AVISON YOUNG

Metro Vancouver
Industrial Overview

Spring 2016

INDUSTRIAL PERSPECTIVES: New Q&A format featuring **Marcus Ewart-Johns** and **Tom Corsie** on a range of industrial real estate topics including port development opportunities and the rise of manufacturing in BC.

> METRO VANCOUVER INDUSTRIAL MARKET SNAPSHOT

Market	Industrial Inventory	Vacancy		
	(square feet)	Spring 2016	Fall 2015	Spring 2015
Richmond	37,200,355	2.1%	2.9%	3.2%
Surrey	29,557,286	4.1%	3.3%	2.7%
Burnaby	27,723,584	1.8%	2.8%	4.5%
Vancouver	23,574,079	2.8%	3.3%	3.3%
Delta	22,784,827	5.0%	4.6%	7.2%
Langley	16,983,136	4.3%	2.9%	3.9%
Coquitlam	8,013,519	1.4%	1.5%	3.5%
Port Coquitlam	7,431,948	1.9%	3.6%	4.4%
Abbotsford	7,301,163	0.4%	1.2%	2.6%
North Vancouver	5,452,983	0.8%	0.8%	2.3%
New Westminster	4,105,804	0.3%	1.6%	11.3%
Maple Ridge/ Pitt Meadows	3,494,613	3.5%	2.1%	3.7%
TOTAL	**193,623,297**	**2.8%**	**3.0%**	**4.0%**

Tightening vacancy gives boost to stagnant lease rates as industrial demand remains strong in Metro Vancouver

Strengthening demand from established and non-traditional segments of Metro Vancouver's industrial market compressed vacancy and capitalization rates to near record lows at spring 2016 while providing a lift to rental rates throughout the region after years of stagnation. Following an unprecedented level of absorption in 2015 and early 2016, which effectively depleted much of the new supply of industrial space delivered in Metro Vancouver in 2014 and early 2015, vacancy tightened between spring 2015 and spring 2016 even as the total inventory expanded to 193.6 million square feet (msf) from 190.9 msf. In that same period, vacancy in Metro Vancouver's industrial market dropped 120 basis points, tightening to 2.8% in spring 2016 from 4% in spring 2015. This dip in vacancy marked the first time that regional industrial vacancy has dropped below 3% since fall 2008 when vacancy was 2.4% in what was then a 170.4-msf industrial market. The record all-time low industrial vacancy rate in Metro Vancouver is 1.4%, set in fall 2006. However, multiple municipalities at the end of the first quarter of 2016 registered industrial vacancy rates of 1.4% or less, including Abbotsford, Coquitlam, New Westminster and North Vancouver.

While a combination of pent-up demand from large users and the lack of availability of new product are what helped drive vacancy down in 2015, the next wave of tenants will likely have to wait until mid 2017 as the few key developments that are completing are staggered over the next 18 months. The result will be that vacancy will remain under intense pressure until supply catches up with the demand being driven in large part by logistics/distribution users. A revitalized film and television industry, which has also been leasing up industrial space throughout the region since early 2015 as the existing studio inventory struggles to keep up with demand from U.S. service work, will also be a factor.

While the previous wave of new industrial development in Metro Vancouver primarily focused on mid- to large-footprint users in terms

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> MARKET INDICATORS
(CHANGE FROM SIX MONTHS AGO)

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

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of bay size, the upcoming developments will cater more to all segments of the market. As the overall industrial market has matured, developers are able to focus on delivering certain product types to ensure a full spectrum of size options for all users. What's lacking in the Metro Vancouver industrial market, however, is geographic availability. Many markets have less than 2% vacancy and little to no industrial land remaining to develop. The majority of new industrial product is located in Surrey, Pitt Meadows and Delta. For those tenants or owner-occupiers seeking new premises, and who are not contemplating relocating to one of these three markets, options will remain limited or non-existent. Much of the vacancy that does come available in core markets is often the result of a business owner ultimately deciding to move to an industrial submarket south of the Fraser River or in Pitt Meadows.

