

Metro Vancouver

Vacancy surpassed the 1% mark for the first time since Q3 2021

- Vacancy increased by 40 bps to 1.3%, the highest it has been since Q2 2021.
- Average direct asking rent was \$22.14 p.s.f., an 18.4% y-o-y increase.
- Of the 975K s.f. of completed space in Q2, only 76.6% was committed to compared to Q1's 96.4%.

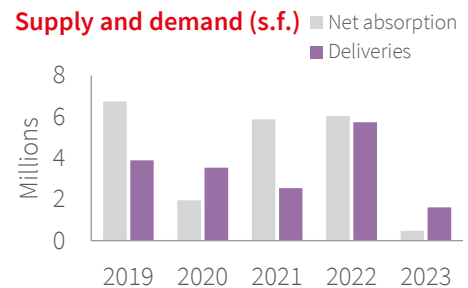
Tenant demand has evidently weakened, most notably through the 40 bps and 50 bps increases in vacancy and availability, respectively. Despite this, there was a positive absorption of 118K s.f., compensated by completions. Existing big block availabilities continued to come to market as businesses downsized, particularly 3PLs and the manufacturing sector. Availabilities have taken longer to lease, resulting in a trend of price reductions, more demising options, and flexible lease terms. Notable deals include the 380,578 s.f. lease of 7233 Progress Way by a retailer and the 195,960 s.f. lease of 12091 88th Avenue in Surrey by Oceanwell Environmental Resources. Prospective investors remained cautious due to the recent, unforeseen interest rate hike. The strata market gained momentum at the cost of price reductions, which hovered at the mid-\$600 p.s.f. bracket, much lower than during the market peak. Investment transactions this quarter include SmartShop Asset Management LLC's purchase of the 90,776 s.f. self-storage facility at 1615 Franklin Street, and A2Z Capital's acquisition of the 79,652 s.f. warehouse at 9388 North Fraser Crescent.

The construction pipeline was a notable component of the market cooldown. In the last year, construction figures have reached record highs and developers expanded their industrial portfolios in efforts to relieve supply and demand disparities. 2023 completions are expected to reach an annual high of 7.4 million s.f. compared to 2022's 5.5 million s.f., with warehouses that would be committed to months before completion still on the market. Specifically, Campbell Heights, an up-and-coming industrial hub, has been notably quiet in the last few months. Near-zero vacancy in the previous quarters that caused leveled rates across all submarkets led to an inevitable reduction in demand in such markets. Landlords in those areas could not support asking rates in the \$22-\$24 p.s.f. range, which were similar to more desired markets such as Richmond and Delta. This may be the start of a trickle effect in non-core markets, such as the Tri-Cities, Maple Ridge, and Pitt Meadows, ultimately bringing rates downwards.

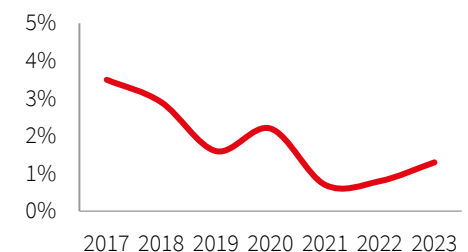
Outlook

Strong completions figures for the latter half of 2023 that are uncommitted to are expected to increase vacancy. Asking rates could start to decrease as tenants become more selective with more options in the market. Sustained economic concerns could keep investors cautious in deals, also contributing to increasing availability.

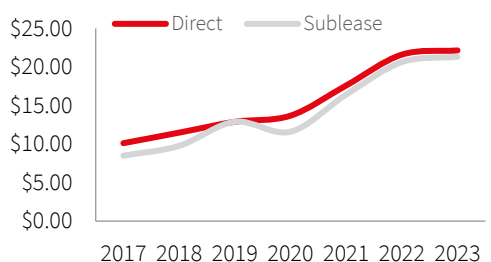
Fundamentals	Forecast
YTD net absorption	487,310 s.f. ▼
Under construction	9,013,948 s.f. ▲
Total vacancy	1.3% ▲
Sublease vacancy	519,614 s.f. ▲
Direct asking rent	\$22.14 p.s.f. ▼
Sublease asking rent	\$21.33 p.s.f. ▼
Concessions	Decreasing ▼



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	31,648,702	54,150	-138,631	-0.4%	1.6%	2.9%	\$22.27	110,000	110,000	2,355,758
Delta	32,982,620	-71,428	-152,519	0.5%	0.9%	1.5%	\$22.44	56,734	56,734	356,843
Langley	20,863,330	-195,971	-226,289	1.1%	1.8%	3.3%	\$20.90	0	85,123	97,838
Maple Ridge/Pitt Meadows	5,701,899	13,395	47,391	0.8%	0.9%	2.2%	\$22.02	14,691	14,691	938,226
North Vancouver	5,585,157	-31,262	-14,857	0.3%	1.3%	1.9%	\$21.56	0	0	0
Richmond	44,366,221	120,552	153,288	0.3%	0.6%	1.2%	\$22.72	18,415	106,114	1,535,962
Surrey	42,472,496	153,742	706,573	1.7%	1.2%	2.6%	\$21.19	507,893	969,326	2,500,222
Tri-Cities & New Westminster	24,581,425	176,590	110,387	0.4%	0.8%	1.6%	\$22.18	226,289	226,289	260,255
Vancouver	22,119,661	-101,373	1,968	0.0%	2.8%	3.6%	\$23.77	40,647	51,080	968,844
Metro Vancouver Total	230,321,511	118,394	487,310	0.2%	1.3%	2.2%	\$22.14	974,669	1,619,357	9,013,948

Key Lease Transactions

Address	Submarket	Landlord	Tenant	SF Leased	Lease Type
7233 Progress Way	Delta	Beedie Group	Confidential	380,578	New
12091 88th Avenue	Surrey	Pacific Press Properties Inc.	Oceanwell Environmental Resources Inc.	195,960	New
915 Cliveden Avenue	Delta	Bosa Properties	Sandhar Trucking Ltd.	157,735	Extension
69-71 Glacier Street	Port Coquitlam	Beedie Group	Teck Resources	115,596	New
118 - 16111 Blundell Road	Richmond	Pure Industrial	Archway Marketing Services	64,556	Extension
12720 82nd Avenue	Surrey	Mainland Development	SMS Equipment Inc.	52,000	New

Key Building Sale Transactions

Address	Submarket	Seller	Purchaser	SF	Price	Price Per SF
1615 Franklin Street	Vancouver	Key Self Storage Ltd.	SmartStop Asset Management LLC	90,776	\$43,750,000	\$482
9388 North Fraser Crescent	Burnaby	Pacifico West Holdings Ltd.	A2Z Capital	79,652	\$34,001,942	\$427
3388 190th Street	Surrey	Precision Pulley & Idler Inc.	Loon Properties Inc.	54,256	\$25,000,000	\$461
1615 Industrial Avenue	Port Coquitlam	Leigh Investments Ltd.	Blue Shark Holdings Inc.	23,528	\$14,500,000	\$616
1463 Mustang Place	Port Coquitlam	Dimensions 3 Plastics Ltd.	Nicola Wealth	21,116	\$9,585,000	\$454