

FOR SALE

South Surrey / White Rock Town Centre
Development Site with Holding Income
1938 152nd St South Surrey, BC



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ADDRESS

1938 152nd St South Surrey, BC

SITE AREA

1.36 acres (59,206 sqft)

OPPORTUNITY

This offering provides an opportunity to purchase a multi-family development site with secure income and development potential for a 150,000 sqft mixed-use development in the South Surrey White Rock Town Centre.

SITE DESCRIPTION

The site is "L" shaped with 148.22 feet frontage on 152nd Street, a depth of 263.9 feet, frontage on the rear lane of 298.15 feet and frontage on 19th Avenue of 122.43 feet for a total site area of approximately 59,206 square feet. The site is fairly level, but slopes slightly from west to east.

LOCATION

The subject property is located on the east side of 152nd Street between 19th and 20th Avenues in the Semiahmoo Town Centre of South Surrey, British Columbia. 152nd Street is one of three main north/south arterials running the full length of the City of Surrey. 20th Avenue is a main east/west arterial which runs from the tip of Semiahmoo Peninsula to the West to Highway 99 to the east. The subject is one block north of Semiahmoo Mall and within walking distance of all amenities. The community is one of the most desirable and affluent areas in the Lower Mainland with miles of beaches, spectacular views, beautiful parks and now one of the largest and most innovative open air shopping/life style centres in Western Canada.

IMPROVEMENTS

The subject is improved with a three-storey five level concrete and steel building of approximately 48,571 square feet housing a fitness/racquet club, a bowling centre and a pub.

INCOME

Existing Income: \$374,100 triple net (\$7.70 per sqft)

Cap Rate: 4.735%

Potential Income: \$485,000 triple net (\$9.99 per sqft)

Projected Cap Rate: 6.139%

Leases are up for renewal at market on January 31st, 2012 with further options to renew.

ZONING - CHI - Highway Commercial Industrial Zone

DEVELOPMENT POTENTIAL

The subject property, along with all properties fronting 152nd Street from 16th to 20th Avenue, are going through a "Land Use Density and Urban Design Review" process whereby the City of Surrey Planning Department is recommending a 2.5 FAR with (148,015 sqft for the subject property) an outright height of up to 20 storeys. A development of this magnitude would have 360° views from most floors from the North Shore Mountains to the San Juan and Gulf Islands

