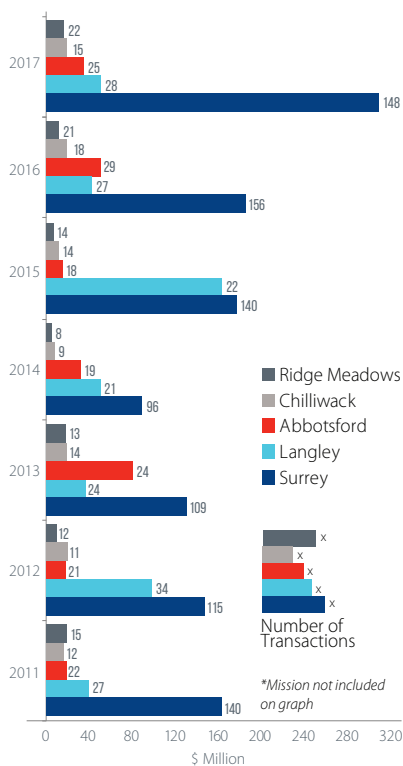




# Fraser Valley, BC

Summer 2018  
Fraser Valley Industrial Report

## FRASER VALLEY INDUSTRIAL REAL ESTATE SALES AND DOLLAR VOLUME



## Industrial sales activity in Fraser Valley hits record dollar volume as eastward migration accelerates

Industrial sales activity in the Fraser Valley achieved record dollar volume in 2017 with \$465 million in sales – surpassing the previous record of \$396 million set in 2015. While the number of deals in 2017 (244) was slightly less than the record 258 transactions established in 2016, demand remains as strong as ever and constrained only by an ongoing lack of new supply. Industrial sales valued at \$131 million (47 transactions) in the first quarter of 2018 highlight the seemingly insatiable requirements of not only industrial owner-occupiers, but now institutional investors in the Fraser Valley.

Vacancy in the Fraser Valley’s industrial markets remained at near-record lows at the end of the first quarter of 2018. The low vacancies have had a corresponding impact on rental rates, which are also achieving record highs in 2018. First-quarter vacancy in the Surrey (1%), Langley (1.5%) and Abbotsford (1.8%) markets were among the lowest in

Metro Vancouver (1.8%), while new supply in Ridge Meadows (3.1%) provided some relief. Despite significant rental rate appreciation in the past 24 months, the average rental rates in Surrey (\$9.11 psf), Langley (\$9.67 psf) and Abbotsford (\$9.17 psf) remained less than the Metro Vancouver average (\$10.91 psf), while the average rental rate in Ridge Meadows (\$11.60 psf) reflected the higher costs associated with the new construction that accounts for much of the inventory in the market.

As industrial land costs and rental rates continue to rise across Metro Vancouver, particularly in markets such as Vancouver, North Vancouver, Richmond and Burnaby (and to a lesser extent in Coquitlam/Port Coquitlam and New Westminster), industrial owner-occupiers have been increasingly moving south of the Fraser River in search of expansion space and/or lower rental rates

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### MARKET OUTLOOK

Cap Rates



Industrial Vacancy



Sales Volume



Absorption



Lease Rates





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and prices. However, the higher costs associated with Metro Vancouver's core industrial markets are increasingly manifesting in the Fraser Valley as well. Strong demand, low vacancy and healthy pricing for strata units as well as industrial buildings continues to power deal and dollar volume to record levels, which is attracting increased institutional investor interest.

Institutions such as **QuadReal** and **Sun Life** have been acquiring industrial land in Surrey's Campbell Heights as well as in Abbotsford, extending the investment horizon beyond the traditional industrial markets where institutions have historically developed new lease and/or strata industrial projects. Both institutional and private investors are anticipating the continued appreciation of lease rates due to high land costs, tight vacancy and the ongoing availability of low-cost capital. The slow rise in interest rates and the foreshadowing of further increases to come in the near term has actually boosted demand as owner-occupiers and investors rush to get in

while interest rates still remain at historically low levels. As a result of this confluence of market factors, industrial properties in general (and in the Fraser Valley more specifically) have become a more preferred asset class for private and institutional investors alike.