Strengthening demand and tightening vacancy, despite the addition of more than 2.5 msf of new product since spring 2015 – and almost 6 msf since spring 2014 – has led to upward pressure on lease rates throughout Metro Vancouver. A combination of positive absorption, ongoing strong demand, higher costs associated with next-generation facilities, rising land prices, limited availability of sale product and near record-low vacancy are all factoring into increases in lease rates that had been largely stagnant (and often lower than the highs achieved in 2006/07) since 2009. But with another wave of large users circling the market and significant

Campbell Heights West Business Park in Surrey will be ready for occupancy in Q2 2017.

announcements expected by fall 2016, along with the ongoing expansion aspirations of many small- to mid-sized tenants, most landlords (many facing higher costs themselves) sense the market is able to accept rental rate increases. Adding to the upward pressure on rents are the construction costs associated with the large next-generation logistics/distribution facilities that make up much of Metro Vancouver's new industrial space. These buildings, often including updated building technologies, will have higher fixed costs, such as initial land acquisition, that need to be recouped. With higher rents justifiable in the market, landlords of older product are also able to adjust rates upwards.

While logistics/distribution remains a primary driver of industrial demand in Metro Vancouver, additional demand is emerging from the province's well-established film and television production industry. Direct spending on film and television production in BC surpassed $2 billion in 2014, which makes the province the third-largest production centre in North America, and that total is expected to be surpassed in 2015. Metro Vancouver is already home to an extensive studio system, including **Mammoth Studios**, **Vancouver Film Studios**, **North Shore Studios**, **Ironwood Studios**, **Bridge Studios** and **Canadian Motion Picture Park**. As demand from primarily U.S. -based productions has exceeded the capacity of the local studio infrastructure, film and television production groups are now increasingly signing some of the largest industrial leases in Metro Vancouver. While the practice of film and television productions leasing industrial space is not new, the size of the leases and associated terms – which used to measure in months but are now

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> RECENT NOTABLE LEASE DEALS

Municipality	Address	Square feet	Tenant
New Westminster	425 Boyne Street	243,610	Arc'teryx Equipment Inc.
Burnaby	7105 - 7205 11th Avenue	208,000	Legion Can TV Production
Surrey	12091 88th Avenue	195,960	Confidential - Film Group
Delta	7530 Hopecott Road	175,710	SCI Logistics
Richmond	1700 No. 6 Road	125,299	Ingram Micro Logistics LP
Burnaby	4242 Phillips Avenue	87,216	Amazon Canada Fulfillment Services Inc.
Delta	7168 Progress Way	75,718	Flocor Inc.
Burnaby	7588 Winston Street	66,431	The Crossing Studios
Langley	5690 268 Street	64,112	Advanced Integration Technology Canada Inc.
North Vancouver	2155 Dollarton Highway	60,521	Arc'teryx Equipment Inc.
Richmond	13800-14000 Steveston Highway	57,200	Saltworks Technologies Inc.
Richmond	4455 No. 6 Road	56,236	Rexel Canada Electrical Inc.
Chilliwack	6388 Unsworth Road	53,623	Ice River Springs Water Co. Inc.

Industrial land supply dwindling despite regional efforts to limit conversions: report

Metro Vancouver recently released its Metro Vancouver 2015 Industrial Lands Inventory report to provide a "comprehensive look at the quantity and quality of industrial lands in the Metro Vancouver region as of mid-2015" and found that the conversion of industrial land has continued despite efforts to limit the practice. The following is an executive summary of the report's findings.

According to report, the Metro Vancouver region had 11,331 hectares (28,000 acres) of industrial lands, of which 80% (9,071 ha/22,414 ac) were 'developed' and 20% (2,261 ha/5,596 ac) 'vacant'. Most of the lands in the 2015 inventory are located in municipalities in the southern and eastern parts of the region: 23% in Surrey, 16% in Richmond , and 14% in Delta/Tsawwassen First Nation.

