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# Metro Vancouver Industrial Overview

Spring 2011



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## Recovery taking root in Metro Vancouver industrial market

Strong debt markets and constrained supply defined the recovery of the Metro Vancouver industrial market in 2010 and continues attracting investor capital in the battle to achieve yield in 2011.

With industrial vacancy rates generally steady throughout the region since fall 2010, submarket weakness is increasingly difficult to identify. With the BC and Canadian economies forecasted to achieve in excess of 3% annual GDP growth in the year ahead, investor demand remains high for industrial product with new strata and some speculative construction emerging to satisfy tenant and owner-user appetites for expansion.

Multiple mandates for industrial space currently circulate weekly compared with little to no activity in the first quarter of 2010 as users and tenants gain confidence in the economy and seek to expand in reaction to business growth. Pent-up demand propelled industrial deal velocity in 2010, particularly in the second half of the year. This increased activity is anticipated to continue in 2011 as capitalization (cap) rate compression stagnates, and given that interest rates will not start trending upwards until inflationary pressures build.

With a slight increase in the value of Canadian treasuries during the past six months, offset to some degree by the compression in the premium charged by lenders, cap rates that typically trade in a very narrow range (roughly 200 basis points (bps)) higher than the Canadian benchmark interest rate, have thus far lessened the impact of a slightly increased lending rate. In short, until there is a sustained increase in interest rates, we will not witness a corresponding increase in cap rates. [continued on page 2](#)

**INSIDE:** Q&A with **Richard Stewart, Derek Corrigan** and **Dave Gormley** on Metro Vancouver's proposed Regional Growth Strategy

### > METRO VANCOUVER INDUSTRIAL MARKET SNAPSHOT

Market	Industrial Inventory (square feet)	Vacancy		
		Spring 2011	Fall 2010	Spring 2010
Richmond	34,500,799	3.9%	4.1%	5.9%
Surrey	28,460,602	3.4%	3.3%	4.0%
Burnaby	27,435,906	3.3%	2.8%	2.9%
Vancouver	21,868,456	3.9%	3.5%	2.6%
Delta	20,515,851	7.7%	7.9%	6.8%
Langely	15,645,895	7.1%	7.1%	8.1%
Coquitlam	7,469,071	6.5%	6.1%	4.0%
Port Coquitlam	6,831,254	2.7%	2.6%	1.9%
Abbotsford	5,748,638	3.4%	3.1%	6.1%
North Vancouver	5,043,033	2.9%	2.0%	2.6%
New Westminster	3,682,315	4.3%	6.1%	9.9%
Maple Ridge/Pitt Meadows	2,272,963	5.0%	1.3%	2.7%
<b>TOTAL</b>	<b>179,474,783</b>	<b>4.5%</b>	<b>4.4%</b>	<b>4.7%</b>

### > MARKET INDICATORS (CHANGE FROM SIX MONTHS AGO)



While not unusual as cap rates are generally slow to react in comparison to changes in money markets, there are questions as to what it means in terms of industrial property values in Metro Vancouver over the short to medium term.

Inflationary pressures, driven in part by the U.S. increasing its money supply, lead to rising interest rates, which result in higher cap rates. With those higher cap rates, yields increase and property values fall because, for the same income, investors pay less to achieve that better yield.

When interest rates rise to an extent that effectively ends cap rate compression – and triggers upward movement more in line with its historical trading range vis-a-vis the lending rate – the subsequent impact upon the Metro Vancouver industrial market could affect deal and dollar volume. Velocity of activity will likely fall because vendors will not react to lower pricing expectations of buyers based on higher debt costs.

Unique mitigating factors in the region make it difficult to understand the true extent of the impact. Metro Vancouver’s supply-constrained real estate market and comparatively strong economic performance, combined with the significant amounts of local and offshore equity seeking stable real estate investment returns during increasingly frequent periods of global instability, could potentially generate enough buyer pressure to keep cap rates low despite the historical correlation with rising interest rates.

With little likely to change in the short term, the medium term (i.e. the next one to three years) bears further examination. With a thriving economy, decreasing vacancy, and land and construction costs as low as they are likely to go and beginning to rebound, industrial lease rates are not expected to decline. Investor desire to own real estate in Metro Vancouver is only bound to heighten interest to hit vendor-asks at any cost. The subsequent impacts on regional industrial real estate are many.