Anticipated ongoing rental rate appreciation is due to the perception that the tight vacancies recorded in Fraser Valley industrial markets will remain unchanged due to a lack of new industrial lease product in the development pipeline for the region (see page 3). The delivery of significant amounts of new industrial space in the Fraser Valley since 2015 has yet to provide any relief in the tight vacancies still being recorded in the valley's industrial markets. While developers are factoring in rising rents in their pro formas when deciding whether or not to develop industrial space for lease, the pricing being achieved by industrial strata projects in the Fraser Valley can justify paying the increased land prices. When coupled with ongoing strong demand, healthy margins and significantly lower risk, developers are frequently choosing to build strata instead.

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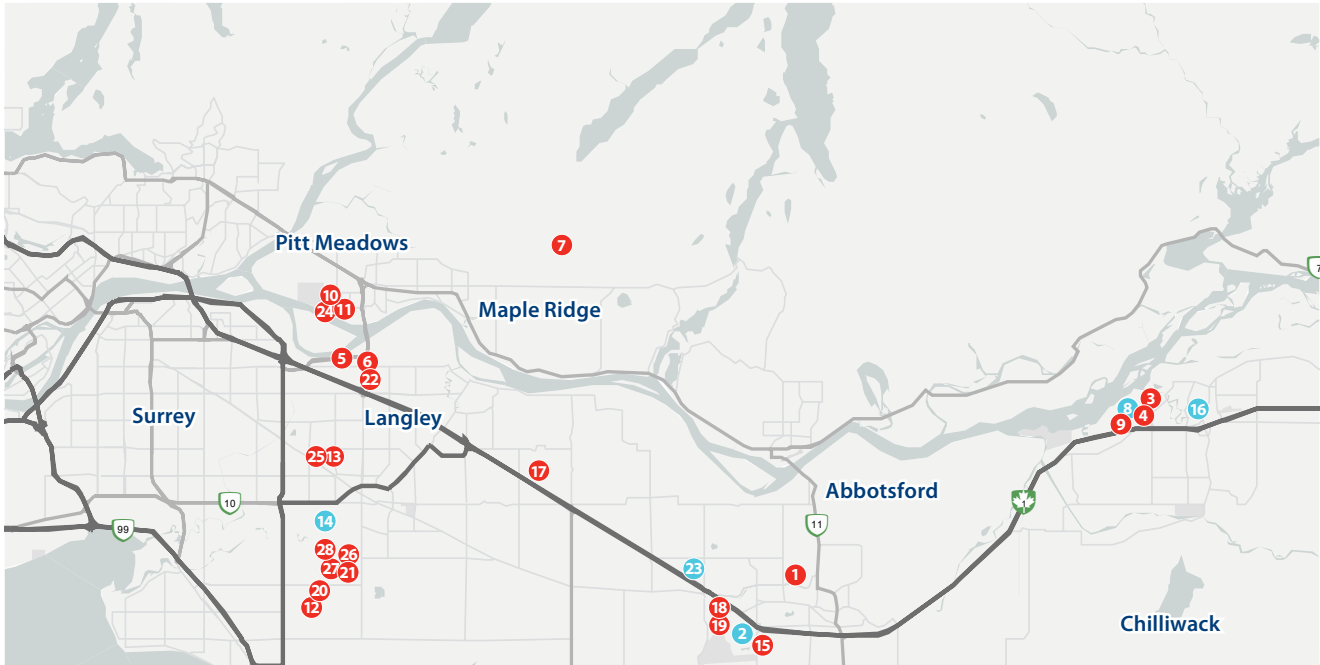
**TOP 10 FRASER VALLEY INDUSTRIAL BUILDING SALES TRANSACTIONS BY REGION (JANUARY 1, 2017 TO MARCH 31, 2018)**

