AVISON YOUNG

Metro Vancouver Industrial Overview

Spring 2015

INSIDE: Q&A with **Marcus Ewart-Johns, Matt Williams and James Donaldson** on the impact of the decline of the Canadian dollar on BC manufacturing and the expansion opportunities that situation creates for local industry.

> METRO VANCOUVER INDUSTRIAL MARKET SNAPSHOT

Market	Industrial Inventory	Vacancy		
	(square feet)	Spring 2015	Fall 2014	Spring 2014
Richmond	37,090,055	3.2%	2.5%	3.6%
Surrey	28,536,335	2.7%	2.6%	2.9%
Burnaby	27,637,584	4.5%	4.0%	3.4%
Vancouver	23,461,955	3.3%	3.2%	2.5%
Delta	22,356,227	7.2%	7.0%	8.0%
Langley	16,452,728	3.9%	2.2%	2.8%
Coquitlam	8,013,519	3.5%	3.6%	2.8%
Port Coquitlam	7,346,052	4.4%	4.1%	5.1%
Abbotsford	7,111,363	2.6%	2.8%	4.6%
North Vancouver	5,452,983	2.3%	2.1%	2.3%
New Westminster	4,105,804	11.3%	6.5%	1.6%
Maple Ridge/ Pitt Meadows	3,388,653	3.7%	5.0%	3.0%
TOTAL	**190,953,258**	**4.0%**	**3.6%**	**3.7%**

> MARKET INDICATORS
(CHANGE FROM SIX MONTHS AGO)

↗	↘	↗	↗	↔	↔	↗
ABSORPTION	CAP RATES	RENTAL RATES	VACANCY RATE	CONSTRUCTION	RETAIL SALES	CONTAINER SHIPPING VOLUME

Speculative construction rapidly depleting Metro Vancouver industrial land supply

A wave of new construction that has added almost 6 million square feet (msf) of industrial space to Metro Vancouver's industrial inventory since 2013 has pushed the region closer towards an acute industrial land shortage. Developers are increasingly scrambling (and paying more) to secure large, but progressively more scarce, land parcels to replenish their respective land banks in anticipation of the next generation of development.

Ongoing erosion of the supply of industrial land is driving strong pricing even higher as developers increasingly need to pass on heightened land costs in the form of increases in the per-square-foot rates for strata and build-to-suit developments. Industrial lease rates, which have remained largely static for the better part of five years, are also facing upward pressure even as competition with other regions in Western Canada and the limited financial capacity of local tenants keep a lid on rental rate increases for the time being. Stagnant rental rate growth will be unsustainable as the next generation of Metro Vancouver industrial development is scheduled for delivery in 2017 and beyond.

With approximately 3.2 msf of new space added to Metro Vancouver's industrial inventory in the past 12 months, vacancy rose to 4% at spring 2015 – its highest point since spring 2012 – and up from 3.7% a year earlier. The largest increases in vacancy occurred in New Westminster and Delta and were due primarily to the delivery of new vacant space, which is expected to be absorbed by the market in fairly short order.

Average net asking rental rates for industrial space in Metro Vancouver declined to $8.56 psf in the first quarter of 2015 from $8.85 psf a year earlier. Additional rents remained stable at $3.81 psf in the first quarter of 2015 versus $3.84 psf 12 months ago. North Vancouver continued to have the highest average net rental rate in Metro Vancouver ($13.27 psf), followed by Vancouver ($11.59 psf) and Burnaby ($9.17 psf). New Westminster ($6.41 psf),

continued on page 2

continued from page 1

Maple Ridge/Pitt Meadows ($6.87 psf) and Abbotsford ($6.94 psf) posted the lowest average net rental rates in the region. With the average net rental rate lower in the land-constrained Metro Vancouver market than it is in Calgary, Edmonton and Regina, upward pressure on net rates is a foregone conclusion and an almost certainty. Another factor pressuring rental rates is the price per square foot being paid for vacant buildings.

Much of the current generation of industrial construction was partially shielded from rapidly appreciating land prices in recent years due to compressing cap rates and the historical cost of land paid by developers when they acquired the land now under development. As developers replenish their land banks, that historical cost advantage, which helped offset rising land prices, will be exhausted and costs will inevitably rise as new lands are secured. Compounding the increase in land prices will be the acquisition of less than desirable brownfield properties that require more remediation or sites that suffer from topographical or geotechnical issues that boost costs even further. These types of properties are rapidly becoming the only sites of scale that remain – and even those are being acquired at elevated prices.

