

Greater Vancouver Area Industrial Insight

Q1 2024

Absorption is negative for the first time since Q1 2020 as low pre-committed deliveries fail to compensate for vacated spaces.





Greater Vancouver Area

- Vacancy and availability rates have increased by 40 bps and 50 bps q-o-q, reaching 2.4% and 4.0%, respectively. This is the first-time availability has reached the 4.0% mark since Q4 2016.
- Average asking rents reduced by 2.3% y-o-y. This is the first time since 2018 without a y-o-y rental increase.
- Of the 844K SF of deliveries this quarter, 53.9% was committed to at completion.
- This quarter witnessed the first negative absorption in over a decade, aside from a single quarter in Q1 2020 because of the Covid-19 pandemic

Metro Vancouver's industrial market recorded a third consecutive increase in vacancy and availability q-o-q. Negative absorption was recorded for the first time since Q1 2020 at -334K SF. Despite similar downward trends in previous quarters, positive absorption would typically come from pre-committed deliveries, averaging 94% over the last two years. This quarter's 53.9% pre-committed delivery rate has resulted in 412K SF of newly built, vacant space in the inventory. Small and mid-bay leasing activity has begun to show momentum but demand for space between 100K-200K has noticeably slowed down. Large-bay listings continue to enter the market and are taking longer to lease, making landlords more susceptible to implementing broker and tenant inducements. Notable lease deals this quarter include Beedie's 113,517 SF unit at 101-15030 54A Avenue by Eco-Packaging, and Bosa Properties' 109,820 SF building at 12850 112B Avenue by Evonik Industries.

An appetite for flight-to-quality has emerged on both the sales and leasing sides. Despite a \$0.04 PSF decrease in asking rents, a widening of lease rates between top and low-tier inventory has begun due to

more options on the market, giving tenants more bargaining power and time to assess their options.

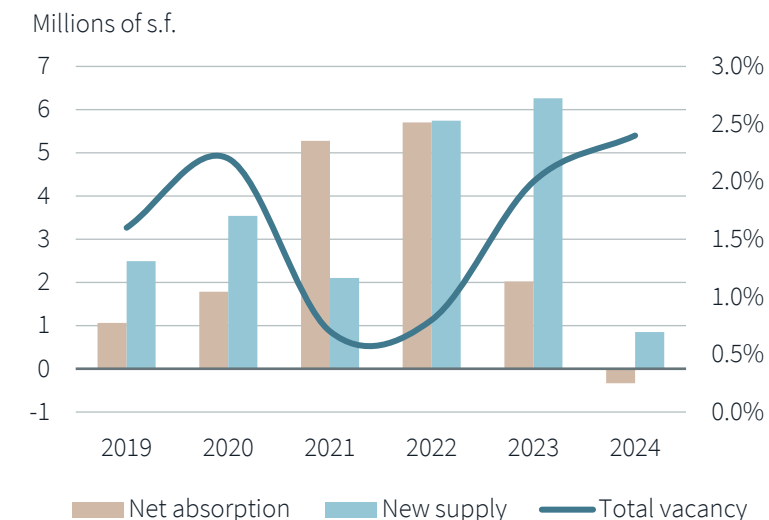
The expectation of interest rate cuts to begin in mid-2024 has induced optimism on the developer side, with 2.9 million SF of industrial strata expected to deliver between now and Q4 2025. Owner-users and institutional developers have dominated the buyer pool in the last year, but investors are anticipated to make a comeback as we return to a balanced market. A highlight this quarter was Adera's acquisition of 50% interest of a 6-building business park at 8327-8339 Eastlake Drive from Sun Life, totaling 304,234 SF.

Outlook

Vacancy and availability are expected to continue increasing, although at a slower pace, until market equilibrium is achieved. Foreseen population growth, strong supply chain fundamentals, and an optimistic retail sector will be critical factors that determine the direction of market demand. Strong construction starts are anticipated for 2024 and investors will prepare to evaluate their purchasing decisions for when rate cuts begin.