ADDRESS	REGION	TRANSACTION VALUE	SQUARE FEET (SF)	PER SQUARE FOOT (PSF)	DATE	BUYER TYPE
5368 273A Street, Langley	Surrey/Langley	\$8,000,000*	12,850	\$623	Mar 2018	User
7715 Anvil Way, Surrey	Surrey/Langley	\$12,000,000	41,510	\$289	Feb 2018	User
19750 92A Avenue, Langley	Surrey/Langley	\$32,750,000	208,888	\$157	Jan 2018	Investor
205 Business Place, Langley	Surrey/Langley	\$11,000,000	45,244	\$243	Jan 2018	Investor
19095 24th Avenue & 19088 25th Avenue, Surrey	Surrey/Langley	\$20,600,000	109,691	\$188	Aug 2017	Investor
7550 132nd Street, Surrey	Surrey/Langley	\$8,085,035	37,400	\$216	Aug 2017	User
10077 Grace Road, Surrey	Surrey/Langley	\$30,900,000	58,808	\$525	Jun 2017	Investor
20785 & 20795 Langley Bypass, Langley	Surrey/Langley	\$8,000,000*	34,363	\$233	May 2017	Investor
9255 194th Street, Surrey	Surrey/Langley	\$27,525,000	185,123	\$149	May 2017	Investor
14577 66th Avenue, Surrey	Surrey/Langley	\$11,662,000	68,546	\$170	May 2017	Government
8400 & 8480 124th Street, Surrey	Surrey/Langley	\$9,000,000	53,600	\$168	Feb 2017	User
Kief Business Park, Surrey	Surrey/Langley	\$15,500,000	128,554	\$121	Jan 2017	Investor
43875 Progress Way, Chilliwack	Eastern Fraser Valley	\$2,587,812	14,003	\$185	Jan 2018	User
23516 River Road, Maple Ridge	Eastern Fraser Valley	\$3,628,000	21,500	\$169	Jan 2018	User
12845 261A Street, Maple Ridge	Eastern Fraser Valley	\$2,975,000	16,501	\$180	Nov 2017	User
34336-34378 Manufacturers Way, Abbotsford	Eastern Fraser Valley	\$8,674,000	51,462	\$169	Oct 2017	Investor
31881, 31889, 31897 & 31899 Mercantile Way, Abbotsford	Eastern Fraser Valley	\$3,600,000	13,598	\$265	Jul 2017	Investor
8080 Evans Road, Chilliwack	Eastern Fraser Valley	\$3,150,000	12,715	\$248	Jul 2017	User
43903 Industrial Way, Chilliwack	Eastern Fraser Valley	\$10,104,540	64,014	\$158	Jun 2017	User
34336-34378 Manufacturers Way, Abbotsford	Eastern Fraser Valley	\$7,500,000	51,462	\$146	Feb 2017	User
11450 201A Street, Maple Ridge	Eastern Fraser Valley	\$7,037,500	49,639	\$142	Feb 2017	User
7282 Fraserview Place, Mission	Eastern Fraser Valley	\$2,450,000	16,000	\$153	Jan 2017	User

\*tied

Source: Avison Young & RealNet

## New Fraser Valley industrial projects scheduled for completion by mid-2019



More than 1.9 msf of speculative industrial construction set for delivery in next 12 months

