



# The Knowledge Report

INDUSTRIAL | AUGUST | 2007



## RECORD LOW VACANCY CONTINUES

For the 3rd year in a row, Victoria has experienced a growing demand for industrial space in a marketplace with virtually no available product. In fact, Victoria's overall industrial vacancy rate has decreased from 0.3% in 2006 to the current level of 0.2% establishing a new low market benchmark.

As a result, Victoria's market dynamics continue to remain on trend, with rapid appreciation in overall property values and escalating rental rates. Costs associated with accommodation and facilities are becoming disproportionately high in the industrial sector.

However, there will be some near term relief with a number of new business park developments to be constructed over the next 12-18 months that will provide opportunities for companies wishing to expand and grow in our healthy economic environment.

## VACANCY

With a new low vacancy rate being established at 0.2%, the industrial market is well below the 5-year average of 1.63%.

Collier's forecasts that the vacancy rate will remain extremely low going forward, putting upward pressure on lease rates, along with corresponding increases in overall industrial property values.

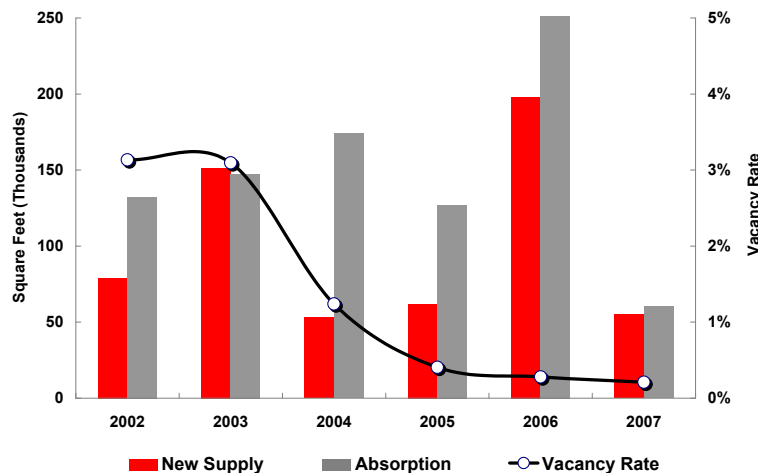
### MARKET INDICATORS

	2006	2007
VACANCY	↓	↓
NET ABSORPTION	↑	↓
CONSTRUCTION	↑	↓
RENTAL RATE	↑	↑

### INDUSTRIAL MARKET NEWS

The Victoria Office is pleased to announce that last year we successfully leased 197,944 sq.ft. of industrial space in the South Island market and completed sales of industrial properties valued at \$18,138,500.

### NEW SUPPLY, ABSORPTION AND VACANCY RATES



### ABSORPTION

For the 11th consecutive year Greater Victoria has witnessed a positive absorption of 60,225 square feet.

With new construction based mainly on a “build-to-suit” basis, Victoria’s industrial absorption figures continue to closely match new supply levels on an annual basis.

Demand continues to outstrip supply in Greater Victoria; however, there are a number of proposed developments that could capitalize on our growing marketplace and provide some relief to the sector in 2008.

### NEW SUPPLY

There was a substantial reduction in the amount of new construction over the past year with only 55,000 sq.ft. completed, compared to 241,053 sq.ft. developed in 2006. However, in the latter year only 92,079 sq.ft. was traditional industrial warehousing with the large proportion being mini-storage facilities.

Victoria’s historical lack of new industrially zoned land, combined with escalating values and construction costs, continues to limit growth in this sector. Lease rates and costs for new construction are reaching unprecedented levels. However, new supply is needed in order to allow for businesses to expand in our market.

### INVESTMENT SUMMARY

Although the industrial sector continued to experience rental and property appreciation during the past 12 months, all economic variables still support the acquisition of industrial real estate. Owner-users continue their attempts to acquire their own properties and lenders continue to be very supportive of such acquisitions.

These purchasers are seeking out existing product despite their inherent inefficiencies (low ceilings, cramped sites) simply because of the higher costs associated with the development of new buildings.

