




Cranes at Port Metro Vancouver


INSIDE

Deal Tracker	p. 2
Market Trends	p. 3
Powell Zoning Change	p. 3
Sales Transactions Chart	p. 4


OUTLOOK

Capitalization Rates 

Vacancy 

Sales Volume 

Supply 

Demand 

partnership.
performance.

Demand still strong, supply tight in Vancouver

Vancouver's industrial property sales and leasing market remains tight for available product midway through 2010.

As other Metro Vancouver submarkets feel out the after-effects of the global recession, owner-users, investors, landlords and tenants within the city limits have cause for optimism as market fundamentals continually improve.

Due to limited quality supply, few large sales transactions were completed in Vancouver proper in the latter half of 2009. However, active buyers are touring again and ready to complete purchases, and some larger deals have occurred recently. With a notable listing, a private owner has put up for sale 900 Parker, where **General Paint** operates a 116,000-square-foot distribution facility under a long-term lease.

Sales transactions and dollar volume are expected to increase during the next six months as owner-users and/or industrial users attempt to secure quality opportunities available on Vancouver's east and south sides that are close to rail, sea, air and road transportation links. With interest rates near all-time lows, tenants are more likely to purchase than continue leasing.

Demand is expected to trend

Notable Vancouver Industrial Lease Deals		
Tenant	Address	Square Feet
Moore Canada Corporation	901 Great Northern Way	60,124
Shattered Productions 1 Ltd.	8275 Manitoba Street	30,000
Iron Mountain Canada Corporation	8726 Borden Street	29,798
AVW Telav	395 W. 8th Ave.	28,500
Contemporary Security Canada	1683 E. Pender Street	20,000
Masik Enterprises Inc. & AKB Services Inc.	143-145 - 161 W. 2nd Ave.	14,052
The Joint Artisan Network	1311 E. 4th Ave.	13,440

upward while traditionally low capitalization rates and supply remain flat. The vacancy rate, at 2.6%, remains well below the Metro Vancouver average of 4.7%. With increased activity in the Vancouver industrial leasing market, upward pressure on lease rates is anticipated.

Tenants who opt to lease and attempt to take advantage of low rental rates will not benefit from the favourable inducements offered in the suburbs. While pockets of space remain available, they are minimal when compared to large existing vacancies in Burnaby, Richmond, Delta and the Fraser Valley, where typical inducements include substantial free-rent periods.

Vancouver lease rates will range widely depending on location, building quality, need for renovation or redevelopment and of-

vice-to-warehouse ratio. In some cases, older buildings in more central locations are commanding higher rental rates than newer structures in outlying districts.

On the development front, a limited number of strata-ownership opportunities are expected to become available in the next six to 12 months. The **Beedie Group's South Kent Centre** at 520 Kent Avenue, due to be complete in winter 2010, is a forerunner of more strata projects that are considered inevitable.

Vancouver strata projects are more challenging due to a diminishing industrial land base and lack of large property parcels. However, Vancouver's demand for strata ownership is increasing as a result of aging and obsolete building inventory, a greater need for high-ceiling

VANCOUVER TEAM



Struan Saddler
(604) 647-5077
ssaddler@ay-bc.com

Struan Saddler specializes in East Vancouver industrial sales and leasing, tenant representation, and other commercial real estate investments. A Vancouver native, he began his career with Avison Young in 2008 after obtaining a commercial real estate marketing diploma from BCIT.

Since joining the company, Saddler has represented such clients as Granville Island Brewery, Front Street Pictures Ltd., JET Equipment & Tools, Wallace & Carey Inc., Aritzia and Morrey Mazda. He has negotiated the successful disposition of more than \$13 million worth of East Vancouver commercial real estate properties.



John Lecky
(604) 647-5061
jlecky@ay-bc.com

John Lecky specializes in industrial sales and leasing transactions within Vancouver's city limits, providing corporate real estate advisory services that focus on asset disposition, tenant mandate and design-build assignments. For the past decade, he has enjoyed a growing success while acting for notable investors in the BC economy.