Tenants should be securing commitments now with lease rates unlikely to decline much further in the short term, but very likely to increase in the medium term.

Owner-users seeking to purchase an industrial property for their business should close a deal in the near-term as interest rates are unlikely to fall and building-carrying costs are as low as they are likely to be. The potential of future cap rate increases that accompany an increase in interest rates are not a significant concern for

owner-users who purchase a property to occupy as opposed to buying it as an investment. Their purchase decision is based on replacement, land and construction costs.

Industrial landlords can take their time with tenant renewals. Landlords are in a strong position as reducing vacancy levels and limited new supply presents fewer opportunities for tenants needing to move or expand. The exception is landlords of large-block space. They will need to remain vigilant and aggressive in terms of filling any current vacant space in this size category.



This 185,000-sf manufacturing/distribution facility was recently sold by **Avison Young** on behalf of **Bentall Kennedy** to **PIRET**

Any significant increases in interest rates will likely impact industrial deal velocity as most vendors will not move to new pricing required by buyers. Some advantageous vendors are only selling properties currently because they believe cap rates cannot go lower. Some of these sellers will seek to shift capital out of the regional industrial real estate market for the medium term and wait for inflation to return, which will, in turn, boost interest rates and subsequently increase cap rates. That capital could then be redeployed when the cost of borrowing is high, demand depressed and cap rates normalized. This is a market-timing strategy which carries risk.

The market continues to be dominated by investors who, if they sold, question their ability to replace their assets at some point in the future, despite the above logic.

#### VACANCY HOLDING STEADY IN METRO VANCOUVER

Metro Vancouver’s industrial vacancy rate remained virtually unchanged over the past six months as the lack of land and new development pushes lease rates, as well as deal and dollar volumes higher. Overall vacancy currently sits at 4.5% compared with 4.4%

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#### > RECENT NOTABLE LEASE DEALS

MUNICIPALITY	ADDRESS	SQUARE FEET	TENANT
Surrey	3023 188 Street	130,462	Atlas Logistics
Delta	1302-1348 Derwent Way	105,000	Liquidation World Inc.
Delta	7510 Hopcott Road	96,258	Canadian Alliance Terminals
Surrey	9255 194th Street	88,000	Masonite
Delta	1010 Derwent Way	80,000	Guardian Building Products
Langley	8521 198A Street	65,000	Fraser Health Authority
Richmond	18391 McCartney	45,040	Toshiba of Canada Limited
New Westminster	109 Braid Street	41,100	Odyssey Property Holdings Ltd.

# Understanding the Regional Growth Strategy and its impact on industrial land planning

Land use decisions in Greater Vancouver could face a fundamental overhaul as local municipalities decide whether or not to endorse the Regional Growth Strategy (RGS) developed by **Metro Vancouver**, a move that could effectively place civic planning under the purview of the regional authority.

If accepted, signatory municipalities would need to complete and submit a regional context statement (context statement) within two years of adoption of the RGS. The context statement interprets how the RGS will be implemented locally and, by law, must be consistent with the goals and strategies outlined.

***(Update: Coquitlam council voted not to accept the RGS on March 21, 2011 – the only affected local government out of 24 to do so. That result triggered commencement of a binding or non-binding arbitration process to be determined and initiated at the behest of Ida Chong, provincial minister of community, sport and cultural development, as outlined in the Local Government Act. While the City of Port Moody did not initially accept the RGS, it did identify conditions under which it would accept it and the board agreed to those conditions.)***

According to Metro Vancouver, the RGS “focuses on land use policies to guide the future development of the region and support the efficient provision of transportation, regional infrastructure and community services.” One of the challenges it faces is “to ensure an adequate supply of space for industry and commerce throughout the region, located appropriately to their needs and in a manner that supports an efficient transportation system on which the economy depends.”

One of the RGS’ five stated goals is to “support a sustainable economy” which would see that the “land base and transportation system required to nurture a healthy business sector are protected and supported.”

An urban containment boundary established by Metro Vancouver in the proposed RGS legislation establishes the regionally defined area in which urban development can occur.

In the proposed strategy, there are three urban land use designations for the entire region: general urban, industrial and mixed employment.

General urban areas are intended for residential neighbourhoods and centres, and are supported by shopping, services, institutions, recreational facilities and parks. Industrial areas are primarily intended for heavy and light industrial activities, and appropriate accessory uses.