	Address	Project name/Occupier	Size	Construction type	Estimated Completion	Percentage Preleased
1	33385 Maclure Road, Abbotsford	Maclures Road Business Park	38,515	SPEC - Strata	Q2 2018	100% - sold
2	1725 Foy Street, Abbotsford	N/A	10,000	BTS	Q2 2018	100%
3	43995 Progress Way, Chilliwack	Lickman Centre	28,000	SPEC	Q2 2018	0%
4	43881 Progress Way, Chilliwack	Norwood Hills	20,542	SPEC	Q2 2018	0%
5	19715 96th Avenue, Langley	North Langley Business Centre	50,061	SPEC - Strata	Q2 2018	76% - sold
6	9347 200A Street, Langley	Port Kells Centre (Building A)	62,327	SPEC	Q2 2018	80%
7	13130 Lilley Drive, Maple Ridge	Kanaka Business Park	5,195	SPEC	Q2 2018	0%
8	43650 Progress Way, Chilliwack	Highway 1 Business Park	60,000	BTS	Q3 2018	100%
9	43815 Progress Way, Chilliwack	N/A	25,167	SPEC	Q3 2018	0%
10	19055 Airport Way, Pitt Meadows	Golden Ears Business Park (Building 700)	35,856	SPEC	Q3 2018	100%
11	19055 Airport Way, Pitt Meadows	Golden Ears Business Park (Building 900)	48,375	SPEC	Q3 2018	30%
12	18860 & 18822 24th Avenue, Surrey	Campbell Heights West Business Park (Buildings 100 & 200)	344,387	SPEC	Q3 2018	16%
13	3487 191st Street, Surrey	N/A	30,300	SPEC - Strata/Lease	Q3 2018	0%
14	2525 188 Street, Surrey	Subzero Cold Logistics	39,653	BTS	Q3 2018	100%
15	1777 Clearbrook Street, Abbotsford	Gateway East Business Centre	384,940	SPEC	Q4 2018	91%
16	45650 Kerr Avenue, Chilliwack	Molson Brewery	400,000	BTS	Q4 2018	100%
17	4825 275th Street, Langley	275th Corporate Centre	105,868	SPEC	Q4 2018	29%
18	30722 Marshall Road, Abbotsford	Marshall Road Business Centre	84,096	SPEC - Strata	Q1 2019	0%
19	2034 Townline Road, Abbotsford	N/A	81,000	SPEC	Q1 2019	0%
20	2920 188th Avenue, Surrey	South Surrey Business Park (Building 2)	155,883	SPEC	Q1 2019	0%
21	19181 34A Avenue, Surrey	N/A	26,000	SPEC - Strata	Q1 2019	0%
22	9347 200A Street, Langley	Port Kells Centre (Building B)	39,652	SPEC	Q1 2019	0%
23	3311 Mount Lehman Road, Abbotsford	Westerra Equipment	23,000	BTS	Q2 2019	100%
24	19055 Airport Way, Pitt Meadows	Golden Ears Business Park (Building 800)	220,416	SPEC	Q2 2019	0%
25	3950 191st Street, Surrey	Campbell Heights North Commerce Centre	48,389	SPEC - Strata	Q2 2019	54% - sold
26	3577 194th Street, Surrey	Cedar Coast South Surrey	126,415	SPEC - Strata	Q2 2019	13% - sold
27	3560 190 Street, Surrey	Campbell Heights Industrial Centre 3	145,959	SPEC	Q2 2019	0%
28	3757 190 Street, Surrey	N/A	65,918	SPEC - Strata	Q2 2019	0%

<sup>1</sup>see number 14 on map for location <sup>2</sup>see number 17 on map for location

Source: Avison Young & RealNet

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Most new strata units being constructed in the Fraser Valley in 2018 generally range between 2,000 sf and 12,000 sf and are meeting a preference in the market to own property and allow owners to have control over costs in an environment where rental rates, after years of stagnation, are being pushed higher by rising land costs and strong demand for industrial space in a low-vacancy environment. Also, many industrial tenants in the Fraser Valley are facing a substantial rise in their rates upon renewal and discovering there are few lease options available. If tenants do wish to lease new space, it is often necessary to starting looking at least 12 months in advance and to consider preleasing as an option. Many of the new industrial developments in the pipeline already have varying levels of prelease activity.

Avison Young tracks future availability rates in the Fraser Valley for the next six months in advance to gain deeper insight into occupancy and vacancy trends. The future availability rate in each Fraser Valley market declined between year-end 2017 to first-quarter 2018 for a variety of reasons. Future availability in Abbotsford dropped to 3% from 5.1% due to preleasing/presale activities at 33385 Maclure Road. Future availability in Langley also declined, sliding to 3.7% from 5.2%, due primarily to presale activity at **North Langley Business Centre**. Future availability in Ridge Meadows also dropped to 3.8% from 4.7% due mainly to preleasing activity at **Golden Ears Business Park**. Even future availability in Surrey, which has more than 500,000 sf of new space set for completion by the end of the third quarter of 2018, dropped slightly to 3.4% from 3.7%.

