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**Editors/Real Estate Reporters**

• Please click on link to view and download Avison Young's *Spring 2019 Metro Vancouver Industrial Overview*:

<https://www.avisonyoung.ca/documents/95750/47239315/MetroVanIndustrialOverviewSpring2019>

**New record-low vacancy achieved in Metro Vancouver's industrial market amid ongoing strong demand and constrained land supply**

***Avison Young releases its Spring 2019 Metro Vancouver, BC Industrial Overview***

**Vancouver, BC** – While Metro Vancouver's industrial real estate market has remained largely unchanged since fall 2018 with record-low vacancy, escalating rental rates, an expensive and constrained industrial land supply and an insufficient volume of new development continuing into 2019, some fundamental shifts in market dynamics have started to emerge.

What remains unchanged for the time being is the ravenous appetite for industrial real estate among tenants, owner-occupiers, developers as well as private and institutional investors to date in 2019. Regional industrial vacancy sank to a record low of 1.2% at the end of the first quarter of 2019 – the lowest in Canada – with industrial sale totals exceeding \$150 million in the first three months of the year after a record-setting \$1.8 billion of investment in 2018. Developers remain unable to keep up with demand as industrial vacancy in Metro Vancouver has now remained at less than 2% for the past three years (and less than 1.5% through 2018) despite the addition of more than 10.2 million square feet (msf) in the past 36 months. Eight of 13 industrial markets in Metro Vancouver posted vacancy rates of less than 1% at the end of the first quarter of 2019

These are some of the key trends noted in ***Avison Young's Spring 2019 Metro Vancouver Industrial Overview***, released today.

The average asking net rental rate for Metro Vancouver industrial space slipped slightly to \$11.49 psf from \$11.52 psf three months earlier at year-end 2018. This marked the first time that asking rental rates did not increase quarter-over-quarter since the first quarter of 2017 when the average industrial asking rate in Metro Vancouver briefly slipped to \$9.50 psf after surpassing \$10 psf for the first time in history in the third quarter of 2016.

"The reason for this pause in rent escalation is that there was almost no new supply delivered in the first quarter of 2019, and the newer more expensive space had already been leased while older product remained available, which led the average asking rental rate to decline slightly," comments Avison Young Principal **Ryan Kerr**. "New deals continue to achieve higher rental rates and asking rates are expected to continue to escalate. Furthermore, lease turnover will continue

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occurring and new listings will come available, which should also contribute to asking-rent escalation in the near term.”

Industrial land pricing, which continues to rise on a regional basis due to the increasingly limited supply, is progressively influencing development decisions involving new supply. In order to make sense of the industrial land pricing of the past 24 to 36 months, purchase decisions are being largely driven by either end-user requirements or developers contemplating industrial strata development. As a result, land pricing is skewing the composition of new industrial development in favour of strata projects, which is offering little to no relief in regards to vacancy.

“While construction of lease product is continuing by institutional investors seeking to hold assets long term as well as by those developers who acquired land at historical costs, the volume is unlikely to have much of an impact on vacancy,” says Avison Young Principal **Garth White**. “Much of this new lease supply is focused on large logistics/distribution users and is often preleased years in advance of completion. Small- to mid-sized industrial tenants are increasingly left with very limited options. Furthermore, we continue to see a shift in the development pipeline to strata projects, which will have significant consequences in the near future.”

Strong industrial market fundamentals will support continued growth and foster demand from owner-occupiers along with private and institutional investors and is expected to drive investment volumes to near-record levels of activity for at least the next 18 months.

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