



# Metro Vancouver

INDUSTRIAL | FOURTH QUARTER | 2009

## MARKET INDICATORS

	2009 Q3	2009 Q4
VACANCY	↑	↑
NET ABSORPTION	↓	↑
NEW SUPPLY	↑	↑
RENTAL RATES	↓	↓

## ECONOMIC UPDATE

BC's unemployment rate rose to 8.4 percent in the final quarter of 2009, remaining slightly below Canada's average of 8.5 percent. Along with Ontario and Prince Edward Island, BC shared the largest change in employment as it rose from 2008's year-end rate of 4.7 percent.

British Columbia enters 2010 amid widespread economic recovery and cautious optimism. Such optimism will be evident in the tremendous amount of activity surrounding February's Olympics, which are expected to spur much-needed economic activity.

An extremely positive sign is the outlook for export-based industries, such as forest products which are expected to recover amid the recovery in the US housing sector. Other commodities such as precious metals and natural gas will also provide a boost to exports.

In the fourth quarter of 2009, Canada's non-residential construction totaled just over \$10.2 billion dollars with BC comprising over 11 percent of the total. Both the commercial and industrial sectors decreased in the final quarter, however, due to more investment in educational and health care buildings, the institutional component increased for the eighth consecutive quarter.

## MARKET OVERVIEW

Metro Vancouver's vacancy rate reached 4.8 percent in the fourth quarter of 2009. The last time the vacancy rate was this high was mid-year 1997 when it was 4.9 percent due to high levels of completed construction totaling 4.62 million square feet at the end of 1996. The fourth quarter of 2009 showed improved activity in both leasing and sales activity compared to the balance of 2009. Particularly, strata sales and small-bay leasing were stronger than the previous 15 months; however, large-user sales and demand from the third party logistics distribution market continue to be weak.

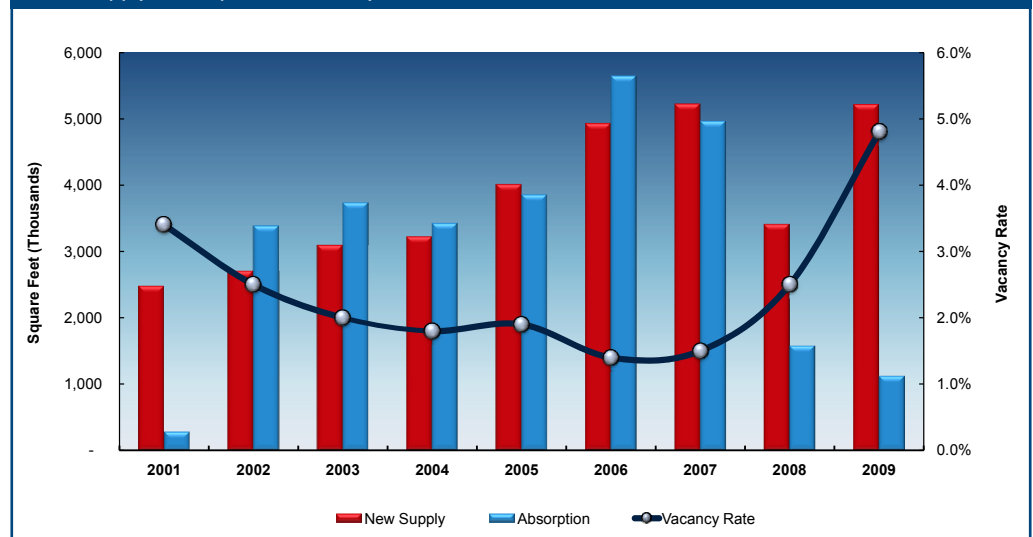
Few trends have been apparent in Metro Vancouver throughout the fourth quarter of 2009; lease absorption and activity in the market were sporadic at best. For large-bay leases, landlords are becoming more competitive with rates, offering inducements and incentives in order to secure tenants on a short-term basis (1-2 years). This enables landlords to generate revenue during the economic slump, while simultaneously seeking tenants that will be willing to pay a higher rate when lease rates climb.

## SUBMARKET REVIEW

### Vancouver/Burnaby/North Vancouver

Vacancy in Vancouver remained relatively low in the fourth quarter of 2009 at 2.6 percent, increasing from 1.5 percent in the fourth quarter of 2008. The sentiment in the Vancouver leasing market was positive in the fourth quarter as a result of an increase in the overall number of transactions and interest in listed properties, compared to the third quarter of 2009.

