

Metro Vancouver

Vacancy hits a historic low as large users face a long timeline to find new space

- Vacancy compressed for the second straight quarter to hit a historic low of 1.5%
- Net rental rates continue to climb to \$14.08, which is a 4.4% year over year increase
- Under construction space has continued to ramp up, totaling over 5.4 million s.f. this quarter

Vacancy dropped another 30 basis points in the second quarter to mark a new historic low in the Greater Vancouver market. Market conditions are tighter than they have ever been, and large users have been forced to increase their timeline when looking for new space. With almost no space available in existing product, they can either look for land and built to suit or they can look for speculative product that is increasingly early in the development process. In fact, several of the largest lease deals of the quarter are examples of this. Lululemon took the full 373,000 s.f. at Wesgroup's 8576 River Road in Delta just as the project was getting underway. Meanwhile 18 Wheels Logistics snapped up 178,000 s.f. and D&H Canada signed a 102,000 s.f. deal at Bentall GreenOak's 2929 & 2965 188th Street early in the development process. Both projects are set to deliver next spring.

With record low vacancy and unrelenting demand, the construction pipeline has continued to ramp up. Total space under construction increased by over 0.5 million s.f. since last quarter as developers rush to fulfill demand following a slowdown in construction starts this time last year. However, with users leasing and purchasing space well in advance of expected delivery dates, it is unlikely that new products completions will significantly affect market dynamics. In fact, 68.4% of the total pipeline has already been accounted for by a user. With intense activity on what remains, little available product is expected to remain when construction completes. While large lease deals in upcoming product have made headlines, strata continues to be a popular choice for smaller users. Despite the recent increase in large bay leasable space under construction, strata projects remain well over 20% of the under-construction space in Vancouver's market.

Outlook

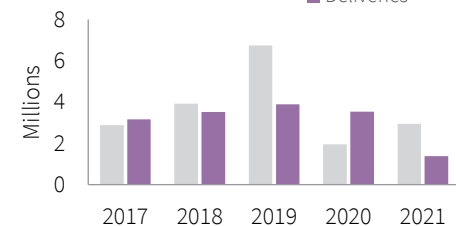
Vancouver's vacancy now sits at a historic low and these conditions are expected to remain in place through 2022. While the modest pace of new supply completions will pick up, no relief from tight market conditions is expected which will translate into a continued upward pressure on rental rates and purchase prices.

Fundamentals

Forecast

YTD net absorption	2,954,946 s.f.	▲
Under construction	5,405,151 s.f.	►
Total vacancy	1.5%	▼
Sublease vacancy	593,148 s.f.	▼
Direct asking rent	\$14.08 p.s.f.	▲
Sublease asking rent	\$12.56 p.s.f.	▲
Concessions	Stable	►

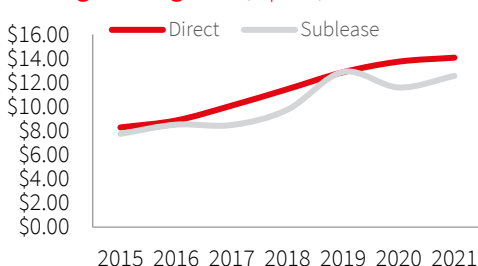
Supply and demand (s.f.)



Total Vacancy (%)



Average asking rent (\$ p.s.f.)





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 (%)	Direct average asking net rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Burnaby	34,050,113	325,959	409,010	1.2%	2.0%	1.7%	\$15.05	138,905	172,544	899,269
Delta	34,456,372	184,736	373,789	1.1%	1.0%	1.8%	\$11.63	14,302	14,302	673,897
Langley	19,471,614	138,446	454,674	2.3%	1.6%	1.8%	\$12.59	23,618	193,433	189,834
Maple Ridge/Pitt Meadows	4,978,564	3	73,506	1.5%	0.1%	0.8%	\$12.82	0	0	237,500
North Vancouver	8,121,472	10,550	33,378	0.4%	0.5%	1.0%	\$22.06	0	0	0
Richmond	45,018,535	340,200	478,672	1.1%	1.5%	1.0%	\$14.14	200,000	200,000	400,524
Surrey	39,898,106	250,977	275,400	0.7%	1.3%	1.4%	\$13.08	239,624	312,446	2,106,871
Tri-Cities & New Westminster	24,581,054	220,844	491,425	2.0%	0.8%	1.9%	\$14.18	358,094	476,766	367,876
Vancouver	22,890,621	208,016	365,092	1.6%	3.1%	5.0%	\$17.17	0	15,500	529,380
Metro Vancouver Total	233,466,451	1,679,731	2,954,946	1.3%	1.5%	1.8%	\$14.08	974,543	1,384,991	5,405,151