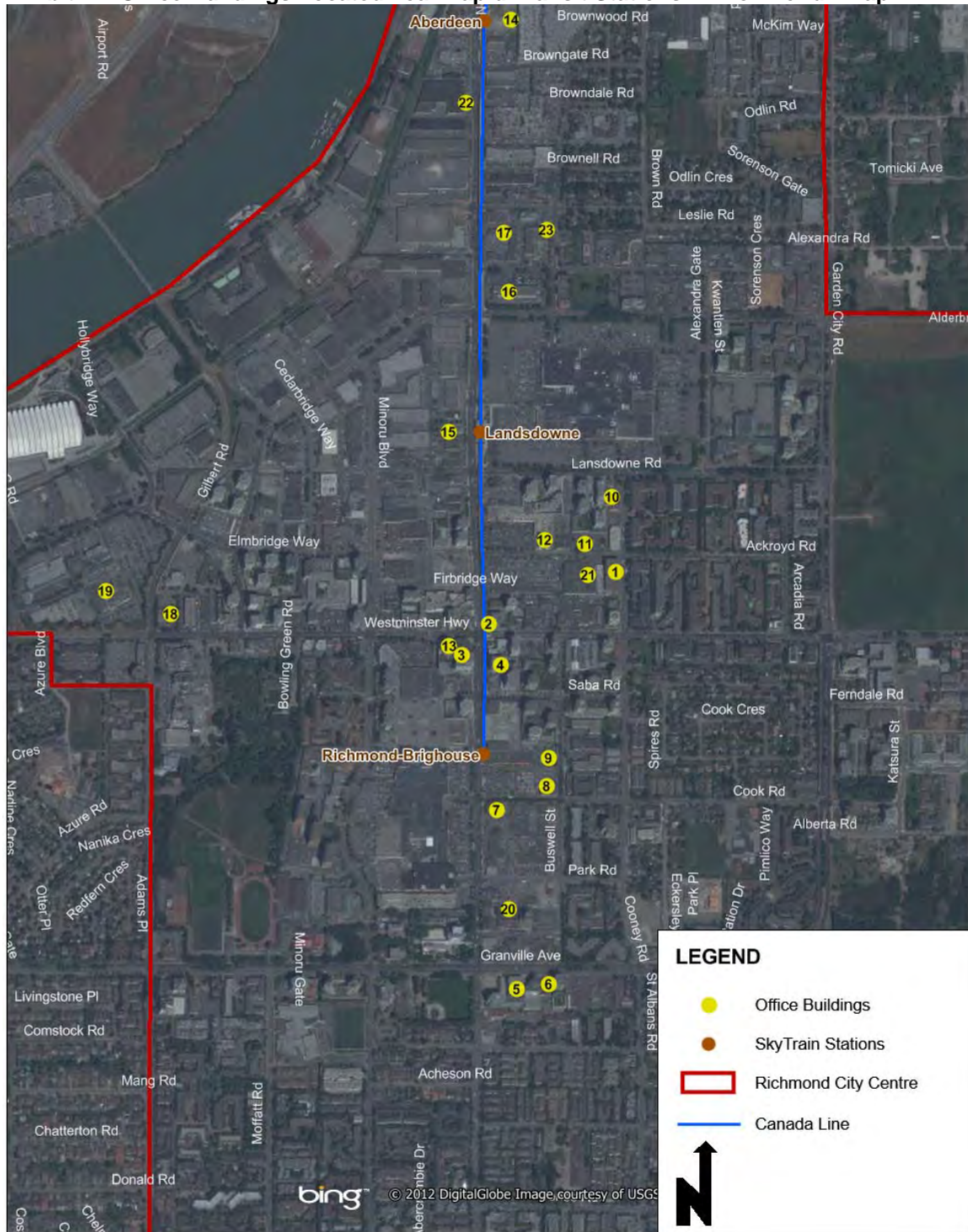
Exhibit 11A: Office Buildings Located Near Rapid Transit in Richmond - Table

