



Metro Vancouver Industrial Overview

Spring 2010



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Growing optimism in industrial marketplace

Metro Vancouver is experiencing incremental improvements in the industrial market. Although not reflected in the vacancy metrics yet, tour activity and deal velocity have increased from six months ago and a number of mandates are circulating after an 18-month absence. Rents are also firming up and the pace at which sublease space is being delivered to the market has tapered.

Demand for investment product remains strong. The chasm between vendors and purchasers and landlords and tenants on transaction expectations continues to narrow, with landlords becoming more aggressive with the tenant inducements they are prepared to offer to secure transactions. Having said that, tenants are absorbing space slowly and, upon renewal, are generally maintaining the same square footage. In some cases, they are returning space to landlords or folding altogether, but not nearly to the same extent as a year ago. These are some of the key trends in Metro Vancouver's industrial market.

Vacancy continues to rise but at slower pace

The region's industrial vacancy rate continued its upward march over the past six months, but at a slower pace. Vacancy currently sits at 4.7%, up from 4.4% in fall 2009, 3.2% in spring 2009 and 2.4% in fall 2008 after residing below the 2% mark between early 2006 and mid-year 2008. The availability rate (which includes head lease or sublease space that is being marketed but is not physically vacant, or new supply that is nearing completion and available for lease) is estimated to be 7.5%, up from approximately 7% in fall 2009 and 6% in spring 2009.

Demand is still down from pre-recession levels, some users are still hesitant to commit, and many companies have significant slack capacity from when they ramped up during the boom times. But overall, business is picking up. Most of the demand is pent up from industries that were less affected by the recession, and users who had put new space decisions on hold over the past 18 months. Most of the recent deals are not tied to growth but, rather, to reconfiguring and saving on costs, or forced relocations.

The upward trend in vacancy is expected to dissipate through 2010 as this renewed tenant interest – evidenced by recent transactions, particularly in the 10,000-square-foot (sf) to 20,000-sf market segment – takes hold. Overall, tenants have options for lease right now, and they are taking their time to consummate transactions. The area with the

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Special Feature Inside:

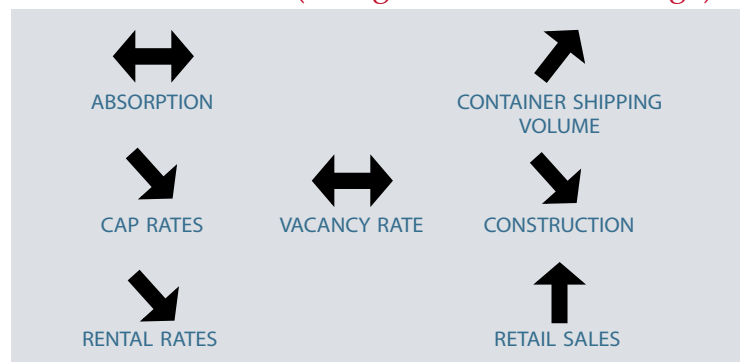
Q&A with **Herb Dunstan, Beth Harrington** and **Dave Ramslie** on green industrial buildings

See pages 4-5

Metro Vancouver Industrial Market Snapshot

Market	Industrial Inventory (square feet)	Vacancy	
		Spring 2010	Fall 2009
Richmond	34,038,849	5.9%	5.3%
Surrey	28,336,366	4.0%	3.8%
Burnaby	26,341,142	2.9%	2.6%
Vancouver	21,868,456	2.6%	2.8%
Delta	20,399,851	6.8%	6.4%
Langley	15,329,895	8.1%	8.1%
Coquitlam	7,469,071	4.0%	1.9%
Port Coquitlam	6,625,986	1.9%	2.6%
Abbotsford	5,615,925	6.1%	6.4%
North Vancouver	5,010,624	2.6%	2.7%
New Westminster	3,682,315	9.9%	6.2%
Maple Ridge / Pitt Meadows	2,197,281	2.7%	2.8%
TOTAL	176,915,760	4.7%	4.4%

Market Indicators (change from six months ago)



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most significant vacancy is Gloucester Industrial Estates (Langley) with approximately 700,000 sf of empty space. Landlords with older space will face longer lease-up times. Sublease space continues to play a role in some submarkets, such as Delta and Richmond where larger blocks of distribution space exist. Users of this type of space have been hit hard by the economic downturn and will proceed cautiously given the rising Canadian dollar.