METRO VANCOUVER INDUSTRIAL MARKET  
New Supply, Absorption & Vacancy Rates



The fourth quarter vacancy rate for Burnaby was 2.8 percent, up from 1.6 percent in the fourth quarter of 2008. Over 200,000 square feet was absorbed during the final quarter of the year, mainly resulting from increased strata sale activity and the completion of a 90,000 square foot build-to-suit project by The Beedie Group for Refrigerative Supply at 8028 North Fraser Way.

Vacancy in North Vancouver climbed to 3.6 percent in the fourth quarter of 2009, up from 1.0 percent a year earlier. A significant portion of North Vancouver's vacant space was a result of ALS Canada (Mineral Division) moving to GWL Realty Advisor's NorthWoods Business Park, leaving 44,000 square feet vacant at 212 Brooksbank Avenue.

The Dollarton Highway area of North Vancouver now boasts over 430,000 square feet of light industrial/office space, with more on the horizon. Dollarton Business Park's 32,000 square foot strata project developed by Darwin Construction/Citimark, was 85 percent pre-sold by the end of 2009 resulting in the early launch of phase three, a 48,000 square foot, four-storey concept comprised of strata warehouse units on the first two floors and strata office for the upper floors.

#### Richmond/Delta

Richmond's 5.9 percent vacancy rate this quarter represents a 10-year high, up from 1.7 percent at this time last year. A significant reason for the high vacancy rate in Richmond is several 30,000-50,000 square foot vacancies sitting on the market, accounting for over one-third of the total vacancy. User demand has slowed in the Richmond market, in turn, driving down sale values approximately 10-15 percent.

Delta's vacancy rate was 6.8 percent in the fourth quarter of 2009, an increase from 3.5 percent recorded twelve months prior. Notable vacancies in the fourth quarter of 2009 include 78,649 square feet at 1511 Derwent Way for sublease, as well as 215,127 square feet at the Hopcott Centre, which has been newly rebranded by Morguard as the South Fraser Distribution Centre. Although bulk warehouse product has struggled, strata and small-bay leasing market transactions improved in Delta throughout the fourth quarter.

A notable completion in Delta is Home Depot's regional distribution building at the Tilbury West Corporate Centre (TWCC). Completion of the 412,000 square foot, build-to-suit project by The Beedie Group accounts for the large absorption in Delta, and will be followed by Phases I and II at the TWCC which is a 200,000 square foot strata development slated for completion in the summer of 2010.

Buckingham Industrial Estates sold its first lot in Delta, with 13 more available on 35.5 acres of net usable land that is fully serviced and pre-loaded for development. During the fourth quarter, there was a significant amount of interest in the park as the supply of serviced small lots in Delta is limited.

#### Surrey/Langley/Abbotsford/Chilliwack

For the second consecutive quarter, absorption in Surrey was over 400,000 square feet due to an increase in lease activity and several build-to-suit completions, including Tree of Life's 125,800 square foot building at 19488 Telegraph Trail and Frito Lay's 51,246 square foot energy efficient distribution centre at 11811 103A Avenue.

Morguard's completion of the Colebrook Business Centre, located in the expanding Panorama Ridge area, provided Surrey with 136,413 square feet of high exposure space, with 76,000 square feet still available after FedEx leased approximately 60,000 square feet of the development. Overall, values have stabilized in both the Surrey and Langley markets with land sale prices in the \$700,000-1,200,000 per acre range.

Vacancy in Langley was 8.1 percent in the fourth quarter of 2009, up from 6.1 percent in the fourth quarter of 2008. Although there is over 875,000 square feet of vacant space available in Gloucester, positive signs of leasing activity have occurred over the last quarter for both small-bay and medium-bay transactions, including MTF Mainland Distributors leasing over 38,000 square feet at 26868 56<sup>th</sup> Avenue.

Vacancy in Abbotsford increased to 8.6 percent in the fourth quarter from 7.1 percent in the third quarter of 2009. A significant portion of the increase in vacancy was a result of new strata and multi-tenant completions at both the MacLure Business Park and Airport North Business Park by Voth Bros. Developments.