The eastward migration of Metro Vancouver's industrial market is accelerating in an environment of tight vacancy and rental rate appreciation and is drawing the attention of not only owner-occupiers seeking to open or expand operations, but also institutional capital that is now willing to go to new regions in Metro Vancouver in the hunt for yield. Demand for industrial space and investment properties is likely to continue for as long as persistently low vacancy and rising rental rates continue to define the Fraser Valley market. ■

**SELECT FRASER VALLEY INDUSTRIAL LAND TRANSACTIONS (GREATER THAN \$2M) BY USER TYPES:  
USER, DEVELOPER & INVESTOR (JULY 1, 2017 TO MARCH 31, 2018)**

ADDRESS	MUNICIPALITY	BUYER	BUYER TYPE	PRICE	SIZE (ACRES)	PRICE/ACRE	TRANSACTION DATE
5052 272nd Street	Langley	Pacific Coast Distribution Ltd.	User	\$4,979,796	5.51	\$903,774	Mar 2018
19260 Enterprise Way	Surrey	JMG Carrier Ltd.	User	\$4,650,000	2.258	\$2,059,345	Jan 2018
13733 116th Avenue	Surrey	Superior Propane	User	\$5,994,000	3.696	\$1,621,753	Dec 2017
11531 & 11542 134th Street	Surrey	0868526 BC Ltd.	User	\$6,500,000	2.923	\$2,223,743	Dec 2017
2026 Queen Street	Abbotsford	Pro Auto Recyclers (HTJH Holdings Ltd.)	User	\$2,300,000	1.7	\$1,352,941	Dec 2017
19108 34A Avenue	Surrey	A-Class Holdings Ltd.	User	\$2,720,000	1.448	\$1,878,453	Nov 2017
11686 Pine Road	Surrey	Lalli Bros. Express Ltd.	User	\$3,000,000	2.068	\$1,450,677	Sep 2017
Lot D, Lot E & 63 West Railway Avenue	Abbotsford	Jason Davis Holdings Inc. & Agri-Trans Investment Corp. & 0958149 BC Ltd.	User	\$4,500,000	9.085	\$495,322	Sep 2017
31708 Marshall Road	Abbotsford	1921415 Alberta Ltd.	User	\$7,500,000	9.805	\$764,916	Aug 2017
3548 191st Street	Surrey	Magnum Nutraceuticals Holding Ltd.	User	\$3,737,000	2.024	\$1,846,344	Aug 2017
19067 & 19087 39th Avenue	Surrey	1079642 BC Ltd.	User	\$5,563,079	4.917	\$1,131,397	Aug 2017
19035 38th Avenue	Surrey	High Noon Investment Corp.	User	\$6,090,000	5.8	\$1,050,000	Aug 2017
3989 191st Street	Surrey	Red Rose Consulting Inc.	User	\$2,365,000	2.567	\$921,309	Aug 2017
3825, 3853 & 3889 191st Street	Surrey	0761335 BC Ltd.	User	\$5,091,112	4.628	\$1,100,067	Aug 2017
19145 34A Avenue	Surrey	CCI Holdings Inc.	User	\$3,200,500	1.727	\$1,185,214	Aug 2017
23402 & 23450 Fisherman Road; 23553 River Road	Maple Ridge	Kerr Properties 002 Ltd.	User	\$7,000,000	10.293	\$680,074	July 2017
Lot B, 26800 Block 58th Avenue	Langley	Klondike Lubricants	User	\$2,080,000	1.591	\$1,307,354	July 2017
Lot 5 & Lot 6 274th Street	Langley	Rimex Supply (Piff Properties Ltd.)	User	\$4,892,400	5.436	\$900,000	July 2017
32915 Mission Way	Mission	Ocean Trailer	User	\$5,300,000	6.697	\$791,399	May 2017