A tenant looking for 100,000 sf today would have more than a dozen choices, and several build-to-suit options. Despite the increased vacancy over the past 18 months, the Metro Vancouver industrial market remains quite healthy compared to the rest of North America.

Rents begin to stabilize

While rental rates have decreased over the past 18 months, due to lack of bids and competition from sublandlords, rates are stabilizing. Driving demand are lower rents and the opportunity for tenants to upgrade to newer premises. Net effective rents are lower than asking rates as landlords would rather offer free rent or improvements than reduce the face rate on the lease in order to preserve the building's value. As sublease space is absorbed, head landlords will continue to maintain face rates.

Average asking rents for large (75,000-sf-plus) distribution centres range from an anomalous \$4.95 per square foot (psf) for the first year and \$5.50 psf over five years in South Fraser Distribution Centre (a.k.a. Hopcott Centre) in Delta to the high \$7 psf range for new product elsewhere. This compares to \$6.50 to \$7.50 psf in fall 2009 and \$7 to \$8.50 psf in mid-2008. Average rents soared approximately 40% between 2003 and 2008 before plateauing and falling in the latter part of 2008.

Meanwhile, average asking rents for sub-50,000-sf spaces for new and class A product in the core areas of Richmond, Burnaby and Vancouver are \$7.50 to \$8.50 psf, down modestly from \$8 to \$9 psf in fall 2009 and the high-water mark of \$9 to \$10 psf in 2007 and 2008. Rents for sublease space are lower as the sublandlord tries to recover as much as possible.

Speculative construction in check

After bringing on considerable new supply of between 3 million square feet (msf) and 5 msf per year between 2005 and 2008, much of the speculative supply added to the suburbs in 2009 has been slow to absorb. Many of the new projects are of the build-to-suit variety, with the newly-constructed Home Depot in Delta being an example. Build-to-suit sales are currently being quoted close to \$115 psf, down from \$130 to \$160 psf in 2008. However, this has not put downward pressure on prices for existing inventory due to the scarcity of available product and the fact that

sellers are typically not in any type of distress.

The key challenges facing developers today are securing users to initiate build-to-suit and speculative projects. Moreover, land purchased at the peak is currently not economical to build on given where lease rates have gone. Developers in this new economic environment are more likely to develop incrementally to minimize risk.

Construction costs have declined approximately 25% to 30% in recent quarters, which has helped bridge the gap for developers following the drop in rental rates over the past year and a half. However, construction costs have flatlined and are anticipated to hold steady in the latter half of 2010.

Industrial tenants are also increasingly giving consideration to relocating to the Pitt Meadows/Maple Ridge market as a result of the new Golden Ears Bridge, which provides a quick link from Pitt Meadows and Maple Ridge to Langley and Surrey. In Pitt Meadows, the Onni Group has broken ground on its Golden Ears Business Centre. Blueprints call for the first building to bring 75,000 sf to the market in fall 2010. The project represents the region's first major speculative development to launch in 2010.



Land values expected to hold in 2010

Given the chronic shortage of industrial-zoned and serviced land, other municipalities are attempting to respond to the increased demand. The City of Surrey Development Corp., for example, will be releasing 45 acres of serviced land to be marketed as is or as build-to-suit sales or leases in Campbell Heights. Abbotsford is also actively seeking to increase its industrial land supply.