Mixed employment areas are intended for industrial, commercial and other employment related uses. They are intended to continue to support industrial activities, and complement and support the planned function of urban centres and frequent transit development areas, planning overlays which can be placed on any regional land use designation within the urban containment boundary.

“Market pressure to convert industrial lands to office, retail and housing has resulted in a diminished supply of industrial land in the region, while demand for land for industrial activities continues to increase as the population and the economy of the region grow,” according to the RGS. “Meeting the needs of both a growing regional economy and an expanding international gateway for trade requires an adequate supply of industrial lands. Preserving the region’s industrial lands supports businesses by allowing them to expand within the region and not face

long transportation distances and costs which could lead to business inefficiencies.”

If the proposed RGS bylaw is passed, the result would be a direct linkage of the RGS to context statements, which in turn guides development of official community plans that subsequently determine local zoning designations.

**When it comes to protecting the supply of industrial land, Metro Vancouver’s role is to:**

- Monitor the supply of, and demand for, industrial land in the region with the objective of assessing whether there is sufficient capacity to meet the needs of the regional economy;
- Work with the province, municipalities and other agencies to investigate industrial taxation rates and policies that support industrial activities;
- Accept context statements that protect and support the ongoing economic viability of industrial activities.

**The role of municipalities is to adopt context statements which:**

- Identify the industrial areas and their boundaries on a map generally consistent with the Regional Land Use Designation map;
- Include policies for industrial areas which:
  - I. Support and protect industrial uses;
  - II. Support appropriate accessory uses;
  - III. Exclude uses which are inconsistent with the intent of industrial areas, such as medium and large format retail, residential uses, and stand-alone office uses that are not supportive of industrial activities;
  - IV. Encourage better utilization and intensification of industrial areas for industrial activities;
- Identify the mixed employment areas and their boundaries on a map generally consistent with the Regional Land Use Designation map
- Include policies for mixed employment areas which:
  - i) Support a mix of industrial, commercial, office and other related employment uses, while maintaining support for established industrial area, including potential intensification policies for industrial activities, where appropriate;
  - ii) Allow large and medium format retail, where appropriate, provided that such development will not undermine the broad objectives of the RGS;
  - iii) Support the regional objective of concentrating commercial and other major trip-generating uses in urban centres and frequent transit development areas;
  - iv) Where mixed employment areas are located within urban centre or frequent transit development areas, support higher density commercial development and allow employment and service activities consistent with the intent of urban centres or frequent transit development areas;
  - v) Allow low density infill/expansion based on currently accepted local plans and policies in mixed employment areas and support increases in density only where the mixed employment area has transit service or where an expansion of transit service has been identified.
  - vi) Exclude residential uses, except for an accessory caretaker unit. ■

All the information in this summary is taken from Metro Vancouver’s Regional Growth Strategy, by-law no. 1136, 2010 presented to affected local governments on January 14, 2011.

# Q&A

Metro Vancouver's proposed *Regional Growth Strategy* will have a significant impact on industrial land use. Politicians and developers offer their insights and opinions on the much-debated plan.

1. Does the proposed *Regional Growth Strategy* (RGS) protect the existing industrial land base in Metro Vancouver and allow for additional industrial land development in the future?
2. Is an overall economic development vision for Metro Vancouver's current and future industrial lands strategy taken into consideration and articulated in the RGS? If so, is it sufficient? If not, how does it impact future planning needs that may be required to address any shortfall?
3. Will the proposed RGS allow for the same level of interaction between municipalities and developers that previously permitted flexibility in zoning and land-use processes? Will regional context statements (RCS) suffice to provide local government autonomy over land-use developments in their communities? Can the process as envisioned accommodate shifting market demand?

## Richard Stewart

**1.** The protection of our region's existing industrial land base is a key goal of the proposed RGS. This is a significant difference between it and the Liveable Region Strategic Plan of almost two decades ago. Whether the RGS adequately achieves that remains in question. For example, many communities have opted to designate large areas of their traditional industrial lands for "general employment," allowing a wider range of commercial land uses. Take the case of Coquitlam's Pacific Reach Industrial Park on the Fraser River as an example. Because of enormous investments in highway/bridge infrastructure in the Port Mann/Highway 1 corridor, Pacific Reach is emerging as the real hub of Metro Vancouver, the centre of the region in terms of location, transportation and population. By designating it "Mixed Employment," we retained the flexibility of land-use decisions to ensure this key asset produces all it can in jobs and economic activity.