Chilliwack's vacancy rate dropped from 2.5 percent in the fourth quarter of 2008 to 2.0 percent in the fourth quarter of 2009. Two build-to-suit projects located at 45739 Kerr Avenue and 45648 Storey Avenue are currently underway and scheduled for completion in early 2010. Combined, they will add 123,415 square feet to Chilliwack's inventory.

#### FOURTH QUARTER 2009 NOTABLE SALE TRANSACTIONS

Property Address	Market	Purchaser Profile	Sale Price	Site Size (Acres)	Size (Sq. Ft.)
Riverside Corporate Centre	Richmond	Investor	\$12,790,000	6.7	123,000
9999 River Way	Delta	Investor	\$10,290,000	3.9	86,345
1127 Derwent Way & 591 Chester Road	Delta	Investor	\$6,436,690	19.2	136,976
13137 82A Avenue	Surrey	Investor	\$5,542,500	2.7	51,107
13375 Comber Way	Surrey	User	\$4,300,000	2.6	31,488
7635 North Fraser Way	Burnaby	Investor	\$4,295,000	N/A	26,755
1255 Welch Street	North Vancouver	Investor	\$3,875,000	1.9	23,600
9151 Van Horne Way	Richmond	Investor	\$3,800,000	2.8	20,300
9688 190 <sup>th</sup> Street	Surrey	User	\$3,620,000	2.0	12,000

Submarket	Existing Properties									Absorption		New Supply		Under Construction
	Total Inventory Sq. Ft.	Direct Vacant Sq. Ft.	Direct Vacancy Rate	Sublease Vacant Sq. Ft.	Sublease Vacancy Rate	Total Vacant Sq. Ft.	Vacancy Rate Q4-09	Vacancy Rate Q3-09	Availability Rate Q4-09	Net Absorption Q4-09 Sq. Ft.	Net Absorption YTD Sq. Ft.	New Supply Q4-09 Sq. Ft.	New Supply YTD Sq. Ft.	Under Construction Current Sq. Ft.
Richmond	32,727,534	1,806,476	5.5%	136,817	0.4%	1,943,293	5.9%	5.9%	7.6%	64,379	172,172	83,780	1,581,952	50,000
Surrey	26,402,848	936,205	3.5%	4,900	0.0%	941,105	3.6%	3.4%	4.9%	404,237	1,061,679	468,462	1,508,884	107,575
Burnaby	25,904,595	696,230	2.7%	27,030	0.1%	723,260	2.8%	2.8%	5.4%	201,646	125,732	204,376	443,208	339,598
Vancouver	20,798,246	532,320	2.6%	18,000	0.1%	550,320	2.6%	2.5%	4.3%	(22,216)	(176,302)	0	52,756	0
Delta	20,463,857	1,252,828	6.1%	130,313	0.6%	1,383,141	6.8%	7.1%	10.8%	452,836	(275,558)	412,000	412,000	203,000
Langley	16,770,367	1,354,451	8.1%	0	0.0%	1,354,451	8.1%	8.1%	10.6%	73,211	(108,546)	79,432	235,909	32,012
Coquitlam	7,592,575	260,965	3.4%	5,690	0.1%	266,655	3.5%	2.0%	5.0%	(116,711)	(108,760)	0	0	0
Port Coquitlam	7,277,140	131,454	1.8%	0	0.0%	131,454	1.8%	1.7%	3.9%	(9,907)	469,657	0	514,000	38,268
Abbotsford	4,924,535	423,040	8.6%	0	0.0%	423,040	8.6%	7.1%	8.6%	31,131	22,117	110,180	213,180	75,825
North Vancouver	4,636,146	164,458	3.5%	3,052	0.1%	167,510	3.6%	3.6%	6.4%	(1,082)	(78,241)	0	20,000	54,000
Chilliwack	3,292,171	59,098	1.8%	5,813	0.2%	64,911	2.0%	1.9%	6.0%	(4,000)	227,542	0	222,453	214,915
New Westminster	2,989,400	351,384	11.8%	0	0.0%	351,384	11.8%	10.8%	13.0%	(29,800)	(264,238)	0	0	0
Maple Ridge/Pitt Meadows	1,810,984	41,503	2.3%	0	0.0%	41,503	2.3%	2.8%	2.4%	9,789	19,474	0	0	0
Port Moody	897,300	60,000	6.7%	0	0.0%	60,000	6.7%	6.7%	6.9%	0	28,556	0	0	0
<b>Total</b>	<b>175,449,295</b>	<b>8,070,412</b>	<b>4.6%</b>	<b>331,615</b>	<b>0.2%</b>	<b>8,402,027</b>	<b>4.8%</b>	<b>4.6%</b>	<b>6.9%</b>	<b>1,053,513</b>	<b>1,115,284</b>	<b>1,358,230</b>	<b>5,204,342</b>	<b>1,115,193</b>

