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Editors/Real Estate Reporters

• Please click on link to view and download Avison Young's *Fall 2017 Metro Vancouver Industrial Overview*:

<http://www.avisonyoung.ca/documents/95750/1691318/AY+Fall+17+Metro+Vancouver+Industrial.pdf>

**Metro Vancouver industrial market under pressure
as rising costs, low vacancy redefine expectations**

Avison Young releases its Fall 2017 Metro Vancouver, BC Industrial Overview

Vancouver, BC – Metro Vancouver's rapidly expanding industrial market has continued to record robust and rapid increases in absorption, lease rates and pricing during the past 12 months against a backdrop of near-record low vacancy, changes in government, rising interest rates and swelling construction and land costs.

Industrial vacancy in Metro Vancouver was 1.6% at the end of the third quarter of 2017, down slightly from the 1.8% recorded 12 months earlier. Vacancy continued to tighten further in 2017 despite the addition of 3.1 million square feet (msf) of new inventory. Metro Vancouver's industrial market has consistently expanded on an annual basis in recent years as vacancy has continued to decline. Metro Vancouver's industrial inventory grew to 198.7 msf at the end of the third quarter of 2017 and has been adding approximately 3.1 msf per year since the third quarter of 2014, but vacancy still tightened over that period to the near-record lows of 2% or less recorded regionally since at least 2016. Metro Vancouver's industrial market will surpass 200 msf in 2018 amid record sale prices and double-digit lease rates in many markets.

These are some of the key trends noted in **Avison Young's *Fall 2017 Metro Vancouver Industrial Overview***, released today.

Only four Metro Vancouver markets recorded vacancy higher than 2% in the third quarter of 2017: Burnaby (2.4%), Delta (2.7%), Maple Ridge/Pitt Meadows (2.4%) and Port Coquitlam (2.2%). More remarkable is that four Metro Vancouver markets recorded vacancy at 1% or less: Richmond (1%), Surrey (1%), North Vancouver (0.7%) and New Westminster (0.0%).

With almost 3.3 msf of absorption recorded in the first nine months of 2017 alone, demand for space – lease, freehold or strata – remains exceptionally strong with owners obtaining peak

pricing for industrial land and assets. The majority of absorption has occurred in just two markets: Surrey (1.3 msf) and Delta (1.05 msf).

“Metro Vancouver’s industrial development pipeline remains robust, but limited by a constrained supply of available industrial land,” comments Avison Young Principal **Garth White**. “Tenants seeking to expand or relocate should be in the market at least 12 to 24 months in advance of their lease expiry and will have to consider preleasing as an option.”

He adds: “With slightly more than 5 msf of industrial space currently under construction in Metro Vancouver, more than 1.2 msf is located in Surrey. Burnaby and Richmond each have more than 600,000 sf underway, while Vancouver, Delta and Tsawwassen each feature more than 500,000 sf. More than 84% of new industrial construction is located in those six markets.”

“Developers of strata are now increasingly more likely to be involved as a purchaser when it comes to freestanding industrial buildings and industrial land,” notes Avison Young Principal **Michael Farrell**. “These purchasers can offer the strong pricing that vendors are seeking and have the liquidity to transact on virtually all properties that have development/redevelopment potential.”

He adds: “The strata rates now being achieved have generally caught up to the value of industrial land and made the development of industrial strata projects feasible at higher land costs. However, this has led to fewer industrial projects being developed for lease. Costly industrial land has also resulted in more flex space/showroom/office developments that can charge higher rents.”

While Metro Vancouver’s industrial market remains healthy and strong in 2017, there are indications of uncertainties on the horizon that may have an impact on continued price increases moving forward and should be taken under consideration.

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