

Metro Vancouver

While the leasing market boomed, the strata market continued to slow down

- Metro Vancouver's vacancy rate stayed at 0.8%
- Space under construction continued to ramp up, totaling close to 10.5 million s.f. this quarter
- Average rental rates reached a high of \$19.79, a 19.9% y-o-y increase

Metro Vancouver continued to have one of North America's lowest industrial vacancy rates at 0.8% this quarter. The leasing market has strengthened significantly, with tenants in the market of all sizes scrambling to find space, leading to spiking lease rates and, for some, relocation to submarkets outside the area. Sunmark leased out its 193,000 s.f. development situated at 18750 28th Avenue in Campbell Heights to an electrical equipment manufacturer, with an estimated completion of Q2 2023, and a distribution company leased 116,292 s.f. of space at 7433 Nelson Road in Richmond. On the other hand, the sales market has cooled down this quarter. Strata listings are on the market for much longer, and some developers have considered converting strata projects in the pipeline to bulk lease buildings. Developments saw a slowdown in sales volumes and asking prices have decreased as prospective buyers become more selective with their investments.

The Bank of Canada's aggressive interest rate hikes has added to developer complications which have seen rising construction and planning costs by up to 30% in the last few quarters. With ongoing challenges in the distribution sector, labor shortages, and supply chain delays, companies have become more reliant on 3PL partners to cover additional costs. To add, higher inventories, and thus the need for higher warehousing footprints, have also led to onboarding for 3PL companies.

Despite such, Metro Vancouver's development pipeline has remained stronger than ever with a record-breaking 10.5 million s.f. of under-construction space. Of this, over 7.3 million s.f. is estimated to be delivered in the next two years. One notable project includes Choice REIT's 353,476 SF single-tenant building with an estimated completion of summer 2023. While this helps ongoing supply constraints, 79.3% of under-construction space has already been committed to and there remain many tenants in the market who struggle to find space.

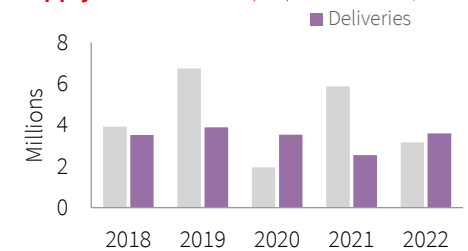
Outlook

While economic uncertainty remains and supply constraints continue to challenge landlords and tenants, strong industrial demand will provide upward pressure on lease rates and sale volumes. Developers will be more strategic about their construction pipelines, and buyers will remain conservative in their underwriting and investment approach.

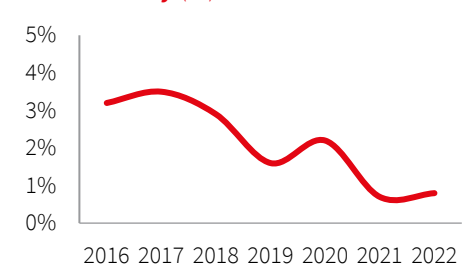
Fundamentals

	Forecast
YTD net absorption	3,165,269 s.f. ▲
Under construction	10,476,664 s.f. ▲
Total vacancy	0.8% ►
Sublease vacancy	232,860 s.f. ▲
Direct asking rent	\$19.79 p.s.f. ▲
Sublease asking rent	\$18.87 p.s.f. ▲
Concessions	Rising ▲

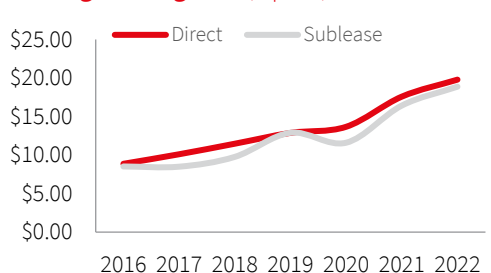
Supply and demand (s.f.)



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	34,596,953	-9,056	96,381	0.3%	1.0%	1.5%	\$21.86	0	92,863	1,948,211
Delta	34,293,185	-82,033	265,139	0.8%	0.5%	0.7%	\$20.20	0	432,975	573,352
Langley	20,599,760	152,266	123,002	0.6%	0.5%	0.9%	\$19.73	213,355	213,355	186,555
Maple Ridge/Pitt Meadows	5,451,252	-30,116	180,442	3.3%	0.9%	1.1%	\$14.50	0	200,000	1,285,767
North Vancouver	8,215,631	-21,827	-20,407	0.2%	0.8%	1.1%	\$21.11	0	0	0
Richmond	44,582,690	213,228	338,540	0.8%	0.6%	0.6%	\$18.17	0	247,984	1,718,242
Surrey	41,854,437	394,931	1,324,194	3.2%	0.7%	1.3%	\$19.84	431,101	1,381,335	3,321,855
Tri-Cities & New Westminster	25,009,351	96,891	658,761	2.6%	0.4%	1.1%	\$19.16	126,472	686,893	362,677
Vancouver	23,182,621	-85,296	199,217	0.9%	2.4%	4.1%	\$23.31	56,501	340,173	1,080,005
Metro Vancouver Total	237,785,880	628,988	3,165,269	1.3%	0.8%	1.4%	\$19.79	827,429	3,595,578	10,476,664

Key Lease Transactions

Address	Submarket	Landlord	Tenant	SF Leased	Lease Type
785 Derwent Way	Delta	RCG Group	Foundation Building Materials	56,734	Headlease
620 Audley Boulevard	Delta	Norfolk Ventures	Walmart	62,000	Headlease
19265 Airport Way	Pitt Meadows	Onni Group	Univar Solutions	78,861	Headlease
7433 Nelson Road	Richmond	Kingswood	Bunzl	116,292	Headlease
18750 28th Avenue	Surrey	Sunmark	IEM	193,000	Headlease

Key Sale Transactions

Address	Submarket	Seller	Purchaser	Acres	SF	Price	Price Per SF
85 North Bend Street	Coquitlam	Reliable Parts Ltd.	Private Investor	2.00	39,348	\$21,500,000	\$546
5425 Production Boulevard	Surrey	Out West Land Holdings Ltd.	Private Investor	1.68	23,935	\$15,700,000	\$656
11558 132A Street	Surrey	Blackstock Industrial Inc.	Private Investor	1.02	13,600	\$8,125,000	\$597

Key Land Sale Transactions

Address	Submarket	Seller	Purchaser	Acres	Price	Price Per Acre
15700 River Road	Richmond	Gaea Holding BC Inc.	Canadian National Railway Company	5.40	\$30,000,000	\$5,555,556
8190 & 8290 Shaughnessy Street	Vancouver	Private Seller	Greater Vancouver Water District	2.59	\$31,800,000	\$12,277,992
419 Sumas Way	Abbotsford	DCT Chambers Trucking Ltd.	Private Investor	1.58	\$9,000,000	\$5,696,203