

Q2 2020

Industrial Insight

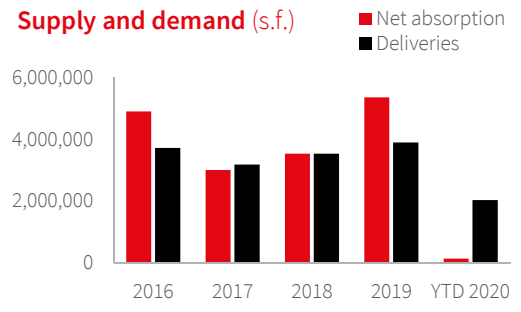
The health, policy, economic and financial disruption stemming from the COVID-19 pandemic continues to create a fluid and evolving environment for the industrial market. Although data from Q2 is providing greater clarity about conditions and the short-term real estate outlook, there remains significant uncertainty surrounding market dynamics and long-term trajectories and, as a result, we will continue to monitor fundamentals closely as the situation unfolds. Please feel free to contact us if we can assist.

COVID is increasing acceptance of e-commerce which will further spur demand for industrial assets

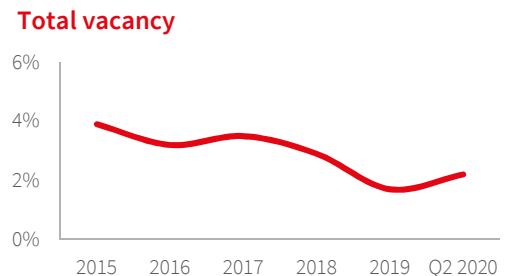
- More than 1.5 million square feet of industrial product was delivered across Metro Vancouver during the second quarter of 2020
- The largest building that completed was Beedie's 530,000 square foot build-to-suit facility for Sobey's in South Surrey
- Industrial sales volumes remain depressed with just \$146 million in transactions during Q2 2020 compared with \$330 million in Q2 2019 and \$399 million in Q2 2018

Fundamentals	Forecast
YTD net absorption	138,866.f. ▲
Under construction	3,236,424 ▲
Total vacancy	2.2% ▲
Sublease vacancy	906,285 s.f. ▼
Average asking net rent	\$13.52 p.s.f. ▲
Concessions	Stable ►

Second quarter vacancy across the Metro Vancouver industrial market inched up by 30 basis points to 2.2 percent while net asking rents increased by 2.3 percent to \$13.52 per square foot. As BC moves into Phase-3 of its Restart Plan, the underlying message coming from the industrial market is that COVID-19 is unlikely to have a drastic negative impact on leasing fundamentals including the vacancy rate and asking rents. However, the pandemic continues to weigh on investor confidence, with sales transaction volume down significantly among all asset classes. Industrial sales fell to \$146 million in Q2 2020 which is the lowest second quarter in the last five years; 46 percent below Q2 2016 which was the second lowest quarter.

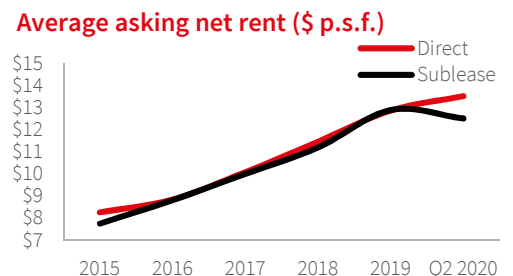


Construction activity remained high during Q2 with 1.5 million square feet of industrial product completing across Metro Vancouver. The three largest buildings, accounting for more than 50 percent of completed product, were all in Campbell Heights, South Surrey. The largest was a build-to-suit facility for Sobey's, a distribution and cold storage facility which is a key component to their Metro Vancouver growth strategy. This was followed by building 4 in Hopewell's development which was fully leased as of this quarter to an e-commerce user. Also completing was 19061 32nd Avenue which was fully preleased prior to completion however, 31,000 square feet of space is now on the sublease market.



Outlook

The steady trend in e-commerce growth took an enormous leap in April 2020 spurred on by the COVID-19 pandemic. E-commerce sales increased by 120 percent compared with April 2019 despite total retail sales in Canada declining by 33 percent during the same period. With Vancouver already experiencing strong demand for industrial product, this quicker shift to adopt e-commerce is sure to continue to be a strong driver of the industrial market in Vancouver.



Q2 2020

Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average asking net rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Burnaby	33,898,131	14,239	-63,302	0%	3.0%	3.9%	\$14.22	163,535	241,970	311,166
Delta	33,588,073	-9,782	-145,713	0.4%	0.9%	1.6%	\$10.89	0	36,450	728,363
Langley	18,893,054	-145,600	-165,702	0.9%	1.9%	3.9%	\$11.19	94,438	94,438	245,390
Maple Ridge/Pitt Meadows	4,693,927	-9,384	-67	0.0%	4.2%	2.9%	\$12.14	0	0	0
North Vancouver	8,033,248	2,450	-29,045	0.4%	1.1%	1.3%	\$19.40	0	0	0
Richmond	44,217,907	-45,379	-239,341	0.5%	2.7%	4.6%	\$14.34	0	58,921	200,000
Surrey	36,886,318	711,902	821,787	2.2%	1.9%	2.4%	\$11.91	1,170,178	1,412,374	860,271
Tri-Cities & New Westminster	23,871,238	87,858	71,149	0.3%	1.1%	2.9%	\$13.51	29,234	29,234	656,347
Vancouver	22,489,420	-279,429	-189,650	0.8%	3.6%	5.2%	\$17.11	26,772	59,670	249,620
Metro Vancouver Total	226,571,316	326,875	138,886	0.1%	2.2%	3.4%	\$13.52	1,484,157	1,933,057	3,236,424