While concerns regarding the supply of readily available industrial land have existed for years within the brokerage and development communities, it was not until 2005 that the region, led by **Metro Vancouver**, began studying the issue in earnest. The pace of that investigation increased in 2011 with the publication of the *2010 Industrial Lands Inventory Study*, which has led to the commissioning of more than half a dozen subsequent reports and studies in the three years that followed. Two scenarios were prepared to estimate a potential timeframe for take up of the existing industrial land supply identified in the 2010 study.

"Under Scenario 1, where current industrial activity grows in proportion to the region's projected population and employment growth, the land supply would likely be taken up by the mid 2020s," according to Metro Vancouver's 2012 report, *Regional Growth Strategy - Monitoring Industrial Land Supply, Utilization and Demand*. "Under Scenario 2, which includes the assumptions under Scenario 1 plus "High Case" growth in international container trade through Metro Vancouver, the land supply would likely be taken up by 2020."

South Surrey Business Park, which is being developed by **Hopewell Development** on a 38-acre site, will complete its first 213,400-sf phase in fall 2016. Subsequent phases could include a 575,700-sf option.

While the high growth scenario has not yet come to pass, container volumes have continued to rise at **Port Metro Vancouver** – from 2.7 million TEUs in 2012 to 2.9 million TEUs in 2014 – and industrial development, particularly speculative construction, thrived in that time period. As the development and construction timelines proposed for the next generation of industrial development in Metro Vancouver begin to overlap the margins of the estimated exhaustion of readily available industrial land, the ability to secure land, particularly parcels of scale, becomes far more complex and expensive.

continued on page 8

> RECENT NOTABLE LEASE DEALS

Municipality	Address	Square feet	Tenant
Langley	1-26977 56 Avenue	142,000	Advanced Integration Technology Canada Inc.
Delta	7167 Progress Way	119,580	Forever XXI ULC
Delta	8181-8151 Churchill Street	110,000	Pet Valu
Delta	8181-8151 Churchill Street	108,900	Specialty Distributing Ltd.
New Westminster	109 Braid Street	80,000	Best Buy Canada Ltd. (short term(
Burnaby	3676-3686 Bainbridge Avenue	77,315	Seaforth Supply Chain Solutions Inc.
Richmond	7-7415 Nelson Road	77,770	Tech Data Corporation (extension)
Burnaby	2820 Underhill Avenue	61,795	Arc'Teryx
Vancouver	455 East Kent Avenue	60,000	Lush Cosmetics
Richmond	6671 Elmbridge Way	50,075	TCE Trading
Delta	8140 92 Street	49,580	TAS Refrigerated Distribution Inc.

*Build-to-suit development; completion 2015

New industrial construction offers advantages to boost energy efficiency, lower costs

With millions of square feet added to Metro Vancouver's industrial inventory in the past 24 months, tenants, owner/users and investors may start to become familiar with some of the benefits offered by advances in building construction materials, systems and related technologies.

According to the report, *Lean, Green & Connected: Innovative Industrial Buildings for Advanced Manufacturing*, produced by the Burlington Economic Development Commission (BEDC), there are a number of emerging trends in industrial building design that are changing the way such developments are perceived not only by owners and tenants, but by government, employees and clients as well.

Some of these trends, according to the BEDC, include:

- Net zero energy industrial buildings: facilities that create as much energy as they consume; frequently equipped with renewable energy sources such wind turbines, solar panels, etc.
- Modular design & construction: use of prefabricated panels or components that are assembled onsite thereby reducing material and labour costs when compared with conventional construction;
- Smart sustainable building materials: high-efficiency insulation systems such as walls with micro-encapsulated phase change materials that maintain indoor temperatures by releasing heat absorbed during the day at night when the temperature cools; electrochromic technologies that automatically adjust window tint to control how much sunlight passes through; and ventilated double-skin facades.
- Smart grids: Introduced by Cisco in 2009, a smart connected building system, which interconnects and enables building systems such HVAC, lighting, electrical, security and renewable energy sources over an IP network, allows building owner/operations manager to monitor the building's performance and make adjustments as needed to reduce capital and operating expenses. ■

Q&A

How has the decline of the Canadian dollar against the U.S. dollar impacted BC manufacturers and is there an opportunity for manufacturers to expand?

