



Correction predicted for commercial land prices in Metro

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There will likely be a correction in Lower Mainland commercial land prices, according to one major commercial realtor, although prime commercial buildings remain attractive real estate for investors to own.

Rob Gritter, a principal with Avison Young Commercial Real Estate in Vancouver, said land prices are now so high that buyers cannot build new buildings on economic terms. "There is definitely going to be retrenchment in value," Gritter added.

For industrial land, Gritter said, prices have risen to more than \$1 million an acre in suburban locations, and \$4 million in urban Vancouver locations. "You can't build a building to lease anywhere [while] paying [for] land at \$1 million an acre and make it economic," he said.

However, Avison Young, in its mid-year review of real estate investment in B.C., found that existing buildings in good locations with solid tenants are still in demand. The Avison Young report tracked 24 commercial transactions of more than \$5 million, worth a total of \$535 million, over the first half of 2008, compared with 38 worth \$316 million over the same period in 2007.

Gritter said tightening of credit markets and elimination of the asset-backed commercial paper debt has taken some high-leverage buyers out of the market.

However, he added that this development has allowed traditional investors to get back into the market. "The commercial [real estate] market is much more based on strong fundamentals," Gritter said. "and we certainly see continued low vacancy rates [in the Lower Mainland] in all sectors on the commercial side."

He added that developers have not oversupplied the market with new commercial buildings, and with few listings of existing buildings, the market remains constrained.

"The survey indicates that there is still tremendous volume [of transactions] and we're still seeing significant activity levels," with multiple bidders for the prime properties.

Industrial property sales dominated the first half of 2008 with some \$274 million in sales, according to the Avison Young report. The dispersal of cold-storage firm Versacold Canada Corp.'s portfolio to Kingsett Capital accounted for \$103 million of the transactions.

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