Average prices for zoned and serviced land have likely fallen 10% in desirable areas and approximately 25% to 35% in secondary locations since peaking in mid-2008. Values for designated land (i.e. rezoning required) in secondary locations are estimated to have plummeted 50% since late 2008. To put this in perspective, average land prices doubled between 2003 and 2008, reaching approximately \$900,000 per acre in Abbotsford to \$2 million per acre in Vancouver (and

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Recent Notable Lease Deals

MUNICIPALITY	ADDRESS	SQUARE FEET	TENANT
Langley	27353 58 Crescent	53,041	Stuyver's Bake Studio
Richmond	100/150 13260 Delf Place	45,530	Pegasus Pharmaceuticals
Langley	26868 56 Avenue	38,429	MTF Price Matters
Richmond	Unit 1, 22151 Fraserwood Way	37,000	Sun Rich Fresh Foods
Delta	150-766 Cliveden Place	35,818	Cosmos Furniture
Richmond	13180 Mitchell Road	35,174	Conglom Inc.
Richmond	13951 Bridgeport Road	27,344	Lesley Stowe Crackers
Richmond	11188 Featherstone Way	26,691	V-Tech

City of Vancouver and provincial regulators to introduce more green-building rules

Municipal and provincial regulators are preparing to introduce new rules that will require more green-building components in existing and new structures.

The **City of Vancouver** is attempting to lead the effort to reduce energy waste and greenhouse gas emissions. Later this year, city council will consider a proposed new by-law to toughen its building guidelines. If approved, the new rules will apply to industrial buildings as well as other asset classes.

“We’ve just started a process where we’re looking at what we can do to add some energy-efficiency requirements to Part 10 of our building code,” says **Dave Ramslie**, the City of Vancouver’s green building development program manager. “Part 10 is the Vancouver building by-law that covers existing buildings, so it sets standards of work for renovations.”

Buildings that are not due for upgrades will remain in compliance with the code. Currently, he adds, the province’s largest municipality does not place any energy-efficiency requirements on existing buildings when they undergo upgrades. But Vancouver city planners are developing criteria designed to meet new energy-efficiency targets as well as industry’s aims.

Vancouver’s proposed new rules are considered more stringent than provincial guidelines. Unlike other municipalities, Vancouver has its own building code and requires developers to meet the **American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)** 2007 standards. Other cities and the province follow ASHRAE 2005 guidelines.

“The City of Vancouver has adopted even more ambitious targets in the absence of a second Kyoto agreement,” says Ramslie. But he says developers should not worry about the tougher ASHRAE rules impacting a project’s economic viability, since results show the standard has two- to three-year paybacks.

“I do a lot of this (calculating),” he says. “And with energy prices set to go even higher, these solutions will make even more sense going forward.”

He anticipates that Vancouver’s future green-related regulations will aim to improve building envelopes.

“That’s something that we’re really going to need to pay attention to in the coming years – not only in increasing the R-value, or insulation performance of our envelopes, but also the air tightness while maintaining breathability and building-science practices,” says Ramslie.

As the city proceeds with its changes, the provincial government is also exploring revisions to the BC Building Code.

John Knypstra, assistant chief inspector for the **Township of Langley**, anticipates that the province will eventually upgrade its standards to coincide with the requirements in the Vancouver code. The province will likely introduce more green-building requirements on a gradual basis.

“You can’t force people to make changes without them being legislated through the BC Building Code or governments,” says Knypstra. “Everybody is told in advance if there’s going to be some change to the code ... because you don’t want to be forcing people to make a change that is going to cost a lot of money.”



In some cases, he adds, the BC government will likely ask developers to introduce more green features voluntarily. He anticipates that requirements for solar hot water heating programs, now being introduced in residential buildings, will become mandatory in new industrial buildings.

“I can see in five years, possibly 10 years, they’ll probably move towards that (in industrial buildings). It won’t be just restricted to residential. I can see where it might be in office buildings, and a lot of the industrial buildings will have office components.”

The BC government is working with different municipalities to see which ones are interested in adopting the changes as the province contemplates revisions to the next BC Building Code.

Knypstra advises developers who are proposing new green features in advance of building code revisions to get as much information as possible and verify its reliability.

“The challenge is to understand the new concepts of these things,” notes Knypstra. “Whatever systems you incorporate, they have to be looked at. Most likely, they’ll be engineered. If it’s volunteers that do these types of things, then we get the information and the inspectors will inspect (the property) accordingly.”