From 2010 to 2015, there was a net reduction of industrial lands in the region of 352 ha (870 ac). This figure reflects the fact that the amount of 'vacant' lands decreased by 19%; some of which became 'developed' (380 ha/939 ac) and some were removed from the inventory due to conversion to other uses (134 ha/ 331 ac). During this same period, 147 ha (362 ac) of land were added to the inventory, mostly in Surrey, Langley and Maple Ridge, and 447 ha (1,104 ac) were removed from throughout the region. Lands were removed from the inventory due to a number of reasons, but mostly municipal policy changes (such as OCP designation changes or lands being rezoned and developed for non-industrial uses).

Of the 'vacant' land in the 2015 inventory, 3% is used for resource extraction, 2% for residential, 1% for agriculture and 11% is undeveloped or fully vacant. These lands will serve as the future supply of industrial lands. However, only 20% of vacant industrial lands are on sites larger than 20 ha (50 acres).

There are few 'vacant' sites available for 'trade-enabling' logistics users, namely large sites with few constraints and close to transportation infrastructure. Most of the best sites have already been developed. More industrial development, particularly logistics-related activities occurring at increasingly farther away locations relative to the port terminals due to a lack of available closer lands, may create more and longer truck trips and associated traffic congestion and environmental impacts. In some cases, abutting smaller properties can be consolidated and redeveloped in order to create larger sites for larger tenants, such as logistics operators.

Campbell Heights in Surrey is one of the few areas where industrial land can be acquired.

Nearly half (47%) of industrial lands are categorized within the 2015 inventory as general industrial, a range of industrial uses that are typically building-intensive, along with associated accessory uses. Almost all of these lands (93%) are 'fully utilized' (80%-100% utilized), which means that there are limited immediate opportunities for intensification given the current building form and use. In terms of other land use classifications, 12% of industrial lands are used for transportation infrastructure (port, airport, rail), and an additional 10% for 'non-market' industrial function such as utilities and oil tank farms. The 2015 inventory also includes lands with non-industrial uses such as retail (3%) and commercial (3%).

Protection for industrial lands in the region varies, with 91% of the total 2015 inventory regionally designated as either industrial (68%) or mixed employment (23%). At the municipal level, 79% is both zoned and designated industrial. Of the 'developed' lands, : most (81% to 92%) are protected with both municipal industrial designation and zoning. These designations help secure the long-term industrial use of the lands.

Conversion of industrial lands can occur in different ways. Some industrial lands are designated and removed from the inventory as per municipal plans, while other lands with flexible industrial designations are rezoned to allow for non-industrial uses.

Some municipal plans include 'mixed employment' designations and zones that permit a wide range of industrial and commercial uses, which allows for more non-industrial uses in industrial areas, such as stand-alone retail, office and other commercial. Allowing non-industrial uses in industrial areas reduces the land supply for industrial users and also can increase land prices and create land-use conflicts. These issues can destabilize industrial area and compromise the ability for industrial growth.

The conversion of industrial land continues to reduce opportunities for industrial development and industrial business expansion, and the limited land supply and higher land prices may push some industrial activity to other jurisdictions, with economic, employment, and taxation implications for the Metro Vancouver region. ■

Q&A

Industrial Perspectives

Marcus Ewert-Johns
Chair, BC Alliance for Manufacturing
Former Assistant Deputy Minister of the International Business Development Branch in BC's Ministry of Technology, Trade & Economic Development.

1. How is a weaker Canadian dollar serving as a mixed blessing for BC manufacturers?

A lower Canadian dollar should make BC manufactured products more attractive to foreign buyers. This becomes especially important as manufacturers try to win back American and other international customers who switched suppliers when the Canadian dollar was high. One issue that firms face is that if they are buying supplies and equipment on the international market those transactions are priced in US dollars. This means that even if a business is gaining greater sales revenue it could be offset by higher input costs. Businesses that are able to keep a significant portion of their input costs, such as labour and materials, in Canadian dollars and their international sales transactions in US dollars are currently the ones who are truly benefiting. Manufacturers also need to work with government agencies to improve their export potential.

2. How much of a role does industrial land costs and availability in Metro Vancouver play on expansion and/or relocation plans for BC manufacturers?