ID	Address	Floorspace (Sq. Ft.)	Office Class
1	5811 Cooney Rd	65,549	A
2	5900 No. 3 Rd	65,000	A
3	6081 No 3 Rd	53,432	A
4	6068-6088 No. 3 Rd	N/A	A
5	8100 Granville Ave.	90,000	A
6	8120 Granville Ave.	10,000	C
7	6400 No. 3 Rd	12,318	C
8	8171 Cook Rd	28,700	C
9	6411 Buswell St	22,852	C
10	8380 Lansdowne Rd	18,040	C
11	8231-8291 Ackroyd Rd	N/A	C
12	8171 Ackroyd Rd	33,640	B
13	5951 No. 3 Rd	27,504	A
14	4000 No. 3 Rd	54,000	A
15	5591 No. 3 Rd	20,000	A
16	4940 No. 3 Rd	45,000	C
17	4800 No. 3 Rd	12,000	C
18	7031 Westminster	28,000	A
19	6951 Westminster Hwy	310,000	A
20	8055 Anderson Rd	26,000	C
21	5611 Cooney Rd	42,000	B
22	4351 No 3 Rd	84,422	C
23	8077 Alexandra Rd	10,000	C
Total (Approximate)		1,100,000	All

Exhibit 11B: Office Buildings Located Near Rapid Transit in Richmond by Office Class

Office Class	Floorspace (Sq. Ft.) (Approximate)	Share of Total (%)
Class A	755,028	68.6%
Class B	75,640	6.9%
Class C	269,332	24.5%
Total	1,100,000	100.0%

Exhibit 12: Office Buildings Located near Rapid Transit Stations in Richmond - Map



The data shows that:

- 23 office buildings are located within 800 meters from rapid transit in the Richmond City Centre and total approximately 1.1 million square feet of office space. However, of the total about 310,000 square feet are non-leasable office space in the WorkSafe BC building at 6951 Westminister Hwy. Therefore, the total amount for leasable office space located near rapid transit is about 800,000 square feet.

- Of the 1.1 million square feet of office space, about 755,000 square feet (68.6%) are Class A, 76,000 square feet are (7%) are Class B, and 270,000 square feet (24.5%) are Class C.

This suggests that Richmond's transit-oriented office floorspace is larger than estimated by Jones Lang LaSalle. There are approximately 1.1 million square feet of office space (of which about 800,000 square feet are leasable space) within 800 meters from a rapid transit station and about 367,894 square feet within 500 meters from a rapid transit station.

We are unable to compare this data with that of other municipalities in Metro Vancouver because the office floorspace data is unavailable within an 800 meter threshold.

4.1.3 Office Building Tenants

Exhibits 13A and 13B show the tenant mix in office buildings located near rapid transit in Richmond City Centre (i.e. the properties shown in Exhibits 11A and 11B). Based on the nature of the businesses in each group, we classified them between specialized/regional-oriented and locally-oriented tenants. "Locally-oriented" tenants serve primarily the local population and businesses of Richmond. "Specialized/regional-oriented" tenants are businesses with a trade area that extends to the entire Region and beyond.

Exhibit 13A: Tenants in Transit-Oriented Office Buildings in Richmond City Centre

Business Groups	Number of Tenants	Share of Total	Type
Law, Immigration, Accounting and Notary Services	83	22.3%	50% Specialized/ Regional-Oriented and 50% Locally-Oriented
Medical and Dental Services	72	19.3%	25% Specialized/ Regional-Oriented and 75% Locally-Oriented
FIRE (Real estate developers, bank branches, financial, real estate and insurance Brokers)	65	17.4%	50% Specialized/ Regional-Oriented and 50% Locally-Oriented
Other Professional and Technical Services (land surveying, software/media, financial/business consulting, translation)	32	8.6%	100% Specialized/ Regional-Oriented
Administrative and Support Services	22	5.9%	100% Specialized/ Regional-Oriented
Wholesale	17	4.6%	100% Specialized/ Regional-Oriented
Construction	15	4.0%	100% Specialized/ Regional-Oriented
Personal Services (Beauty Salons, Dry Cleaning, etc.)	14	3.8%	100% Locally-Oriented
Retail/Stores	14	3.8%	100% Locally-Oriented
Restaurant/Food Places	12	3.2%	100% Locally-Oriented
Education Services	9	2.4%	100% Locally-Oriented
Domestic and International Freight Transportation Management / Shipping	7	1.9%	100% Specialized/ Regional-Oriented
Government Services/Agencies	5	1.3%	100% Locally-Oriented
Telecom/Web Firms	3	0.8%	100% Specialized/ Regional-Oriented
Printing	2	0.5%	100% Locally-Oriented
Newspaper Publishing	1	0.3%	100% Locally-Oriented
All Tenants	373	100.0%	All types

Source: Information obtained based on the City of Richmond Business License Directory as of October 2012 and on fieldwork conducted in October 2013.

