

Metro Vancouver

While the market remains hot, signs of a cooling market start to show as interest rates rise

- Industrial space vacancy jumped to 0.8% after five consecutive decreases.
- Under construction space has increased by 19.6% since last quarter with large space groundbreakings.
- Average direct net rental rates were steady at \$18.70 p.s.f., a 20.6% y-o-y increase.

Metro Vancouver showed modest signs of relief from tight market conditions with vacancy up 20 bps at 0.8% this quarter. Large availabilities remained limited as tenants are securing spaces far before completion and developers have ramped up construction to counter limited supply. Richmond Industrial Centre has executed some of this quarter's largest lease transactions, most notably the lease of 500,000 s.f. by a national retailer at 8031 Zylmans Way with completion expected in late 2023. PC Urban and Nicola Wealth acquired a 3.48-acre site at 2660 Barnet Highway and Bosa Properties acquired a 50,659 s.f. building at 3454-3468 Bridgeway Street. Although strata projects have been released at a quick pace, sellers have struggled due to over-priced asking prices, some as high as \$750 p.s.f. Upcoming projects include Latitude and Empire Business Park, both in Surrey, with completions in Q2 and Q4 of 2023, respectively.

Indications that the industrial market could soften in the next few quarters have shown. A large e-commerce retailer announced plans to sublet at least 10 million s.f. of industrial space across North America due to over-expansion, with commitments to some of Metro Vancouver's largest transactions, specifically the 1.2 million build-to-suit lease deal in Burnaby.

Rising interest rates have led to an increasingly sensitive buyer market. Investors and developers have begun to put transactions on hold and sale deals are being dropped due to rising borrowing and construction costs. To add, landlords will have to adjust their rental rates to ensure financial stability to expand their portfolios. Despite direct impacts on occupiers concerning rising carrying costs, Metro Vancouver's low vacancy and pent-up demand, suggests minimal disruption. While there have been significant large-scale groundbreakings to top up the 8.9 million s.f. of under-construction space this quarter, there are also worries around delays on planned developments far out in the pipeline.

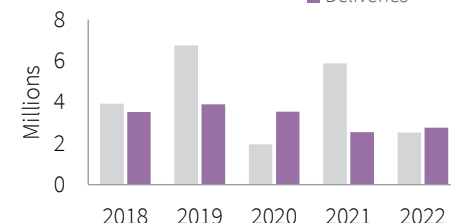
Outlook

Buyers are expected to take on a conservative approach until there is more clarity on the state of the economy. With the market's strong demand, constrained supply, and rising borrowing costs, rental rates could take an upturn, the strata market will mellow, and the pressure to secure land will remain.

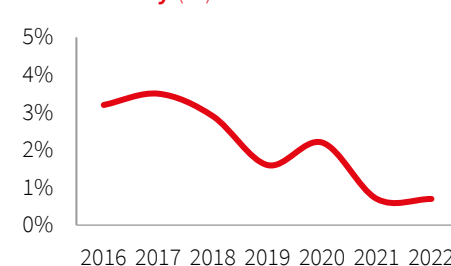
Fundamentals

	Forecast
YTD net absorption	761,769 s.f. ▼
Under construction	8,875,645 s.f. ▲
Total vacancy	0.8% ▲
Sublease vacancy	187,292 s.f. ▲
Direct asking rent	\$18.70 p.s.f. ▲
Sublease asking rent	\$16.71 p.s.f. ▲
Concessions	Stable ▲

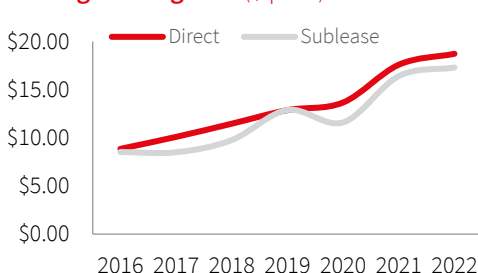
Supply and demand (s.f.)



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	34,423,618	-50,464	105,437	0.3%	1.0%	0.9%	\$17.70	0	92,863	1,948,211
Delta	34,222,855	14,339	347,172	1.0%	0.3%	0.5%	\$21.05	59,902	432,975	937,027
Langley	20,425,582	5,849	-29,264	0.1%	0.2%	0.4%	\$15.58	0	0	303,619
Maple Ridge/Pitt Meadows	5,451,252	18,876	210,558	3.9%	0.4%	0.4%	\$13.75	0	200,000	456,076
North Vancouver	8,078,476	-11,387	1,420	0.0%	0.6%	0.9%	\$21.54	0	0	0
Richmond	45,230,994	-100,440	125,312	0.3%	1.1%	1.5%	\$18.16	0	247,984	1,218,242
Surrey	41,706,724	804,854	929,263	2.2%	0.8%	1.2%	\$18.20	875,638	950,234	2,671,509
Tri-Cities & New Westminster	24,982,296	-10,383	561,870	2.2%	0.2%	1.0%	\$16.08	0	560,421	542,149
Vancouver	23,193,694	90,525	284,513	1.2%	1.8%	2.6%	\$22.10	113,129	283,672	798,812
Metro Vancouver Total	237,715,491	761,769	2,536,281	1.1%	0.8%	1.0%	\$18.70	1,048,669	2,768,149	8,875,645

Key Lease Transactions

Address	Submarket	Landlord	Tenant	SF Leased	Lease Type
8031 Zylmans Way	Richmond	Montrose Properties	Canadian Tire	500,000	Headlease
8040 Zylmans Way	Richmond	Montrose Properties	Coca-Cola Bottling	209,000	Headlease
14260 Knox Way	Richmond	Private Investor	Translink	113,688	Headlease
19225 32 Avenue	Surrey	Beedie Group	Nutrisource Inc. & Darwynn Ltd.	111,095	Headlease

Key Sale Transactions

Address	Submarket	Seller	Purchaser	Acres	SF	Price	Price Per SF
3454-3468 Bridgeway Street	Vancouver	A.t. Storrs Ltd.	Bosa Properties	1.54	50,659	\$20,700,000	\$409
7993 Progress Way	Delta	M.B.J. Holdings Ltd.	U-Haul Co. (Canada) Ltd.	1.97	17,780	\$14,800,000	\$832
18425 53rd Avenue	Surrey	Bal Properties Ltd.	Private Investor	0.99	21,960	\$12,800,000	\$583
2870 Lake City Way & 7802 Express Street	Burnaby	Shindler Enterprises Ltd.	Austeville Properties Ltd.	3.21	51,000	\$29,500,000	\$578
13327-13327 76th Avenue	Surrey	Golden Grewal Investments Ltd.	Brother Fortune Property Holding GP Inc.	2.06	28,500	\$16,150,000	\$567

Key Land Sale Transactions

Address	Submarket	Seller	Purchaser	Acres	Price	Price Per Acre
2660 Barnett Highway	Coquitlam	Alumet MFG.	PC Urban & Nicola Wealth	3.48	\$24,125,000	\$6,932,471
11595 Eburne Way	Richmond	Canada Allied Chase Salvage & Scrap Reclaim Ltd.	U-Haul Co. (Canada) Ltd.	1.61	\$12,880,000	\$8,000,000
5041 Byrne Road	Burnaby	C.C.M. Holdings Ltd.	DWMoretti Enterprises Ltd.	1.35	\$8,436,433	\$6,249,210