“If it’s legally done province-wide or through the municipalities, then there have to be bulletins sent out to all the builders and contractors. They’ll have to be notified.”

Tsur Somerville, director of **UBC’s Centre for Urban Economics and Real Estate**, agrees that developers will likely be required to feature more green components in industrial buildings as well as other commercial structures in the future. But he does not expect suburban municipalities to toughen their green-building rules to comply with the City of Vancouver’s tougher standards.

“I think the trend will continue for increased emphasis on green, primarily by local governments and the BC government – but not by other regulators,” he says. “I think we can expect some municipalities to mandate **LEED (Leadership in Energy and Environmental Design)** levels, but be open to the accrediting systems.”

He expects the province’s heightened emphasis on green construction to have an economic influence.

“It will put pressure on rents and reduce supply by lowering land values – though given the greater restraint is the **Agricultural Land Reserve**, perhaps not so much,” he adds. “Governments tend to regulate above what the market wants.”

The UBC professor opposes the idea of mandatory green components. “They should not be legislated, but certain incentives above and beyond those reflective of economics can be encouraged,” says Somerville. ■



Dave Ramslie
Sustainable Development Program Manager, City of Vancouver

Dave Ramslie is the City of Vancouver's sustainable development program manager. He is responsible for developing and delivering programs and policy that support the development of green infrastructure and green buildings.

Ramslie's work has won national awards from the Canadian Institute of Planners for Vancouver's EcoDensity Initiative, and from the Canadian Green Building Council for government leadership in green building.



Herb Dunstan
Principal, Streamline Facility Planning

Herb Dunstan has served as a project planner, designer and project manager on industrial and other commercial real estate projects for more than 20 years.

Streamline Facility Planning is a Richmond, BC-based consulting firm that provides planning, design, and project management/end user representation services to clients requiring new or renovated industrial/commercial buildings.



Beth Harrington
Development Manager, The Beedie Group

Beth Harrington joined The Beedie Group as development manager in 2008 with a background in commercial brokerage. Her responsibilities include the sales and marketing of new developments, build-to-suit projects, and strata development in British Columbia and Alberta.

Founded in 1954, the Beedie Group specializes in the design, construction and management of industrial buildings in Metro Vancouver. With more than 6 million square feet of industrial space, The Beedie Group has the largest privately-held portfolio of industrial properties in BC.

Q & A

Avison Young asked three innovative members of the development community for their views on the economic viability of green industrial buildings.

Here's what the panelists had to say ...



1. Are green industrial buildings economically viable, or should they be legislated?

Ramslie: Yes, they are economically viable, and because they are economically viable, we should be legislating. There are a lot of things that are going into buildings today that we know are bad for the environment – and they shouldn't be going into buildings. There are people who are using chillers that use CFCs (chlorofluorocarbons), which we've known for 30 years cause holes in the ozone layer. There are also incredibly potent greenhouse gases. We know what the issues are.

We have the technology that is cost-competitive and that doesn't use any CFCs. But yet, until you make requirements that people will not use these things, people get away with it. I would even say that some developers are shocked to know about this glue going in, because they never make their own standards. They never articulate to their consultants that this is the type of thing that they want or don't want in their buildings.

But if you asked the individual building owner: "If you could choose an option that performed the same and cost the same but didn't kill the environment, would you use it?" Yes, they would. But it's not on their radar. It's not part of their decision-making process because a lot of people just have other things that are top of mind – like making payroll and paying their property taxes and growing their businesses. That's where regulation can come in and set baseline standards that everybody has to

adhere to, so it creates some equity and a level playing field across the industry.

Dunstan: Historically, no. Green industrial buildings have not been economically viable. That said, over the last five-plus years, the growing green awareness by end users, developers, builders, and building system and fixture manufacturers, combined with the adoption of green BC Building Code and municipal by-law requirements, is making economic viability possible.

