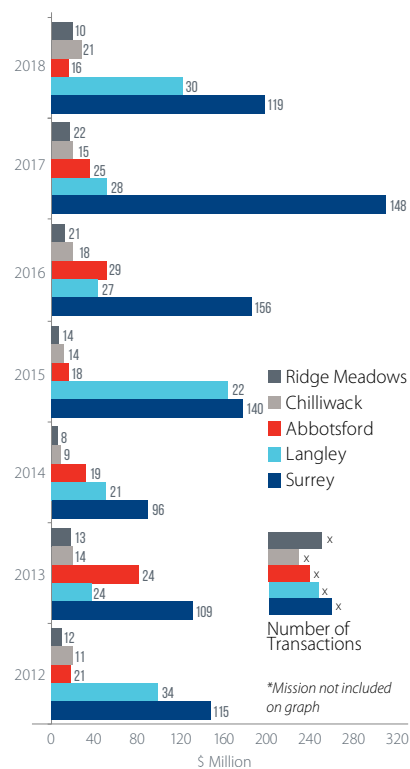




## Fraser Valley, BC

Summer 2019  
Fraser Valley Industrial Report

### FRASER VALLEY INDUSTRIAL REAL ESTATE SALES AND DOLLAR VOLUME



### Fraser Valley becoming regional industrial heartland amid continuing strong sales and leasing activity

With the 10-year average for annual industrial sales topping \$300 million (M) and more than 200 transactions in 2018, BC's Fraser Valley has rapidly transformed into the region's most active industrial market.

Demand for industrial properties in the Fraser Valley remained exceptionally strong in 2018 and through the first half of 2019, with supply constraints serving as the only limiting factor on deal and dollar volume.

While Surrey and Langley continued to capture the majority of industrial sales activity in the Fraser Valley, Abbotsford and Chilliwack are increasingly emerging as destinations for new industrial development and subsequent sales and leasing activity. Rising lease rates and purchase prices have rippled outwards from the traditional core industrial markets of Burnaby and Richmond to those historically considered more peripheral.

Fraser Valley industrial sales volume reached \$387M (199 deals) in 2018, which marked a decline from the record-setting dollar volume of 2017 (\$465M) and from the record

number of deals completed in 2016 (258). However, in terms of dollar volume, 2018 was still the third highest on record after 2017 and 2015. More than \$1.1B was spent on approximately 700 industrial properties in the Fraser Valley between 2016 and 2018. The number of sales completed on an annual basis continues to be tempered only by the number of industrial strata developments delivered in a given year.

The first half of 2019 continued to record significant industrial sales activity in the Fraser Valley with 105 deals valued at \$185M and will likely surpass 2018 in terms of deal velocity and match, if not exceed, dollar volume. Surrey (\$92M/62 deals) and Abbotsford (\$47M/20 deals) have taken the lead in 2019 with Langley (\$28M/9 deals) lagging in the first half of the year. Industrial sales activity in Chilliwack (\$7M/4 deals), Ridge Meadows (\$7M/5 deals) and Mission (\$4M/5 deals) remained limited.

Industrial vacancy throughout the Fraser

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### MARKET OUTLOOK

Cap Rates



Industrial Vacancy



Sales Volume



Absorption



Lease Rates





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Valley's 62.7-million square feet (msf) industrial market remains at historic lows. Surrey, which is the largest industrial market in the valley at 32.6 msf, had the valley's highest vacancy of 1.3% at June 30, 2019. Langley's 17.4-msf industrial market recorded vacancy of 1.1% at mid-year 2019, while Abbotsford's 8.3-msf industrial market was 1.2%. Vacancy in Ridge Meadows' 4.4-msf market was just 0.1%, tying it with New Westminister (0.1%) for the tightest industrial vacancy in Metro Vancouver at mid-year 2019. Despite more than 3.4 msf of new industrial space set for delivery in the Fraser Valley by the third quarter of 2020 (see page 3 for more details), vacancy is not anticipated to increase in a meaningful way.

The availability rates – new space being added to inventory and available in the next 180 days – for most of the Fraser Valley's industrial markets decreased at the end of the second quarter of 2019 when compared with the first quarter. Despite the addition of 1.1 msf in the next six months in Surrey, the availability rate dropped from 6% to 4% with more than 800,000 sf of that space already absorbed

by the market. Langley's availability rate slipped from 4.4% to 3.5% with the only new space delivering by year-end already leased or sold out. Strong demand in Abbotsford also pushed the availability rate from 6.8% to 4%. However, the availability rate increased in Ridge Meadows to 8.2% from 3.7% due to the scheduled completion of building 800 in **Golden Ears Business Park** by year-end 2019. There was approximately 160,000 sf of available space in the 220,000-sf building at mid-year 2019.