His major transactions include the sale of the Taiga Building Products portfolio (\$42 million) and Lions Gate Studios (\$42 million).

He holds a marketing diploma from BCIT and a Bachelor of Business Administration degree from Washington State University.

For more information on Avison Young industrial submarket reports, please contact **Monte Stewart** at (604) 646-8381 or mstewart@ay-bc.com.



Avison Young recently listed this industrial distribution facility at 900 Parker Street for sale on behalf of the vendor.

Sale and lease transactions increase as economy improves

The Vancouver market is witnessing more sale and lease transactions as a result of the improving economy.

Owner-users and investors have gained more confidence in the local market and are acting on long-term business goals and real estate needs as fundamentals continually strengthen.

The following is a summary of Vancouver industrial property sales and leasing activity since the fall of 2009. (The summary covers properties within Vancouver city limits only.)

Business-form printer **Moore Canada Corporation** leased the largest space – 60,000 square feet (sf), at 901 Great Northern Way over the last half year. Meanwhile, television show producer **Shattered Productions 1 Ltd.** (8726 Borden), document-management company **Iron Mountain Corporation** (8275 Manitoba) and audio-visual equipment rental firm **AVW Telav** (395 West 8th) each leased approximately 30,000 sf at their respective locations.

Depending on property location and quality, lease rates have ranged widely but remained well above prices achieved

in suburban municipalities. Vancouver landlords are required to provide minimal inducements to secure prospective tenants.

On the sales side, two transactions alone had a combined value of approximately \$14 million, selling for about \$7 million each. In March, private investors traded a 42,000-sf warehouse and distribution facility at 1355-1375 Vernon Drive and, in early January, an owner-user acquired 890 and 890A Malkin Drive from a private investor. The 1.6-acre Malkin Drive property includes a 9,941-sf building and large parking lot. By

comparison, no deals exceeded \$3 million in early-to-mid 2009, when the recessionary storm was in full force.

Notable April 2010 deals included a private investor's acquisition of a manufacturing facility (16,000 sf) at 1275 West 75th for \$2.3 million and an owner-user's purchase of a single-tenant flex building at 256 West 7th for \$1.5 million from a private investor.

These large sales within a short time span indicate that more sizable transactions and increased deal velocity will likely transpire over the next six months. ■

continued from page 1

Demand for strata heats up

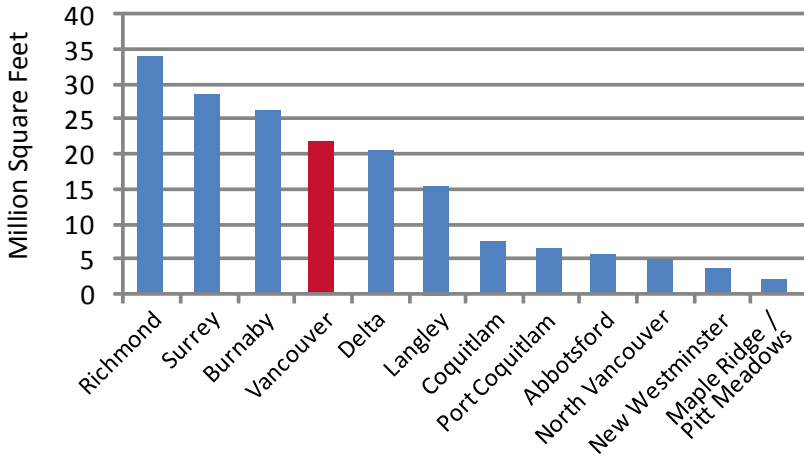
bays and higher floor-load capacity, low interest rates and owner-users' desire to be close to the metropolitan region's core.

Demand for strata properties was high in 2008, but cooled off in 2009 due to challenging debt markets that made it difficult for small businesses to secure suitable financing. As the debt markets continue to improve, more

strata projects are anticipated to come on stream in the medium-to long-term.