1. From your perspective, what have been the greatest impacts from a low-cost Canadian dollar on BC manufacturers and the export of BC-manufactured goods?
2. Has the export of goods manufactured in BC been rising in the past six to 12 months? What made-in-BC exports recorded the highest growth?
3. Do BC manufacturers have the capacity to meet increased demand stemming from a low-cost Canadian dollar? Are BC-based manufacturers expanding their businesses and boosting export activity to meet heightened demand from the U.S. and other markets?
4. Will a low-cost Canadian dollar and increased demand for BC-manufactured goods further complicate the issues of industrial land costs and the lack of supply already faced by BC manufacturers?

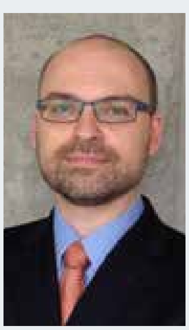
Marcus Ewert-Johns

1. A lower dollar has been good for trade overall, especially if a BC product is a great substitute for a product from an international supplier. For example, it is now cheaper for Mexico to buy a part or machine from Canada than from the U.S. simply because of the better exchange rate. This greatly benefits companies that source materials and have all their labour in Canada. On the flip side, if a business is importing most of its materials from foreign countries (and being billed in U.S. dollars), a lower Canadian dollar will obviously have an impact on their operations. Furthermore, BC businesses want stability in the dollar so there is predictability for costs and revenues. That said, experienced exporters know they need to hedge and plan accordingly for an exchange rate that is always moving.

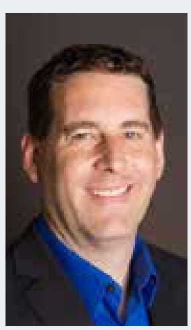
2. Exports have shown moderate growth over the last six to 12 months. This is primarily the result of a resurgent U.S. economy and growing consumption by newly prosperous populations in Asian economies. However, growth was also tempered by depressed energy prices and a number of security concerns in world hot-spots. BC has managed to gain significantly. Building materials exports to the U.S. are at a seven-year high. Global exports of BC agricultural products and seafood are showing significant double-digit growth. Machinery, aerospace components and garments sectors have also demonstrated growth of 25% or more over the last 12 months. Plastics and chemical exports have also been strong.

3. BC manufacturers report strong growth but they also share struggles meeting growing demand. Capacity really comes down to improving productivity and having available labour. Factories want to add workers quickly, but a limited supply of skilled workers exists. To meet today's opportunities a business cannot wait a couple of years for a college to graduate a student. Businesses are also fighting a misconception that manufacturing jobs are "dirty". Sure, they are not desk jobs but in many cases manufacturers are doing engineering and design, fabrication may be done by machine and not by hand. Many manufacturers have pristine facilities. The fact that manufacturing jobs pay more than 15% above average and 22% more than service jobs makes them very attractive, especially for governments. I'd encourage students and those seeking a change of employment to think about manufacturing.

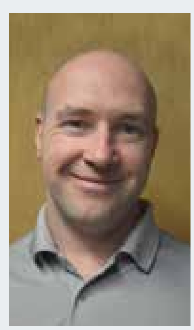
4. Yes. Several businesses I have spoken with in the last few moths would like to expand. However, the availability and cost of industrial land creates a significant challenge for them. Finding sizeable and affordable land means going farther out. Businesses do not want to move a facility from Burnaby to Chilliwack as many of their workers would not follow. We also do not want to see BC facilities move across the border into the U.S. where land and taxes are cheaper. Last but not least,



Marcus Ewert-Johns
Vice-President, British Columbia, Canadian Manufacturers & Exporters
Former executive director of the International Business Development Branch in BC's Ministry of Technology, Trade & Economic Development.



James Donaldson
CEO, BC Food Processors Association
CEO of the BC Food Processors Association, representing all segments of the $8.2 billion food, beverage and natural health products processing industries.



Matt Williams
President & COO, Williams and White Group of Companies
President of Williams and White, a fully-integrated manufacturing company, focusing on manufacturing, equipment and automation.

in many municipalities there is strong desire to sit on land for future residential development which frustrates economic growth. The question is where will the jobs be for all the people living in these new developments? More industrial land needs to be made available and protected to ensure communities are able to provide good-paying jobs for their residents. Municipalities should want more manufacturing to simply drive prosperity.

