Economy

After several years of national attention focusing on British Columbia’s hot housing market, the prevailing negative talk has now veered towards the cooling in home resale activity, due in part to the 15% tax on homes purchased by foreign residents that was imposed in August. The labour market continues to be strong in most sectors, with growth in construction, retail, and wholesale trade, finance, and real estate. In 2017 the GDP growth rate will be lower than originally projected; however, will remain at 1.7%. One ray of optimism that will bode well for British Columbia’s future economy is the federal government’s recent approval of Kinder Morgan’s Trans Mountain pipeline, set for completion in 2019.

Source: RBC Economics

Market Overview

Vacancy rates edged down slightly again this quarter to 2.5% across Metro Vancouver; however, if smaller spaces that have been on the market for an extended period of time were excluded, a more accurate vacancy rate would be closer to 1.5%. For tenants seeking space of 50,000sf and greater, the options are even more limited whilst tenants are willing to pay above market rates for this “in demand”, coveted space. The options for large distribution tenants seeking 100,000sf and up are even more limited, and perspective tenants could seek options in other markets, if the logistics and price make sense. Some of these options include Kelowna to the north and Calgary to the east, should they want to remain in Western Canada. Recently, Moslon Brewery announced that they were looking to relocate their main Vancouver facility and after a careful selection process, settled on a state-of-the-art design-build property in Chilliwack, somewhat outside the conventional borders of Metro Vancouver.

The strata market will continue to be strong as long as there are limited free-standing properties available for sale and interest rates remain low. In Vancouver proper, projects such as Ironworks, Lightworks, and Strathcona Village, have seen prices for strata product pushed to a record high of $400.00 /sf for pure industrial space and up to $700 /sf for flex space. Their proximity to commercial amenities and residential development also increases interest for this type of space.

Outlook

The Kinder Morgan Trans Mountain pipeline expansion will further boost British Columbia’s economy and is expected to generate more than $1 billion in construction spending. This will add to the already high demand for industrial land, which is currently achieving $1.5 million / acre in most areas. The entertainment industry is poised to continue to grow in 2017 despite the proposed tax incentive cuts (already down from 33% to 28%) in October.
Vancouver, BC
Industrial Q4 2016

MARKETBEAT

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About Cushman & Wakefield
Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm’s 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of $5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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SUBMARKET INVENTORY (SF)   YTD LEASING ACTIVITY (SF)   OVERALL VACANCY RATE   YTD NET OVERALL ABSORPTION (SF)   UNDER CNSTR (SF)   YTD CNSTR COMPLETIONS (SF)   OVERALL WEIGHTED AVG. NET RENT   OVERALL WEIGHTED AVG. ADD. RENT   AV. COST OF LAND (PER ACRE) *

Abbotsford 7,482,616 136,180 2.7% 158,439 0 215,765 $8.08 $3.19 $825K – 1.1M
Burnaby 29,588,606 1,611,229 2.0% 360,429 549,738 480,332 $10.32 $4.40 $1.5M – 1.7M
Coquitlam 7,626,806 502,449 1.7% 243,383 117,966 0 $11.09 $4.21 $1.4M – 1.5M
Delta 23,129,385 2,694,401 3.5% 607,086 1,485,930 283,081 $7.68 $3.41 $950K – 1.2M
Langley 16,764,507 1,413,235 2.7% 202,626 20,000 89,901 $8.70 $3.36 $950K – 1.5M
Maple Ridge/Pitt Meadows 3,764,721 53,773 3.6% 577,925 0 641,733 $7.53 $2.11 $450K – 1.0M
New Westminster 5,226,161 90,842 4.9% (206,799) 0 299,383 $8.10 $3.28 $1.0M – 1.4M
North Shore 5,762,577 122,928 0.5% 69,851 20,000 0 $15.24 $6.54 $2.5M – 3.0M
Port Coquitlam 6,451,068 273,003 5.1% (165,050) 51,281 0 $8.16 $3.38 $1.3M – 1.5M
Port Moody 1,016,860 77,832 2.1% 90,677 0 0 $13.50 $3.75 $1.0 – 1.6M
Richmond 37,994,277 3,077,846 2.3% 137,744 379,098 162,416 $8.49 $3.55 $1.5M – 2.0M
Surrey 33,853,423 1,462,821 2.4% 1,277,211 1,485,930 868,955 $8.29 $2.97 $1.3M – 1.6M
Vancouver 23,819,322 854,315 1.7% 374,820 54,8591 123,477 $12.84 $4.79 $1.5M – 2.6M

VANCOUVER TOTALS 202,480,329 12,370,854 2.5% 3,728,342 4,514,517 3,165,043 $9.12 $3.61 $1.3M – 1.6M

*Based on 61-3 acre parcel of serviced industrial land

Key Lease Transactions Q4 2016

PROPERTY SF TENANT TRANSACTION TYPE SUBMARKET
2821 Production Way 233,603 Stemcell Technologies New Lease Burnaby
400 Fraser Reach Court 115,384 K-Bro Linen Systems Inc. New Lease Burnaby
5555 Trapp Avenue 69,994 Technosport New Lease Burnaby
5450 Byrne Road 55,000 Western One Rentals & Sales New Lease Burnaby
230 Brunette Avenue 51,509 Fit Foods Ltd. New Lease New Westminster
19855 98th Avenue 45,150 Westcan Industries Ltd. New Lease Langley
2217 Fraserwood Way 40,394 Schneider Electric New Lease Richmond

Key Sales Transactions Q4 2016

PROPERTY SF SELLER/BUYER PRICE / $PSF SUBMARKET
901-965 Great Northern Way 60,124 Bradea Properties Ltd. / Low Tide Properties Ltd. & PCI Group. $34,600,000 / 575 Vancouver
8900 Glenlyon Parkway 51,494 Glenlyon Developments Inc. / Mr. Western Holdings Corp. $17,700,000 / 344 Burnaby
120 West 3rd Avenue N/A Frew Enterprises Ltd. / Hungerford Group $16,400,000 Vancouver
1751 Brigantine Drive 83,370 Rhema Industries Ltd. / IKEA Properties Ltd. $13,500,000 / 162 Coquitlam
30982 & 31122 South Fraser Way 87,000 Sobeys / Nature’s Touch Frozen Foods $12,058,756 / 139 Abbotsford
Berezan Industrial Park 72,000 Berezan Management Ltd. / $11,800,000 / 164 Surrey

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