

Metro Vancouver

A shift in warehousing demand is reflected in rising availability

- Vacancy increased for the 3rd consecutive quarter to 1.6%.
- Average direct asking rent was down 1.0% q-o-q at \$21.91 p.s.f., but up 10.7% y-o-y.
- 2.08 million s.f. of completions were added to the inventory, 89.0% of which was pre-committed to.

Metro Vancouver industrial market showed signs of a softening market as availability and vacancy went up by 60 bps and 30 bps, respectively. Direct average asking rents decreased for the first time in 11 quarters as a result of price reductions and listings sitting on the market for extended periods. Weakened tenant demand was evident as only two headlease transaction over 50K s.f. went firm this quarter. Choice Properties' REIT leased its 353,476 s.f. development at 18899 24th Avenue in Campbell Heights to Pet Valu with completion due for Q4 2023. On the buyer side, high interest rates and borrowing costs have kept investors hesitant to make purchasing decisions. A private investor acquired 64,152 s.f. at 1565 Cliveden Avenue from BentallGreenOak, and Qualifirst Foods purchased 48,818 s.f. from Union Allied Capital Corp. at 3653-3657 Wayburne Drive in Burnaby.

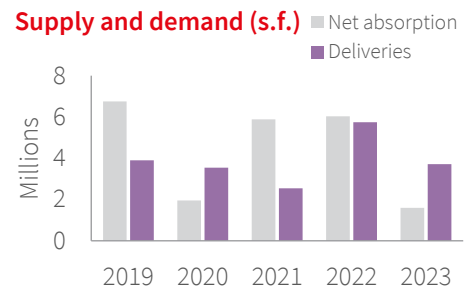
Sublease availability doubled in the last quarter to 0.6% and contributed to a third of the total vacancy figure at nearly 600K s.f. A significant portion of this comes from tenants who pre-committed to more space than needed when vacancy was at all-time lows and buildings with tenants who relocated prior to their lease expiry date. Big-block availabilities over 50,000 s.f. entered the market at a more rapid pace increasing from 31 to 54 listings this quarter. While lease rates equalized this time last year due to minimal options, more availabilities from older Class C structures to projects years out in the pipeline widened the range of asking rates and was a contributing factor to this quarter's decreased asking rate.

Strong completions overrode the vacated spaces on the market and resulted in 1.1 million s.f. of positive absorption. An additional 3.75 million s.f. is expected to deliver in Q4, capping 2023 off with an annual record-high of 7.46 million s.f. of new inventory. Although suggestive of supply relief, land constraints and unaffordability concerns continued to push businesses out of Metro Vancouver, leading to losses in potential employment and industrial business opportunities.

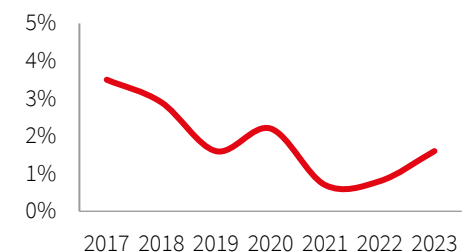
Outlook

Lease rates could come under pressure if availabilities continue to increase at the current rate. This will give tenants more options they can choose from, balancing out a previously landlord-favored market. The expectation that the BoC will hold interest rates for the next few months could fuel optimism on the buyer side and sale prices will continue to fall.

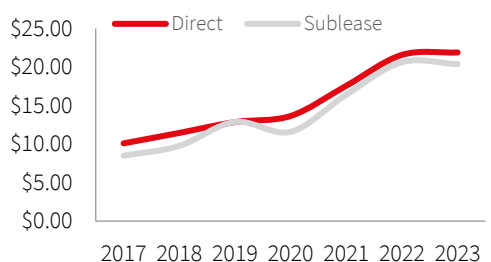
Fundamentals	Forecast
YTD net absorption	1,594,009 s.f. ▲
Under construction	8,621,932 s.f. ▼
Total vacancy	1.6% ▲
Sublease vacancy	592,278 s.f. ▲
Direct asking rent	\$21.91 p.s.f. ▼
Sublease asking rent	\$20.38 p.s.f. ▼
Concessions	Rising ▲



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	31,645,330	-289,551	-428,182	-1.4%	2.6%	3.7%	\$21.80	0	110,000	2,769,294
Delta	33,601,783	-275,770	-428,289	1.3%	1.2%	3.1%	\$22.66	0	56,734	782,207
Langley	20,914,391	43,285	-183,004	0.9%	0.7%	2.8%	\$21.40	33,764	118,887	54,510
Maple Ridge/Pitt Meadows	6,516,899	803,992	851,383	13.1%	1.0%	1.7%	\$23.13	815,000	829,691	490,078
North Vancouver	5,267,838	-28,344	-43,201	0.8%	1.7%	2.1%	\$21.60	0	0	0
Richmond	44,964,253	429,467	582,755	1.3%	0.7%	1.8%	\$21.34	503,813	611,072	1,168,999
Surrey	43,363,135	506,143	1,212,716	2.8%	2.2%	3.5%	\$20.97	716,523	1,685,849	1,970,070
Tri-Cities & New Westminster	24,415,226	-46,627	63,760	0.3%	0.9%	1.6%	\$22.42	0	226,289	360,507
Vancouver	21,905,169	-35,896	-33,928	0.2%	3.1%	4.1%	\$23.26	19,081	70,161	1,026,267
Metro Vancouver Total	232,594,024	1,106,699	1,594,009	0.7%	1.6%	2.8%	\$21.91	2,088,181	3,708,683	8,621,932

Key Lease Transactions

Address	Submarket	Landlord	Tenant	SF Leased	Lease Type
18899 24th Avenue	Surrey	Choice Properties REIT	Pet Valu	353,476	New
1348 Derwent Way	Delta	Grosvenor	Urban Farm	159,614	Renewal
140 - 13240 Worster Court	Richmond	BentallGreenOak	Stryder Motorfreight Canada Ltd.	126,540	Renewal
91-93 Glacier Way	Coquitlam	Manulife Investment Management	Uni-Select Canada	97,598	Renewal
19900 84th Avenue	Langley	Wesgroup	Iconix Waterworks LP	78,032	Renewal
5300 Byrne Road	Burnaby	Dalla Zanna Properties	Cascades Recovery+	62,280	New

Key Building Sale Transactions

Address	Submarket	Seller	Purchaser	SF	Price	Price Per SF
20175 100A Avenue	Langley	N/A	N/A	70,768	N/A	N/A
1565 Cliveden Avenue	Delta	BentallGreenOak	Confidential	64,152	Confidential	Confidential
3653-3665 Wayburne Drive	Burnaby	Union Allied Capital Corp.	Qualifirst Foods	48,818	\$28,000,000	\$574
1308 Adanac Street	Vancouver	Union Allied Capital Corp.	Porte Communities	47,317	\$37,500,000	\$793