

City losing out on business over lack of industrial space

BY CARLA WILSON
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Greater Victoria is regularly losing business opportunities because of a "chronic" shortage of industrial space, says a Colliers International spokesman.

This region's industrial vacancy rate has hit a new low in the past 12 months (August 2006 to August 2007) to 0.2 per cent, from 0.3 per cent in the previous year, according to Colliers Victoria data.

This is the third year in a row Greater Victoria has seen a growing demand for industrial space. The region's total industrial inventory stands at 7,661,819 square feet, with just 16,337 vacant.

"We have got to do something about it because we are driving jobs away," Andrew Turner, managing director of Colliers in Victoria, said yesterday. "Part of it is just the lack of land dedicated to this market segment."

For several years, Turner has been hearing from business people who say they are lining up lower-cost industrial space in the Lower Mainland and shipping products here by ferry because they can't find space in Greater Victoria. "It happens all the time," he said.

Another issue is the difficulty for existing businesses to expand in today's

market, given the lack of industrial land and buildings. "New supply is needed in order to allow for businesses to expand in our market," Turner said.

All this limits Greater Victoria's economy's ability to diversify beyond traditional sectors such as tourism and government, Turner added.

Among the local municipalities, there is no central focus at the shortage of industrial land, he said. "There is lots of land here ... it's just that it is stuck in other zones." Municipal zoning for land determines the type of use that is allowed.

Turner is looking to the West Shore where industrial land has opened up, saying there is more in that area which could be freed up.

Hulls Field Business Park is building two service-commercial warehouses for lease while Goldstream Meadows, next to the Trans-Canada Highway, is also starting construction on a number of buildings that will "eventually become a thriving business park," the Colliers report said.

The crunch is due to a combination of high land costs, limited land available, and construction costs for new buildings.

Property values are rapidly increasing and rents are escalating. Lease rates are in the \$10 to \$12 per square foot

range. Land costs are more than \$1 million an acre, Turner said.

The five-year vacancy rate average for industrial land in Greater Victoria is 1.63 per cent.

Colliers predicts that the vacancy rate will remain low, continuing pressure on lease rates and property values.

Most new construction is being built to suit particular uses for renters or owners, he said.

High costs of development is driving buyers to purchase existing buildings, even if the properties are inefficient with low ceilings and not enough space.

This past year brought a sharp decrease in the amount of new industrial construction compared with previous years. In the 12 months ending in August, 55,000 square feet were completed, compared with 241,053 in the previous year.

In Saanich, one of the last vacant parcels developed in the Royal Oak Industrial Park is the new 16,000 square foot home of Oughtred Coffee and Ryan Vending.

Turner said it is clear the residential market is not the only real estate sector seeing jumps in value. One commercial site in Victoria was bought for \$1.2 million this past year, more than double its previous sale price of \$535,000 in 2001.

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Andrew Turner, managing director, Colliers International Victoria