Rental-rate appreciation has continued to manifest throughout the Fraser Valley with almost all markets posting average asking net lease rates in excess of \$10 psf. Langley (\$11.76 psf) had the highest average asking net lease rate in the valley, followed by Surrey (\$10.80 psf), Ridge Meadows (\$10.40 psf) and Chilliwack (\$10.34 psf). Only Abbotsford (\$9.62 psf) registered an average asking net lease rate that was less than \$10 psf. Additional costs averaged \$3.46 psf in the Fraser Valley at mid-year 2019. While the pace of rental rate increases started to slow in the first half of 2019, upward pressure is expected to continue as vacancy remains at historic lows.

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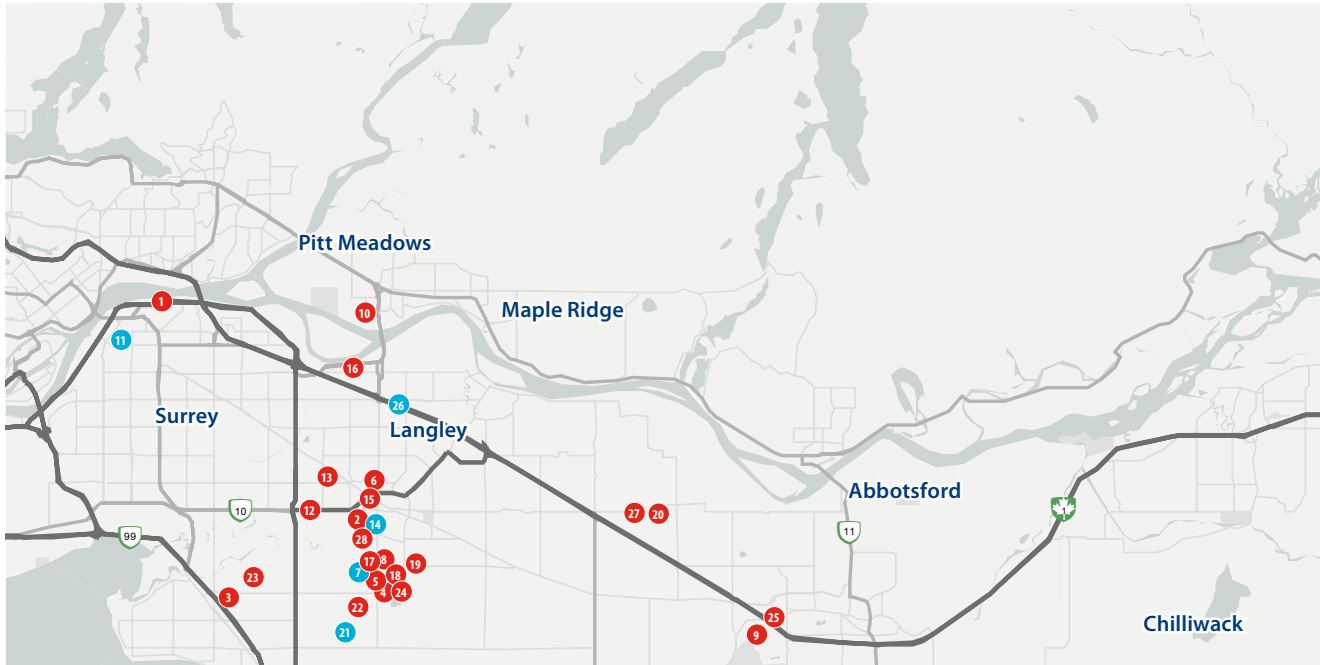
**TOP 10 FRASER VALLEY INDUSTRIAL BUILDING SALES TRANSACTIONS BY REGION (JULY 1, 2018 TO JUNE 30, 2019)**

