

Q1 2020

Industrial Insight

Given the health, policy, economic and financial disruption unfolding from the COVID-19 outbreak, resulting real estate market shifts will not be fully reflected in Q1 2020 statistical indicators. It is too early to provide a quantitative assessment or forecast of the ultimate market impact of COVID-19. Our analysis focuses on Q1 market activity and how the market is positioned moving forward. We will be continually monitoring market movements as the situation evolves. Please feel free to contact us if we can assist.

Strong underlying fundamentals will help carry the Vancouver industrial market through COVID-19

- Vancouver's industrial fundamentals were strong heading into the COVID-19 pandemic with sub 2 percent vacancy and high preleasing activity
- Competition is fierce for high-quality large block space with multiple tenants often making offers
- At \$212 million, industrial sales volume was the lowest first quarter figure in the last five years, but average transaction value was at its highest

The Metro Vancouver Industrial market remained extremely tight during the first quarter of 2020 though vacancy increased by 20 basis points to 1.9%. This is the fifth straight quarter with sub 2 percent vacancy and fierce competition continues among tenants for any large block of space that becomes available. Lease rates continued to reflect the high demand and competition as they increased to \$13.22 per square foot, a 9.3 percent increase over Q1 2019 and a 55.7 percent increase over 2015.

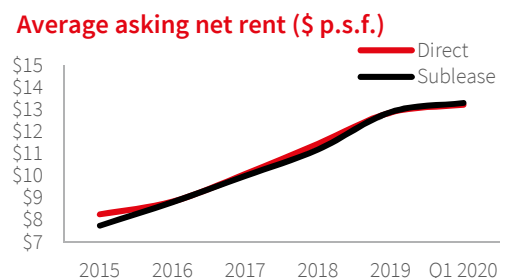
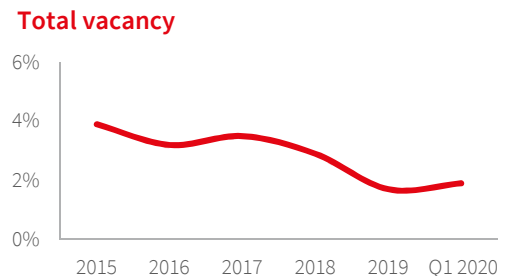
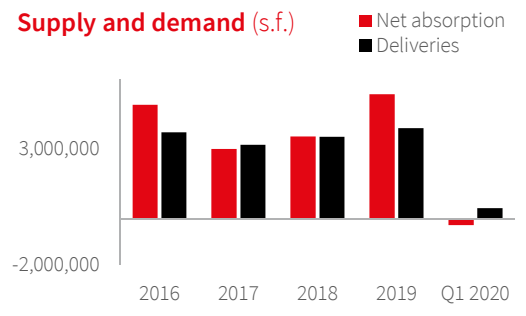
There were more than seven deals above 40,000 square feet inked during the first quarter. Flexstar Packaging renewed 124,800 square feet in Richmond and a major e-commerce user signed a new deal at South Surrey Business Park for 198,070 square feet. Other notable deals include 18 Wheels logistics who signed a deal for 60,450 square feet in Delta and a subsidiary of Warner Brothers who will take 64,000 square feet at on Worster Court in Richmond.

Given the strong demand from film, food, and fulfillment tenants along with Vancouver's strong underlying fundamentals we are likely to come through the COVID-19 pandemic on relatively strong footing. Near-term there will likely be a small increase in the vacancy rate. Long-term, the pandemic could spur a rethinking of global supply chains in order to mitigate the risk should a similar scenario arise.

Outlook

The COVID-19 pandemic is an unprecedented global event to which few comparisons can be drawn. The 2008 recession accompanied by H1N1 is the closest proxy, though far from a perfect equivalent. While the future is far from certain there are a few things we can say about the Vancouver industrial market. The continued growth of e-commerce will drive high demand from fulfillment and logistics tenants and the rapidly decreasing supply of Vancouver's industrial land will continue to push up land values and lease rates long term.

Fundamentals	Forecast
YTD net absorption	-290,882s.f. ▲
Under construction	5,068,322 s.f. ▲
Total vacancy	1.9% ▲
Sublease vacancy	935,932 s.f. ▼
Average asking net rent	\$13.22 p.s.f. ▲
Concessions	Stable ►



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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	33,272,837	-15,016	-15,016	0%	2.6%	3.3%	\$14.34	78,435	78,435	474,701
Delta	33,199,484	-135,931	-135,931	-0.4%	0.9%	1.5%	\$10.68	36,450	36,450	676,311
Langley	18,892,400	-20,102	-20,102	-0.1%	1.1%	2.6%	\$11.04	0	0	410,762
Maple Ridge/Pitt Meadows	4,730,209	9,317	9,317	0.2%	3.9%	3.4%	\$12.14	0	0	0
North Vancouver	8,002,015	-34,195	-34,195	-0.4%	1.1%	1.2%	\$19.35	0	0	0
Richmond	44,096,651	-194,066	-194,066	-0.4%	2.5%	4.5%	\$13.74	58,921	58,921	200,000
Surrey	35,727,482	91,495	91,495	0.3%	2.0%	2.1%	\$11.62	242,196	242,196	2,344,575
Tri-Cities & New Westminster	23,172,258	-16,609	-16,609	-0.1%	1.3%	2.6%	\$13.47	0	0	685,581
Vancouver	22,212,666	24,225	24,225	0.1%	2.3%	3.1%	\$17.91	32,898	32,898	276,392
Metro Vancouver Total	223,306,002	-290,882	-290,882	-0.1%	1.9%	2.9%	\$13.22	448,900	448,900	5,068,322