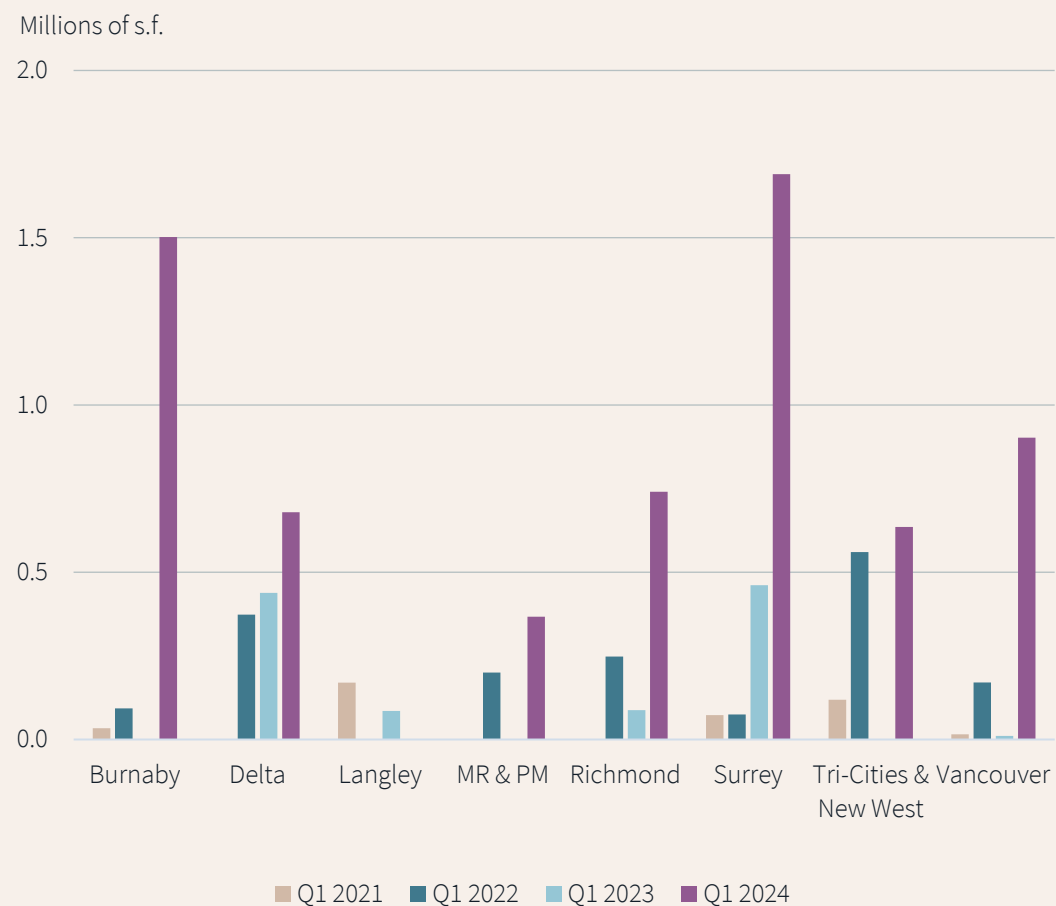
Fundamentals		Forecast
YTD net absorption	-334,084 s.f.	▼
Under construction	6,401,683 s.f.	▲
YTD deliveries	852,117 s.f.	▲
Total vacancy	2.4%	▲
Total availability	4.0%	▲
Average asking rent	\$21.63 p.s.f.	▼
Concessions	Rising	▲