Manufacturing is the third largest source of employment in the province and provides more than 163,500 direct jobs.

James Donaldson

1. As evidenced by the growth in exports in the back half of 2014, the value of the Canadian dollar has created attractive opportunities for exporters or export-ready manufacturers who sell into the U.S. and Pacific Rim markets. Agrifoods exports from BC grew by 11 % in 2014. A low Canadian dollar has also created a more favourable environment for domestic producers who face the challenge of competing against imported goods, particularly from the U.S. Conversely, the low-cost Canadian dollar has put manufacturers who are required to bring in ingredients, raw materials or other key inputs to their cost of goods, at a disadvantage.

2. Specific to the BC agrifoods sector, imports grew 11% in 2014 – approaching nearly $3 billion in value. Over $2 billion of this was to the United States, where export growth was up 12%. Asia continues to be a hot market for exporters, characterized by 16% growth in the Chinese market and a 17% increase into Japan. In terms of which BC products led the way, seafood exports rose by 10%, while blueberries, food preparations for manufacturing, and baked goods were also drivers of growth at approximately 12% each. One of the great characteristics of the BC food manufacturing sector is the breadth and diversity of products that it produces, and our province has enjoyed export growth in a wide range of categories.

3. Capacity is certainly an issue, as it's strongly tied to investment in the industry. For years, investment in the food manufacturing sector across the country largely dried up, as evidenced by the large number of plant closures in Canada from 2004 to 2014. While Ontario was hit the hardest due to the concentration of large multi-national processors, it was felt across the country including BC. Indications are that the low-cost Canadian dollar could attract more investment interest in the industry, the extent to which will depend largely on how long the exchange rate stays at current levels. If the dollar were to remain at its current levels for an extended period, it could lead to not only new entrants, but also expansion of existing food processors, including investment in technology to fuel efficiency and innovation.

4. If BC sees the expected growth in investment in food processing and manufacturing overall, then it definitely could impact the cost and availability of industrial or agricultural food processing zoned land. Small and micro businesses represent nearly 90% in BC – higher than the national average of 84%. These smaller enterprises will be more attractive for both domestic and foreign investment, which will drive demand for industrial land needed for expansion – much more than large multi-national companies. The magnitude of this will ultimately be determined by where the Canadian dollar levels off.

Matt Williams

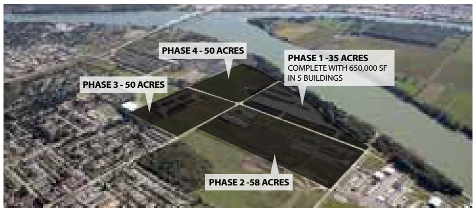
1. The low Canadian dollar provides a competitive advantage for all manufacturers doing business in the U.S. Among other things, Williams and White manufactures components that are used in the forest industry. A majority of our competitors are from the U.S., we now have a 20% advantage. On the negative side, our input costs have risen. Raw materials like steel and plastics have increased in price. Still, the main cost driver for our products is labour, and the overall cost of skilled labour has been fairly stable.

2. Yes, the low Canadian dollar has brought U.S. customers back to BC. We especially see this in the forest industry, where higher lumber prices have brought renewed enthusiasm. These two factors, the Canadian dollar and higher lumber prices, have increased demand for made in BC products. Our company has seen a corresponding increase in demand for our saw and knife maintenance machinery.

3. I believe that BC manufacturers do have the capacity to meet the demand. There will be challenges to meet the demand such as the supply of skilled labour and the high cost of living in the city centres. Smart organizations are increasing sales activity in the U.S. to take advantage of the lower dollar.

4. As economic activity increases, the demand on industrial land will increase. Generally manufacturing does not need to be tied to a city centre. Manufacturing looks to reduce land costs by moving away from city centres. This can cause problems because a majority of the younger generation wants to live close to the city centre, especially Vancouver. Our company is located in Burnaby. Being centrally located gives us an advantage when looking for quality talent. What is more valuable, human resources or land value? ■

Avison Young Industrial Lease Listings



GOLDEN EARS BUSINESS PARK- PHASE I, PITT MEADOWS

- Up to 1.2 million sf available for lease in brand new tier 1 distribution facilities
- 32′ clear ceiling height with dock and grade loading per unit
- Build-to-suit opportunities available in phase II