The availability of industrial land has quickly become the hottest issue after the shortage of skills and labour. Not only has BC become a high-cost jurisdiction but limited availability of land restricts growth. Businesses face significant land purchase or lease costs. Property taxes and utility charges have jumped more than 25% recently. The added burden of charges and fees are pushing many businesses to the tipping point. In addition, many developers constrain supply by holding industrial land hoping for residential rezoning. There are many examples of businesses shifting their operations outside of BC to Alberta or nearby U.S. states. Less industrial land means fewer jobs in a community and less tax revenue adding to the challenge of attracting green-field investors. Ultimately, as market forces are distorted, the government will need to intervene and create an industrial land reserve to protect land and provide sites for encouraging industrial growth. Otherwise, BC risks becoming solely a service or tourism economy.

3. Are we seeing U.S. manufacturers (or other nationalities such as Chinese) looking to establish industrial operations in BC due to the Canadian dollar exchange?

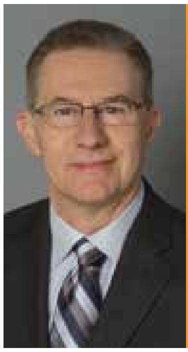
The limited availability of land and high operating costs generally discourages large-scale industrial development. However, the lower Canadian dollar generally positions small and medium sized manufacturers as desirable take over targets for international firms, mostly American, that want to expand into Canada. As the baby boomer generation retires, the supply of businesses for sale is increasing. Recent examples illustrate that European and Chinese investors purchasing a BC entity generally have narrow interests. Europeans are primarily driven by technology acquisition while the Chinese are seeking to lock in a supply arrangement or establish a North American sales beachhead. All benefit from the fact that BC is a beautiful place to live and our federal and provincial immigration programs encourage entrepreneurial investment. These investments should be encouraged if they will keep existing jobs or create new jobs in British Columbia.

4. What are the largest issues facing BC manufacturers in the next five years?

The looming skills shortage remains the main challenge undermining the competitiveness of BC manufacturers. Manufacturers estimate that they will have 50,000 to 80,000 vacancies by 2020. Employers also feel that many graduates arrive at a workplace not "work ready" as training programs focus more on theory than practical hands-on work. Manufacturing is booming, representing a third of new job creation in 2015 in the province. Last year, BC also led the country in manufacturing job growth.

Increasing recognition of why manufacturing matters in also important. Manufacturing is not widely talked about by students, parent, educators or politicians. Stereotypes are outdated and need to be challenged. Many amazing, world-class products are designed and built in BC, resulting in significant economic contributions. The industry pays almost one third of the provincial business taxes. For every dollar invested in the industry the return to the community is $3.50. No other industry has a comparably strong ROI. Thus, it is important to put more effort to attract youth and under represented groups to these high-skilled jobs that pay 22% above average.

Last but not least is encouraging innovation. BC manufacturers spend less than the national average on both R&D and capital investment. Businesses need to be encouraged to create ideas, turn them into products, and invest in technology to help them become more globally competitive. Government should adopt a leadership position to reform and simplify tax incentivization schemes to encourage growth of advanced industries for the future. ■



Tom Corsie
Vice-President, Real Estate
Vancouver Fraser Port Authority

Corsie joined the Vancouver Fraser Port Authority's executive team on January 1, 2008 as vice president, infrastructure development and is now vice president, real estate.

Port of Vancouver operations are located throughout the region and are an important generator of economic activity for British Columbia and Canada.

1. What opportunities has the port identified in 2016 and beyond to advance its mandate?

In 2016, the Vancouver Fraser Port Authority (VFPA) will continue to fulfill its mandate by facilitating Canada's trade in a manner that is sustainable, providing environmental protection and allowing our neigbour communities to thrive.

Port of Vancouver's expansion projects include the proposed Centerm Expansion Project and the proposed Roberts Bank Terminal 2 project, as well as other infrastructure projects that are underway such as the Deltaport Terminal Road and Rail Improvement Project.

Preserving the environment is a core value for the VFPA. Our programs work to minimize impacts of port operations as well as enhance the surrounding environment, such as Habitat Enhancement Program, ECHO Program, EcoAction program.

