

Greater Vancouver Area Industrial Insight

Q4 2023

Average asking rates decline for the second consecutive quarter and vacancy reaches 2.0% for the first time since Q4 2020





Greater Vancouver Area

- Vacancy reached the 2.0% mark for the first time since Q4 2020, increasing by 120 bps y-o-y. The transition from a landlord to a tenant favourable market has begun to show as listings come to market at a faster-than-usual pace.
- Average asking rents decreased by 1.1% q-o-q and increased by 0.4% y-o-y.
- Deliveries reached a multi year high of 6.26 million s.f., 90.4% of which was committed to at completion. The surge of groundbreakings from 2021-2022 slowed down with under construction space down by 34.3% compared to Q4 2022.

The Metro Vancouver industrial market continued to stabilize showing a 40 bps and 60 bps increase in vacancy and availability q-o-q, respectively. Sublease availability has increased from 1.39 million s.f. to 1.62 million s.f. with an availability rate of 0.7%, over double that of Q4 2022. The leasing market saw a further slowdown similar to Q3. A surge of big box and sublease availabilities with sub-\$20 p.s.f. asking rates were contributing influences towards the \$0.24 p.s.f. reduction in direct asking rates. This has given tenants more bargaining power and more time to evaluate their options. Regardless, a positive absorption of 915K s.f. was recorded this quarter, mainly due to Q4's pre-committed deliveries.

Big box transactions remained minimal but showed signs of movement. BentallGreenOak leased 230,335 s.f. to IEM at 19543 34A Avenue in Campbell Heights and Rosenau Transport subleased 94,900 s.f. at 18111 Blundell Road in Richmond. On the investment side, Sevenhill Ventures Inc. acquired 8355 Riverbend Court in South Burnaby from Sunco Foods Inc., totaling 82,110 s.f.

Construction delays resulted in 2.57 million s.f. of completions this

quarter compared to the predicted 3.75 million s.f. Quarterly completions include the Beedie-developed 5213 North Fraser Way, and BentallGreenOak's Pacific Corporate Centre, adding 1.2 million and 442,000 s.f. to the industrial inventory. New construction is set to slow down with 4.27 million s.f. estimated deliveries in 2024 but is expected to rebound in 2025 with 7.07 million s.f. projected in the pipeline.

Outlook

The speculative development pipeline is experiencing a contraction due to high costs and decreased demand. Factors such as tightening lending conditions, rising capital costs, increasing labour and development charges, and the region's high land prices have led to escalating expenses. Developers have managed to cope with rising costs through increasing rents or strata prices, but with these rates stabilizing, they are now delaying projects. However, the long-term outlook for industrial real estate remains positive due to ongoing demand driven by demographic shifts, population growth, and consumer desire for a wide variety of goods with quick access.

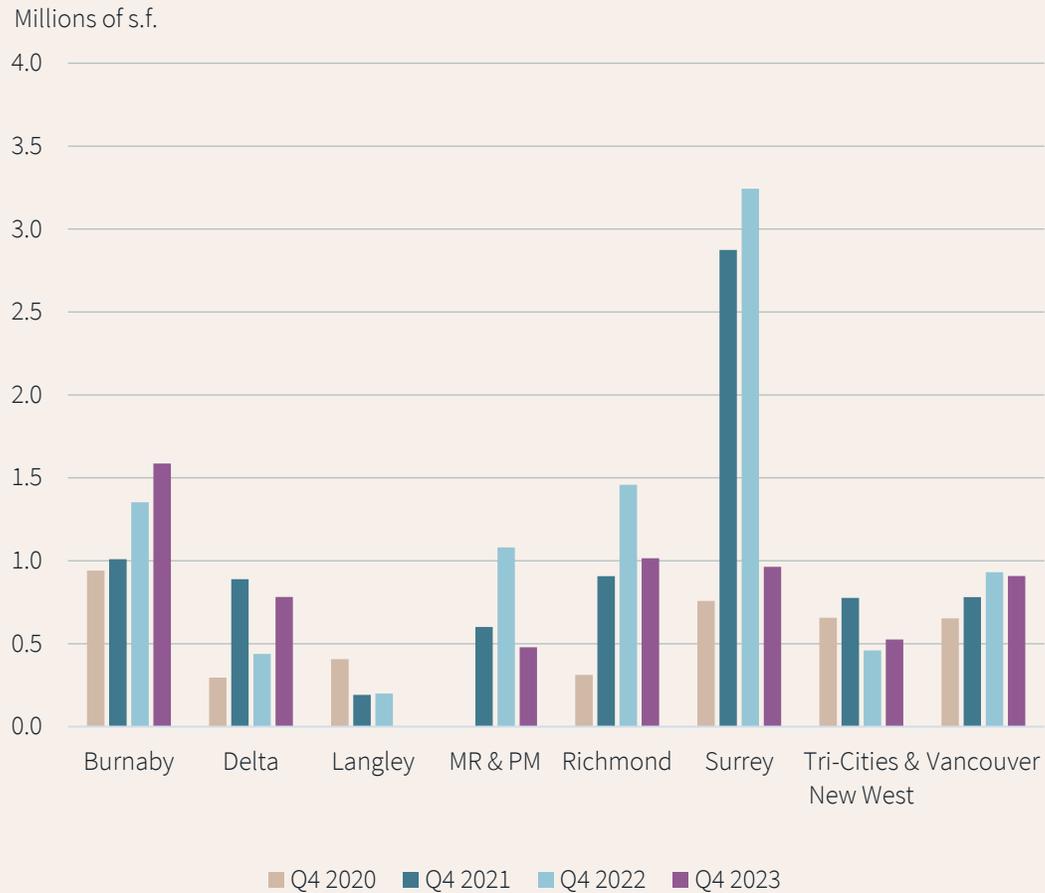
Fundamentals		Forecast
YTD net absorption	2,021,889 s.f.	▼
Under construction	6,259,266 s.f.	▼
YTD deliveries	6,261,171 s.f.	▼
Total vacancy	2.0%	▲
Total availability	3.5%	▲
Average asking rent	\$21.67 p.s.f.	▶
Concessions	Rising	▲

