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Contact:
Andrew Petrozzi
604.646.8392
email:
andrew.petrozzi@avisonyoung.com

Editors/Real Estate Reporters
• Please click on link to view Avison Young's *Fall 2015 Burnaby/Coquitlam, BC Industrial Report:*
http://www.avisonyoung.com/fileDownloader.php?file=files/content-files/Offices/Vancouver/Research/2015/Vancouver_BurnabyCoquitlamIndustrialReport_Fall2015.pdf

Industrial vacancy tightens in Burnaby and Coquitlam as sales slip

Avison Young releases its Fall 2015 Burnaby/Coquitlam, BC Industrial Report

Vancouver, BC – After two years of record industrial dollar volume in Burnaby and one of the strongest years on record in terms of deal and dollar volume in Coquitlam in 2014, industrial sales declined significantly in Burnaby during the first half of 2015 while leasing activity surged and vacancy tightened to near record lows in both British Columbia submarkets.

An acute shortage of industrial buildings for sale and a very limited and expensive supply of industrial land on which to develop new product have limited sales activity in Burnaby even as demand from owner/users (and investors) has strengthened. That demand has helped push vacancy down in Burnaby to 2.8% and to 1.5% in Coquitlam – the lowest vacancies recorded in either submarket since at least the run-up to the U.S. recession between 2005 and 2007.

These are some of the key trends noted in **Avison Young's *Fall 2015 Burnaby/Coquitlam, BC Industrial Report***, released today.

Industrial sales activity in Burnaby in the first half of 2015 slipped to 18 transactions valued at $29.4 million – a significant drop from 2014 ($136.3 million/34 transactions) and 2013 ($168.8 million/41 million). The largest sale in Burnaby in the first half of 2015 was the $5.181-million disposition of 5284-5288 Still Creek Drive, the only deal greater than $5 million and one of just three deals greater than $4 million. Industrial sales volume in Burnaby had previously exceeded $100 million annually since 2011 and 40 or more transactions have closed each year since at least 2007, but activity in the submarket is not expected to match either milestone in 2015.

"An overall lack of supply of sale and lease product coupled with owners' unwillingness to sell their properties limited sales activity in Burnaby during the first half of 2015 as demand from owner/users remained exceptionally strong," comments **Kyle Blyth**, a Vice-President in Avison Young's Vancouver office who specializes in industrial property sales and leasing. "That demand, in turn, reduced industrial vacancy in Burnaby to 2.8% in the third quarter of 2015 from 4% 12 months earlier as owner/users increasingly reconsidered leasing the few options that remained available."

Strong demand from owner/users in Coquitlam and limited sale opportunities led to declining vacancy and rising rental rates in the first half of 2015. Vacancy dropped to 1.5% in the third quarter of 2015 from 3.6% in the third quarter of 2014. The $19.25-million sale of 65 North Bend Street to an owner/user was a substantial factor in the steep decline in vacancy in the 8-msf market.

Owner/users continue to dominate the market and, once established in Coquitlam, tend to try to remain in the city as their companies grow and expand. While many firms have been forced to consider other markets in order to meet their space requirements, those that have remained in Coquitlam have generally paid a premium to acquire suitable premises (if they were able to secure such a property at all).

“A lack of new industrial development has restrained industrial sales and leasing activity in Coquitlam,” says **Ben Lutes**, a Vice-President in Vancouver who specializes in industrial property sales and leasing. “After more than a decade with no new industrial development in Coquitlam, the **Beedie Development Group** has indicated that it will include light industrial/office space for lease as part of its **The Village at Fraser Mills** project.”

With vacancy returning to pre-downturn levels and new supply limited in the short- to mid-term, industrial assets that do come available in Burnaby or Coquitlam command premium pricing as purchasers generally meet vendor expectations. Landlords are increasingly able to interpret lease terms in their favour and tenants considering relocating should allow for a significant period of time to secure new premises if they wish to remain in the Burnaby or Coquitlam markets. Owner/users will generally need to consider purchasing in strata developments as stand-alone buildings are rare to come by and development sites are virtually non-existent. Pricing for both asset types will continue to rise and those considering an investment purchase will have to contend with a motivated core of owner/users backed by inexpensive debt.

Avison Young is the world’s fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its principals. Founded in 1978, the company comprises 2,000 real estate professionals in 71 offices, providing value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-family properties.

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For further info/comment/photos:

- **Kyle Blyth**, Vice-President, Industrial, Vancouver, Avison Young: **604.647.5088**
- **Ben Lutes**, Vice-President, Industrial, Vancouver, Avison Young: **604.646.8382**
- **Andrew Petrozzi**, Vice-President, Research (BC), Avison Young: **604.646.8392**
- **Michael Keenan**, Principal & Managing Director, Vancouver, Avison Young: **604.647-5081**
- **Sherry Quan**, Principal, Global Director of Communications & Media Relations, Avison Young: **604.647.5098**

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