We will continue with our approach to engage with communities to understand their concerns on port operations and collaborate with our tenants and industry partners to address those concerns in how we plan and manage our operations and growth. We proactively respond to community interests and issues.

2. How has the rapid pace (and absorption) of recent industrial development affected the port's thinking and approach to the industrial land supply issue?

It is critical the region retains trade-enabling lands; they are vital to our ability to trade and our quality of life.

A new study by Site Economics shows the supply of available industrial land suitable for goods movement in the Lower Mainland is expected to be depleted within the next 10 years. To mitigate that, we think the first step would be to identify appropriate trade enabling industrial lands. Not every parcel of land is suitable for trade and logistics-related activities, due to poor location, building restrictions, challenging topography and small parcel sizes. The next step would involve enacting policies that establish clear provincial oversight to ensure regional districts and municipalities preserve these critical lands in their growth strategies, official community plans and zoning bylaws.

"We are worried about the loss of industrial land in the area."

- Tom Corsie

A forum for all relevant land use authorities should be established to monitor implementation of newly-created provincial policies and regulations and advise on any future adjustments.

3. What are the largest issues the port faces in the next five years?

Our "largest issue" is also our greatest opportunity, and that is growth. In the last five years, the Port of Vancouver has grown by roughly 30 million metric tonnes. This is equivalent to the total volume of Canada's second largest port, Port of Montreal, and we expect this to happen again in the next five years. Our challenge remains to support this growth in trade by creating efficiencies within our current infrastructure and by building new infrastructure, in balance with protecting the environment and allowing communities within which we operate to thrive.

One item that concerns us is the availability of industrial land in the region. We are worried about the loss of industrial land in the area. We need to protect industrial land in the region in order to be able to facilitate the incoming trade demands, but that is going to take a collaborative, regional approach to land management.

4. How does the recent federal budget's focus on renewing/building transportation infrastructure impact the port's planning?

The VFPA is a financially self-sufficient corporation with a federal mandate to facilitate Canada's trade objectives; this responsibility remains unchanged. Trade through the gateway continues to be strong, driven by Canadian demand for foreign products and international demand for Canadian resources and agricultural goods. Independent forecasts show container trade is growing at a rate of about 4.5 per cent per year. Our role, as a port authority, is to work with terminal operators and others to make sure the port is ready to handle what Canada wants to trade, and to do so in a way that is safe, sustainable and considers local communities.

Although the new federal budget didn't specify funding for infrastructure projects, we will continue to work with our partners and government to advocate for trade-enabling infrastructure through platforms such as the Gateway Transportation Collaboration Forum and Westac, while ensuring meaningful investments are made with the Building Canada Fund. ■

CAMPBELL HEIGHTS WEST BUSINESS PARK, SURREY

- 4,000 sf to 202,105 sf
- Custom-designed office layout
- Onni Group development
- Available Q2 2017

Mathew Sunderland/ Garth White/ Joe Lehman

GOLDEN EARS BUSINESS PARK - PHASE II, PITT MEADOWS

- Building 100: 4,022 sf to 24,933 sf
- Building 500: 4,200 sf to 75,000 sf
- Building 200: 11,986 sf to 67,804 sf
- Building 600: 18,620 sf to 174,238 sf

Ryan Kerr / Ben Lutes

2195 & 2199 QUEEN STREET, ABBOTSFORD

- 5,565 to 91,128 sf
- Preleasing opportunity in South Poplar
- Concrete tilt design up to 31'4" clear ceilings
- Available Summer 2016

Michael Farrell

SOUTH SURREY BUSINESS PARK, SURREY

- 23,100 sf to 82,500 sf
- Preleasing, available winter 2016/17
- Developed by Hopewell Development

Ryan Kerr/ Ben Lutes / Rob Gritten

LOT B, GLOUCESTER WAY & 56TH AVENUE, LANGLEY

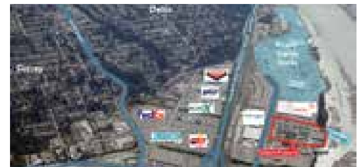
- 35,000 sf to 80,000 sf
- Build-to-suit facility with yard
- Development by Beedie Development Group