#### QUARTERLY COMPARISON AND TOTALS

Q3-2009	175,129,468	7,668,194	4.4%	429,116	0.2%	8,097,310	4.6%	3.8%	6.2%	(449,423)	61,771	1,038,403	3,846,112	1,274,876
Q2-2009	174,091,065	6,251,926	3.6%	357,558	0.2%	6,609,484	3.8%	2.7%	5.7%	51,524	511,194	1,976,304	2,807,709	2,023,501
Q1-2009	172,114,761	4,642,197	2.7%	42,507	0.0%	4,684,704	2.7%	2.5%	5.7%	459,670	459,670	831,405	831,405	3,805,428
Q4-2008	170,996,756	4,070,463	2.4%	247,247	0.1%	4,317,710	2.5%	2.4%	N/A	484,860	1,572,579	771,251	3,400,724	3,561,300

#### Coquitlam/Port Coquitlam/Pitt Meadows/Maple Ridge

Tree of Life vacated 98,000 square feet at 91-93 Glacier Street, accounting for a significant portion of the negative absorption in the fourth quarter for Coquitlam. Overall, the small-bay market was active in Coquitlam but mid-bay product remained slow.

Port Coquitlam's vacancy rate remained the lowest in Metro Vancouver at 1.8 percent in the fourth quarter of 2009, up from 1.3 percent in the fourth quarter of 2008. The seven lane Pitt River Bridge opened in the fourth quarter, vastly improving access between Pitt Meadows and Port Coquitlam.

Vacancy in Pitt Meadows decreased to 2.3 percent in the fourth quarter of 2009, dropping from 3.4 percent a year earlier. Onni Group purchased 60 acres from the Pitt Meadows Airport bringing their total development site at Golden Ears Business Centre to over 90 acres. They have launched the development of this site with construction of an 80,000 square foot small-bay speculative project with completion in late 2010.

Throughout the past year, Port Moody has experienced little activity. For the second consecutive quarter, 2120 Vintner Street remained unoccupied, accounting for a significant portion of Port Moody's vacancy.

#### LOOKING FORWARD

Lease rates are expected to either remain stable or decrease slightly in most regions, however, it appears that Metro Vancouver could be nearing the bottom of the market. Other evidence to suggest an impending recovery is the gradual re-entrance of major banks and institutional lenders that have not been active in the market for the last 12-18 months.

The fourth quarter of 2009 showed an increase in demand for sale and investment properties in the Lower Mainland but was halted by a lack of supply on the market. The beginning of 2010 will most likely be slow due to several companies closing or reducing their staff force for the duration of the Olympics in February. The heavy flow of traffic and congestion before and during the Games will also play a challenging role for several businesses in the Lower Mainland. However, economic stimulus, including low interest rates, tax incentives and job protection/creation, have strongly positioned Canada's financial status to make a sooner than expected recovery.

**FOURTH QUARTER 2009 NOTABLE LEASE TRANSACTIONS**

Address	Municipality	Size	Tenant
27353 58 <sup>th</sup> Crescent	Langley	53,041	Stuyver's Operating Limited Partnership
766 Cliveden Place	Delta	42,268	Cosmos Furniture & Bedding Co.
2133 191 <sup>st</sup> Street	Surrey	40,000	Wiseworth Canada Industries Ltd.
78 Fawcett Road	Coquitlam	39,200	Canstar Construction Ltd.
9489 200 Street	Langley	30,030	Brighton Best International Inc.
101-31414 Peardonville Road	Abbotsford	30,000	The R. Diamond Group of Companies
13955 Bridgeport Road	Richmond	27,334	Lesley Stowe Fine Foods
13180 Mitchell Road	Richmond	26,182	LKQ Corporation