15315 66th Avenue	Surrey	1152414 BC Ltd.	Investor	\$5,650,000	2.343	\$2,411,438	Mar 2018
2944 192nd Street	Surrey	1152856 BC Ltd.	Investor	\$3,245,000	2.5	\$1,298,000	Feb 2018
26264 30A Avenue	Langley	1092215 BC Ltd.	Investor	\$5,000,000	5	\$1,000,000	Jan 2018
12674 88th Avenue	Surrey	Zenith Development Ltd.	Investor	\$4,000,000	1.441	\$2,775,850	Jan 2018
5228 184th Street	Surrey	Spring Hill Ventures Inc.	Investor	\$9,368,386	6.08	\$1,540,853	Dec 2017
19708 86th Avenue	Langley	0959700 BC Ltd. & 0959710 BC Ltd.	Investor	\$6,700,000	9.625	\$696,104	Dec 2017
19044 32nd Avenue	Surrey	1142651 BC Ltd.	Investor	\$5,650,000	4.49	\$1,258,352	Dec 2017
2200 Iron Mills Court	Abbotsford	Armaan Productions Ltd.	Investor	\$5,765,000	12.528	\$460,169	Nov 2017
3378 194th Street	Surrey	1140831 BC Ltd.	Investor	\$3,000,000	4.222	\$710,564	Nov 2017
19181 34A Avenue	Surrey	0750723 BC Ltd.	Investor	\$3,182,000	1.717	\$1,853,232	Nov 2017
2944 192nd Street	Surrey	Gawley & Son Contracting Ltd.	Investor	\$3,100,000	2.5	\$1,240,000	Oct 2017
19468 32nd Avenue	Surrey	1098760 BC Ltd.	Investor	\$2,700,000	2.9	\$931,034	Aug 2017
30513 Great Northern Way	Abbotsford	Mt. Lehman Business Centre Land Corp.	Developer	\$3,691,500	3.232	\$1,142,172	Mar 2018
18929 32nd Avenue	Surrey	18929 CH Lot 11 Ltd.	Developer	\$3,004,502	1.544	\$1,945,921	Mar 2018
3707-3795 Mount Lehman Road	Abbotsford	Hungerford Properties	Developer	\$15,200,000	21.179	\$717,692	Dec 2017
3407 Mount Lehman Road	Abbotsford	Hungerford Properties	Developer	\$5,600,000	10.006	\$559,664	Dec 2017
Lot 1, 3700 Block Mount Lehman Road	Abbotsford	Hungerford Properties	Developer	\$8,075,000	20	\$403,750	Dec 2017
Lot A, 5100 Block 272nd Street	Langley	Spire Development Corp.	Developer	\$2,900,000	1.801	\$1,610,217	Dec 2017
17714 & 17740 65A Avenue	Surrey	Qualico Developments Inc.	Developer	\$3,400,000	1.7	\$2,000,000	Nov 2017
17656 66A Avenue	Surrey	Phoenix Homes	Developer	\$2,115,000	1.86	\$1,137,097	Oct 2017
Lots 1, 2 & 3, 5100 Block, 272nd Street	Langley	Spire Development Corp.	Developer	\$8,280,000	9.593	\$863,129	Oct 2017
19283 28th Avenue	Surrey	Potrait Homes	Developer	\$6,089,000	4.333	\$1,405,262	Oct 2017
Campbell Heights North Commerce Centre (3950 191st Street)	Surrey	CH Strata 4 Developments Ltd.	Developer	\$2,603,250	2.913	\$893,666	Sep 2017
2170, 2190, 30525, 30547, 30561 Iron Mills Court	Abbotsford	CLW Investments Ltd.	Developer	\$4,932,900	4.176	\$1,181,250	Sep 2017
30722 Marshall Road	Abbotsford	Marshall Business Centre Ltd.	Developer	\$5,650,000	4.67	\$1,209,850	Aug 2017
19155 38th Avenue	Surrey	Beedie Group	Developer	\$6,659,861	7.01	\$950,051	Aug 2017

Source: Avison Young & RealNet

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