

VANCOUVER INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Vancouver Employment	1.4 mil	1.4 mil	▲
Vancouver Unemployment	4.8%	4.7%	▼
Canadian Unemployment	6.2%	6.0%	■

Source: Statistics Canada

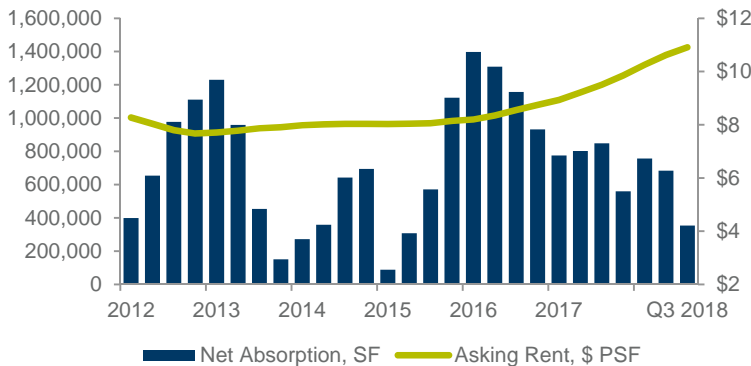
Market Indicators (Overall, All Product Types)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	2.3%	2.7%	▼
Net Absorption (sf)	1,598,310	278,608	▲
Under Construction (sf)	3,815,068	4,017,014	■
Average Asking Rent*	\$10.05	\$11.20	▲

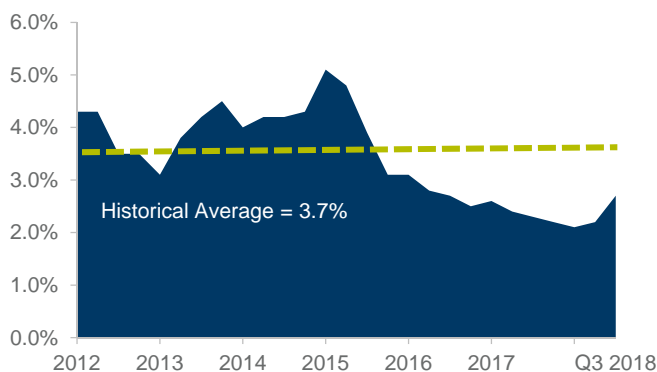
*Rental rates reflect net asking \$ psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The labour market in British Columbia is now incredibly tight; almost to a level analysts did not think was achievable in today's day and age. More than 70% of local economic regions boast an unemployment rate of 6.0% and lower. Employers are challenged by both a tight supply of available labour as well as increased wages (in part due to the significant boost to minimum wage over the past year). This is expected to have a negative impact, to some extent, on economic growth as many businesses will be challenged in pursuing growth opportunities.

Source: RBC Economics

Market Overview

Although there was a slight uptick in vacancy in the third quarter of 2018, rising from 2.2% to 2.7%, this is not indicative of a slowing or cooling market. Several buildings were completed this quarter where tenants have not yet occupied; once they do this will be reflected in decreased vacancy rates next quarter. Lease rates have held steady at \$11.20 per square foot (psf) as demand is out-pacing supply of quality, and readily available, space; the type of space that remains difficult to come by. Despite this conditions there were several lease transactions completed in the third quarter of 2018 in excess of 100,000 square feet (sf). Most notably, Amazon committed 450,000 sf in iDeltaPort's newly constructed building in the Tsawwassen First Nations (TFN) submarket. This transaction demonstrates once again Amazon's confidence in Metro Vancouver's strong economy and thriving market.

Two current hot topics are how the cannabis market will influence industrial development and secondly, how will ecommerce shape future industrial development. The BC Liquor Distribution Branch (LDB) recently leased 69,800 sf at 3389 No. 6 Road in Richmond, not long after they announced that they will be the sole wholesale distributor of non-medical cannabis for the province, will operate standalone and in public retail stores and will also provide online sales.

Vancouver's Sustainable Produce Urban Delivery (SPUD) has partnered with a major Canadian grocer and will deliver its online orders in Metro Vancouver out of a new 74,000-square-foot warehouse on Trapp Avenue in Burnaby, which is in addition to its existing location on East Hastings Street. This is just one example of technology working with logistics to mitigate greenhouse gases and provide quick, efficient delivery services.

Outlook

Although the industrial strata market is still performing well, and is expected to continue to escalate in price, future development could impact traditional warehouse development as fractured ownership could lead to issues in the future for land assembly. Overall, strata encroachment is neither good nor bad, rather it is the result of current market demands. Despite the high price of construction, there has been a historic high amount of strata projects completed recently; however, it is expected those costs will slightly decrease to allow for continued growth.

MARKETBEAT

Vancouver, BC

Industrial Q3 2018



SUBMARKET	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT	OVERALL WEIGHTED AVG. ADD. RENT
Abbotsford	7,615,410	21,545	1.8%	-38,759	419,365	10,000	\$8.24	\$3.27
Delta	24,451,373	897,117	3.1%	503,117	728,250	433,596	\$9.26	\$3.64
Langley	16,994,466	319,045	3.5%	-63,349	145,520	229,959	\$10.76	\$4.18
Surrey	35,302,692	899,869	2.0%	52,798	664,327	360,699	\$9.31	\$2.90
TFN	453,620	0	100%	0	0	453,620	\$8.95	\$3.55
Burnaby	30,395,820	1,478,218	2.3%	299,882	294,603	255,456	\$12.17	\$4.74
Coquitlam	7,824,367	152,785	2.9%	55,714	0	68,595	\$13.61	\$4.46
Maple Ridge/Pitt Meadows	4,108,912	166,454	3.3%	13,406	0	0	\$9.26	\$2.36
New Westminster	5,226,161	21,635	0.1%	11,419	0	0	\$15.95	\$6.00
North Shore	5,806,205	20,068	1.2%	-841	0	0	\$17.25	\$6.43
Port Coquitlam	6,573,349	350,768	2.9%	50,810	353,477	56,000	\$13.68	\$5.15
Port Moody	1,016,860	0	0.0%	17,287	0	0	\$10.00	\$3.59
Richmond	38,568,972	1,176,052	2.8%	161,147	958,965	244,155	\$10.30	\$4.08
Vancouver	24,147,302	443,874	2.2%	56,521	452,507	160,635	\$18.42	\$7.34
VANCOUVER TOTALS	208,485,509	5,947,430	2.7%	1,119,152	4,017,014	2,272,715	\$11.20	\$4.33

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Deltaport Logistics Centre – Phase 1	453,620	Amazon	New Lease	TFN
19750 92A Avenue	149,378	Philips	Renewal	Langley
2920 188th Street	111,931	Trimlite Manufacturing	Sublease	Surrey
18788 96th Avenue	97,430	White's Studios Inc.	Sublease	Surrey
620 Audley Boulevard	78,818	iBox Packaging Ltd.	Renewal	Delta

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
2625 - 2645 Skeena Street	37,073	Macro Development Corp. / Edgar Development Corp.	\$29,390,000 / \$792	Vancouver
4220, 4260 & 4300 Vanguard Road *	17,078	616147 B.C. Ltd. / 616147 B.C.. Ltd.	\$15,980,000 / \$936	Richmond
7978 North Fraser Way	34,406	Wyatt Holdings Inc. / 8741105 Holdings Ltd.	\$14,650,000 / \$425	Burnaby
8351-8365 Ontario Street *	70,884	Fugman Enterprises Ltd. / Hungerford Properties	\$14,625,000 / \$413	Vancouver
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* Share Sale

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