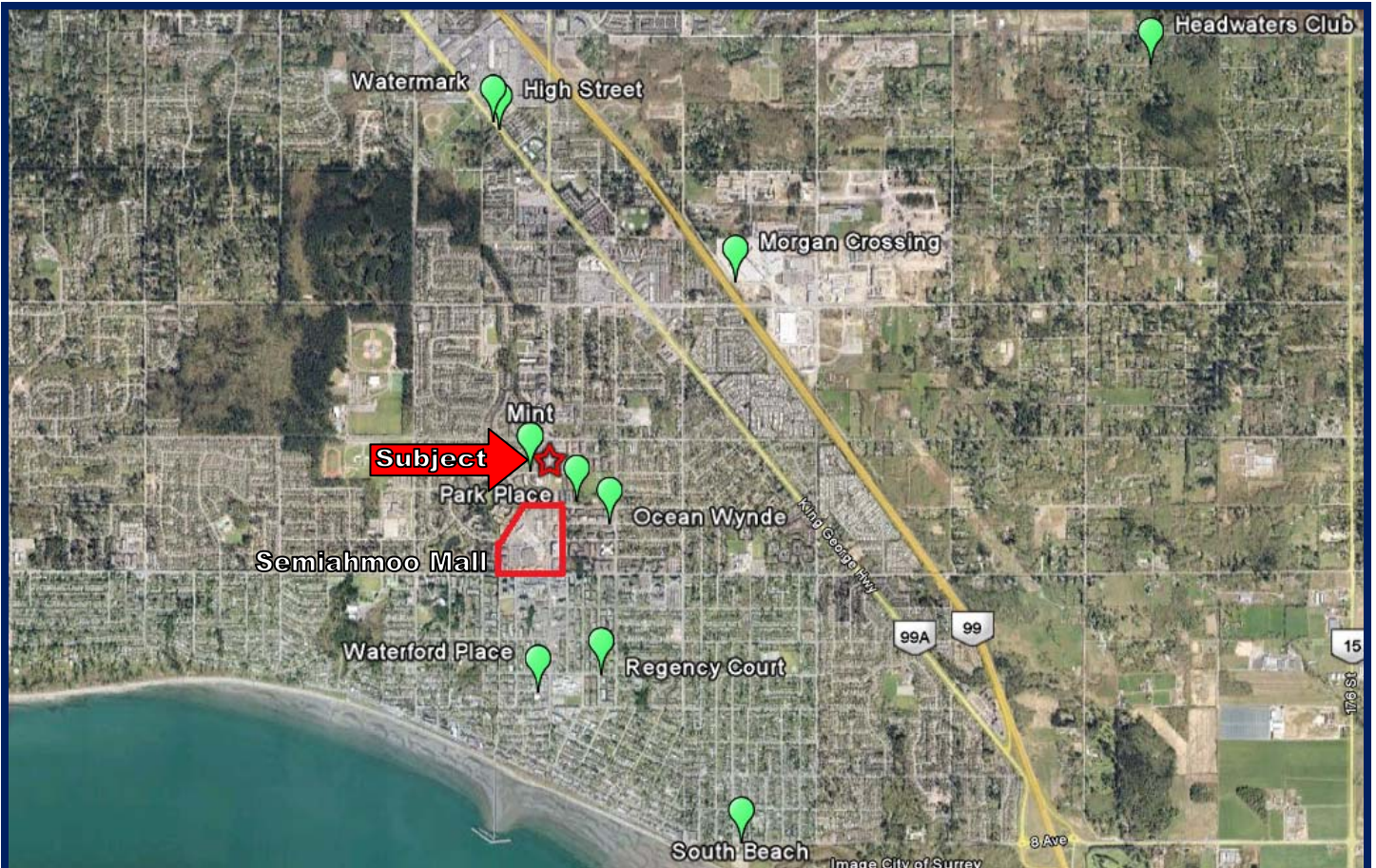
The City has indicated that they would consider retention of the existing improvements and permit development of a 45,000 sqft, 4-storey building on the parking lot. When the existing building is demolished a tower of 103,000 sqft could be developed.

Our research and development proforma indicate that the parking lot has a current value of \$1,215,000. If you developed or sold that portion of the property you would be left with a 48,571 sqft building on a 41,000(+) sqft site generating a 5.6% cap rate. Once leases are renegotiated in two years, the existing building should conservatively generate a 7.25% cap rate while still having 100,000 sqft of redevelopment potential.

ASKING PRICE

\$7,900,000

Opportunity Overview



Low-rise developments in South Surrey – White Rock that are currently selling in close proximity to the subject property.

Improvements

The site is improved with an attractive three storey concrete and wood frame building with metal roof on the front portion and tar and gravel roof on the rear newer portion. The building was constructed in two phases, with the first phase of approximately 32,233 square feet built in 1980 of concrete. It includes the pub, bowling centre and racquetball courts. The second phase of 16,338 square feet was built of wood frame in 1993 and includes the two upper floors housing most of the fitness centre.

This building is divided into three tenancy areas being the pub and bowling centre located on the main floor and basement and the fitness centre on the upper two floors.

The Baseline Pub at the front of the first floor facing 152nd Street has been recently renovated and occupies 4,118 square feet. There is a full service bar with cold storage area and a dance floor. There is a DJ booth, 2 pool tables and extra seating on a mezzanine level.