Exhibit 13B: Locally-Oriented vs. Specialized/Regional-Oriented Tenants in Richmond City Centre

Business Groups	Number of Tenants	Share of Total
Locally-Oriented ^a	185	49.6%
Specialized (Regional-Oriented) ^b	188	50.4%
All Tenants	373	100.0%

Source: Information obtained based on the City of Richmond Business License Directory as of October 2012 and on fieldwork conducted in October 2013.

The data shows that:

- Law, Immigration, Accounting and Notary Services represent the largest group of tenants in transit-oriented office properties in Richmond, accounting for about 22% of total tenants.
- Medical and dental services are the second largest group of tenants, accounting 19% of total tenants.
- FIRE activities are the third largest group with about 17% of total tenants.

- About 50% of tenants are specialized or regional-oriented services and 50% are locally-oriented services.

The tenant mix in the Richmond City Centre transit-oriented offices is mainly composed of small firms and business units. Most tenants have between 1 and 10 employees. There are very few large corporate or institutional office tenants in the Richmond City Centre (only 12 tenants have more than 30 employees)³. Work Safe BC is the only major office occupant in the City Centre, occupying over 300,000 square feet of space in its headquarters at 6951 Westminster Highway.

4.2 Vacancy

Recent market information suggests that the citywide office vacancy rate is high (in fact, the highest in the region, averaging about 20% to 22% since 2011) compared to the Metro Vancouver average (which has been between 7.0% and 7.6% since 2011)⁴.

Local business community leaders suggest that the office vacancy rates in Richmond vary greatly depending on the location and the office type. They suggest that office vacancy is highest in business park locations with poor transit service and lowest in good quality transit-oriented properties in the City Centre. According to Jones Lang LaSalle, the vacancy rate in Richmond transit-oriented office properties is among the lowest in the Region at 5.2%, compared to 6.5% in Metro Vancouver⁵.

To confirm these market conditions, we conducted a vacancy analysis by subarea and office space type based on property actively leasing as of October 2013. Exhibit 14 shows the vacancy rates by subarea in Richmond.

Exhibit 14: Office Vacancy by Location in Richmond, October 2013

Area	Vacancy (sq. ft.)	Total floorspace (Sq. Ft.)	Vacancy Rate (%)	Share of Richmond Vacancy (%)	Share of Richmond Floorspace (%)
City Centre	132,595	1,184,783	11.2%	12.9%	28.6%
Crestwood	398,133	1,111,469	35.8%	38.8%	26.8%
East Richmond	135,102	464,504	29.1%	13.2%	11.2%
North Richmond	187,661	748,999	25.1%	18.3%	18.1%
Sea Island	90,627	399,445	22.7%	8.8%	9.6%
South Richmond	5,626	19,800	28.4%	0.5%	0.5%
Riverside	71,979	204,134	35.3%	7.0%	4.9%
Steveston	3,555	15,250	23.3%	0.3%	0.4%
Total	1,025,278	4,148,384	24.7%	100.0%	100.0%

Source: Property listed on Spacelist.ca as of October 2013.

³ City of Richmond Business License Directory as of October 2012.

⁴ Colliers International, Metro Vancouver Office Market Reports (2011 to 2013). Note that the floorspace figures do not include properties with less than 10,000 square feet of office space.

⁵ Jones Lang LaSalle • Rapid Transit Index (RTI) • Q2 2012.

The data shows that:

- The citywide office vacancy rate in Richmond as of October 2013 is 24.7%.
- Vacancy rates vary depending on the location. The City Centre has a vacancy rate of about 11% (the lowest), whereas business park locations such as Crestwood and Riverside have a vacancy rate above 35% (the highest). All other areas have vacancy rates between 23% and 30%.
- The amount of vacant office space is mainly concentrated in the Crestwood Business Park (39% of Richmond's total vacant space), North Richmond (18%), East Richmond (13%) and the City Centre (13%).