Historical supply and demand

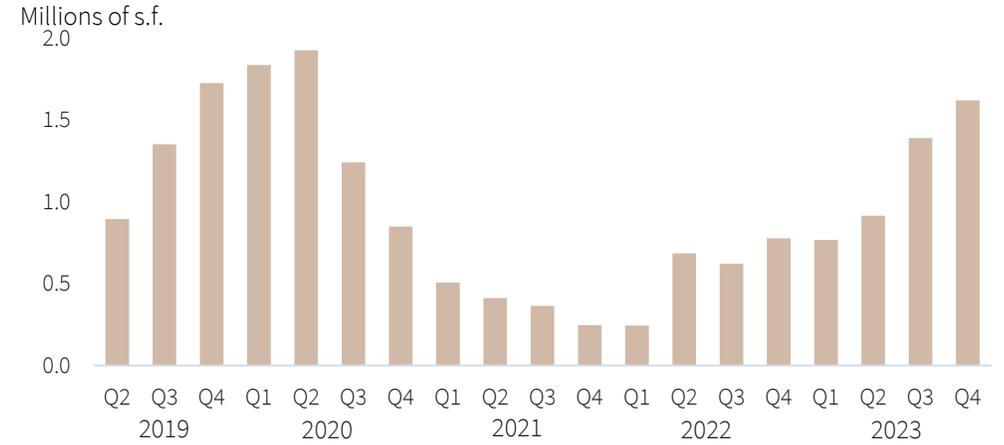




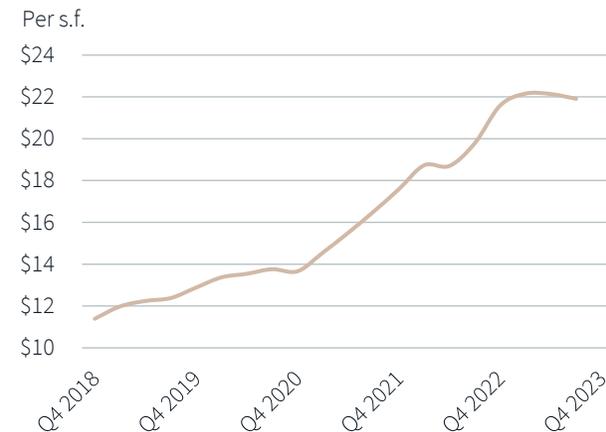
Under construction by submarket



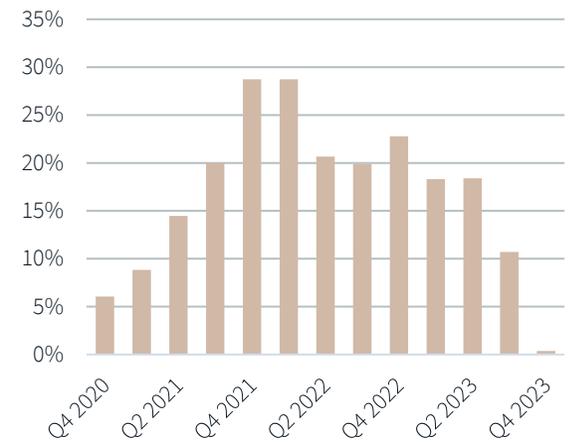
Historical sublease availability



Average net asking rents



Year-over-year rent growth





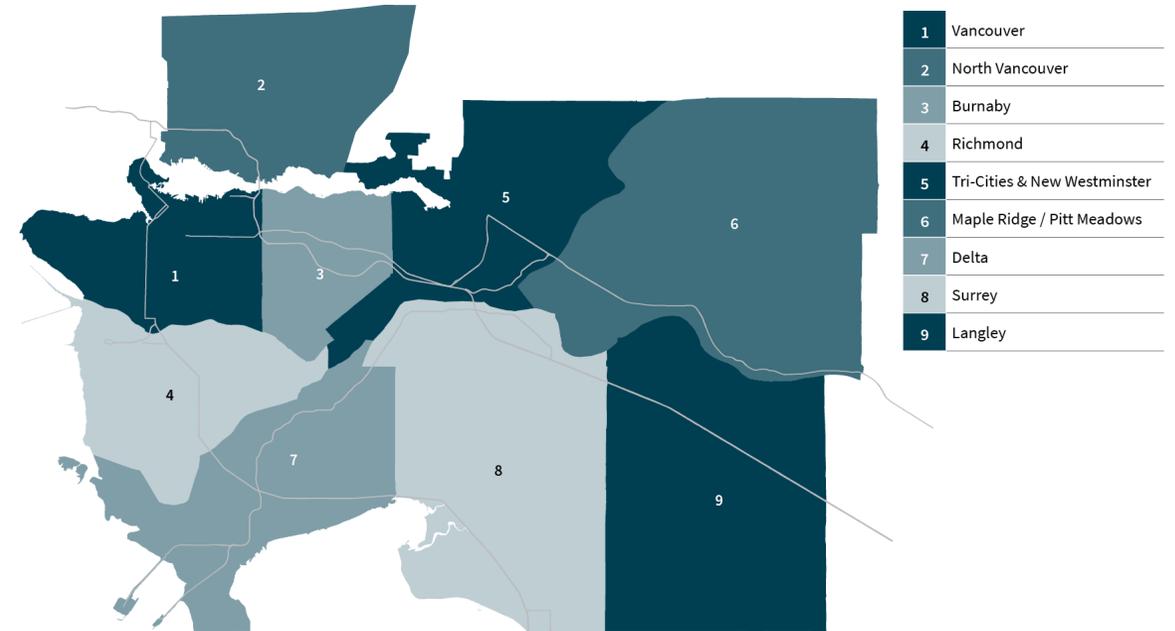
Notable lease transactions

Tenant	Address	Submarket	Class	Size (s.f.)	Type
IEM	19543 34A Avenue	Surrey	A	230,335	New Lease
Rosenau Transport	18111 Blundell Road	Richmond	A	94,900	Sublease
Wexxar Packaging Inc.	13741 Vulcan Way	Richmond	B	91,023	Renewal
Confidential	7660 Vantage Way	Delta	A	89,211	New Lease
AWC Process Solutions	9087A 198 th Street	Langley	B	59,333	Renewal
IEM	19550 36 th Avenue	Surrey	A	58,352	Sublease
E-One Moli (Energy) Canada Ltd.	19265 Airport Way – Phase 3	Pitt Meadows	A	50,880	New Lease

Notable sale transactions

Address	Price (\$M)	RBA (s.f.)	Price PSF	Buyer(s)	Seller(s)
8355 Riverbend Court	\$48.90	82,110	\$596	Sunco Foods Inc.	Sevenhill Ventures Inc.
7481 North Fraser Way	\$20.77	23,480	\$884	Refrigerative Supply	Manatee Investments Ltd.
1467 Mustang Place	\$21.05	22,000	\$957	Inland Industries Ltd.	Milan Holdings Inc.