Even though capitalization rates are at record lows, investors remain keen to acquire buildings in this product category.

### FEATURED PROPERTIES

New Supply



Access Records



723 Vanalman



491 - 495 Dupplin



849 Orono

**UPDATE**  
 Market Comparisons

Buildings	Existing Properties					Absorption		New Supply
	Total Inventory Sq. Ft.	Total Vacant Sq. Ft.	Occupied Space Sq. Ft.	Vacancy Rate 2007	Vacancy Rate 2006	Net Absorption Sq. Ft. 2007	Net Absorption Sq. Ft. 2006	Net New Supply Sq. Ft.
<b>GREATER VICTORIA INDUSTRIAL MARKET</b>								
<b>SIDNEY / NORTH SAANICH</b>								
41	633,144	6,747	626,397	1.1%	1.5%	2,948	43,554	-
<b>CENTRAL SAANICH</b>								
44	1,315,746	1,664	1,314,082	0.1%	0.0%	17,336	4,605	19,000
<b>SAANICH</b>								
93	1,678,387	7,926	1,670,461	0.5%	0.0%	8,074	21,919	16,000
<b>CITY OF VICTORIA</b>								
293	2,554,532	-	2,554,532	0.0%	0.2%	12,033	(841)	6,000
<b>ESQUIMALT</b>								
50	685,886	-	685,886	0.0%	0.5%	3,354	782	-
<b>WESTERN COMMUNITIES</b>								
60	794,124	-	794,124	0.0%	0.3%	16,480	181,195	14,000
<b>MARKET TOTALS</b>								
581	7,661,819	16,337	7,645,482	0.2%	0.3%	60,225	251,214	55,000

**GRAND TOTALS - YEARLY COMPARISON**

2006	577	7,606,819	21,562	7,585,257	0.3%	0.4%	251,214	126,999	198,211
2005	570	7,408,608	30,083	7,378,525	0.4%	1.2%	126,999	184,808	61,780
2004	568	7,346,828	91,174	7,255,654	1.2%	3.1%	184,808	148,409	53,000
2003	567	7,293,828	227,688	7,066,140	3.1%	3.1%	148,409	132,434	151,261
2002	564	7,142,567	224,836	6,917,731	3.1%	3.1%	132,434	173,459	78,935

**CITY OF VICTORIA**

The City of Victoria has witnessed very little change within its market. Although there are numerous companies needing to expand, there are no existing opportunities for growth.

Notable sales during the year include the Gabriel & Ross acquisition of 338 Catherine Street for \$670,000 for their furniture manufacturing facility. A local investor acquired 730 Tye Road for \$880,000. Shanahan's purchased 429-431 David Street for \$1,200,000 and is a good example of Victoria's rapid appreciation as this property previously sold in 2001 for \$535,000.

**SAANICH**

Saanich saw few lease transactions over the past year due to the limited

amount of inventory that was made available. At the date of our survey, only one unit of 7,926 sq.ft. was vacant and available for lease.

One of the last vacant parcels developed in the Royal Oak Industrial Park was 723 Vanalman Ave, the new 16,000 sq.ft. home of Oughtred Coffee and Ryan Vending.

Due to escalating land & construction costs, Vcom Inc., one of Victoria's leading high tech firms, found that it was cheaper to buy an existing property rather than build new on their property to the south of 723 Vanalman. As a result, they purchased a 10,000 sq.ft. building at 771 Vanalman Ave for \$1,900,000.

491-495 Dupplin Road was acquired

for \$500,000 by a local investor and subsequently renovated to accommodate two tenants.

**CENTRAL SAANICH**

The Keating Industrial Park remains at capacity with several companies struggling to expand their business operations due to the lack of available space.

Access Records has completed construction on their new 19,000 sq.ft. warehouse. This facility will enable them to consolidate their warehousing from other locations spread throughout the business park.

A significant lease transaction was at 6772 Oldfield Road, where Dan Foss Couriers leased 5,656 sq.ft. in a multi-tenant building.