The environmental mindset of government officials now requires virtually all new institutional and government building construction projects to comply with the accepted green standard – LEED (Leadership in Energy and Environmental Design). While LEED has rarely been applied to industrial buildings to date, it provided all aspects of the building industry – from developers to contractors – the experience of working to apply these new performance standards and ideas. In turn, this experience is now giving builders the confidence to price green-tinted designs competitively.

As with any new methods or technology, before pricing can be as efficient and competitive as possible, you need a level of acceptance and comfort from the marketplace as well as a critical mass – or government code, as the case may be – and we are now starting to see this environment apply to industrial building projects.

Harrington: There are many green

initiatives that are economically viable in industrial buildings. We have done a considerable amount of work with our mechanical consultant Martin Swain of Bycar Engineering, researching items that have a relatively short economic payback period and can reduce a building's operating costs by being more energy-efficient.

With the changes to the Building Code in 2008 and the Province's ongoing greening of the Building Code, we feel there is enough legislation in place; however, we do recognize the legislation to date has increased building standards to a level that may not have been reached otherwise.

In addition to the upgrades to the Building Code, each municipality has guidelines that require developments to adhere to a new green standard. The Beedie Group is always looking for ways to reduce our impact on the environment and increase efficiency. Legislating green building initiatives can become a problem if they aren't economically viable or if they are not properly investigated or tailored to our climate.

2. What are examples of economically viable green industrial buildings?

Ramslie: A building that makes good sense for us is our materials-testing facility on Kent Avenue. It was one of the first green buildings in the province and now it's into its second decade of operational life – and we see great operational savings from that building. We're using salvage materials. It has energy-efficient appliances and mechanical equipment in it. It has energy-efficient lighting. It utilizes passive design, so

the building itself is designed to maximize day lighting and use ventilation from the exterior to ventilate the space.

Dunstan: There are few, if any, examples of green industrial buildings. Many people struggle with the definition of a green building. But new green initiatives that are now being used, or at least seriously considered, include insulated concrete sandwich panels instead of concrete-only panels in the tilt-up method of construction.

"There are a lot of things that are going into buildings today that we know are bad for the environment – and they shouldn't be going into buildings"

– Dave Ramslie, City of Vancouver

These provide all of the durability that this industry standard has provided – for 30-plus years – and the R-factor required to reduce energy costs. Previous methods of providing insulation involved adding insulation inside building walls, which was costly, not durable, and usually dismissed in spite of the potential energy savings.

One new practice that only a few years ago was requiring over a five-year payback, but is now down to less than two, is the use of high-output T-5 fluorescent light fixtures for high-bay warehouse installations. These light fixtures, combined with motion sensor occupancy switching and two-level lighting, produce significant energy savings.

Ensuring that all water lines, cold and hot, are


insulated, and point-of-use water heating systems are used in remote fixtures, is an easy fix. Items such as green roofs, underground tanks to store and reuse rainwater, and geothermal heating and cooling are also making inroads – but they are not yet generally considered economically viable.

Harrington: For one industrial building to be greener than another, you would look at its energy efficiency and impact on the environment. We have identified a few key ways to reduce energy and water consumption in our buildings while being economically viable within a one- to five-year payback period. By increasing the insulation factor in the roof and walls as well as utilizing high quality glazing (low emission glass), heat loss in the winter and gain in the summer is reduced, minimizing draw on heating and cooling systems.

Installing high-efficiency HVAC systems, reusing waste energy, radiant tube heating as well as new technology high bay lighting will also reduce power consumption and operational costs. Water consumption can be reduced by installing low-flow fixtures in washrooms and impact on the environment can be reduced by managing storm water runoff with controlled infiltration systems.