ADDRESS	REGION	TRANSACTION VALUE	SQUARE FEET (SF)	PER SQUARE FOOT (PSF)	DATE	BUYER TYPE
5499 192nd Street, Surrey	Surrey/Langley	\$5,800,000	26,353	\$220	May 2019	Investor
20445 62nd Avenue, Langley	Surrey/Langley	\$6,200,000	24,542	\$253	May 2019	User
5363 273A Street, Langley	Surrey/Langley	\$8,470,000	23,794	\$356	Apr 2019	User
9452 193A Street, Surrey	Surrey/Langley	\$6,050,000	17,169	\$352	Feb 2019	Investor
Westmorland Business Park, 18812 96th Ave., Surrey	Surrey/Langley	\$11,225,000	37,252	\$301	Feb 2019	Investor
18998 36th Avenue, Surrey	Surrey/Langley	\$7,500,000	24,500	\$306	Oct 2018	Investor
7795 128th Street, Surrey	Surrey/Langley	\$8,100,000	32,500	\$249	Sep 2018	User
19209, 19239, 19269 & 19299 96th Avenue, Surrey	Surrey/Langley	\$11,000,000	66,363	\$166	Aug 2018	User
19577 94th Avenue, Surrey	Surrey/Langley	\$9,580,000	29,775	\$322	Jul 2018	User
9790 198B Street, Langley	Surrey/Langley	\$8,200,000	43,685	\$188	Jul 2018	Investor
660 Riverside Road, Abbotsford	Eastern Fraser Valley	\$7,767,000	47,483	\$164	May 2019	Investor
28739 Fraser Highway, Abbotsford	Eastern Fraser Valley	\$4,800,000	7,035	\$682	May 2019	Investor
23332 River Road, Maple Ridge	Eastern Fraser Valley	\$3,000,000	19,989	\$150	May 2019	Investor
1789 Foy Street, Abbotsford	Eastern Fraser Valley	\$5,000,000	10,517	\$475	April 2019	Investor
750 Riverside Road, Abbotsford	Eastern Fraser Valley	\$3,775,000	15,000	\$252	Mar 2019	User
43851 Progress Way, Chilliwack	Eastern Fraser Valley	\$4,350,000	22,000	\$198	Dec 2018	User
3256 & 3310 McCallum Road, Abbotsford	Eastern Fraser Valley	\$5,000,000	26,835	\$186	Nov 2018	User
8480 Aitken Road, Chilliwack	Eastern Fraser Valley	\$3,400,000	28,420	\$120	Nov 2018	User
12875 261A St & 128185 Katonien St, Maple Ridge	Eastern Fraser Valley	\$3,850,000	11,786	\$327	Oct 2018	User
43881 Progress Way, Chilliwack	Eastern Fraser Valley	\$3,475,000	14,375	\$242	Sep 2018	Investor

Source: Avison Young & RealNet

\* Personal Real Estate Corporation

## New Fraser Valley industrial projects scheduled for completion by late 2020



More than 3.4 msf of industrial construction set for delivery in next 12 months

	Address	Project name/Occupier	Size	Construction type	Estimated Completion	% Preleased/Presold
1	13577 115th Avenue, Surrey	N/A	80,474	SPEC - Strata	Q3 2019	38%
2	18725 & 18733 52nd Avenue, Surrey	South Cloverdale Business Centre	73,795	SPEC - Strata/ Lease	Q3 2019	40%
3	18880 30th Avenue, Surrey	South Surrey Business Park (Building 3)	196,839	SPEC - Lease	Q3 2019	100%
4	192nd Street & 32nd Avenue, Surrey	Campbell Heights North Phase V (Building 1)	136,000	SPEC - Lease	Q3 2019	100%
5	3560 190th Street, Surrey	Campbell Heights Industrial Centre 3	145,959	SPEC - Lease	Q3 2019	100%
6	3568 191st Street, Surrey	Hayer Business Centre II	28,149	SPEC - Lease	Q3 2019	0%
7	3635 190th Street, Surrey	Bailey Metal Products Ltd.	111,859	BTS	Q3 2019	100%
8	3757 190th Street, Surrey	N/A	65,918	SPEC - Strata	Q3 2019	58%
9	30583 Iron Mills Court, Abbotsford	N/A	34,728	SPEC - Lease	Q4 2019	0%
10	19055 Airport Way, Pitt Meadows	Golden Ears Business Park (Building 800)	220,416	SPEC - Lease	Q4 2019	28%
11	10323 Grace Road, Surrey	Marathon Fasteners & Hardware Inc.	33,000	BTS	Q4 2019	100%
12	17358 56th Avenue, Surrey	N/A	34,728	SPEC - Lease	Q4 2019	0%
13	17720 65A Avenue, Surrey	Qualico	73,689	SPEC - Lease	Q4 2019	87%
14	19238 54th Avenue, Surrey	Confidential	106,337	BTS	Q4 2019	100%
15	27230 60th Avenue, Langley	Gloucester North	92,001	SPEC - Strata	Q1 2020	100%
16	18898 98th Avenue, Surrey	N/A	42,090	SPEC - Lease	Q1 2020	0%
17	18991 34A Avenue, Surrey	CHS Business Centre	122,370	SPEC - Lease	Q1 2020	0%
18	192nd Street & 32nd Avenue, Surrey	Campbell Heights North Phase V (Building 2)	135,783	SPEC - Lease	Q1 2020	0%
19	3577 194th Street, Surrey	Cedar Coast South Surrey	126,417	SPEC - Lease	Q1 2020	75%
20	56th Avenue & 272nd Street, Langley	Grubner Centre	169,500	SPEC - Lease	Q2 2020	0%
21	18821 20th Avenue, Surrey	Confidential	530,799	BTS	Q2 2020	100%
22	19051 27th Avenue, Surrey	27th Avenue Business Centre	74,193	SPEC - Lease	Q2 2020	85%
23	19155 38th & 19168 39th Avenue, Surrey	Thirty8 Avenue Business Centre	147,542	SPEC - Strata	Q2 2020	0%
24	19437 32nd Avenue, Surrey	Q1 Business Park	213,448	SPEC - Strata	Q2 2020	32%
25	2188 Mason Street, Abbotsford	Mason Corporate Centre (MCC)	167,939	SPEC - Strata	Q3 2020	7%
26	200th Street & 86th Avenue, Langley	Sun Glow Food Services Ltd.	22,000	BTS	Q3 2020	100%
27	26550 Gloucester Way, Langley	N/A	61,419	SPEC - Lease	Q3 2020	0%
28	192nd Street & 32nd Avenue, Surrey	Campbell Heights North Phase V (Building 3)	160,976	SPEC - Lease	Q3 2020	0%