**AVERAGE INDUSTRIAL LEASE RATES**

Region	Submarket	Small Bay		Mid Bay 15,000-40,000 sq. ft.		Bulk Warehouse >40,000 sq. ft.	
		\$/sq. ft.	\$/sq. ft.	\$/sq. ft.	\$/sq. ft.	\$/sq. ft.	\$/sq. ft.
<b>Vancouver</b>	Grandview Highway	\$7.75	\$11.00	\$7.25	\$8.50	\$7.00	\$7.50
	Clark/Terminal/Powell	\$6.50	\$14.00	\$6.50	\$12.00	\$7.00	\$10.00
	Cambie/Main	\$9.00	\$13.00	\$8.50	\$12.00	N/A	N/A
	South Vancouver	\$7.50	\$9.00	\$7.00	\$8.00	\$6.50	\$7.50
<b>Burnaby</b>	Central Burnaby/ Lake City	\$6.75	\$9.50	\$6.50	\$8.50	\$6.50	\$7.50
	Big Bend	\$7.00	\$9.50	\$6.50	\$8.50	\$6.00	\$8.50
	Marine Way	\$7.00	\$9.50	\$6.50	\$8.00	\$6.00	\$8.50
	Beresford	\$7.00	\$8.50	\$6.00	\$6.75	\$6.00	\$7.50
<b>Delta</b>	Annacis	\$7.50	\$9.00	\$6.25	\$8.50	\$6.00	\$7.25
	Tilbury	\$7.00	\$8.50	\$7.00	\$7.75	\$6.00	\$7.25
	Nordel	\$7.00	\$8.50	\$6.75	\$7.50	\$6.00	\$7.25
<b>Coquitlam</b>	Pacific Reach	\$7.00	\$9.50	\$6.50	\$7.75	\$6.50	\$7.25
	Mayfair/Cape Horn	\$7.00	\$9.50	\$6.50	\$7.75	\$6.50	\$7.25
<b>Port Coquitlam</b>	Meridian	\$6.50	\$8.50	\$6.00	\$7.50	\$6.00	\$7.00
	Mary Hill	\$6.25	\$7.50	\$6.00	\$6.50	\$5.50	\$6.50
<b>New Westminister</b>	New Westminister	\$6.00	\$7.50	\$5.50	\$6.50	\$5.00	\$6.00
<b>Richmond</b>	Crestwood	\$8.00	\$9.50	\$7.00	\$9.00	\$6.50	\$7.50
	Van Horne/Brighthouse	\$6.50	\$7.50	\$6.25	\$7.00	\$6.00	\$6.75
	East Richmond	\$7.50	\$9.50	\$8.00	\$9.50	\$7.00	\$8.50
	Riverside/Steveston	\$7.00	\$8.00	\$7.00	\$8.00	\$6.50	\$7.50
<b>North Vancouver</b>	Capilano/Fullerton	\$11.00	\$15.00	\$10.00	\$14.00	N/A	N/A
	Maplewood	\$10.00	\$15.00	\$10.00	\$14.00	N/A	N/A
<b>Surrey</b>	Newton	\$6.50	\$7.25	\$6.50	\$7.25	\$6.25	\$6.50
	Campbell Heights	\$6.50	\$7.00	\$6.25	\$7.00	\$6.00	\$6.50
	Cloverdale	\$7.00	\$7.50	\$6.75	\$7.25	\$6.50	\$7.00
	Port Kells	\$7.50	\$8.25	\$6.75	\$7.25	\$6.25	\$6.75
<b>Langley</b>	Northwest Langley/ Port Kells	\$7.75	\$8.50	\$7.00	\$7.75	\$6.50	\$7.00
	Gloucester	\$6.75	\$7.25	\$6.25	\$7.00	\$6.00	\$6.50
	City of Langley/ Mufford	\$6.75	\$7.25	\$6.50	\$7.00	\$6.50	\$7.00
<b>Maple Ridge</b>	Maple Ridge	\$7.25	\$7.75	\$6.75	\$7.50	\$6.00	\$6.50
<b>Abbotsford</b>	Abbotsford	\$7.00	\$8.00	\$6.75	\$7.75	\$5.50	\$6.25
	Chilliwack	\$6.75	\$7.75	\$6.75	\$7.75	\$5.50	\$6.25

267 OFFICES IN 57 COUNTRIES ON  
6 CONTINENTS

USA 95  
Canada 17  
Latin America 17  
Asia Pacific 53  
EMEA 85

\$63.5 billion in annual transaction volume  
672.9 million square feet under management  
10,171 Professionals

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