The largest sale transaction to date in 2007 is the acquisition of 6703 Rajpur Place by an investor for \$2,100,000. This facility is fully leased to Schneider Electric.

Although not included in our Industrial Survey numbers, there have been a number of substantial office lease transactions taking place in the Keating Industrial Park, namely, BC Ambulance expanding by 29,349 sq.ft. in Gateway Park and Schneider Electric leasing 11,951 sq.ft. at 6710 Bertram Place.

A new 10,000 sq.ft. warehouse for Level Ground Trading will be completed this winter on Keating X Road.

#### WESTERN COMMUNITIES

The past year has once again seen a number of parcels of land selling for future development in Victoria's growth community of Langford.

As the West Shore's commercial sector continues to try and keep pace with the residential growth that has taken place, many industrial users are attempting to acquire adequate facilities in this marketplace.

Some of the recent land acquisitions of note include: 2350 Millstream Road purchased by a local development group for \$2,400,000, 891 Attree (Langford Parkway) purchased by Jordans Furniture for \$1,263,000, 841-859 Station Road acquired by Canada Post for \$2,600,000, and Lot C in Goldstream Meadows on the new Westshore Parkway was acquired by a local developer and will be the home of Cedar Grove Building Products.

Hulls Field Business Park is aggressively moving forward with the speculative construction of two service/commercial warehouse buildings of 20,515 sq.ft. and 26,780 sq.ft. respectively for market leasing.

Goldstream Meadows, located adjacent to the Trans Canada Highway, has also seen the commencement of construction on a number of buildings, a location that will eventually become a thriving business park.

#### ESQUIMALT

The Esquimalt Industrial Park has witnessed a great deal of activity over the past year with a number of prominent lease and sales transactions being completed. The vacancy rate has been reduced to 0% in this region after a number of vacancies were filled. Most notably, Cellfor Inc. leased 13,370 sq.ft. in a 26,859 sq.ft. building at 775 Lampson Street that was subsequently sold to a passive investor for \$2.55 million.

Other significant transactions included 791 Cave Street selling for \$825,000 and Whitehall Reproductions leasing 10,199 in the former Ryan Vending building at 905 Ellery Street.

In 2008 there are plans for a new 42,000 sq.ft. distribution facility to be developed in the Devonshire / Lampson area.

#### SIDNEY / NORTH SAANICH

Much like the Western Communities, Sidney has a number of land parcels that are zoned for industrial use that have yet to be developed.

Over the past year, the West Sidney Business Park has successfully sold off or leased their inventory of 32 strata warehouse units.

The Victoria Airport Authority has announced a potential long-term lease with Thrifty Foods who propose to develop a new 250,000 sq.ft. facility on their lands.

The largest industrial transaction of note was Van Kam Freight purchasing their former leased building on Mills Road for \$3,847,800 Nickel Bros. also acquired a one-acre parcel of land beside Van Kam for \$1,500,000.

#### 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 sq.ft. Under Management

10,171 Professionals

#### CONTACT INFORMATION

**Andrew Turner**  
Managing Director  
andrew.turner@colliers.com

**Ty Whittaker**  
Associate Vice President  
ty.whittaker@colliers.com

**Michael Miller**  
Vice President  
michael.miller@colliers.com

**Alessandro Roethel**  
Research & Market Analyst  
alessandro.roethel@colliers.com

**Colliers International**  
1175 Douglas Street  
Suite 1110  
Victoria, BC V8W 2E1  
Tel: 250-388-6454  
www.colliers.com/victoria

This report has been prepared by Colliers Macaulay Nicolls for general information only. Information contained herein has been obtained from sources deemed reliable and no representation is made as to the accuracy thereof. Colliers International does not guarantee, warrant or represent that the information contained in this document is correct. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This report and other research materials may be found on our website at www.colliersmn.com.

Colliers Macaulay Nicolls Inc. and its country subsidiaries are member firms of Colliers International Property Consultants, an affiliation of independent companies with over 260 offices throughout more than 55 countries worldwide. Andrew Turner is licensed with Invermay Holdings Ltd. and has a contractual relationship with Colliers International.