John Lecky / Ryan Kerr / Ben Lutes

SOUTH SURREY BUSINESS PARK, SURREY

- Multi-tenant warehouse from 23,100 sf to 213,400 sf
- Build-to-suit warehouse up to 575,000 sf available
- First building available fall 2016

Michael Farrell / Robert Gritten / Ryan Kerr

CAMPBELL HEIGHTS WEST, SURREY

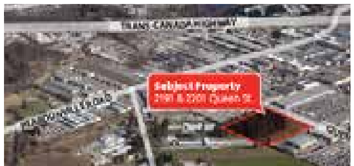
- Preleasing opportunity from 5,000 sf to 400,000 sf in prime Campbell Heights location
- Dock and grade loading

Mathew Sunderland / Robert Gritten / Ryan Kerr

888 S.E. MARINE DRIVE, VANCOUVER

- 166,666 sf available
- Marine Drive exposure
- Turnkey improvements

Kyle Blyth / Ryan Kerr



2201 QUEEN STREET, ABBOTSFORD

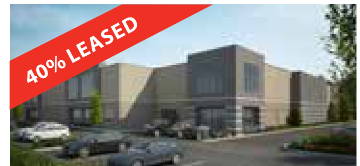
- 5,565 sf to 133,000 sf
- Available fall 2016
- Dock and grade loading

Michael Farrell

8130-8176 WINSTON STREET, BURNABY

- 3,323 sf to 64,749 sf available in a light industrial warehouse/office space in the Winston area
- Office space configured to suit

Kyle Blyth / Ben Lutes



HORIZON PACIFIC CORPORATE CENTRE II, LANGLEY

- 9,000 sf to 53,000 sf available
- Warehouse and office space in Gloucester Industrial Estate's newest development
- Ready for occupancy

Michael Farrell

#100-27515 56 AVENUE, LANGLEY

- 29,440 sf available in a large-format building with wide column spacing
- Dock & grade loading

Michael Farrell / Mathew Sunderland

2480 SHELL ROAD, RICHMOND

- 17,100 sf of warehouse space available with an additional yard area
- Can be demised into 7,000 sf and 10,000 sf
- Two large oversized grade loading doors

Jeron Dillon / Ryan Kerr

11125 124 STREET, SURREY

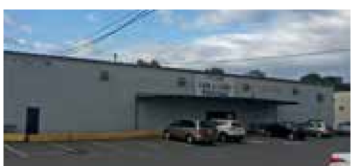
- 15,400 sf or 26,560 sf available
- Flex warehouse space with excellent parking and access to SkyTrain

Michael Farrell / John Eakin

13557 77 AVENUE, SURREY

- 18,000 sf available in a freestanding commercial building with excellent access to King George Boulevard.
- Dock loading and CHI zoning

Michael Farrell / Mathew Sunderland / Kyle Blyth



44384 YALE ROAD WEST, CHILLIWACK

- 14,000 sf on 1acre
- Freestanding commercial building with direct exposure to Highway #1
- Dock loading

Michael Farrell / Kyle Blyth

1615 MACDONALD AVENUE, BURNABY

- 13,630-sf freestanding commercial bakery
- High-exposure corner site

Kevin Kassautzki

#120-11820 HORSESHOE WAY, RICHMOND

- 13,424 sf of office/warehouse space
- Four large grade loading doors with mezzanine office space

Jeron Dillon / Ryan Kerr

NORTHWOODS BUISNESS PARK, NORTH VANCOUVER

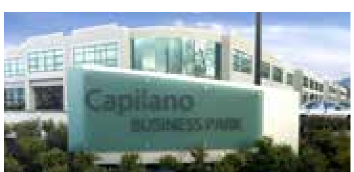
- 13,283 sf of high quality industrial/office/showroom space on the Dollarton Highway
- Three grade-level loading doors

Terry Thies / Ian Whitchelo

1306 KETCH COURT, COQUITLAM

- 12,960 sf available
- 21′ clear ceiling heights
- Dock and grade loading

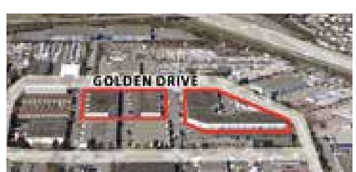
Ben Lutes / Kyle Blyth



CAPILANO BUSINESS PARK, NORTH VANCOUVER

- 4,250 sf to 9,000 sf available
- High quality light industrial and flex office units
- 21.5′ clear ceiling height in warehouse