Exhibit 15 shows the vacancy by class of office space and location with respect to Rapid Transit in Richmond.

Exhibit 15: Office Vacancy in Richmond by Office Class and Location with Respect to Rapid Transit

Office Class / Location with Respect to Rapid Transit (1)	Vacancy (sq. ft.)	Total Floorspace (Sq. Ft.)	Vacancy Rate (%)	Share of Richmond Vacancy (%)	Share of Richmond Floorspace (%)
Class A	659,851	2,507,839	26.3%	64.4%	60.5%
<i>Transit-Oriented</i>	36,963	638,885	5.8%	3.6%	15.4%
<i>Non-Transit</i>	622,888	1,868,954	33.3%	60.8%	45.1%
Class B	241,867	916,508	26.4%	23.6%	22.1%
<i>Transit-Oriented</i>	20,661	190,346	10.9%	2.0%	4.6%
<i>Non-Transit</i>	221,206	726,162	30.5%	21.6%	17.5%
Class C	123,560	724,037	17.1%	12.1%	17.5%
<i>Transit-Oriented</i>	61,186	271,698	22.5%	6.0%	6.5%
<i>Non-Transit</i>	62,374	452,339	13.8%	6.1%	10.9%
Total (All Classes)	1,025,278	4,148,384	24.7%	100.0%	100.0%
<i>Transit-Oriented</i>	118,810	1,100,929	10.8%	11.6%	26.5%
<i>Non-Transit</i>	906,468	3,047,455	29.7%	88.4%	73.5%

Source: Property listed on Spacelist.ca as of October 2013.

Notes:

1. "Transit-oriented" is defined as an office location within about 800 meters from a rapid transit station.

The data shows that:

- Transit-oriented properties (all office classes) have a vacancy rate of about 11% whereas non-transit office properties (all office classes) have a vacancy rate of almost 30%.
- Class A office space has an overall vacancy rate of about 26%. However, vacancy in Class A transit-oriented office properties is only 5.8%, compared to 33.3% in non-transit Class A office space.
- Class B office space has an overall vacancy rate of about 26%. However, vacancy in Class B transit-oriented office properties is only 11%, compared to 30.5% in non-transit Class B office space.
- Class C office space has an overall vacancy rate of 17%. Vacancy in Class B transit-oriented office properties is 22.5%, compared to 13.8% in non-transit Class C office space.

Exhibit 16 shows the vacancy rate by office space class in the main office locations in Richmond.

Exhibit 16: Vacancy by Class in Select Locations in Richmond

Area	Vacancy by Class (Sq. Ft.)			Inventory by Class (Sq. Ft.)			Vacancy Rate by Class (%)		
	A	B	C	A	B	C	A	B	C
City Centre	55,219	6,661	70,715	711,385	105,765	367,633	7.5%	9.3%	19.2%
Crestwood	331,187	64,346	2,600	964,165	87,304	60,000	34.3%	73.7%	4.3%
East Richmond	93,000	37,196	4,906	106,000	262,504	96,000	87.7%	14.2%	5.1%
North Richmond	86,818	85,362	15,481	329,358	305,081	114,560	26.4%	28.0%	13.5%

Source: Property listed on Spacelist.ca as of October 2013.

The data shows that:

- Vacancy rates vary widely based on the office space class and location.
- The lowest vacancy rates are in Class A and Class B office space buildings located in the City Centre with respectively 7.5% and 9.3%.
- The highest vacancy rates are in Class A and Class B office space buildings located in the business park locations of East Richmond and Crestwood. These two areas are known to have poor public transit service and currently have large single-tenant spaces for lease (i.e. spaces that are only suitable for large tenants).
- Vacancy in Class A and Class B buildings in North Richmond is in the citywide average.

4.3 Development Trends

Exhibit 17 shows office development trends in Metro Vancouver in the past 15 years. The data shows that:

- Richmond had the lowest pace of office development in Metro Vancouver from 1998 to 2012 with an average of about 9,550 square feet of office development per year. This works out to less than 1.5% of Metro Vancouver office development during that period, which is much lower than Richmond's shares of the regional office floorspace inventory in 1993 (9.5%) and in 2013 (7.7%).
- During the same period, Burnaby and Surrey had an average of about 270,000 square feet and 127,000 square feet of office development per year, accounting for respectively 36% and 17% of Metro Vancouver's office development from 1998 to 2012.