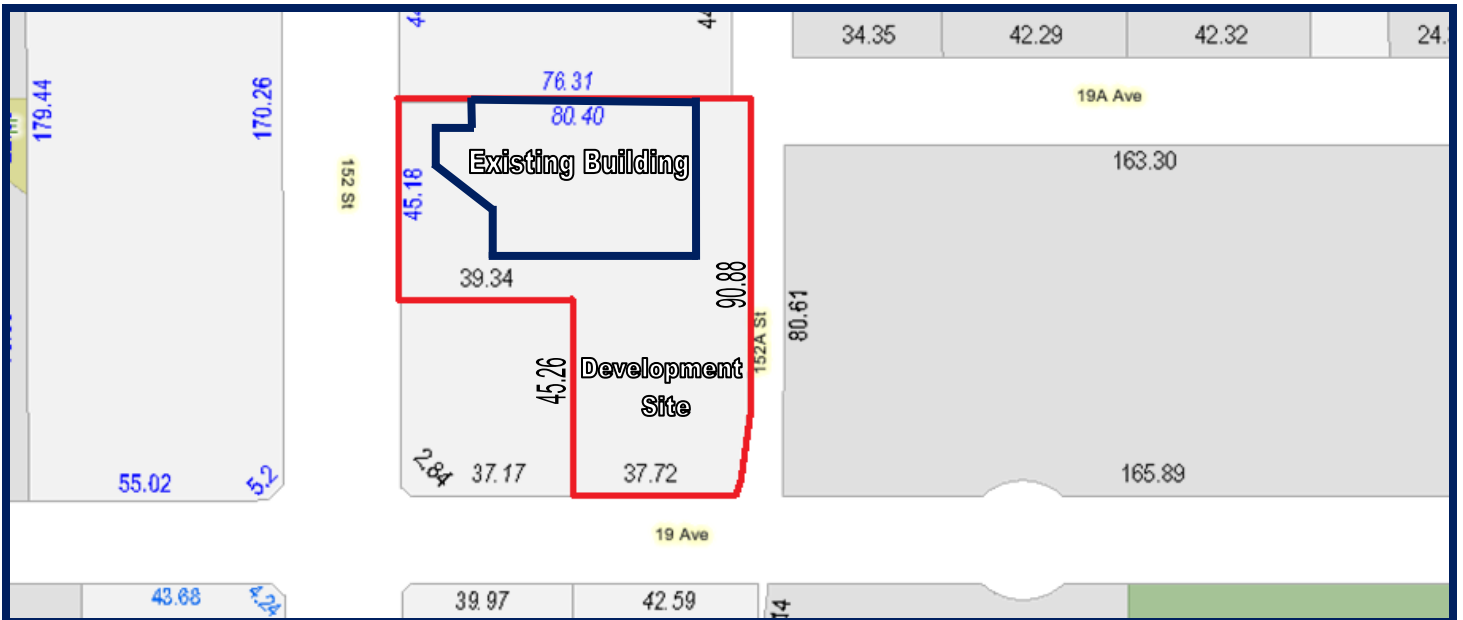
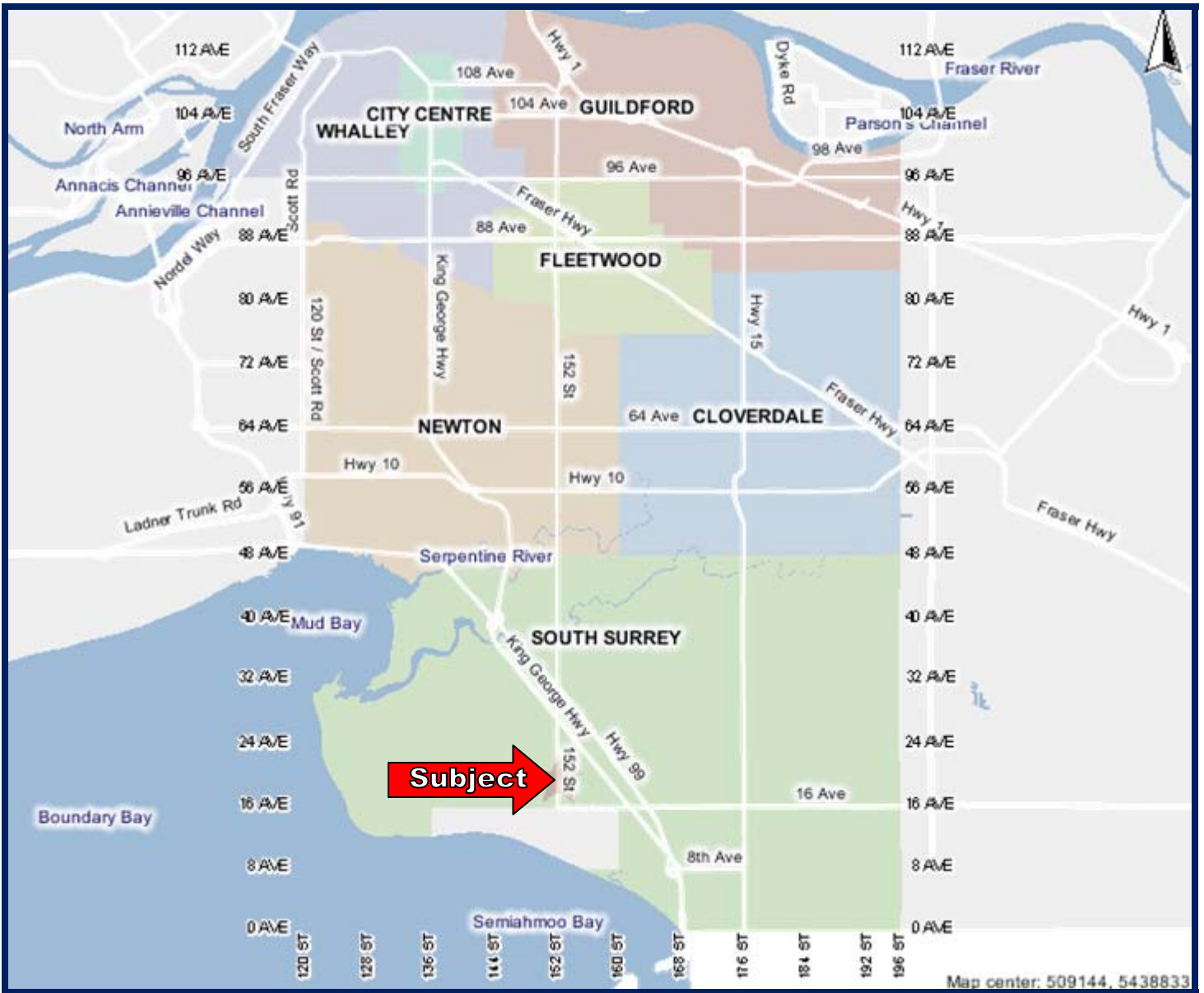
The Sandcastle Bowling Centre at the rear of the first floor provides 20 lanes, 12 five pin and 8 ten pin, with couch seating areas surrounding 10 ball returns. There is also a restaurant and service area occupying a total area of 17,087 square feet. The 4,220 square feet basement houses a workshop, a banquet room and the washrooms that service the pub and the bowling centre.