Otherwise, few large projects are scheduled for completion within the city limits, primarily because of limited land supply. Consequently, Vancouver's industrial market is expected to witness ongoing strong demand, limited vacancy and tight supply for the foreseeable future. ■

Vancouver vs. Metro Vancouver Industrial Inventory (Q2 2010)



Powell area rezoning creates more light industrial opportunities

Vancouver's Powell Street area has become more accessible to light industrial property owner-users and investors as a result of a zoning change.

In a move that bodes well for the sales and leasing market, the **City of Vancouver** has rezoned the Hastings North corridor, which is a portion of the Powell industrial area between Victoria Drive and Semlin Drive, to I-2 light industrial from M-2 heavy industrial. As city planners recommended in a 2009 policy report to council, the rezoning expands Powell's existing I-2 light industrial area from a small part of a block along Semlin Drive to the entire block between Semlin Drive and Victoria Drive and the lane north of Hastings Street and Powell Street.

The Powell area is bordered by Powell Street to the north, Hastings Street to the south, and Victoria Drive and Semlin Drive on the west and east, respectively. The rezoning was based on a direction in a neighbourhood vision document that called for an improved residential/industrial interface.

During the city's public consultation process, property/business owners, tenants, the surrounding residential community, and the local business improvement association expressed strong support for the zoning change.

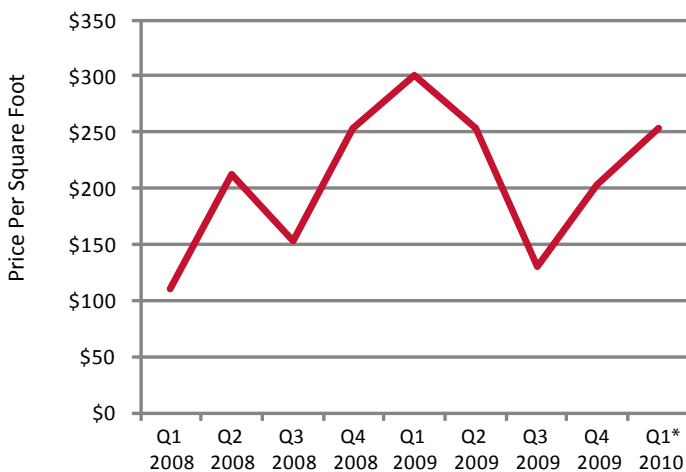
Although the expanded light industrial area is relatively small, it gives more industrial property owner-users and tenants opportunities to operate their businesses in one of the Lower Mainland's most central locations. Powell is close to Port Metro Vancouver and major, road, rail and air transportation links. Accordingly, investors will have more investment options in an area where leasing demand has remained consistently high due to traditionally low supply that was restricted by the former zoning rules.

The city's decision, designed to improve a buffer zone between the heavy industrial users to the west and residential properties to the east, potentially adds 31 lots to the light industrial mix. Council's approval came last year while tenants had more time remaining on their leases, so the impact of the zoning change was not immediate. As leases begin to roll over, Powell area usage should reflect the zoning change.

As a result of the rezoning, Powell industrial buildings may now contain more office space than allowed under the M-2 category. Such previous uses as animal-products processing, pulp, petroleum, coal products and a bulk fuel depot are no longer permitted in the area.

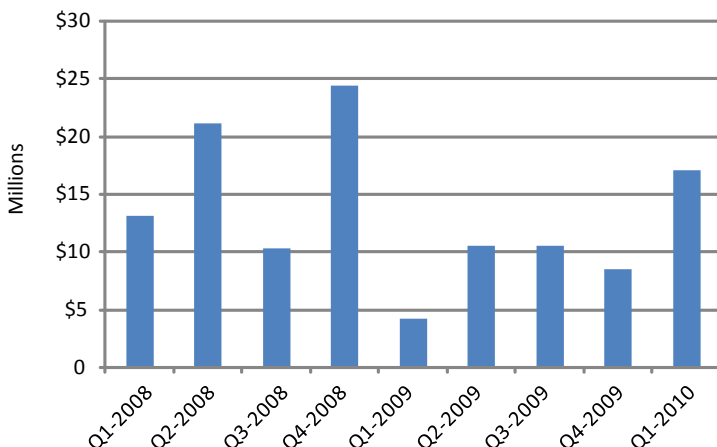
According to the 2009 report from city planners, the largest site in the area, the 2.3-acre former Terminal City Ironworks property, is a candidate for light industrial redevelopment. Currently used as a film location, it has considerable potential as a strata-ownership project. ■

Vancouver Q1 2008 to Q1 2010 Average Prices



*High price per square foot skewed by low building-to-land ratio.

