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Media Release

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Editors/Real Estate Reporters

· Please click on link to view *Avison Young's Fall 2011 Delta, BC Industrial Real Estate Market Report*
http://www.avisonyoung.com/library/pdf/Van_Research/Delta_Report_Fall_2011web.pdf

Purchasers vying for access to Delta, BC industrial real estate market

***Despite declining number of transactions compared with previous years,
2011 dollar volume likely to be one of highest since at least 2006***

Vancouver, BC — Heightened demand from investors and owner/users for industrial real estate in Delta in 2011 is expected to result in one of the highest levels of annual investment since at least 2006, despite fewer transactions closing in 2011 than in previous years.

With nearly \$74 million invested between January 2011 and November 2011, dollar volume is approaching full-year totals for 2010 (\$82.1 million) and 2009 (\$79.6 million) but remains back of 2008 (\$109.3 million).

These are some of the key trends noted in ***Avison Young's Fall 2011 Delta, BC Industrial Real Estate Market Report***, released today.

While the number of transactions in 2011 (20 YTD) will not surpass 2008 (40) and is unlikely to surpass activity levels in 2007/2010 (28 each), 2011 is likely to exceed 2006 (22) and 2009 (24) in terms of number of completed deals.

“The low cost of debt, combined with replacement costs running higher than acquisition costs in Delta, has pushed many buyers – particularly sophisticated investors – to reach for any quality product that comes on the market,” comments **Ryan Kerr**, an Avison Young associate specializing in Delta sales and leasing.

“Purchasers typically weigh three factors when buying an industrial asset – replacement cost versus acquisition cost, yield, and the price per square foot,” explains Kerr. “When replacement costs exceed acquisition costs in Delta, well-capitalized industrial developers will typically buy value-add investment product and reposition the asset through leasing to achieve higher returns.”

Delta's industrial vacancy rate increased to 8.5% in fall 2011 from 7.7% in spring 2011 and 7.9% in fall 2010. Rental rates and deal flow have remained constant since the spring and that trend is expected to continue into 2012.

"Many owner/users have delayed making relocation decisions until absolutely necessary," says Avison Young Principal **Doug McMurray**. "A lack of new, efficient-floorplate distribution space has also dampened market activity to an extent."

McMurray adds: "A lack of sale product and land for users, along with low interest rates, has subsequently fuelled the popularity of large-bay strata units in the region. The high cost and limited availability of land makes construction of free-standing buildings too expensive for most."

Almost one-third of all industrial properties (5 of 16) sold in Delta between March 2011 and November 2011 were purchased by investors.

Cap rates for Delta industrial investment product are estimated at 6% to 6.25% for class A buildings occupied by high-grade tenants with long-term leases.

Net lease rates, which are expected to hold steady for at least the next 12 months (with some opportunity to rise in localized areas in early 2013 with the opening of the South Fraser Perimeter Road), are generally between \$5 to \$8.50 psf per annum depending on the quality of the asset.

"Until the market witnesses more positive absorption and the vacancy rate moves below 6%, rental rates will remain largely static," says Kerr.

Avison Young's *Fall 2011 Delta, BC Industrial Real Estate Market Report* also features a review of the **Corporation of Delta's** plans to open up **Boundary Bay Airport** to additional industrial development.

Founded in 1978, Avison Young is Canada's largest independently-owned commercial real estate services company. Headquartered in Toronto, Ontario, Avison Young is also the largest Canadian-owned, principal-managed commercial real estate brokerage firm in North America. Comprising more than 800 real estate professionals in 25 offices across Canada and the U.S., the full-service commercial real estate company provides value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-residential properties.

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