Sandcastle Fitness Club is located above the bowling centre. The first level of the fitness centre is 14,974 square feet and has a reception area, a daycare facility, two racquetball courts, a personal training room, offices, men's and women's change rooms, a women only workout room and an aerobics room. The second level of the fitness centre provides a viewing area for the racquetball courts, 2 offices and an open training area for men and women of approximately 8,169 square feet.

The building is serviced by a natural gas HVAC system with separate meters for direct tenant billing. There is smoke detectors, emergency lighting and the building is sprinklered.

The balance of the property around the building provides some landscaping, approximately 85 paved parking stalls and access and egress from 152nd Street and 19th Avenue.

Improvement Areas		
Area		
Banquet Room (Basement Level)	4,221	sqft
Bowling Alley & Restaurant (lower floor)	17,088	sqft
Bar Lounge (main floor)	4,118	sqft
Lower Fitness Level (mezzanine floor)	14,975	sqft
Upper Fitness Level (second floor)	8,170	sqft
Total	48,571	sqft



Tenancy and Income, Zoning and Development Potential

TENANCY AND INCOME							
Tenant	Area sqft	Net Rent	Rent / sqft	CAM* + Taxes	CAM / sqft	CAM %	Term
Sandcastle Rec Centre Ltd. DBA Sandcastle Bowling	Main	17,087.70	\$ 162,000.00	\$ 7.60	\$ 71,488.68	\$ 3.35	45% 2/1/07 to 1/31/12 +5 yr options to renew at market rent
	Basement	4,220.50					
	Total	21,308.20					
0743438 BC Ltd. DBA Baseline Pub		4,118.30	\$ 96,000.00	\$ 23.31	\$ 39,715.26	\$ 9.64	25% 4/1/06 to 1/31/12 3 x 5 yr options to renew at market rent
Sandcastle Fitness Club	Mezz	14,974.80	\$ 116,100.00	\$ 5.02	\$ 47,659.91	\$ 2.06	30% 2/1/07 to 1/31/12 2 x 5 yr options to renew at market
	Upper	8,169.80					
	Total	23,144.60					
Total Area		48,571.10					
Annual Net Income			\$ 374,100.00				
Annual CAM + Taxes				\$ 158,863.85			
* CAM		Property Taxes (2009)		\$ 73,823.41			
		Hydro, Water, Gas, Garbage		\$ 69,179.29			
		Insurance		\$ 11,996.00			
		Misc		\$ 3,865.15			
		Total		\$ 158,863.85			

The above area measurements are as defined in a building survey conducted by McElhane and Associates

INCOME ANALYSIS

Currently, the existing improvements are generating \$374,100 in net rent a year. At a sales price of \$7.9 million (\$162.62 / sqft of improved space), the property generates a cap rate of 4.735%. The above table on tenancy and income demonstrates a wide variation in rental rates between tenants. Rental rates for "The Baseline's Pub" are an accurate representation of market rents at \$23.31 / sqft for street front space. If the rental rates for the Sandcastle Bowling and the Sandcastle Fitness Club were conservatively increased by \$2.50 per sqft at lease renewal in January 2012, the net rent would increase to approximately \$485,000 per year. At a sales price of \$7.9 million this would represent a cap rate of 6.139% and if the immediate excess development potential was sold, based on the enclosed proforma, then the cap rate on the existing building and the remaining land increases to 7.255%.

ZONING

CHI Highway Commercial Industrial Zone. The Zoning permits a range of service commercial / industrial uses to a maximum FAR of 1 and a maximum height of 30 feet

