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BREAKING NEWS

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Recession bites Lower Mainland industrial property market

Tuesday, November 10th, 2009 | 11:40 am

Canwest News Service

The recession took a 25-to-30-per-cent bite out of Lower Mainland industrial land values over the last year, according to the latest report from commercial realtor Avison Young.

Economic contraction quelled the demand for new industrial buildings, which put pressure on the speculators who bought land at the peak of market cycle to sell.

The consequence was industrial land values fell to \$400,000 to \$1 million an in 2009 from \$600,000 to \$2 million an acre in 2008.

"If there is no demand to build, it is no surprise vacant land is the first asset to be disposed of," Avison Young principal Rob Gritten said in a news release.

"Speculators who entered this market in the late stages of the bubble, and with no income to support carrying costs, have been forced to discount significantly to attract bids."

The Avison Young report noted that Metro Vancouver's industrial-property vacancy rate rose to 4.4 per cent in the third quarter of 2009 from 3.2 per cent in the spring, and an absolute low of two per cent between early 2006 and mid 2008.

However, the recession's downward pressure on prices and labour costs has allowed developers to propose new projects with lower rental rates, according to John Lecky, another of Avison Young's principals in the Vancouver office.

"Overall, the current state of the Metro Vancouver industrial market remains relatively stable, with a growing perception amongst local industrial stakeholders that the worst of the economic contraction is over and the marketplace is beginning to witness incremental improvements," the report said.

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