

5 Trends Impacting Lower Mainland Industrial Real Estate

1. Growth and Changes to Warehouse-Distribution Strategies.

Distribution warehouses are growing as a result of large companies optimizing their distribution systems and taking advantage of improved tracking technology. In the "Just in Time Delivery" model, component parts or retail goods arrive only when they are needed, eliminating the need for warehouses in each market or region but requiring larger facilities in certain regions and the faster movement of goods when and where they are needed. Related and important to note is the rise of Third Party Logistics facilities (3PL), serving multiple corporations. In all cases, distribution and logistics users now require larger facilities than before with higher ceilings and more efficient loading and unloading capacities.

2. Number of Users Choosing to Own Their Facilities Will Continue to Increase.

Some traditional industrial space users are attracted to ownership, seeking cost certainty in a market with ever increasing lease rates. Ownership also offers location certainty. This tenureship will be most popular with mature companies not expecting or wanting to grow their business and who have some cash on hand to invest. We expect that users will struggle to find a supply of facilities to purchase; one source may be older product that they can renovate and customize.

3. Urban Core Industrial Land Under Pressure for Redevelopment to Alternative Uses.

City planners, developers and residents are putting redevelopment pressure on industrial lands located in the urban cores of municipalities such as Vancouver, Burnaby and Richmond, especially near Skytrain stations. In some cases the city seeks higher employment uses in the form of light-industrial or office building development. Or they desire residential, retail, or a combination of these two. This trend puts further demand pressure on outlying industrial districts as industrial users in these core areas relocate. Areas being phased out as industrial include SE False Creek, Vancouver and Brentwood-Holdom, Burnaby.



Growth of residential in Burnaby's Brentwood urban core area contributed to NAPA's departure to Langley.

4. Shift in World Trade and Economic Interaction to the Pacific Basin.

World trade and economic interaction is shifting westward. In the coming decades, it will be increasingly based around Asia (especially China) and Western North America. In previous centuries, the heart of the world economy was the Atlantic World and interaction between Europe and Eastern North America. The shift will result in steadily increasing demand for shipping through the Port of Vancouver thereby expanding demand for industrial land for Port-related uses.



Busy loading dock at the Port of Vancouver

Already companies requiring container storage struggle to find sufficient land as municipalities are relatively uninterested in allowing for this low intensity use -- however it will be necessary to accommodate this function and preferably in such a way as to limit the trucking of empty containers around Greater Vancouver. Rail yards will also need growth space as will logistics and warehousing uses in the coming years. Upward pressure on land and facility prices will continue as a result.

5. Geographic Constraints Will Shift Industrial Development Eastward

The Lower Mainland's limited industrial land supply, combined with rising land prices and lease rates will push some industrial development into outlying areas such as Chilliwack, and even to other regions such as Kamloops or Calgary, the latter trying to establish itself as a logistics hub for Western North America.

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