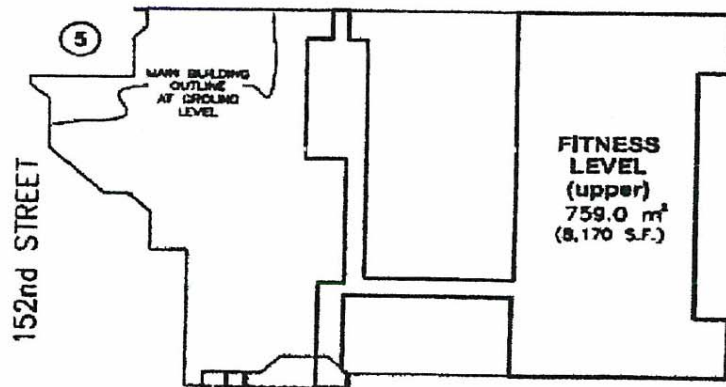
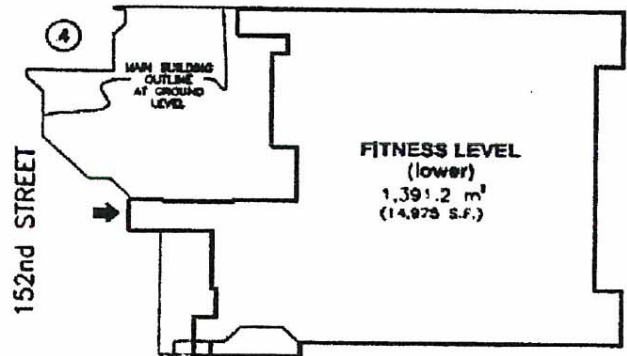
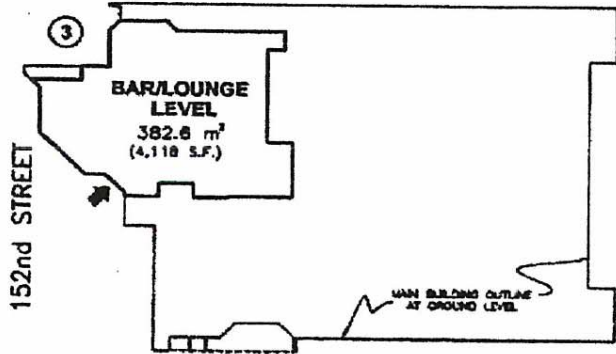
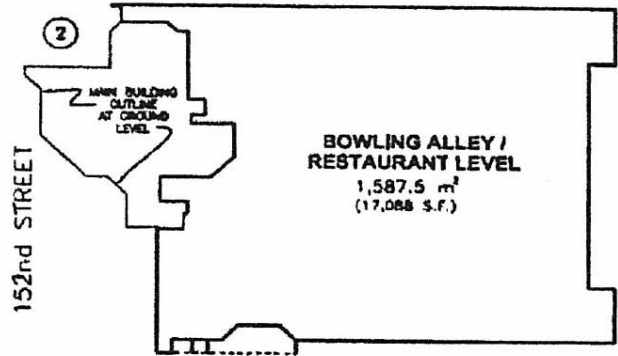
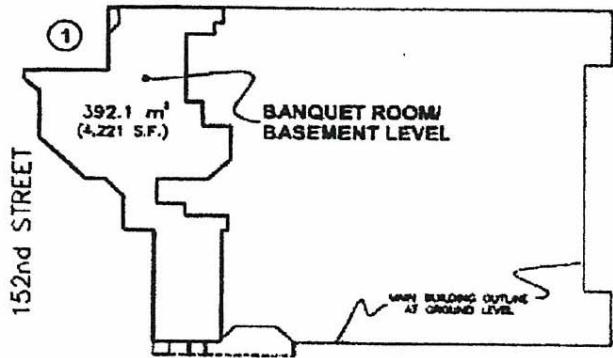
The current improvements on the property were build under a Land Use contract

DEVELOPMENT POTENTIAL

Surrey Council has approved the Stage 1 Land Use Concept of the Semiahmoo Town Centre Plan which recommends a 2.5 FAR and an outright 20 storey height limit A copy of the Stage I Land Use Concept can be found at:

<http://www.surrey.ca/Doing+Business/Land+Development+and+Building/Current+Initiatives/Secondary+Plans+in+Progress/Semiahmoo+Town+Centre/default.htm>

TENANT AREAS



Development Potential - Proforma Analysis

Macdonald Commercial Proforma Analysis for 1938 152 St., South Surrey BC Low-rise Woodframe Development