7600 MacDonald Road	\$13.13	20,200	\$650	1439064 B.C. Ltd.	Beedie

Market map



Key metrics

Greater Vancouver Area





Market statistics

	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average direct net asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Burnaby	32,783,722	964,676	675,125	2.1%	3.0%	4.2%	\$21.85	1,200,000	1,310,000	1,586,728
Delta	33,390,004	-174,600	-450,370	-1.3%	1.3%	2.8%	\$22.08	0	56,734	782,207
Langley	20,968,342	-325,020	-281,735	-1.3%	2.6%	3.9%	\$19.95	54,303	173,190	0
Maple Ridge & Pitt Meadows	6,580,136	32,130	836,122	12.7%	1.2%	4.9%	\$22.19	14,866	844,557	478,432
North Vancouver	5,139,465	-15,654	-43,998	-0.9%	2.2%	2.9%	\$22.32	0	0	0
Richmond	44,969,692	-51,850	377,617	0.8%	0.8%	2.5%	\$22.43	212,432	822,359	1,015,603
Surrey	44,196,973	530,049	1,036,192	2.3%	2.7%	3.9%	\$20.45	854,288	2,540,137	963,215
Tri-Cities & New Westminster	24,340,338	-5,256	-51,883	-0.2%	0.7%	2.7%	\$21.69	0	226,289	525,205
Vancouver	21,826,432	-39,285	-75,181	-0.3%	3.3%	4.6%	\$23.34	291,733	287,905	907,876
Greater Vancouver Area	234,195,104	915,190	2,021,889	0.9%	2.0%	3.5%	\$21.67	2,572,714	6,261,171	6,259,266