Michael Farrell/ Garth White

869 POWELL STREET, VANCOUVER

- 72,385 sf
- Self-storage warehouse space
- One grade and two dock doors

John Lecky



10619 TIMBERLAND ROAD, SURREY

- 24,655 sf or 31,755 sf or 56,460 sf
- Located in the Bridgeview industrial area
- Open floor space

John Eakin/ Michael Farrell

3737 MARINE WAY, BURNABY

- 37,000 sf
- Warehouse and showroom with exposure to Marine Way
- Available August 2016

Kyle Blyth/ Ben Lutes/ Russ Bougie

#101A-11125 124TH STREET, SURREY

- 26,560 sf
- Flex warehouse with exposure to King George Boulevard
- Available immediately

John Eakin / Michael Farrell

19033 54TH AVENUE, SURREY

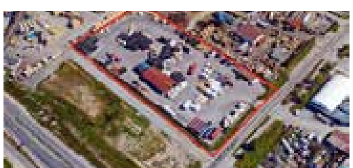
- 2,725 sf to 19,989 sf
- Preleasing opportunity on the Roberts Bank rail corridor
- Yard available

Garth White/ Joe Lehman

11191 COPPERSMITH PLACE, RICHMOND

- 17,000 sf
- Freestanding, corner-lot building with yard space
- Direct access to Steveston Hwy. & Hwy. 99

Jeron Dillon/ Terry Thies/ Ian Whitchelo



12123 OLD YALE ROAD, SURREY

- 4.32 acres
- 6,500-sf building/covered storage with 1,600-sf office
- Located near Fraser Surrey Docks

John Eakin

81 & 91 GOLDEN DRIVE, COQUITLAM

- 4,047 sf to 14,017 sf
- Landlord available to tailor office space
- Located in the Mayfair Industrial Park

Ben Lutes/ Kyle Blyth

BURNABY LAKE INDUSTRIAL CENTRE, BURNABY

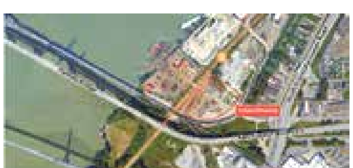
- 10,725 sf or 14,000 sf
- Access to Lougheed & Trans Canada Highways
- Managed by Bosa Development Corp.

Kyle Blyth/ Ben Lutes

19110-19130 24TH AVENUE, SURREY

- 3,333 sf to 13,453 sf
- 1 dock and 1 grade per unit
- Onni Group development

Joe Lehman/ Garth White/ Mackenzie Leyland



12009 & 12031 MUSQUEAM DRIVE, SURREY

- Up to 3.3 acres
- Industrial zoned land with active CN rail spur
- Located in the Bridgeview area of Surrey

Garth White/ Joe Lehman/ Josh Sookero

3995 NORTH FRASER WAY, BURNABY

- 17,556 sf of warehouse/showroom space
- Located adjacent to Glenlyon Business Park
- Modern concrete tilt-up facility

Russ Bougie / Kyle Blyth

KEITH BUSINESS CENTRE, NORTH VANCOUVER

- 2,040 sf to 11,131 sf
- Flex office and warehouse units
- New road access based on Mountain Highway interchange upgrade

Terry Thies/ Ian Whitchelo

179 HARBOUR AVENUE, NORTH VANCOUVER

- 7,200 sf
- Flex warehouse space
- Two blocks from Highway #1 and Second Narrows Bridge

Matt Thomas

Avison Young Industrial Sale Listings

16160 & 16268 RIVER ROAD, RICHMOND

- 4.40 acres to 10.58 acres
- Lease or Sale opportunity with rail spur access
- Rare yard storage available

Russ Bougie

1223-1237 FRANCES STREET, VANCOUVER

- Fully leased investment property
- Two buildings totalling 28,764 sf
- Located near Clark and Hastings

Kevin Kassautzki / Russ Bougie

2898 190TH STREET, SURREY

- 9.14 acres of business park land
- Limited off-site development
- $10,000,000

Garth White / Michael Farrell

7815 NORTH FRASER WAY, BURNABY

- 23,000 sf /1.17-acre lot
- Concrete tilt-up facility built in 2006
- Warehouse, office and showroom