1 Site Area	0.17 ha	0.41 acres			18,000 sqft
2 Number of Parcels					1 parcels
3 Zoning				CHI	
4 Use				Residential	
5 Construction Type				Wood	
6 Height					ft
7 Floors					4 floors
8 Units	347 units/ha	140 units/acre			58 units
9 Floor Space Ratio (FSR)					2.50 FSR
10 Average Unit Size					675 sqft
11 Selling Price PSF				\$	385 per sqft
12 Average Price per Unit				\$	259,875 per unit
13 Total Gross Buildable					45,000 sqft
14 Current Net Rent				\$	374,100
15 Existing Improvements					- sqft
16 Remaining Gross Buildable					45,000 sqft
17 Net Sellable					39,150 sqft
18 Efficiency					87%
19 Hard Costs				\$	145 per sqft
20 Parking Requirements					50 spaces
21 Parking Costs				\$	25,000 per stall
				\$ per Sqft Bld	\$ per Door
22 Land Cost				\$ 27.00	\$ 20,948.28
					\$ 1,215,000
REVENUES					
				\$ per Sqft Bld	\$ per Sqft Sell
23 Gross Sales Revenues				\$ 334.95	\$ 334.95
					\$ 15,072,750
24 Selling Costs		1.5% of gross sales		\$ 5.02	\$ 5.02
					\$ 226,091
25 Net Sales Revenue				\$ 329.93	\$ 329.93
					\$ 14,846,659
COSTS					
				\$ per Sqft Bld	% of Cost
26 Land				\$ 27.00	9.98%
					\$ 1,215,000
27 Property Transfer Tax				\$ 0.50	0.18%
					\$ 22,300
28 Land Acquisition and Holding Costs				\$ 1.33	0.49%
					\$ 60,000
29 Property Taxes				\$ 1.64	0.61%
					\$ 73,823
30 Land Costs				\$ 30.47	11.27%
					\$ 1,371,123
31 Design & Consultants		\$7,500 per unit		\$ 9.67	3.57%
					\$ 435,000
32 Municipal Fees		\$2,500 per unit		\$ 3.22	1.19%
					\$ 145,000
33 Development Cost Levies		\$16.31 psf		\$ 16.31	6.03%
					\$ 733,950
34 GVS & DD Sewer Levy		\$1,082 per unit		\$ 1.39	0.52%
					\$ 62,756
35 School site Acquisition Charge		\$600 per unit		\$ 0.77	0.29%
					\$ 34,800
36 NCP Amenity Contributions		\$1,500 per unit		\$ 1.93	0.71%
					\$ 87,000
37 New Home Warranty		\$850 per unit		\$ 1.10	0.41%
					\$ 49,300
38 Home Owner Protection Act		\$775 per unit		\$ 1.00	0.37%
					\$ 44,950
39 Marketing Costs		2.5% Gross Sales		\$ 8.37	3.10%
					\$ 376,819
40 Development Costs				\$ 43.77	16.18%
					\$ 1,969,575
41 Offsite Servicing				\$ 2.22	0.82%
					\$ 100,000
42 Base Construction				\$ 145.00	53.62%
					\$ 6,525,000
43 Amenity Facility				\$ -	0.00%
					\$ -
44 Extraordinary Onsite Costs				\$ -	0.00%
					\$ -
45 Underground Parking		50 Replacement stalls for existing improvements		\$ 27.78	10.27%
					\$ 1,250,000
46 Overhead / Management		2.50%		\$ 4.38	1.62%
					\$ 196,875
47 Construction Management Fee		2.50%		\$ 4.48	1.66%
					\$ 201,797
48 Total Construction Costs				\$ 183.86	67.99%
					\$ 8,273,672
49 TOTAL COSTS BEFORE FINANCING				\$ 258.10	95.44%
					\$ 11,614,370
50 FINANCING		@ 6.00%		\$ 12.34	4.56%
					\$ 555,199
51 TOTAL DEVELOPMENT COSTS				\$ 270.43	100.00%
					\$ 12,169,569
52 PROFIT POTENTIAL				\$ 59.49	22.00%
					\$ 2,677,090
COST SUMMARY					
53 Land Costs				\$ 27.00	9.98%
					\$ 1,215,000
54 Construction Costs				\$ 175.00	64.71%
					\$ 7,875,000
55 Soft Costs				\$ 68.43	25.31%
					\$ 3,079,569
56 Total				\$ 270.43	100.00%
					\$ 12,169,569
57 Gross Margin as % of Sales					17.76%
58 Gross Margin as % of Costs					22.00%

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Notes to the Proforma

At an FSR of 2.5, the gross buildable area of the site is 148,015 sqft. If the 18,000 sqft of excess parking area was subdivided and built out to a maximum density of 2.5 FSR the subdivided site would allow for a 45,000 sqft low-rise residential building. Based on our market analysis below an average sales price of \$385 per sqft has been assumed. This reflects a median price point compared to the other low-rise wood frame apartments in the area. Construction costs have been estimated at \$145 per sqft and an additional \$1.25 million in costs has been added in consideration of 50 replacement parking stalls for the existing tenants.