Terry Thies / Ian Whitchelo



81 & 91 GOLDEN DRIVE (MULTIPLE UNITS), COQUITLAM

- 2,006 sf to 8,132 sf available
- Professionally managed, well-maintained multi-tenant facility
- Office space build-to-suit

Ben Lutes / Kyle Blyth

20315 96 AVENUE, LANGLEY

- 5,179 sf available
- Last unit remaining
- High exposure Port Kells location

Garth White / Joe Lehman

Avison Young Industrial Sale Listings

RIVERWOOD BUSINESS PARK, PORT COQUITLAM

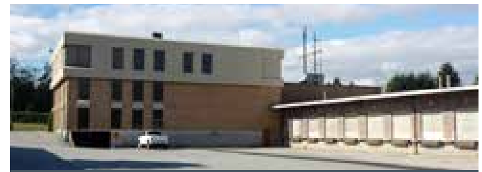
- 2,135 sf to 96,210 sf available in Dominion Triangle's latest boutique industrial strata development
- Concrete tilt-up construction with grade level loading

Ben Lutes / Kyle Blyth / Matt Thomas

KEITH BUSINESS CENTRE, NORTH VANCOUVER

- 78,984 sf on 3.95 acres
- Rare North Vancouver investment opportunity
- Fully leased multi-tenant building with additional redevelopment density

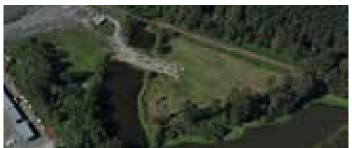
Terry Thies /Robert Gritten



5495 REGENT STREET, BURNABY

- 56,100 sf available
- Cross-dock facility on a 4-acre site with 35,000 sf of yard area
- Excellent access to Highway #1

John Lecky / Ryan Kerr / Kevin Kassautzki



8300 AITKEN ROAD, CHILLIWACK

- 5.62 acres available
- Fully serviced
- M-5 salvage industrial zoning

John Eakin / Gord Robson

BRIDGEVIEW DRIVE BUSINESS CENTRE, SURREY

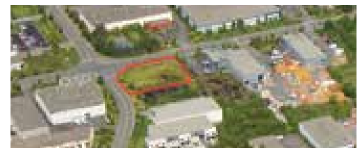
- 2,625 sf to 40,000 sf of new strata warehouse
- Located at Bridgeview Drive and Highway 17 (SFPR)

John Eakin / Michael Farrell / Gord Robson

272 STREET & 48 AVENUE, LANGLEY

- 1.09 acres
- Zoned and serviced
- Functional site layouts for building up to 20,000 sf

Garth White / Joe Lehman

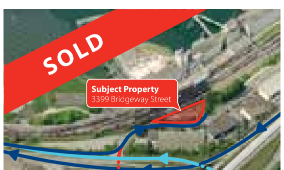


272 STREET & GLOUCESTER WAY, LANGLEY

- 0.45 acres
- Zoned and serviced
- Prominent corner property

Garth White / Joe Lehman

Recent Avison Young Transactions



3399 BRIDGEWAY STREET, VANCOUVER — **38,594 SF/ 0.9 ACRES**

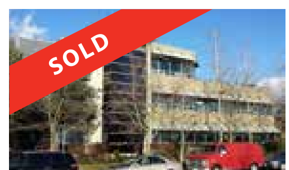
Struan Saddler / Kevin Kassautzki

19675 98 AVENUE, LANGLEY — **6.13 ACRES**

John Lecky / Kevin Kassautzki

18964 96 AVENUE, SURREY — **26,287 SF**

Michael Farrell / Gord Robson



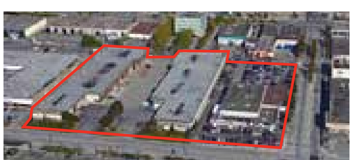
758 HARBOURSIDE DRIVE, NORTH VANCOUVER — **26,000 SF**