Historical supply and demand

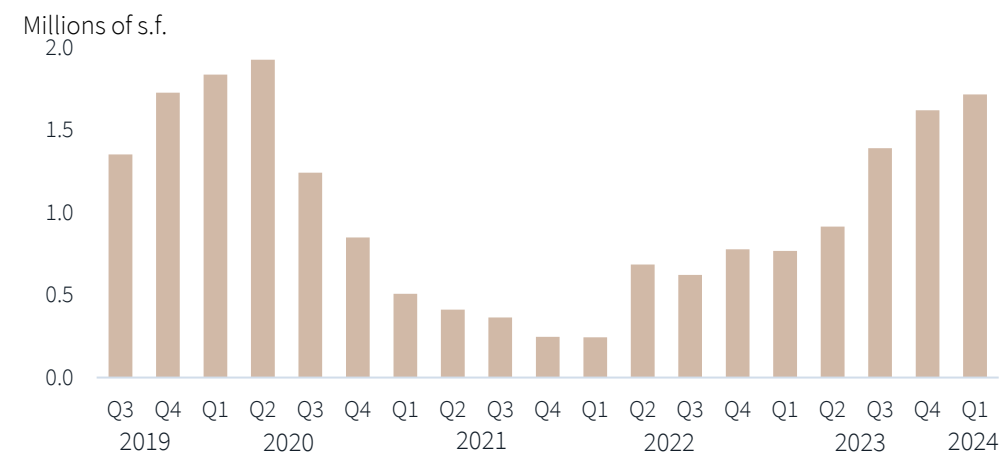




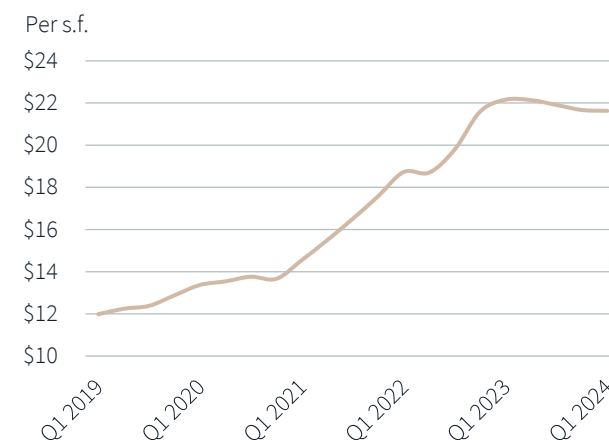
Under construction by submarket



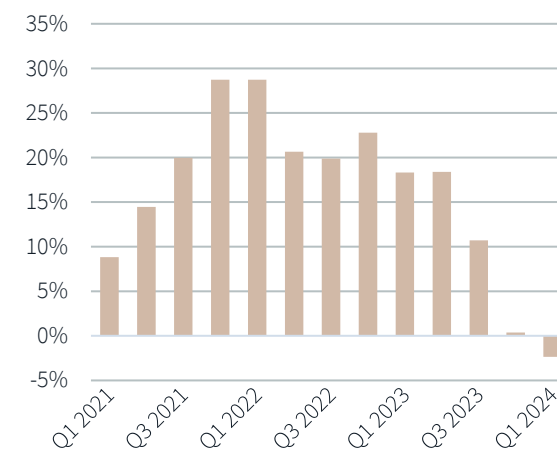
Historical sublease availability



Average net asking rents



Year-over-year rent growth





Notable lease transactions

Tenant	Address	Submarket	Class	Size (s.f.)	Type
Eco-Packaging	101 – 15030 54A Avenue	Surrey	A	113,517	New
Evonik Industries	12850 112B Avenue	Surrey	A	109,820	New
Onus Global Fulfillment Solutions	130 – 7419 Nelson Road	Richmond	A	92,148	New
Olympia Transportation Ltd.	8261 Fraser Reach Court	Burnaby	A	79,436	Sublease
DHSP Corporation	5690 268 th Street	Langley	B	64,112	New
Easy Intimates Ltd.	101-107 – 1 Burbidge Street	Coquitlam	B	50,372	New

Notable sale transactions

Address	Price (\$M)	RBA (s.f.)	Price PSF	Buyer(s)	Seller(s)
8327-8339 Eastlake Drive, Burnaby	\$69.0	304,234 (6 buildings)	\$454	Adera Group	Sun Life (50% interest)
21720 Fraserwood Way, Richmond	\$63.0	137,620	\$458	RCG Group	Wenzhold Properties Ltd.
6229 & 6261 Laurel Street, Burnaby	\$19.8	44,012	\$450	City of Burnaby	Kingsway Holdings Ltd.
9520 192nd Street, Surrey	\$14.0	28,344	\$495	1456688 B.C. Ltd.	D&D Gibb Investments

Market map



Key metrics

Greater Vancouver Area

▲ 2.4%	▼ -334K	▲ 6.42M	▼ \$21.63
Vacancy rate	Quarterly net absorption (s.f.)	Under construction (s.f.)	Avg. net asking rent (p.s.f. per annum)



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	32,811,526	-178,390	-178,390	-0.5%	3.5%	5.1%	\$21.94	0	0	1,502,382
Delta	33,451,441	-322,144	-322,144	-1.0%	2.4%	5.2%	\$21.26	102,815	102,815	679,392
Langley	21,574,534	15,767	15,767	0.1%	2.4%	4.0%	\$20.73	0	0	0
Maple Ridge & Pitt Meadows	6,739,546	35,200	35,200	0.5%	3.0%	6.4%	\$22.19	111,095	111,095	366,852
North Vancouver	5,153,801	657	657	0.0%	2.2%	1.8%	\$23.45	0	0	0
Richmond	45,266,962	220,202	220,202	0.4%	1.1%	2.8%	\$22.60	275,200	275,200	740,403
Surrey	43,708,905	131,495	131,495	0.3%	2.8%	3.5%	\$19.94	288,157	288,157	1,689,906
Tri-Cities & New Westminster	24,343,808	-146,968	-146,968	-0.6%	1.4%	2.0%	\$20.26	0	0	635,588
Vancouver	21,769,786	-89,903	-89,903	-0.5%	4.2%	5.8%	\$24.06	74,950	74,950	787,160
Greater Vancouver Area	234,820,309	-334,084	-334,084	-0.2%	2.4%	4.0%	\$21.63	852,117	852,117	6,401,683