Russ Bougie/ Kyle Blyth

440 CLARK DRIVE, VANCOUVER

- 19,200-sf building on 0.25-acre lot
- Exposed wooden beams throughout
- High-exposure corner lot in proximity to future mixed-use development along Hastings corridor

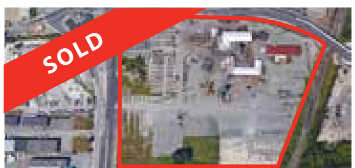
Kevin Kassautzki / Russ Bougie


350 & 370 EAST ESPLANADE, NORTH VANCOUVER

- 966 sf to 4,246 sf
- Flex industrial and office units
- Available May Q2 2017

Terry Thies/ Ian Whitchelo

Recent Avison Young Transactions



5390 192ND STREET, SURREY — **10 ACRES**

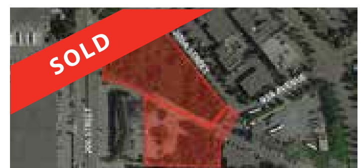
Garth White

7708 80TH AVENUE, DELTA — **91,322 SF**

Ryan Kerr / Garth White

425 LEBLEU STREET, COQUITLAM — **66,489 SF**

Rob Gritten / Mehdi Shokri



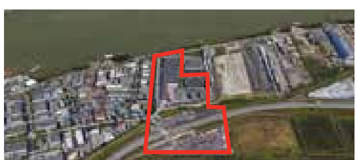
LOT 2 & LOT B 200A STREET, LANGLEY
4.79 ACRES

Garth White / Joe Lehman

Recent Metro Vancouver Industrial Investment Sales

7960 - 7978 WINSTON STREET, BURNABY

- Vendor: CFL Holdings Ltd. & CD Holdings Ltd. (50/50%)
- Purchaser: Dragonwood Enterprises Ltd.
- Purchase Price: $11,470,000
- Price per Square foot: $170
- Building Size/Site Area: 67,400 sf / 2.66 acres

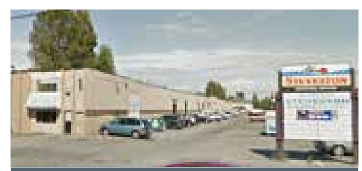


8400 - 8500 RIVER ROAD, DELTA

- Vendor: Darrahdi Holdings Ltd.
- Purchaser: Bentall Kennedy
- Purchase Price: $49,500,000
- Price per Square Foot: $167
- Building Size/Site Area: 293,487 sf / 29.88 acres

8125 NORTH FRASER WAY, BURNABY

- Vendor: Megison Investments Ltd.
- Purchaser: 1057285 BC Ltd
- Purchase Price: $7,900,000
- Price per Square foot: $186
- Building Size/Site Area: 42,463 sf / 2.05 acres



12280 -12320 TRITES ROAD, RICHMOND

- Vendor: 0843003 BC Ltd.
- Purchaser: 1056023 BC Ltd.
- Purchase Price: $14,000,000
- Price per Square Foot: $199
- Building Size/Site Area: 70,417 sf / 3.15 acres

> RECENT NOTABLE INDUSTRIAL LAND SALES

ADDRESS	VENDOR	PURCHASER	SALE PRICE	SITE AREA (ACRES)	PRICE/ ACRE
1550 Burrard Street, Vancouver	Molson Coors Brewing Company (Molson Inc.)	Concord Pacific	$185,000,000	7.71	$23,994,812
1410, 1430, 1433 & 1440-1442 Columbia Street; 120 & 126 Harbour Avenue; 1415, 1429, 1440 & 1450 Dominion Street, North Vancouver	A. & H. Abatte Ltd., Robert-Douglas Industries Ltd., AD & D Investments Ltd., John Wolfe, Enterprises Ltd., Laurason Investment Limited, Orion Management Ltd., Norpac Holdings Ltd., Belle Isle Properties Ltd., Robco Enterprises Ltd.	Darwin Construction (Maplewood North (Darwin/TWN) GP Ltd.)	$37,569,000	5.53	$6,788,760
19033 - 19177 32nd Avenue; 19018 - 19188 33rd Avenue, Surrey	Benchmark Properties (Cam-North Development Corp.)	Diversified Management Inc.	$29,505,000	19.67	$1,500,076
1845 - 1855 Kingsway Avenue, Vancouver	Esco Limited	Beedie Group Holdings Ltd.	$24,500,000	28.99	$845,119
10651 No. 6 Road & 13751 - 13851 Steveston Hwy, Richmond	Staburn Property Group	Port Metro Vancouver Holdings Ltd.	$21,500,000	13.48	$1,594,482
South Surrey Business Park	Fir Ridge Holdings Inc., Private individual	Hopewell Development Corp.	$20,000,000	37.91	$527,565