Exhibit 17: Office Floorspace Inventory Growth in Metro Vancouver, 1998 to 2012 (15 Years)

Municipality	Office Floorspace Growth 1998-2012 (Last 15 Years)	Average Annual Growth (sq. ft.)	Share of Metro Vancouver's Growth (%)
Burnaby	4,076,873	271,792	35.7%
Downtown	3,323,490	221,566	29.1%
Surrey	1,908,520	127,235	16.7%
Broadway Corridor	1,095,360	73,024	9.6%
North Shore	687,441	45,829	6.0%
New Westminster	178,771	11,918	1.6%
Richmond	143,175	9,545	1.3%
Metro Vancouver	11,413,630	760,909	100.0%

Source: Colliers International Office Market Report 1998 to 2012.

Notes: The office floorspace growth reflects the net increase in office inventory, not the total amount of development that occurred during that period. Because some office properties may have been demolished or converted to other uses, the amount of office development may be higher than the pace of the growth of floorspace inventory. Note that historic market information is only available for the key office markets of Metro Vancouver (which are the so-called Metro Vancouver “central municipalities” of Vancouver, Burnaby, Surrey, North Shore (West Vancouver and North Vancouver), New Westminster and Richmond).

4.4 Implications of the Office Market Conditions and Trends in Richmond

- Richmond has a relatively smaller inventory of transit-oriented office space located within 500 meters from a station relative to other municipalities in Metro Vancouver. However, Richmond has a larger amount of office floorspace located beyond 500 meters but within 800 meters from a rapid transit station. This is mainly due to the fact that Richmond was the last municipality (of the “central” municipalities of Metro Vancouver) to be serviced by rapid transit (it was served in 2009 with the construction of the Canada Line) and that existing office buildings were not intended to be transit-oriented. Now that the Canada Line exists, and that there is a growing demand for suburban transit-oriented office space in the Region, Richmond City Centre will likely raise its profile as an attractive office location.
- The tenant mix in office properties in the City Centre is comprised of both specialized/regional-oriented firms and locally-serving services. This suggests that Richmond City Centre is already an attractive business centre location for specialized and regional-oriented firms, particularly for small-sized business units.
- Vacancy is low in transit-oriented office locations and high in locations with poor transit service such as Crestwood and Riverside Business Parks. There seems to be a demand for transit-oriented office space in Richmond, considering the very low vacancy rates in Class A buildings in the City Centre (even by regional standards). The high vacancy in business park office buildings is due to poor transit service but also to the nature of the properties which are most suitable for large light industrial and high tech corporate tenants.
- Richmond captured a relatively small share of the Region’s office development over the past 15 years relative to other municipalities in Metro Vancouver. This is arguably due to the lack of rapid transit

access in Richmond before 2009. With the Canada Line now completed, Richmond is more likely to capture a higher share of Metro Vancouver's office development.

5.0 Implications for Office Development Potential in Richmond

- The inclusive OCP land-use categories in the City Centre do not provide land reserves specifically for office development. This constitutes a challenge for future office development in the City Centre because other uses, such as high-density residential or retail, may yield a higher financial performance. Therefore, the City should consider incentives and/or land-use policies encouraging the inclusion of office space in high-density mixed-use residential development projects in strategic locations, particularly along the Canada Line Corridor.
- The low vacancy rate in Class A transit-oriented office space in the City Centre suggests that there is a demand for this type of space, particularly for project located very close to a station (within 500 meters or less).
- The tenant mix in office properties in the City Centre is comprised of both specialized/ regional-oriented firms and locally-serving services, suggesting that Richmond is already an attractive business centre office location, particularly for small business units.
- The high vacancy rates in business park locations appear to be related to poor transit service and the nature of the properties which are most suitable for large light industrial and high tech corporate tenants. Possible actions regarding this issue include:
 - Work with Translink to improve the transit service in these areas.
 - Consider financial incentives to attract firms in these areas.
- Richmond's historic low share of Metro Vancouver's office development was arguably due to the lack of rapid transit service. Now that the Canada Line exists, Richmond will likely raise its profile as an attractive office location. However, Richmond will face competition from Port Moody and Coquitlam Town Centre for transit-oriented office development with the construction of the Evergreen Line.