In 2009, The Beedie Group completed a 450,000-sf build-to-suit for Brewers Distributor in Port Coquitlam where storm water retention for controlled infiltration, extra landscaping to capture rain water runoff, geothermal heating and irrigation supplied by on-site wells were employed. ■

Recent Avison Young Transactions



450 DERWENT WAY, DELTA
• 195,000 sf



2555 BARNET HIGHWAY, COQUITLAM
• 26,260 sf



1633 CLIVEDEN AVENUE, DELTA
• 32,154 sf



10387 NORDEL COURT, DELTA
• 3.286 acres

Avison Young Industrial Lease Listings



4185 DAWSON STREET, BURNABY

- Up to 24,000 sf
- \$8.75 psf
- 2 dock and 1 grade loading doors

Contact: Ryan Kerr / Douglas McMurray



1637 WEST 5th AVENUE, VANCOUVER

- 4,000 sf of flex space
- 18' to 20' ceilings
- IC-1 zoning (Light Industrial)

Contact: Struan Saddler



71B CLIPPER STREET, COQUITLAM

- 5,485 sf
- Finished office space
- \$899,000 or \$8.00 psf

Contact: Kyle Blyth / Matt Thomas



9563/9561 GUNDERSON ROAD, DELTA

- 1.5 acres of land (\$1.65 psf)
- 4,000 sf of facility (\$6 psf)
- Great exposure

Contact: Ryan Kerr



24611 FRASER HIGHWAY, LANGLEY

- 5 acres of yard
- Office and shop available
- 330' x 645' lot dimensions
- Exposure to 25,000 cars per day
- Tenancies from 1 to 5 acres

Contact: Michael Farrell / John Eakin



27090 GLOUCESTER WAY, LANGLEY

- Best lease rate in Gloucester
- Existing office with A/C
- 4,200 sf to 29,000 sf
- Grade and dock loading
- 26' clear ceiling

Contact: Michael Farrell / John Eakin



195-207 PEMBERTON AVENUE, NORTH VANCOUVER

- High exposure location
- Redevelopment potential over 200' of frontage on Pemberton Avenue
- 1,000 sf to 16,461 sf

Contact: Matt Thomas / Kyle Blyth



26835 GLOUCESTER WAY, LANGLEY

- Freestanding building
- 59,259 sf total
- Warehouse with office
- Heavy power
- ESFR sprinklers

Contact: Michael Farrell / John Eakin



20530 LANGLEY BYPASS, LANGLEY

- 1,760 sf to 5,919 sf units to choose from
- Units from \$1,800 per month gross rent
- C2 service commercial zoning allows for a wide array of uses

Contact: Jot Mattu / John Eakin / Michael Farrell



3260 PRODUCTION WAY, BURNABY

- 63,000 sf of office/warehouse space
- 15 dock & 1 grade
- 22' clear ceiling heights
- M-3 zoning (Heavy Industrial)

Contact: John Lecky / Struan Saddler / Kyle Blyth / Matt Thomas



880 LOUGHEED HIGHWAY, COQUITLAM

- Up to 45,000 sf warehouse distribution space
- 1 to 6 acres of land available separately
- \$7.50 psf gross for building and \$1.50 psf gross for land

Contact: Michael Allen / Robert Gritten



104 - 2567 192nd STREET, SURREY

- 8,823 sf of warehouse space
- 2 dock loading doors
- 24' clear ceiling heights
- I-B1 zoning

Contact: Jot Mattu



13070 115 AVENUE, SURREY

- 20,000 sf of build-to-suit
- 9,501 sf of warehouse/mezzanine
- 26' clear ceiling heights
- I-L zoning

Contact: Jot Mattu / Sam Fogell



3676 BAINBRIDGE AVENUE, BURNABY

- 85,000 sf of warehouse/freezer space
- Dock loading
- M2/M5 zoning
- \$7.15 psf lease rate

Contact: Kyle Blyth / Bill Elliott



206-8988 FRASERTON COURT, BURNABY

- 2,376 sf
- Central location
- Mezzanine office

Contact: Matt Thomas / Kyle Bylth



10619 TIMBERLAND ROAD, SURREY

- 55,550 sf warehouse
- Dock, grade, and rail loading
- Only short terms considered
- \$25,000 per month GROSS

Contact: Michael Farrell / John Eakin

Avison Young Industrial Sublease Listings



1755 COTTRELL AVENUE, VANCOUVER

- 34,470 sf warehouse distribution space
- 3.5 acres of yard
- Rent negotiable
- Available immediately

