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Media Release

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Editors/Reporters

· **Please click here to view Avison Young's Summer/Fall 2011 Vancouver, BC Industrial Report:**
http://www.avisonyoung.com/library/pdf/Van_Research/Vancouver_Industrial_Report_Fall_2011web.pdf

Industrial deal volume on the rise in Vancouver, BC as owner/users purchase space

Avison Young releases its Summer/Fall 2011 Vancouver, BC Industrial Report

Vancouver, BC — Demand for industrial real estate in Vancouver reached its highest point in more than three years during the first half of 2011 as owner/users leveraged inexpensive debt to purchase business space, according to Avison Young's **Summer/Fall 2011 Vancouver, BC Industrial Report**, released today.

"While there is a lack of large dollar volume product available, we are witnessing an increasing number of smaller investment transactions, which is enhancing the stability in the industrial investment market," comments Avison Young Principal **John Lecky**, who specializes in Vancouver industrial property sales and leasing. He adds: "The only thing limiting strata development is identifying a site large enough to render the economics attractive."

The Vancouver industrial market witnessed 27 transactions valued at \$36.8 million in total during the first half of 2011. This total marked the highest first-half dollar volume since 2007 and the greatest number of first-half transactions since 2008, according to **RealNet Canada**. Of those 27 transactions, 11, or just more than 40%, were strata purchases of small-bay units ranging from 1,300 square feet (sf) to 4,000 sf.

Overall, there were 30 transactions worth a total of \$41.6 million in Vancouver's industrial market by the end of August.

Lecky continues: "While we are only witnessing a slight increase in tenant velocity, the market is becoming deeper. We are not seeing much pressure on rental rates, but there is more activity, and that activity usually translates into transactions."

Vancouver industrial vacancy notched up to 3.9% in spring 2011 from 3.5% in fall 2010 but is expected to tighten moderately by year-end 2011 as the lack of new development and a constrained land supply reduce overall availability. Rental rates were stable in the first half of 2011 and are

expected to remain so for the next six to 12 months as landlords work to keep buildings fully tenanted in the face of low-cost debt-fuelled acquisitions.

“As the cost of debt declines, it puts more downward pressure on capitalization rates/yields,” adds Avison Young’s **Struan Saddler**, a Vancouver industrial sales and leasing specialist. “This should entice prospective vendors to offer product to the market because they are looking at historically low cap rates and, accordingly, higher proceeds.”

Accommodating the growth of industrial users currently situated within Vancouver city limits will place increasing pressure upon the limited industrial land supply and may result in some companies choosing to relocate to lower-cost markets in suburban municipalities. The barrier to entry for those not already in the Vancouver industrial market will remain prohibitive for many and likely result in the reconsideration of Vancouver as a destination for large-scale industrial investment.

*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. Headquartered in Toronto, Ontario and ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 800 real estate professionals in 25 offices across Canada and the U.S. The 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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