

Metro Vancouver

Completions reach a cyclical high this quarter, with more deliveries expected in 2023

- Vacancy remained stagnant this quarter at 0.8%.
- Average asking direct net rental rates reached another historic high of \$21.59, a 22.8% y-o-y increase.
- Completions totaled a record 2.1 million s.f. in Q4, with an additional 9.1 million s.f. of under-construction space underway.

Strong tenant demand continued to drive Metro Vancouver's industrial market this quarter, maintaining a 0.8% vacancy rate. The leasing market continued to dominate as the option to buy or lease available space became more common. Meanwhile, prospective buyers remained wary due to the uncertainty of the economy. BentallGreenOak leased out Building A of Pacific Corporate Centre in Campbell Heights to Mountain Equipment Company, totaling 212,351 s.f. with an estimated completion of Q3 2023, and Manulife leased out 116,811 s.f. at 880 Belgrave Way to a packaging company. An uptake in sublease product suggested an early indicator of economic headwinds, particularly in the technology sector. Oppositely, the sales market remained quiet as concerns over interest rates persisted, which also influenced a cooldown in land prices since the peak of the pandemic.

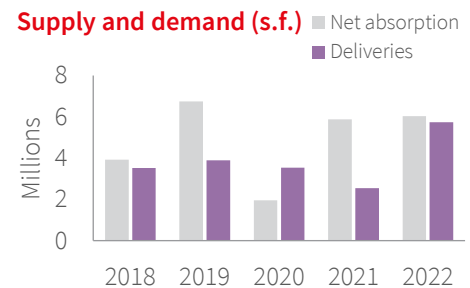
Global supply chain challenges throughout 2022 have influenced an approach around supply diversification and resilience. China's zero-COVID policy caused concerns about how it may affect Canada's local supply chain management on top of existing labor shortages, rising construction costs, and ramped-up demand leading up to the holiday season. Fortunately, while disruptions may be inevitable, impacts are not foreseen to be as extensive as during the pandemic.

Beyond supply chain concerns, record-breaking completions provided transitory relief to limited supply. Over 5.7 million s.f. was delivered in 2022 alone, over double that in 2021, and over 9.4 million s.f. is currently under construction, 81.9% of that committed to. Notable completions this quarter include Riverbend Business Park's 707,056 s.f. building at 8351 Fraser Reach Court, recognized as Canada's first multi-level warehouse, and Wesgroup's 373,073 s.f. building situated at 8576 River Road.

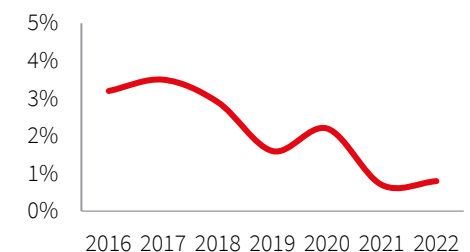
Outlook

Despite a year of rising lease rates in response to economic woes, we expect strong tenant demand in the first half of 2023. Diminishing land supply, persistent demand, and businesses' increasing interest in sustainable warehousing could have developers begin to think of more innovative strategies to accommodate changing user requirements. Tenants and buyers will continue to be cautious in their investment decisions as interest rates are expected to be near a 15-year high in the upcoming quarters.

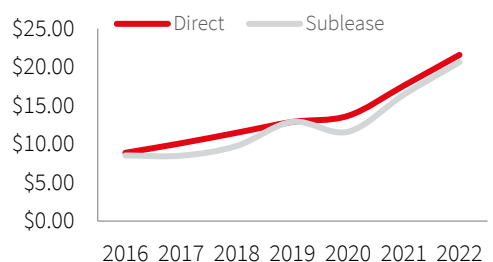
Fundamentals	Forecast
YTD net absorption	6,030,960 s.f. ▼
Under construction	9,163,846 s.f. ▼
Total vacancy	0.8% ►
Sublease vacancy	316,176 s.f. ▲
Direct asking rent	\$21.59 p.s.f. ▲
Sublease asking rent	\$20.64 p.s.f. ▲
Concessions	Stable ►



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	35,107,410	882,876	979,257	2.8%	0.6%	1.5%	\$23.57	707,056	799,919	1,353,438
Delta	34,657,001	814,436	1,079,575	3.1%	0.4%	0.7%	\$20.71	520,573	953,548	438,266
Langley	20,621,112	7,563	130,565	0.6%	0.9%	1.3%	\$19.85	31,878	245,233	199,536
Maple Ridge/Pitt Meadows	5,692,043	251,947	432,389	7.6%	0.9%	0.9%	\$19.58	236,076	436,076	1,080,781
North Vancouver	8,149,218	17,561	-2,846	0.0%	0.5%	1.5%	\$21.42	0	0	0
Richmond	45,187,760	-7,034	331,506	0.7%	0.6%	1.2%	\$22.07	84,797	332,781	1,458,332
Surrey	42,766,189	357,956	1,682,150	3.9%	1.0%	1.4%	\$20.39	441,429	1,822,764	3,243,476
Tri-Cities & New Westminster	24,927,262	2,030	660,791	2.7%	0.4%	1.2%	\$21.32	0	686,893	459,026
Vancouver	23,028,997	209,828	737,573	3.2%	1.7%	4.3%	\$23.62	124,724	464,897	930,991
Metro Vancouver Total	240,136,992	2,537,163	6,030,960	2.5%	0.8%	1.5%	\$21.59	2,146,533	5,742,111	9,163,846

Key Lease Transactions

Address	Submarket	Landlord	Tenant	SF Leased	Lease Type
19550 36 Avenue	Surrey	BentallGreenOak	Mountain Equipment Company	212,351	Headlease
880 Belgrave Way	Delta	Manulife Financial Corporation	Crown Corrugated Company	163,811	Headlease/Expansion
2888 194 Street	Surrey	Farrell Estates	Radiant Global Logistics (Canada) Inc.	116,186	Headlease
1360-1396 Cliveden Avenue	Delta	BentallGreenOak	Trans-It Logistics	96,045	Renewal/Expansion
7168 Progress Way	Delta	Bosa Properties	Corvus Energy	75,718	Renewal

Key Building Sale Transactions

Address	Submarket	Seller	Purchaser	Acres	SF	Price	Price Per SF
3333 Bridgeway Street	Vancouver	Private Seller	Access Self Storage Inc.	0.89	112,629	\$38,250,000	\$340
7950 Enterprise Street	Burnaby	Norco Management Inc.	Shervin Nazemi Holdings Ltd.	2.05	49,447	\$21,100,000	\$427
5085 Regent Street	Burnaby	Galaxie Signs Ltd.	Private Seller	1.50	22,000	\$11,000,000	\$500

Key Land Sale Transactions

Address	Submarket	Seller	Purchaser	Acres	Price	Price Per Acre
19469 & 19511 92nd Avenue	Surrey	Lloyd Investments Ltd.	Conwest	14.21	\$111,000,000	\$7,811,400
3288 194th Street	Surrey	Quarry Rock Developments	Nanak Foods	9.45	\$61,500,000	\$6,507,937
10707-10755 Scott Road	Surrey	Private Seller	Conwest	4.78	\$25,500,000	\$5,334,728
19470 94th Avenue	Surrey	Private Seller	Conwest	4.50	\$32,850,000	~\$7,300,000
7801 Vantage Way	Delta	Astria Properties	Enviro Pallet Recovery Ltd.	1.81	\$14,800,000	\$8,176,796