

Q4 2019

## Industrial Insight

# Robust industrial pipeline is unlikely to significantly impact vacancy

- There were fewer deliveries in Q4 2019 compared with Q3; 616,254 square feet of product was delivered compared with 1.8 million last quarter.
- At \$12.87 per square foot, direct net asking rents increased by 12.4% from Q4 2018 to Q4 2019.
- Though deliveries were at their highest in the last four years, net absorption outpaced completions by over 1 million square feet.

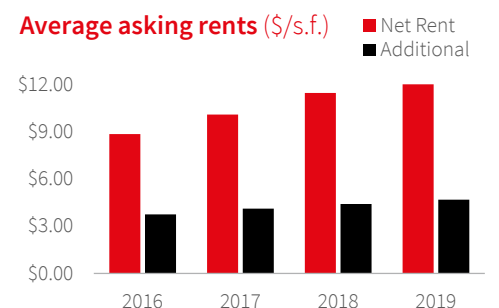
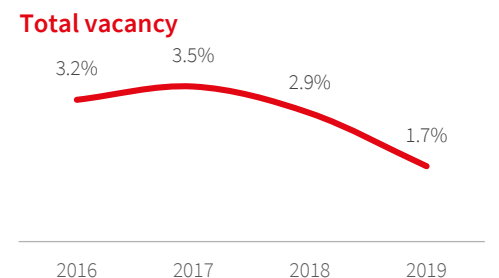
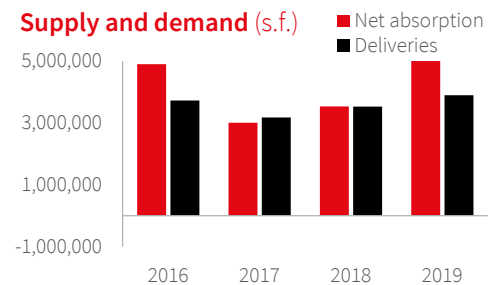
The last year was a continuation of the same themes that have come to characterize the Vancouver industrial market: lack of land and high demand continue to push down vacancy causing significant rental rate increases. Overall vacancy in Metro Vancouver dipped 20 basis points to close out 2019 at just 1.7 percent. The lack of available space contributed to rate increases as the average asking rent for industrial space reached \$12.87, up \$1.42 or 12.4 percent over fourth quarter 2018 rents. The Richmond market in particular has seen a marked increase with asking rates reaching \$12.65 compared with \$10.27 a year earlier.

Industrial construction in Metro Vancouver has averaged around 2 – 3 million square feet historically with the last few years pushing into the 4 - 5 million range. At the end of 2019, there was 4.4 million square feet of product under construction with 3+ million square feet potentially completing in 2020. Despite the historically high volume of deliveries, the new product is unlikely to have a significant impact on vacancy. Nearly 3.9 million square feet of product was delivered in 2019, and the vacancy rate actually fell. Taking a look at projects currently under construction and expected to complete in 2020 explains why vacancy will not be impacted. The three largest projects expected to reach completion are a distribution facility for Sobey's (530,563 square feet), Delta iPort building 2 (484,920 square feet), and 8020 Zylman's Way at the Richmond Industrial Centre (200,000 square feet). The only space in those projects that remains unleased is 242,460 square feet at Delta iPort 2.

## Outlook

Vancouver's robust industrial pipeline is unlikely to significantly impact vacancy with the majority of space being build-to-suit or pre-leased. With vacancy remaining critically low, tenants seeking space in 2020 are likely to see higher rates and fiercer competition for quality product.

Fundamentals	Forecast
Quarterly net absorption	1,045,974 s.f. ▲
YTD net absorption	5,353,625 s.f. ►
Under construction	4,407,533 s.f. ▲
Total vacancy	1.7% ►
Average asking rent (Net)	\$12.87 p.s.f. ▲
Tenant improvements	Falling ▼



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## 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	33,203,203	-81,177	1,048,811	3.2%	2.5%	3.1%	\$13.84	0	216,461	553,136
Delta	32,774,080	87,378	962,955	2.9%	0.4%	1.3%	\$10.11	0	909,067	676,311
Langley	18,838,278	54,140	455,475	2.4%	1.0%	1.6%	\$10.77	0	39,652	167,118
Maple Ridge/Pitt Meadows	4,706,099	75,785	176,929	3.8%	4.1%	4.3%	\$12.08	0	220,000	0
North Vancouver	7,993,597	15,971	63,153	0.8%	0.7%	0.9%	\$18.31	0	0	0
Richmond	43,854,894	589,271	1,283,037	2.9%	2.0%	3.3%	\$12.65	149,671	531,004	258,921
Surrey	35,162,730	-50,480	510,929	1.5%	2.1%	2.2%	\$11.17	258,352	1,377,182	1,732,806
Tri-Cities & New Westminster	23,210,600	13,306	761,237	3.3%	1.3%	1.7%	\$13.17	115,423	270,281	685,581
Vancouver	22,230,559	341,780	91,099	0.4%	2.5%	2.9%	\$17.79	92,808	333,195	333,660
<b>Metro Vancouver Total</b>	<b>221,974,040</b>	<b>1,045,974</b>	<b>5,353,625</b>	<b>2.4%</b>	<b>1.7%</b>	<b>2.4%</b>	<b>\$12.87</b>	<b>616,254</b>	<b>3,896,842</b>	<b>4,407,533</b>