**2.** Unfortunately not. One of the big challenges in this region is a lack of cohesiveness between elements of regional planning. For example, the regional aspects of land-use planning, along with sewer and water, rest with Metro Vancouver. On the other hand, transportation planning belongs to TransLink. And economic development? Well, there really isn't a regional body looking after economic development. Filling that gap in a small way is Metro Vancouver Commerce, a voluntary coalition of roughly half of the metro municipalities and unaffiliated with Metro Vancouver. There is no question that any regional growth strategy – particularly one that purports to set the protection of industrial land as one of its key goals – ought to be developed in the context of a regional economic development strategy.

**3.** At least as it relates to industrial land, the RGS means less flexibility. In fact, that is its intent. Similar to the ALR's limitation of land-use choices for property owners and municipalities on agricultural land, the RGS significantly reduces the flexibility between municipalities and owners of industrial land. The RGS set out to put in place a very high bar for conversion of green- and industrial-designated lands, and to a great extent it has achieved it. While Regional Context Statements provide some local government flexibility, an RCS must be consistent with the RGS and any significant changes require Metro approval.



### Richard Stewart Mayor of Coquitlam

Mayor Stewart is the former publisher/editor of a development industry trade magazine dealing with urban planning, construction and building technology. He was president of the Canadian Home Builders Association of BC in 1994-'95. He was elected to the BC legislature in 2001, then to Coquitlam city council in 2005. In 2008 he was elected mayor of the City of Coquitlam.



### Derek Corrigan Mayor of Burnaby

Mayor Corrigan was first elected to Burnaby city council in 1987, serving as a councillor for 15 years until his election as mayor in 2002. He holds a law degree from the University of British Columbia. He was called to the BC Bar in 1978. He currently sits on the Mayor's Council on Regional Transportation.



### Dave Gormley Vice-president, land development, The Beedie Group

Gormley is vice-president of land development for the Beedie Group. He currently sits on UDI's industrial committee and the Lower Mainland Chamber of Commerce's land use task force, both of which have been reviewing the RGS. Over the last 10 years Gormley has been a member of several economic development advisory committees and task forces.

## Derek Corrigan

1. The most important aspect of the RGS in regard to industrial land is that adequate provision of industrial land is a regional issue and key to building a strong and resilient regional economy.

Many people, including those in the industrial brokerage industry, have expressed the opinion that “business as usual” is not going to leave the region with enough well-located industrial land. The RGS has identified job sprawl and the loss of industrial land as serious regional issues. Job sprawl means that higher density employment uses are locating in areas not well served by transit.

The proposed RGS has two land use designations for employment lands: an Industrial designation and a Mixed Employment designation. If a municipality wants to change lands in either of these designations, to residential for example, then they will be required to go to the Metro Vancouver board for approval. The RGS provides a “regional check-in” with respect to industrial and mixed employment land protection.

The RGS includes some substantial new industrial areas that have been added in recent years such as the Tsawwassen First Nations lands, lands in Pitt Meadows near the airport, and in Maple Ridge. This added land stock, in addition to protecting existing industrial land, will provide enough supply for at least medium to longer term (15 to 20 years) based on current supply/demand studies.

2. The RGS is fundamentally a land use plan and helps secure industrial, commercial and agricultural land bases that are needed to support the regional economy. It does not articulate an overall economic development vision such as economic development promotion strategies, detailed strategies for industrial retention by sector, etc.

Unlike the existing regional growth strategy, known as the Livable Region Strategic Plan, the proposed RGS includes amendment formulas that allow it to be responsive to opportunities and challenges as they arise. The legislation also requires the board, every five years, to decide if a review is needed and must provide for input from interested parties on the need for a review.

3. The RGS does not affect existing zoning. However, if the proposed RGS permitted the same amount of flexibility on everything, then there would be no benefit of having a new RGS. Regional Context Statements will provide for some local flexibility around the boundaries of the designations and in definitions. The overwhelming support for the RGS from all but one municipality demonstrates that a balance has been struck between achieving regional objectives and maintaining local autonomy.