Source: Avison Young & RealNet

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Owner-occupiers continued to play a significant role in terms of acquiring industrial properties, both freestanding buildings and strata units, in the first half of 2019. A low cost of capital and the ability for owner-occupiers to write themselves lease terms that reflect a rising rate environment has allowed many to remain competitive bidders and able to meet heightened pricing expectations.

Industrial tenancies in the Fraser Valley have also been increasing in size in recent years as local businesses grow and expand and new entrants to the market discover they can only secure space in the Fraser Valley due to the highly limited availability and cost associated with the more traditional core industrial markets of Metro Vancouver. Strata is increasingly the only option for owner-occupiers as the new development pipeline skews more towards strata projects due to the high cost of industrial land in 2018/19. Those who are developing large projects for lease typically acquired the industrial land necessary at historic costs and have been assisted by the rapid appreciation in achievable rental rates that started in 2015/16.

Investors are trying to increase their profile as purchasers of industrial properties – both buildings and land – in the Fraser Valley, but due to a highly limited supply of available product and stiff competition from owner-occupiers and developers combined with compressed cap rates (typically ranging from 4.25% to 4.75%) investor involvement has been limited. Some investors have started purchasing multiple strata units – in some cases a significant portion of, if not, the entire development – to then lease out the space. Investors have typically had more success securing industrial land with an eye to (re)development.

While some industrial operations in the Fraser Valley may face potential clouds on the horizon involving the provincial softwood lumber industry, U.S. protectionism as well as a slowing residential construction market, commercial construction, strong port cargo volumes and a long list of large public infrastructure projects continue to provide a strong base of support for industrial activity throughout the Fraser Valley and Metro Vancouver. ■

**SELECT FRASER VALLEY INDUSTRIAL LAND TRANSACTIONS (GREATER THAN \$2M) BY BUYER TYPES: USER, DEVELOPER & INVESTOR (JULY 1, 2018 TO JUNE 30, 2019)**

