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Editors/Real Estate Reporters

• Please click on link to view and download Avison Young's *Fall 2018 Metro Vancouver Industrial Overview*:

<https://www.avisonyoung.ca/documents/95750/17687307/Fall+2018+Metro+Vancouver%2C+BC+Industrial+Overview>

Rental rates rising as new supply unable to alleviate record low vacancy in Metro Vancouver industrial market

Avison Young releases its Fall 2018 Metro Vancouver, BC Industrial Overview

Vancouver, BC — Metro Vancouver's industrial market has been unable to keep pace with ongoing demand from e-commerce uses, logistics/distribution firms and light manufacturers despite the regional inventory growing by almost 5% in the past 36 months. This expansion represents the net addition of more than 9.2 million square feet (msf) to the market, which grew to almost 202 msf by the third quarter of 2018. Despite this expansion, industrial vacancy in Metro Vancouver remained the second tightest in Canada and one of the tightest in North America at 1.5% in the fall of 2018. Industrial vacancy in Metro Vancouver has not exceeded 2% since the first quarter of 2016. Since the fall of 2014, quarterly industrial vacancy has achieved 4% just once (in the first quarter of 2015). While industrial vacancy has historically been constrained in Metro Vancouver, the market is currently in the longest period of sub-2% vacancy on record.

Industrial rental rates have continued to climb rapidly with the average asking net rent in Metro Vancouver now at \$11.43 psf, up from \$9.99 psf a year earlier. The combination of tight vacancy, limited new supply, elevated land pricing and rising construction costs, particularly labour and certain construction materials, are behind the rapid escalation of rents. Tenants in virtually all markets are faced with either renewing their lease at notably higher rates or relocating further away from the region's traditional core industrial markets to markets located further south of the Fraser River and further east in the Fraser Valley.

These are some of the key trends noted in ***Avison Young's Fall 2018 Metro Vancouver Industrial Overview***, released today.

Only two Metro Vancouver industrial markets recorded vacancy of 2% or greater in the third quarter of 2018: Richmond (2.3%) and Port Coquitlam (2%). More remarkable is that four Metro Vancouver markets recorded vacancy at 1% or less: Abbotsford (0.7%), North Vancouver (0.6%), New Westminster (0.1%) and Maple Ridge/Pitt Meadows (0.3%).

“Companies are increasingly looking for efficiencies, including consolidating multiple locations into a larger facility,” comments Avison Young Principal **Russ Bougie**. “Given enough lead time, larger companies currently have more options for a new build-to-suit than if they were to lease an existing building in almost all size ranges and markets.”

“Users are being forced to locate where space is available, resulting in companies being forced to operate in less efficient locations,” he says.

He adds: “Vacancy in Metro Vancouver has remained sub-2% for the past 30 months due to virtually all new space for lease coming to the market being preleased prior to completion. Users who fail to plan ahead are paying the price of not having options.”

While the slowing residential market may have a minimal impact on small-bay strata sales, other forms of government intervention in the real estate market are not anticipated to have an impact. Market fundamentals remain strong, and demand from owner-occupiers and investors at near record levels is expected to continue for at least the next 18 months.

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