## Dave Gormley

1. The approval of the RGS will require the municipalities to identify and maintain the boundaries of their industrial areas, which will create an industrial land reserve and protect the land. But, the RGS is also creating urban containment boundaries, which will make it more difficult to open up additional lands in the future. Most industrial expansion would likely need to extend into the ALR or rural areas, which is discouraged in the RGS.

By creating an industrial land reserve, some industrial lands, will become underutilized because of their location and/or topography. In most cases, we anticipate the municipalities will not be able to approve a land use change for these properties, and they will remain underutilized.

2. Metro Vancouver has stated on a number of occasions that the RGS is a land use plan and that Metro Vancouver has not assessed the economic impact of the document on the region. At present Metro Vancouver is creating containment boundaries without a detailed review of the future industrial needs and where these lands should be located. Freezing the industrial lands in the current locations may not meet our future industrial needs and the proposed containment boundaries may restrict opening up new lands, where they are needed. There are some provisions in the RGS to allow for amendment, but we anticipate board approval will be difficult to obtain.

3. The municipalities will lose some of their current land use autonomy as the RGS will require the municipalities to modify their land use plans to conform to the overall objectives of the RGS.

The interaction between the municipality and developer will continue, but some of the focus will change to meet the modified land use plans. With the RGS promoting higher density in town centres and along transit corridors, the opportunity to develop a higher density unique project outside of these areas will become more difficult. On the other hand, with the RGS being approved, councils may be more willing to approve higher density developments along the transit corridors in the face of neighbourhood opposition.

The RGS process may be able to accommodate shifting market demands, if the approved context statement allows broad land use definitions, which would give councils the flexibility to make changes. Narrowly defined approved uses on industrial lands will not accommodate the shifting industrial market, which is [moving] away from heavy industrial to business park/warehousing.

## Recent Avison Young Transactions



## Avison Young Industrial Lease Listings



**915 CLIVEDEN AVENUE, DELTA**

- 30,000 sf to 85,000 sf
- Distribution space with yard

**Contact: Ryan Kerr / Rob Gritten**



**7722 PROGRESS WAY, DELTA**

- 4,500 sf of office and warehouse
- 5,000 sf of yard

**Contact: Ryan Kerr**



**19434 94TH AVENUE, SURREY**

- 9,700 sf
- Freestanding building with yard
- For sale/lease

**Contact: Ryan Kerr / John Eakin**



**19130 24TH AVENUE, SURREY**

- Units ranging from 3,360 sf to 20,425 sf
- Office space built to suit
- Dock and grade loading

**Contact: Jot Mattu**



**882 EAST CORDOVA, VANCOUVER**

- 17,000 sf of warehouse/office space
- Excellent proximity to downtown core
- Lease for \$7.95/sf

**Contact: Struan Saddler/ John Lecky**



**6891 MACPHERSON AVE, BURNABY**

- 6,005 sf of office and warehouse
- M4 zoning

**Contact: Ryan Kerr / Kyle Blyth**



**20530 LANGLEY BYPASS, LANGLEY**

- 1,760 sf to 6,530 sf units available
- Starting from \$1,800 per month gross rent
- Excellent parking

**Contact: Jot Mattu / John Eakin / Michael Farrell**



**1525 WELCH ST, NORTH VANCOUVER**

- Oversized grade loading door
- Excellent exposure
- Central location
- 4,984 sf

**Contact: Matt Thomas / Kyle Blyth**



**27090 GLOUCESTER WAY, LANGLEY**

- Warehouse with A/C office space
- 3,685 sf to 4,200 sf units
- Grade and dock loading
- 26' clear ceiling
- Starting from \$3,000/month

**Contact: Michael Farrell / John Eakin**



**26835 GLOUCESTER WAY, LANGLEY**

- Freestanding building
- 59,259 sf total
- 5,125 sf office
- ESFR sprinklers and heavy power
- \$5.95/ sf in year one

**Contact: Michael Farrell / John Eakin**



**91 GOLDEN DRIVE, COQUITLAM**

- 3,550 sf to 10,000 sf available
- Warehouse/office space
- Dock and grade loading
- Ample parking

**Contact: Kyle Blyth / Matt Thomas**



**12179 86 AVENUE, SURREY**

- Up to 27,950 sf
- Cost-effective warehouse space
- 2 dock loading/4 grade loading doors
- Heavy power

