

Metro warehouses flirt with condominium-level prices



This industrial strata project sold out within weeks of being listed. | CITIMAK-DARWIN

Industrial real estate prices in parts of Metro Vancouver are flirting with levels in the residential condominium market, with some industrial space selling for \$500 per square foot, according to commercial real estate agents.

In a report released in May, **DTZ Vancouver Real Estate Ltd.** noted that the average price for a strata industrial property averaged \$300 per square foot in Vancouver, Burnaby and North Vancouver during the first quarter of this year. Strata industrial is sold rather than leased.

"We have seen [industrial] sales at \$500 per square foot," said DTZ director of research **James Fraser**, but he noted that this often reflects the land value.

The average price for a resale low-rise condominium in Metro Vancouver is \$414 per square foot, according to market research firm **Strategics**.

Demand for industrial strata is ramping up, noted **Terry Thies**, an industrial specialist with **Avison Young**, who said all of the new strata industrial space recently built in North Vancouver has sold with prices reaching \$315

per square foot. An example is the new 15,000-square-foot Dollarton Business Park in North Vancouver, by **Citimark-Darwin**, that sold out within weeks of its completion.

"The big demand is for light industrial units of from 2,000 to 3,000 square feet," Thies said.

And, while the strata industrial buyers were traditionally owner-occupiers, more investors are now turning from the residential sector to industrial, lured by potentially better returns, Thies suggests.

"The capitalization rate on industrial strata is around 4.5 per cent," Thies said, "while the returns on residential rentals is 3.5 per cent, if you are lucky."

DTZ research shows that industrial strata prices have increased by nearly 33 per cent since the first quarter of 2013. This compares with Metro Vancouver residential condo prices, which have risen just 2.5 per cent in the same period.

The current industrial vacancy rate across Vancouver, Burnaby and North Vancouver is 2.8 per cent, according to DTZ research, up from 2.6 per cent at the end of last year. ■