

Metro Vancouver

Vacancy hits an all time low as investors look at alternative ways to enter the market

- Vacancy compressed for the third straight quarter to hit a historic low of only 1.0%
- Average net rental rates continue to climb to \$14.56, a 3.4% jump from just last quarter
- Under construction space has continued to ramp up, totaling over 6.5 million s.f. this quarter

User demand in the Vancouver market continued at an unprecedented pace in Q3. Vacancy again notched a new historic low of 1.0% as the little remaining space on the market has been rapidly taken up. Large tenants have continued to lease up space that is several quarters away from completion as availability in existing product is extremely low. This quarter an e-commerce user pre-leased over 800,000 s.f. at 11208 Harris Road in Pitt Meadows, a development site not scheduled for completion until 2024. 8351 Fraser Reach Court, which is expected to be complete near the end of 2022, has now also been officially leased up to a single user for over 700,000 s.f. Meanwhile, Hydrofarm and Damon Motors also inked major deals in Surrey on sites that are will also not be ready until the second half of 2022.

With minimal vacancy and a construction pipeline that is 74.5% pre-leased or sold, interest in markets outside Greater Vancouver have been on the rise. Cedar Coast Developments, a Vancouver based developer, is preparing to develop a 150,000 s.f. speculative development in Kamloops. This represents a first for a Vancouver based developer to build a major spec development in a secondary market. This is expected to become increasingly common due to low land availability and sky-high prices in the Lower Mainland.

Industrial condos have long been popular among mid and small bay users. Recently however, investors have also gotten in on the action. With lingering uncertainties in the office market and strong rental rate growth for high quality small bay industrial product, small investors who may have previously shrugged off investment in industrial are paying attention. Some recent condo launches reserved a portion of pre-sales to international investors which is something that was unheard of for industrial assets until recently.

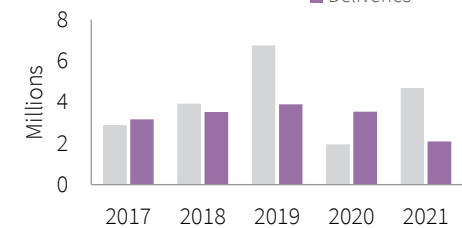
Outlook

Record industrial demand is expected to keep vacancy at historic lows through 2022. Rental rate growth is expected to accelerate over this time with no relief in sight. Strata pricing is also expected to see strong upward pressure due to both strong user demand and increasing competition from investors.

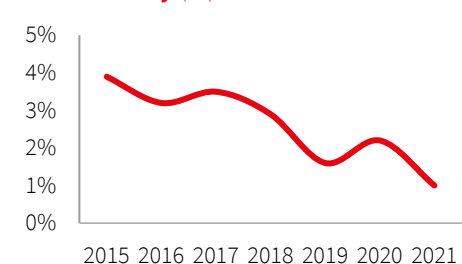
Fundamentals

	Forecast
YTD net absorption	4,684,989 s.f. ▲
Under construction	6,572,704 s.f. ►
Total vacancy	1.0% ▼
Sublease vacancy	174,443 s.f. ▼
Direct asking rent	\$14.56 p.s.f. ▲
Sublease asking rent	\$17.91 ►
Concessions	Stable ►

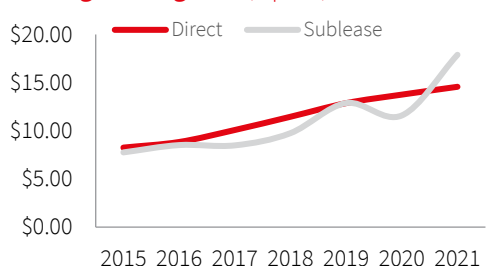
Supply and demand (s.f.)



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	34,099,985	330,335	740,783	2.2%	1.1%	1.4%	\$15.87	0	274,019	799,919
Delta	34,548,974	194,584	568,373	1.6%	1.1%	1.8%	\$14.56	255,224	465,091	993,952
Langley	19,577,793	163,019	617,693	3.2%	1.0%	2.5%	\$12.73	55,207	248,640	134,627
Maple Ridge/Pitt Meadows	5,165,628	-21,079	52,427	1.0%	0.5%	0.1%	\$13.98	0	0	601,076
North Vancouver	8,059,970	-4,384	35,322	0.4%	0.5%	1.2%	\$20.13	0	0	0
Richmond	45,109,047	449,962	921,989	2.0%	0.8%	1.0%	\$14.22	152,480	352,480	794,644
Surrey	40,151,567	384,289	723,658	1.8%	0.5%	1.2%	\$13.93	63,667	452,135	2,401,857
Tri-Cities & New Westminster	24,611,041	17,865	509,290	2.1%	0.7%	1.4%	\$14.55	0	297,719	290,247
Vancouver	22,952,872	147,062	515,454	2.2%	2.4%	4.0%	\$17.14	0	15,500	556,382
Metro Vancouver Total	234,276,877	1,661,653	4,684,989	2.0%	1.0%	1.7%	\$14.56	526,578	2,105,584	6,572,704