**Contact: Jot Mattu / Doug McMurray**

## Avison Young Industrial Sublease Listings



**10387 NORDELE COURT, DELTA**

- 5.5 acres of land
- 11,130 sf of office and warehouse
- Dock & grade loading/18' ceilings

**Contact: Ryan Kerr / Doug McMurray**



**2120 HARTLEY AVENUE, COQUITLAM**

- 10,000 sf
- Warehouse/yard space
- Heavy duty machine shop

**Contact: Kyle Blyth / Matt Thomas**



**340 BROOKSBANK AVENUE, NORTH VANCOUVER**

- 7,813 sf of flex office/industrial
- Demisable to 2,663 sf

**Contact: Matt Thomas / Kyle Blyth**



**1755 COTTRELL AVENUE, VANCOUVER**

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

**Contact: Rob Gritten**



**1-1225 EAST KEITH ROAD, NORTH VANCOUVER**

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

**Contact: Matt Thomas / Kyle Blyth**



**13110 88TH AVENUE, SURREY**

- 10,500 sf of warehouse space
- Oversized grade loading
- Air lines in place
- Signage on 88th Avenue

**Contact: Michael Farrell / John Eakin**

# Avison Young Industrial Sale Listings



**10860 24TH STREET, SURREY**

- 33,105 sf of vacant land
- IL-1 zoning
- \$850,000

**Contact: Paul Purewal**



**8740 GREENALL AVENUE, BURNABY**

- 14,741 sf freestanding building
- 4 dock loading doors
- \$2,750,000

**Contact: Matt Thomas/Kyle Blyth**



**7770 & 8398 NORTH FRASER WAY, BURNABY**

- Site A: 4.59 acres
- Site B: 13.04 acres
- South Burnaby's last land parcel

**Contact: John Lecky / Kyle Blyth / Matt Thomas**



**23665 FRASER HEIGHTS, SURREY**

- 5 acres of vacant land
- C-3 zoning
- \$3,000,000

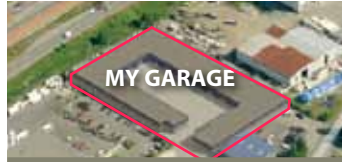
**Contact: Paul Purewal**



**1915 STAINSBURY AVE, VANCOUVER**

- 12,500 sf of office/showroom/warehouse
- Short-term sale leaseback opportunity
- MC-1 zoning
- \$2,900,000

**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**



**8424 AITKEN ROAD, CHILLIWACK**

- 14.685 acres
- Zoned and serviced industrial land
- M4 heavy industrial zoning
- \$265,600/acre

**Contact: John Eakin / Michael Farrell**



**1455 EAST GEORGIA, VANCOUVER**

- 22,000 sf of warehouse/office space
- Excellent proximity to downtown core
- For sale/lease
- Available immediately

**Contact: John Lecky / Struan Saddler**



**1-3180, 262 STREET, LANGLEY**

- Concrete tilt-up construction
- Fraser Highway exposure
- HVAC system
- Ample parking
- Well landscaped

**Contact: Paul Purewal**



**9771 186th STREET, SURREY**

- Port Kells location
- 2.86 acres of industrial land
- Faces new Golden Ears Way
- Flexible IL zoning in place
- Environmental & geotechnical reports

**Contact: John Eakin / Michael Farrell**



**2342 WINDSOR ST, ABBOTSFORD**

- 22,171 sf freestanding buildings
- Yard area
- 13,500 sf available to lease
- \$2,600,000

**Contact: Michael Farrell / John Eakin**



**10816 & 10840 124TH AVE, SURREY**

- 3.3 acres of industrial land
- 7,700 sf building with crane
- Fenced and partially paved

**Contact: John Eakin / Michael Farrell**

## Recent Industrial Investment Sales



**7867 & 7890 EXPRESS STREET, BURNABY**

- Vendor: Canadian Freightways Ltd.
- Purchaser: Pure Industrial Real Estate Trust
- Purchase Price: \$40,000,000
- Price Per Square Foot: \$224
- Building Size/Site Area: 178,360 sf / 27.12 acres



**10025 RIVER WAY, DELTA**

- Vendor: GWL Realty Advisors
- Purchaser: Diversified Management Inc.
- Purchase Price: \$21,250,000
- Price Per Square Foot: \$84
- Building Size/Site Area: 251,800 sf / 14.44 acres