Terry Thies / Ian Whitchelo

880 MALKIN AVENUE, VANCOUVER — **25,000 SF**

Kyle Blyth / Struan Saddler

Recent Metro Vancouver Industrial Investment Sales



5520, 5560, 5660 MINORU BOULEVARD, RICHMOND

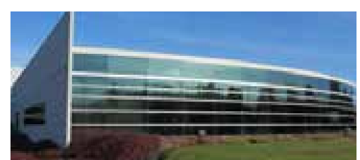
- Vendor: Munch Holdings Co. Ltd. & Porte Industries Ltd.
- Purchaser: Minoru Plaza Inc.
- Purchase Price: $35,450,000
- Price Per Square Foot: $362
- Building Size/Site Area: 97,853 sf/ 4.57 acres

6851 & 6871 ELMBRIDGE WAY, RICHMOND

- Vendor: Richmond Holdings Ltd.
- Purchaser: Bene Development Ltd. (Bene (Oval) Development Ltd.)
- Purchase Price: $31,300,000
- Price Per Square Foot: $400
- Building Size/Site Area: 78,195 sf/ 3.44 acres

1740 W 5TH AVENUE & 2040 BURRARD STREET, VANCOUVER

- Vendor: Fields BC Real Company
- Purchaser: Multiland Pacific Holdings
- Purchase Price: $26,000,000
- Price Per Square Foot: $596
- Building Size/Site Area: 43,639 sf / 1.5 acres



27475 58TH CRESCENT, LANGLEY

- Vendor: Seneca Holdings Ltd.
- Purchaser: Manulife Financial (Manulife British Columbia Property Portofolio Inc.)
- Purchase Price: $22,000,000
- Price Per Square Foot: $132
- Building Size/Site Area: 166,775 sf/ 12.10 acres

> RECENT NOTABLE INDUSTRIAL LAND SALES

ADDRESS	VENDOR	PURCHASER	SALE PRICE	SITE AREA (ACRES)	PRICE/ACRE
5115 North Fraser Way, Burnaby	Canada Lands Company (Canada Lands Company CLC Ltd.)	Beedie Group	$32,939,995	42.63	$772,677
370 & 450-460 Prior Street; 550 Malkin Avenue, Vancouver	Lekiu Holdings Ltd.	Living Balance Property Investment Group (456 Prior Street Holdings Ltd.)	$18,033,000	2.19	$8,253,089
8700-8790 Boundary Road, Burnaby	0757422 B.C. Ltd.	TCE Property Investment Ltd.	$9,200,000	4.05	$2,272,166
Lot 1 Nicola Avenue, Port Coquitlam	689972 B.C. Ltd.	Baltic Properties (Nicola) 2014 Ltd.	$5,287,192	2.83	$1,868,266
580 Dominion Avenue, Port Coquitlam	Individual(s)	The Circadian Group (DT6 Developments Ltd.)	$5,043,000	5.00	$1,008,600
7447 North Fraser Way, Burnaby	Marinelli Investments (NFW) Ltd.	Canada Post Corporation	$4,260,750	3.14	$1,357,792

continued from page 2

One indicator of this impending crunch is the near exhaustion of ready-to-build land in Surrey's Campbell Heights Business Park, one of the last areas in the region where serviced industrial land could be relatively easily acquired and developed. Three potential deals in early 2015 that could account for approximately 90 acres should they close will effectively absorb the balance of the accessible and readily developable land available in Campbell Heights at this time. Other large industrial parcels exist, such as the 110-acre Chatterton lands site in Delta and 42.6 acres in **Glenlyon Business Park** in Burnaby, both recently acquired by **Beedie Development Group**, but these lands and others in the future will increasingly require additional costs to bring to market.

Oxford Properties' Riverbend Business Park - the former 64.4-acre Norampac mill site - will be the last large scale industrial development in the Big Bend area of South Burnaby. **Hopewell Development** is developing **South Surrey Business Park**, a 38-acre site that can be configured with two (789,100 sf) or four buildings (775,900 sf). **Tsawwassen First Nation**, which is developing its own 1.2-msf **Tsawwassen Gateway Logistic Park** on 57 acres, has also made individual industrial land lots available to owner/users in Delta on a long-term lease basis. Other developers such as **Onni Group** and **Dayhu Group** continue to develop additional phases at their sites at **Golden Ears Business Park** and **Boundary Bay Industrial Park**, respectively, but site coverage will soon be maximized.