Vancouver Sales Transaction Dollar Volume (Q1 2008 to Q1 2010)



Sources: RealNet Canada Inc., Avison Young

Vancouver Industrial Sales Transactions (December 1, 2009 to May 1, 2010)

Address	Price	Square Feet	Per Square Foot	Date
1641 Venables Street	\$689,000	3,885	\$177	April 2010
1275 West 75th Avenue	\$2,300,000	15,995	\$119	April 2010
Foreshore Business Park	\$460,000	1,361	\$338	April 2010
256 West 7th Avenue	\$1,500,000	6,081	\$247	April 2010
South Vancouver Business Centre	\$320,000	2,639	\$121	March 2010
890-890A Malkin Avenue	\$7,015,000	42,000	\$167	March 2010
2323 Boundary Road	\$265,000	1,133	\$234	March 2010
660 Evans Avenue	\$730,000	2,844	\$257	March 2010
1344 Franklin Street	\$392,667	1,880	\$209	February 2010
Angus Business Centre	\$675,000	3,603	\$187	February 2010
Shaughnessy Business Park	\$579,000	3,310	\$175	January 2010
1355 & 1375 Vernon Drive	\$7,100,000	9,941	\$714*	January 2010
116 West 8th Avenue	\$1,150,000	3,987	\$288	December 2009
8763 Cambie Street	\$650,000	3,992	\$163	December 2009
790 Clark Drive; 1311 Adanac Street	\$2,295,000	13,175	\$174	December 2009
South Vancouver Business Centre	\$451,000	3,272	\$138	December 2009
101 West 5th Avenue	\$2,475,000	8,916	\$278	December 2009
1635 Venables Street	\$695,000	3,300	\$211	December 2009
Total	\$29,741,667	131,314	Average \$226	

*High price per square foot skewed by low building-to-land ratio.

Source: RealNet Canada Inc.

The Avison Young Industrial Team

Avison Young's Industrial Team enables investors, landlords and tenants to find their industrial property solutions quickly and easily. Team members provide clients with timely news on industrial market trends across Metro Vancouver.

Whether you are looking to relocate, expand, renew, buy, lease, sell and/or lease back your property, Avison Young will help you assess your business objectives and negotiate a solution to meet your short- and long-term business needs.

For more information, visit: www.avisonyoung.com

Follow Avison Young on Twitter:

For industry news and market reports: www.twitter.com/avisonyoung

For Avison Young listings and deals: www.twitter.com/AYListingsDeals

Founded in 1978, Avison Young is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 600 real estate professionals in 18 offices across Canada and in the U.S.

Contacts

Michael Allen
604.647.5085
mallen@ay-bc.com

John Lecky
604.647.5061
jlecky@ay-bc.com

Kyle Blyth
604.647.5088
kblyth@ay-bc.com

Bennett Lutes
604.687.7331
blutes@ay-bc.com

John Eakin
604.646.8399
jeakin@ay-bc.com

Douglas McMurray
604.647.5082
dmcsmurray@ay-bc.com

Michael Farrell
604.646.8388
mfarrell@ay-bc.com

Manjot Mattu
604.647.5096
mmattu@ay-bc.com

Robert Gritten
604.647.5063
rgritten@ay-bc.com

Struan Saddler
604.647.5077
ssaddler@ay-bc.com

Ryan Kerr
604.647.5094
rkerr@ay-bc.com

Matt Thomas
604.646.8383
mthomas@ay-bc.com