

Strata industrial attracts expanding companies as market remains tight

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Owners moving into Langley Gateway say industrial strata provides options in an expensive market with few existing options. Denciti Development Corp.

A lack of industrial space and high land costs continue to support industrial strata projects even as investors stay on the sidelines.

“Typically now what we’re looking for is strata units,” said Jeanette Santa Juana, CFO at Arc-West Mechanical Insulation Inc., which has relocated its headquarters from Surrey to a unit at the recently completed Langley Gateway project at 19748 86 Avenue in Langley. “To purchase land and building your own buildings, with all the development costs? This type of unit is really good for us.”

Arc-West acquired another unit in an adjacent development for storage while its new headquarters was being built as it had outgrown its current space in Surrey. It also owns strata units in Kelowna and Kamloops.

The decision to purchase in Langley came after two years of searching for space, underscoring just how tight the market is for industrial owner-occupiers. This is a shift from a decade ago, when there

were several options available and prices were lower.

“There’s nothing out there anymore. Even if there is, you’re priced out,” Juana said. “This was a decent price at the time.”

The past year has seen prices continue to rise, further pressuring the market. While strata pricing has come off the peaks seen earlier this year, the declines have hardly made units any more affordable.

And yet with so few options, builders continue to draft plans.

Denciti Development Corp., which built Langley Gateway in partnership with Nicola Wealth Real Estate, said the 28-unit small-bay project sold to 20 buyers prior to the start of construction. Demand was strong because the project was the first of its type in the area since 2005.

Denciti is now setting its sights on future projects, including Fraser Gateway at Lickman Road and Hwy 1 in Chilliwack. Situated at the western gateway to Chilliwack, it will be one of the first new projects in the city since 2018. Unit sizes will range between 3,360 and 16,843 square feet.

“Historically, Chilliwack has served as a peripheral industrial market to the region,” a recent report from Frontline Real Estate Services Ltd., which marketed Langley Gateway, noted. “Due to the recent heat of the market across the Fraser Valley, economic growth in Chilliwack and the notable lack of available strata, we are starting to see new strata developments being planned.”

“It’s much needed,” said Volodya Gusak, president of Denciti. “Since the Vancouver vacancy rate on industrial is half a percentage point ... I think it will be very well received.”

Denciti acquired the site last year and the entitlement process with the city is underway. Gusak expects marketing to begin next year. Pricing has yet to be established.

Frontline expects the project will establish new pricing trends for Fraser Valley strata units, as well as helping establish a value industrial space in the region generally.

A key variable on the pricing of new projects will be construction costs. While increases are starting to slow, developers still face challenges calculating proformas.

During construction in Langley, supply chain disruptions and cost increases saw general contractor Ventana Construction pre-order materials and adjust the sequence of work to keep costs in check.

“The Langley project, we had to pull off a small miracle to bring it in on budget, in large part and great thanks to our general contractor,” Gusak said. “Will there be any effect on Chilliwack? Yes. We will work very hard to mitigate that.”