Metro Vancouver's impending industrial land supply crunch is being further exacerbated by the greater demands for land placed by the growing scale of logistics/distribution facilities required by modern retailers. The region's industrial development is now more a reflection of the demands of retailers and e-commerce than it is from more traditional industrial uses such as manufacturing. Evolving consumption patterns and consumers' changing retail preferences are not only transforming bricks-and-mortar retail but are also driving industrial development as additional warehouse space is required to support omni-channel retailing operations when compared with more traditional distribution networks. Shrinking retail footprints are driving the expansion of logistics/distribution centres.

Options for large significant tier 1 users such as **Costco Wholesale Canada**, **Amazon.com** and the **BC Liquor Distribution Branch** (among other active mandates) remain extremely limited. As a result, Calgary has, to a great extent, become an inland port for goods arriving at Metro Vancouver. This situation is not expected to improve without a demonstration of significant political will on behalf of the provincial government and a willingness to frankly discuss the implications of revisiting the role of the Agricultural Land Reserve (ALR) and its supervisory body, the Agricultural Land Commission (ALC), in Metro Vancouver.

When the provincial government restructured the ALC in May 2014 with the passage of Bill 24 and created two defined zones, one for the South Coast, Okanagan and Vancouver Island regions and another for the rest of province, an opportunity to address land use issues in Metro Vancouver was missed. Existing restrictions were left in place on lands in zone 1, while the considerations necessary to determine whether or not to permit the removal of excluded lands in zone 2 were expanded. A failure on the part of the province to engage in these discussions will inevitably force the hand of the federal government and/or Port Metro Vancouver to expropriate lands deemed necessary to support port operations or federal government initiatives.

The province's inability or unwillingness to deal with this ongoing land-use issue has many implications, not the least of which is the rising costs associated with acquiring suitable industrial land and the continuing ability for industrial users to operate in BC. A weakened Canadian dollar offers real opportunity for many of the province's industrial users to expand and grow, but until the myriad issues surrounding the availability and cost of industrial lands in Metro Vancouver are dealt with by the province in consultation with all parties involved, economic growth in BC will be hamstrung by inaction and rising costs that reflect the impending industrial land supply crunch now rapidly approaching on the horizon. ■

Vancouver Industrial Team

Kyle Blyth
604.647.5088
kyle.blyth@avisonyoung.com

Caitlin Cramb
604.647.1332
caitlin.cramb@avisonyoung.com

Jeron Dillon
604.647.1330
jeron.dillon@avisonyoung.com

John Eakin
604.646.8399
john.eakin@avisonyoung.com

Michael Farrell
604.646.8388
michael.farrell@avisonyoung.com

Rob Gritten
604.647.5063
robert.gritten@avisonyoung.com

Kevin Kassautzki
604.646.8393
kevin.kassautzki@avisonyoung.com

Sean Keenan
604.647.1334
sean.keenan@avisonyoung.com

Ryan Kerr*
604.647.5094
ryan.kerr@avisonyoung.com

Nabila Lalani
604.647.1342
nabila.lalani@avisonyoung.com

John Lecky
604.647.5061
john.lecky@avisonyoung.com

Joe Lehman
604.757.4958
joe.lehman@avisonyoung.com

Mackenzie Leyland
604.647.1354
mackenzie.leyland@avisonyoung.com

Bennett Lutes
604.646.8382
ben.lutes@avisonyoung.com

Gord Robson
604.647.1331
gord.robson@avisonyoung.com

Mathew Sunderland*
604.647.1346
mathew.sunderland@avisonyoung.com

Terry Thies*
604.646.8398
terry.thies@avisonyoung.com

Matt Thomas
604.646.8383
matt.thomas@avisonyoung.com

Ian Whitchelo*
604.647.5095
ian.whitchelo@avisonyoung.com

Garth White*
604.757.4960
garth.white@avisonyoung.com

** Personal Real Estate Corporation*

For more information please contact:

Michael Keenan, Principal & Managing Director
Direct Line: 604.647.5081
michael.keenan@avisonyoung.com

Andrew Petrozzi, Vice-President, Research (BC)
Direct Line: 604.646.8392
andrew.petrozzi@avisonyoung.com

Khushboo Wanchoo, Industrial Research Manager
Direct Line: 604.647.1345
khushboo.wanchoo@avisonyoung.com

Avison Young
#2100-1055 W. Georgia Street
Box 11109 Royal Centre
Vancouver, BC V6E 3P3, Canada

AVISON YOUNG

CANADA'S BEST MANAGED COMPANIES

avisonyoung.com