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Editors/Real Estate Reporters

• Please click on link to view Avison Young's *Summer 2016 Vancouver, BC Industrial Report*:
http://www.avisonyoung.com/fileDownloader.php?file=files/content-files/Offices/Vancouver/Research/2016/Vancouver_IndustrialReport_Summer2016.pdf

**Pricing surges as strong demand outstrips
Vancouver, BC industrial supply**

Avison Young releases its Summer 2016 Vancouver, BC industrial report

Vancouver, BC – An increasingly acute shortage of available industrial land and buildings combined with ongoing strong demand from both owner-occupiers and investors drove pricing of industrial properties in Vancouver to new heights in the first half of 2016. This confluence of factors – underpinned by inexpensive debt and the elevated value of the industrial properties held in the portfolios of owner-occupiers and investors active in the market – has led developers to explore novel forms of industrial development to capitalize on demand and maximize available density.

While dollar volume and deal velocity for industrial sales in Vancouver slipped to 55 transactions valued at \$135.6 million from 65 deals worth \$164.5 million in 2014, market activity has remained strong in 2016. More than \$96 million was spent on 30 properties in the first half of 2016 as a lack of new supply and very limited opportunities to purchase industrial land or buildings has restrained further investment activity. The result has been a sharp escalation on the price-per-square-foot being achieved on a building and/or land basis in 2016.

“Many owner-occupiers in the city of Vancouver own multiple industrial buildings – and continue to acquire buildings in order to facilitate growth,” comments Avison Young Principal **Russ Bougie**, who specializes in industrial sales and leasing in Vancouver. “And with the increased level of demand from developers and investors over the past year, owner-occupiers are increasingly competing for acquisitions, resulting in prices being bid up even further.”

With industrial vacancy in Vancouver at 1.7% as of June 30, 2016, upward pressure on rental rates has continued to manifest throughout all segments of the submarket. A shallow pool of aggressive investors is being pushed by a top few who are well capitalized and stretching to ensure they acquire properties.

“Sale comparables are generally no longer applicable when it comes to establishing industrial property values for land or buildings, and capitalization rates are largely irrelevant due to the rapid escalation in prices,” notes **Kevin Kassautzki**, a senior associate in Avison Young’s Vancouver office who specializes in industrial sales and leasing transactions. “While heightened prices have encouraged more people to sell, the enormous appetite for industrial assets has largely negated any improvement in terms of an increase in supply.”

“Real estate is a major challenge for industrial companies operating in the city of Vancouver, whether it’s size constraints, affordability, loading constraints or parking constraints,” adds Bougie.

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