Contact: Michael Allen / Robert Gritten



18521 97th AVENUE, SURREY

- 7,056 sf available
- Under \$3000 per month net rent
- Improved warehouse with office and kitchen area

Contact: Michael Farrell / Jot Mattu



13110 88th AVENUE, SURREY

- 4,290 to 19,110 sf of warehouse space
- Oversized grade loading
- Dust collector system in place
- Air lines in place

Contact: Michael Farrell / John Eakin



1-1225 EAST KEITH ROAD, NORTH VANCOUVER

- Up to 10,000 sf
- Ample parking
- Exposure location

Contact: Matt Thomas

Avison Young Industrial Sale Listings



195-207 PEMBERTON AVENUE, NORTH VANCOUVER

- Heavy power
- High exposure location
- Ample on-street parking

Contact: Matt Thomas



1550 EAST HASTINGS STREET, VANCOUVER

- 39,991 sf commercial/industrial property
- One half city block – 296 feet of frontage
- MC-1 zoning (conditional FSR of 2.5)
- Exposure to 42,000 vehicles per day

Contact: Struan Saddler



23451 DYKE ROAD, RICHMOND

- Customized executive vehicle storage
- High security facility in SE Richmond
- 818 sf to 10,000 sf-plus options available
- Strata titled development

Contact: Rob Gritten



144 - 174 176th STREET, SURREY

- Court ordered sale
- Future development potential
- 60 acres with farm buildings (\$79,400/acre)
- 3,360-sf home on 1 acre (\$750,000)

Contact: Michael Farrell / John Eakin



1516-1520 COLUMBIA STREET, NORTH VANCOUVER

- Divisible into 3 units
- Ideal for owner/user with potential mortgage helper
- Located within 2 minutes from Hwy # 1

Contact: Kyle Blyth / Matt Thomas



7770 & 8398 NORTH FRASER WAY, BURNABY

- Site A: 4.59 acres
- Site B: 13.04 acres
- \$23,800,500

Contact: John Lecky / Kyle Blyth / Matt Thomas



8424 AITKEN ROAD, CHILLIWACK

- 14,685 acres
- Zoned and serviced industrial land
- M4 Zoning
- \$3,900,000

Contact: Michael Farrell / John Eakin



9255 194th STREET, SURREY

- 185,153 sf of warehouse/office space
- Dock & grade loading
- 22' clear ceiling height
- Fully leased to Sauder/Masonite

Contact: Rob Gritten / John Lecky



9771 186th STREET, SURREY

- Port Kells location
- 2.86 acres
- Faces new Golden Ears Way
- Flexible IL zoning in place
- Environmental and geotechnical reports completed

Contact: Michael Farrell / John Eakin



31450 PEARDONVILLE ROAD, ABBOTSFORD

- 20,159 sf warehouse
- Includes 1,233 sf of office
- Incredible Highway 1 exposure
- \$6.75 psf net to lease
- \$2,217,490 to buy

Contact: Michael Farrell / John Eakin



12294 104th AVENUE, SURREY

- Industrial investment
- Seven tenants
- 70,000 sf on 4.4 acres
- 35% site coverage
- Environmental remediation complete

Contact: Michael Farrell / John Eakin



2342 WINDSOR STREET, ABBOTSFORD

- Excellent configuration
- Small yard area
- 22,171 sf to 8,000 sf
- Grade loading
- Lease or buy

Contact: Michael Farrell / John Eakin

Recent Industrial Investment Sales



3760-3960 JACOMBS ROAD, RICHMOND

- Vendor: GWL Realty Advisors & Montrose Holdings Corporation Ltd.
- Purchaser: Ikea Properties Limited
- Purchase Price: \$35,150,000
- Price Per Square Foot: \$84
- Building Size/Site Area: 419,996 sf / 17.06 acres



890-890A MALKIN AVENUE, VANCOUVER

- Vendor: 890 Malkin Holdings Inc.
- Purchaser: 890 Malkin Avenue Developments Inc.
- Purchase Price: \$7,015,000
- Price Per Square Foot: \$167
- Building Size/Site Area: 42,000 sf / 1.54 acres