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commonly in years – as well as the range of submarkets in which leases are executed, has had a much larger impact than previously recorded. While film groups had previously leased space in Vancouver or the inner suburbs, it is not unusual to see such groups in Surrey and Coquitlam now. This renewed source of demand for industrial space is having a number of effects on the market.

For other industrial tenants in the market seeking to relocate on a permanent basis, the number of options available are reduced as landlords are enticed by the higher rents offered by film groups in order to secure shorter terms more favourable to their production schedule. Industrial space that was immediately available is now off the market for three to 18 months (or longer). As the supply of industrial space has tightened, film groups have not only offered higher rents but longer terms in order to secure a deal, which not only displaces other existing local industrial users but contributes to higher average rents achieved by landlords. This displacement of existing industrial tenants seeking new premises is also accelerating the relocation of more traditional forms of industrial activity to the those markets that have availability and are more affordable such as Surrey and Pitt Meadows.

Availability in industrial sub markets south of the Fraser River and Pitt Meadows is largely expected to remain tight for the next 12 to 36 months as developers build out their respective projects already in the permitting and construction stages.

Redevelopment and densification of remaining industrial lands in Vancouver and the inner suburbs has started to take root with projects such as **PC Urban's IntraUrban** strata industrial development in South Vancouver, **Conwest Group's** redevelopment of East Vancouver's **Terminal City Iron Works** and **Sun Life/ Adera's Eastlake Campus** flex industrial development in North Burnaby's industrial Lake City business area. The Mount Pleasant "innovation district" in Vancouver is increasingly evolving around the ongoing philosophical debate around what industrial activity means in a 21st century zoning context. It is this blurring of the definition of industrial activity that is primarily powering the redevelopment and infill development of industrial land in core markets to accommodate so-called 'green' jobs, such as digital effects and animation, and social media management software, that often lead to the formation of so-called "innovation districts" as well as specialized light manufacturing such as breweries, food production and other craft-based workshops. These operations, which typically require a higher proportion of office space than a typical industrial user, need to be located near specialized labour that is often not willing to commute to where the majority of traditional industrial land is located in Metro Vancouver. The rental rates being achieved in these types of industrial properties – approaching $30 psf for office space in Mount Pleasant – are much higher than rates paid by industrial users, a reflection of the significant expense necessary to acquire the remaining industrial-zoned lands in core markets. While there is always going to be demand from traditional industrial users, many are increasingly going to have to locate in submarkets south of the Fraser River or Pitt Meadows.

While the supply of industrial land continues to shrink, raw land prices are approaching a point where acquiring them for industrial development no longer pencils out for any developer or investor. It will ultimately be users who are unable to secure any other industrial property that will purchase raw land and who will take it through the rezoning process themselves.

With vacancy expected to tighten for at least the next 12 to 18 months, rental rates are anticipated to rise throughout Metro Vancouver as tenants find fewer and fewer options available. The majority of those options are located in just a handful of submarkets. Strata units and build-to-suit development will increasingly be the only options for owner-occupiers unless they are prepared to pay premium prices for the select few assets that do come to market. Continued strong demand from logistics/distribution, manufacturing and film and TV production will further pressure lease rates (upwards) and vacancy (downwards). The likelihood is high that leasing and sales activity in 2016 will be curtailed due to a shortage of supply, but not a shortage of demand. ■

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