Analysis of Development Potential

Gross Buildable			45,000
Net Sellable	87%	Efficiency	39,150
Gross Revenue	\$ 385	psf	\$ 15,072,750
Net Revenue	1.50%	Sales costs ¹	\$ 14,846,659
Hard Costs ²	\$ 175	psf	\$ 7,875,000
Soft Costs	\$ 68	psf	\$ 3,079,569
Profit	17.76%	Gross Revenue	\$ 2,677,090
Residual Land Value	\$ 27.00	psf	\$ 1,215,000

Sales costs¹ 2.5% marketing costs are included in soft costs

Hard Costs² include consideration for replacement parking at \$25,000 per stall

A low-rise wood frame development on the undeveloped portion of the subject property will generate \$15.1 million in gross revenues and incur \$12.2 million in total development costs. At a land price of \$1,215,000 for the excess density (\$27.00 / sqft buildable), this development will result in a profit potential of \$2.7 million and it will achieve a 22.0% return on cost and a 17.76% return on revenues.

COMPARABLE SALES ANALYSIS

Project	Developer	Address	Units Sold	Units Unsold	Total Units	PPSF
Headwaters Club	Tree Group	15428 31 Ave	15	47	62	\$ 415
High Street	Gorsvenor	2950 King George Hwy	50	38	88	\$ 445
Mint	Porte Development Corp.	15168 19th Ave	57	2	59	\$ 358
Morgan Crossing (Apex)	Larco	15705 Croydon Drive	6	30	36	\$ 410
Morgan Crossing (Central)	Larco	15705 Croydon Drive	28	5	33	\$ 385
Morgan Crossing (Main)	Larco	15705 Croydon Drive	12	47	59	\$ 385
Morgan Crossing (Pivot)	Larco	15705 Croydon Drive	7	17	24	\$ 425
Morgan Crossing (Point & Focus)	Larco	15705 Croydon Drive	60	56	116	\$ 385
Ocean Wynde	Ocen Front Homes Ltd.	15360 17A Ave	32	6	38	\$ 330
Park Place	Goertzen Construction	15268 18th Ave	21	3	24	\$ 370
Regency Court	TMC Developments Inc	15357 Roper Ave	1	34	35	\$ 400
South Beach	New Cory Investments Inc.	15777 Marine Dr	23	4	27	\$ 426
Waterford Place	Sole Capital Corporation	15164 Prospect Ave	24	1	25	\$ 360
Watermark		2970 King George Hwy	64	23	87	\$ 460
Total*			400	313	713	\$ 397

*The total PPSF is an estimated average

The above table represents the newer low-rise developments that are currently being marketed in the South Surrey / White Rock area. Market data indicates that an estimated average of \$397 per sqft is a reasonable revenue expectation for a newer low-rise development. Mint and Park Place are likely the most comparable developments to the subject property and are currently selling for \$358 and \$370 per sqft respectively, although it should be noted that Mint achieved closer to \$400 per sqft at the top of the market in 2007. Based on this information and the overall market, \$385 per sqft is likely a reasonable revenue expectation for this area.

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Notes to the Proforma

As mentioned in the Executive Summary, immediate excess density of the parking lot could be sold for a 4-storey low-rise development at \$1,215,000. The 48,571 sqft of building remaining on the 41,000(+) sqft site would generate a 5.6% cap rate. Once leases are renegotiated in two years, the existing building should conservatively generate a 7.25% cap rate while still having 100,000 sqft of redevelopment potential.

Some replacement of parking may be required and we have estimated 50 stalls at \$25,000 per stall or \$1,250,000. If this is added to the \$1,215,000 cost of the land you arrive at \$2,465,000 or \$55 / sqft buildable.

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