

StreetWise

Observations on the Greater Vancouver Commercial Real Estate Investment Market by Sam Emam

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Small Industrial Properties Are a Big Deal

Vancouver's industrial market has long been known for its stability. With a strategically located port and a constrained land supply, Metro Vancouver has the right conditions to make industrial property a sure bet. Warehouses rather than factories drive user demand here, but as Canada's key West Coast port – one backed by federal infrastructure dollars – the region can always use well-located space.

But the latest statistics from Altus Group underscore that space is tight. There's a diminishing stock of available space, and the spaces that are trading are smaller. During the 12 months ended June 30, 371 industrial properties changed hands in Greater Vancouver. Of these, 90% were 30,000 square feet or less. Meanwhile, the average sale price rose to nearly \$450 a square foot.

The numbers point to the lack of large-scale options for investors, but also the growing popularity of smaller-scale options. Often, these are strata industrial units that let owner-occupiers lock in their real estate costs as well as build equity.

Two recent deals from Burnaby, an area where I focus, illustrate the current market.

One of the larger deals of the summer was the sale of a strata-titled property in Burnaby's Big Bend area. Built in 1997, it sold for \$8.5 million – a significant increase over the \$3.3 million the former owner paid in 2012. With seven units, the property can host several tenants for a diversified holding income rather than a single tenant for all 20,143 square feet.

Meanwhile, in the evolving Royal Oak area, a two-storey industrial property of 6,153 square feet changed hands for \$3.3 million. The price per square foot was \$531, well above the market average for the period. The purchaser was a local bakery-café, indicative of the change in use taking place in the area. The high purchase price will increase expectations of other local property owners, while the non-traditional use will leave traditional industrial users with fewer options.

What can property owners and investors learn from these two deals?

One, prices continue to rise, particularly for smaller spaces that enjoy prime locations either because of proximity to transportation corridors such as Marine Way or SkyTrain, or future redevelopment plans. Two, buyers are becoming more creative when it comes to small spaces. With many municipalities allowing a commercial component in traditional industrial areas, small spaces are serving a range of purposes. This allows existing and prospective owners to capture more value from them than in the past, further helping drive up prices.

With our knowledge of the market and access to qualified pools of buyers, Block to Block Commercial can help you understand your property's potential. As part of Macdonald Commercial, we can connect you with qualified purchasers and tenants. If you're looking for a property, we can help you identify the best location to serve your needs, either as an investor or an owner-occupier. Whatever your questions, we can help you find the answers.

Block to Block Commercial is here for you to answer any questions you have regarding the current state of the market and the opportunities for your property.

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