**9255 194TH STREET, SURREY**

- Vendor: Bentall Kennedy
- Purchaser: Pure Industrial Real Estate Trust
- Purchase Price: \$18,380,000
- Price Per Square Foot: \$99
- Building Size/Site Area: 185,123 sf / 7 acres

### > RECENT NOTABLE INDUSTRIAL LAND SALES

ADDRESS	VENDOR	PURCHASER	SALE PRICE	SITE AREA	PRICE/ACRE
18899 32nd Avenue, Surrey	BC Transportation	City of Surrey	\$14,789,000	43.984	\$336,236
2889 East 12th Avenue, Vancouver	Renfrew Business Centre Ltd.	0897543 B.C. Ltd.	\$3,382,000	1.144	\$2,956,294
7575 North Fraser Way, Burnaby	Montegrappa Enterprises Inc.	Greenfields Garden Supplies Ltd.	\$3,346,000	2.444	\$1,369,067
10472 Scott Road, Surrey	Happy Valley Rancho Ltd.	United Building Materials Ltd.	\$3,100,000	3.677	\$843,079

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in fall/winter 2010 and 4.7% in spring 2010. The vacancy rate remains above the 2.4% recorded in fall 2008, when vacancy rose above 2% for the first time since early 2006. 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 6.7%, down from 7.2% in fall 2010 and 7.5% year-over-year.

Significant positive absorption in industrial parks such as Gloucester Industrial Estates in Langley, which contains more than 6.5 million square feet (msf) of industrial space, and Campbell Heights Business Park in Surrey, has demonstrated pent-up demand for industrial real estate of all types, including freestanding, strata and lease product.

Vacancy will remain low going forward due to a measured increase in speculative supply brought on stream by the handful of large developers that control the majority of the land-constrained Metro Vancouver industrial market.

### Rental Rates

With rental rates likely increasing and interest rates remaining low, mortgage payments could prove to be more cost effective than monthly rent in 2011. Vendors of presale or finished product are maintaining price expectations so users are only making purchases after careful due diligence. Developers are only acquiring land where pricing meets the cost to deliver at retail after servicing, subdivision and development costs.

Langley net rental rates have remained steady since late 2010 with properties in the 5,000 sf to 20,000 sf range fetching \$6.75 to \$7.75 per square foot (psf). Lower rental rates exist for space between 20,001 sf and 50,000 sf (\$6.25 to \$7.25 psf). In excess of 50,000 sf, limited space is available for less than \$6.25 psf. While inducements were recently required to land tenants in Gloucester Industrial Estates in Langley, that is expected to come to an end in 2011. The

Beedie Group anticipates starting at least one build-to-suit building in Gloucester Industrial Estates this year. RDM Enterprises is also moving ahead with phase two of Port Kells/Northwest Langley Industrial Park, a small-bay strata warehouse project.

Surrey rates have been steady since last fall and remain similar to those in Langley, with units smaller than 5,000 sf hitting \$6 to \$9 psf, and slightly larger buildings in the 5,000 sf to 10,000 sf range achieving rental rates of \$6 to \$8 psf. Buildings between 10,000 sf and 50,000 sf are seeing rates of \$5 to \$6 psf, while a handful of those in excess of 50,000 sf can be leased at around the \$5 psf mark.

North Shore industrial space continues to post some of the most expensive rental rates in the Lower Mainland, ranging from \$9 to \$14 psf. Vancouver industrial rental rates average about \$8 psf, while Burnaby is achieving between \$6.75 and \$8.50 psf.

### Land prices driving demand for strata construction

Strong demand and a constrained supply of new industrial product combined with the low cost of borrowing have caused demand for strata industrial space to spike in recent years. Whereas strata-titled industrial space was something previously more common in small to mid bay assets, it has started manifesting itself in larger industrial buildings in the 10,000 sf to 20,000 sf range. Until interest rates appreciate considerably, the trend is expected to continue in a market where land remains at a premium. Owning real estate is an inflationary hedge and with such pressures building in the short to medium term, the option to purchase is appealing to many owner-users.

### Insignificant land sales volume

Industrial land trades have been so scarce in recent months that it is difficult to report on trends. As lease rates firm up and vacancy drops, land will become more appealing once the vendor is prepared to hit the bid of the buyer. ■

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