ADDRESS	MUNICIPALITY	BUYER	BUYER TYPE	PRICE	SIZE (ACRES)	PRICE/ACRE	TRANSACTION DATE
10156 & 10170 Grace Road	Surrey	1180032 BC Ltd.	User	\$5,960,000	2.81	\$2,121,752	Jun 2019
14613-14655 64th Avenue	Surrey	1173552 BC Ltd.	User	\$5,400,000	2.71	\$1,996,303	Jun 2019
19068 32nd Avenue	Surrey	M.D. Scaffolding Inc.	User	\$4,300,000	2.25	\$1,911,111	May 2019
31806, 31828, 31838 & 31850 Marshall Road	Abbotsford	Brookwood Investors Ltd.	User	\$3,350,000	1.74	\$1,923,077	Feb 2019
23360 Fraser Highway	Langley	OpenRoad Auto Group Ltd.	User	\$4,350,000	3.20	\$1,359,375	Feb 2019
2020 Queen Street	Abbotsford	Pro Auto Recyclers	User	\$2,800,000	1.74	\$1,613,833	Feb 2019
18998 32 Avenue	Surrey	ServiceMaster Restore	User	\$5,158,000	2.07	\$2,496,612	Jan 2019
41844 No. 3 Road	Chilliwack	C.G. Punjani Investments Ltd.	User	\$4,980,000	6.48	\$768,163	Dec 2018
44431 Yale Road	Chilliwack	Tyee Manufacturing Inc.	User	\$2,850,000	2.59	\$1,101,662	Dec 2018
3353 194th Street	Surrey	Tag Properties (2018) Ltd.	User	\$8,850,000	4.89	\$1,810,186	Dec 2018
8540 Aitken Road	Chilliwack	MPC Ventures Inc.	User	\$2,131,500	2.32	\$917,169	Nov 2018
20471 Logan Avenue	Langley	Elite Bailiff Services Ltd.	User	\$2,250,000	0.83	\$2,710,843	Nov 2018
14195 256th Street	Maple Ridge	Yavascular Troy Finance Corp	User	\$5,000,000	115.84	\$43,162	Nov 2018
20512 64th Avenue	Langley	AAA Self Storage Depot	User	\$10,200,000	3.76	\$2,713,488	Oct 2018
26225 28th Avenue	Langley	1034508 BC Ltd.	Investor	\$3,000,000	2.41	\$1,246,882	Jun 2019
2825 194th Street	Surrey	Milan Holdings Inc.	Investor	\$5,735,000	2.50	\$2,293,083	May 2019
30982 South Fraser Way	Abbotsford	Mid-Valley Investments Ltd.	Investor	\$4,500,000	6.21	\$724,638	Dec 2018
2921 194th Street	Surrey	1168236 BC Ltd.	Investor	\$3,500,000	2.50	\$1,400,000	Oct 2018
30418 Simpson Road	Abbotsford	177422 BC Ltd.	Investor	\$9,119,652	23.78	\$383,436	Sep 2018
9436 184th Street	Surrey	1159487 BC Ltd.	Investor	\$6,800,000	7.93	\$917,679	Aug 2018
17854 96th Avenue	Surrey	1127922 BC Ltd.	Investor	\$2,200,000	1.77	\$1,240,135	Aug 2018
2020 Queen St. & 2012 Mason St.	Abbotsford	Transcorp Holding Inc.	Investor	\$2,265,930	2.52	\$899,893	Aug 2018
12818-12884 112B Ave. & 12827-12885 King George Blvd.	Surrey	Loon Properties (Bridgeview) Inc.	Developer	\$5,150,000	3.38	\$1,522,317	Jun 2019
26141 28th Avenue	Langley	Lorval Developments Ltd.	Developer	\$8,515,000	5.00	\$1,703,000	Jun 2019
9760 190th Street	Surrey	Beedie Group	Developer	\$14,500,000	4.88	\$2,970,094	May 2019
19283 28th Avenue	Surrey	Natt Development Ltd.	Developer	\$9,839,400	4.33	\$2,270,805	May 2019
26081 28th Avenue	Langley	Lorval Developments Ltd.	Developer	\$2,900,000	2.44	\$1,189,012	May 2019
19582 36th Avenue	Surrey	1205669 BC Ltd.	Developer	\$7,290,000	4.56	\$1,599,386	Apr 2019
Campbell Heights North Business Park - Phase IV	Surrey	Farrell Estates Ltd.	Developer	\$4,850,000	1.91	\$2,545,932	Apr 2019
Lots 1 & 2, 27200 Block 56th Avenue	Langley	Gloucester Capital Partners	Developer	\$10,000,000	8.20	\$1,219,959	Feb 2019
19524 36th Avenue	Surrey	Porte Development	Developer	\$4,600,000	4.57	\$1,006,344	Dec 2018
Crossroads, 17277 Hwy. 10	Surrey	PC Urban	Developer	\$16,867,000	10.46	\$1,612,832	Nov 2018
3441 196th Street	Surrey	The Concosts Group	Developer	\$5,100,000	5.00	\$1,020,000	Oct 2018
26195 28th Avenue	Langley	Lorval Developments Ltd.	Developer	\$4,000,000	4.81	\$832,293	Oct 2018
2185 Townline Road	Abbotsford	Beedie Group	Developer	\$10,600,000	7.16	\$1,481,481	Aug 2018
3459 Mount Lehman Road	Abbotsford	Hungerford Properties	Developer	\$8,619,000	16.76	\$514,168	Aug 2018
3583 Mount Lehman Road	Abbotsford	Hungerford Properties	Developer	\$15,250,000	28.36	\$537,729	Jul 2018

Source: Avison Young & RealNet

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