3500 VIKING WAY, RICHMOND

- Vendor: Sun Life Assurance Company of Canada
- Purchaser: Pure Industrial Real Estate Trust (Piret (Viking Way) Holdings Inc.)
- Purchase Price: \$7,300,000
- Price Per Square Foot: \$108
- Building Size/Site Area: 67,511 sf / 3.00 acres

Recent Notable Industrial Land Sales

ADDRESS	VENDOR	PURCHASER	SALE PRICE	SITE AREA	PRICE / ACRE
20 Fell Avenue, North Vancouver	Harbourview Projects Corp.	Imperial Oil Limited	\$3,950,000	2 acres	\$1,975,000
19388 92nd Avenue, Surrey	CWS Ventures Inc.	Super Save Disposal Inc.	\$4,000,000	4.151 acres	\$963,263
21690 Smith Crescent, Langley	Smithville Properties Ltd.	Britco Leasing Ltd.	\$4,756,000	9.73 acres	\$488,798
8890 Manitoba Street and 8501 Ontario Street, Vancouver	Canfor	Vancouver Fraser Port Authority	\$9,250,000	13.08 acres	\$707,187
6845 Tilbury Road, Delta*	Tilbury Organic Fiber Ltd.	Varsteel Ltd.	\$12,400,000	23.8 acres	\$521,008

*Share Sale

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record \$4 million per acre in some Vancouver locations) before cresting in the latter part of 2008.

Today, typical industrial land prices range from approximately \$400,000 per acre for designated (but not zoned or serviced) land in Campbell Heights (Surrey) to \$1.5 million per acre for zoned and serviced land in central Burnaby (excluding Vancouver and the North Shore where values remain at \$2 million-plus per acre). Over the past 12 months, the market has witnessed a decade-low 29 transactions comprising parcels of one to 10 acres in Metro Vancouver and the Fraser Valley.

Capitalization rates begin to fall

Sales activity has increased over the past six months due in part to low interest rates, lenders showing more confidence, and investors slowly getting their sea legs back. Capitalization rates have begun to fall owing to the abundance of private money chasing deals of all sizes and asset classes, and the bid-ask gap continuing to narrow. REITS and institutional investors have also become more active. Cap rates rose to 7% to 8% in 2009 from 6% to 7% in 2007-2008 and have now fallen back to 6.5% to 7.5%.

Transaction activity in the small bay and strata markets is improving, which is a typical precursor to activity in the larger industrial product. The main impediment to more sale activity is the paucity of available quality industrial product. Hence, cap rates are expected to remain aggressive relative to the rest of the country.

The average value of a vacant, well-located industrial building climbed significantly in recent years, with offerings peaking at \$150 to \$170 psf in mid-2008 for new buildings. Average values slid to \$100 to \$130 in fall 2009 and are sitting at \$90 to \$130 today. Investors still must continue to pay a premium to acquire quality industrial product. In the strata market, new projects closer to the core are still quite pricey as the land was purchased at the peak of the market. However, in Delta and Surrey, some pre-sales asking prices are set at \$115 psf due to historically lower land costs and larger bay sizes. As buyer perception continues to meet reality, sales are expected to accelerate.

Outlook positive

Overall, the Metro Vancouver industrial market is expected to exhibit steady, progressively improving market fundamentals over the next 12 months. With demand picking up, sublease availabilities stabilizing, and the market witnessing a disciplined introduction of new supply, Metro Vancouver's overall vacancy rate is anticipated to hold steady or dip modestly by year-end.

The vital hurdle to more transactions has been the lack of urgency with industrial tenants given their perception of increased vacancy over the last few quarters. Going forward, take-up of space is expected to proceed positively but slowly and thoughtfully. Lease rates are expected to bottom out in this second quarter and hold steady through 2010, with tenants starting to respond to incentives being put out in the marketplace. Demand for investment product is expected to remain strong, with plenty of equity seeking solid, long-term income from leased industrial product. ■

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