

VANCOUVER INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Vancouver Employment	1.4 mil	1.5 mil	▲
Vancouver Unemployment	4.2%	4.1%	▼
Canadian Unemployment	5.7%	5.6%	■

Source: Statistics Canada

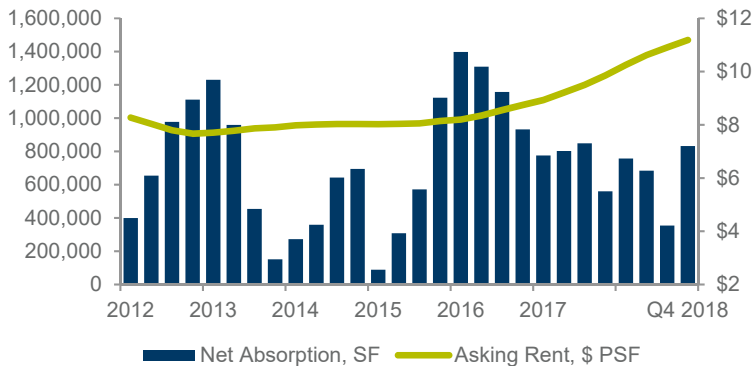
Market Indicators (Overall, All Product Types)

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	2.5%	2.1%	▼
Net Absorption (sf)	1,517,509	2,208,662	▲
Under Construction (sf)	4,514,517	4,948,758	■
Average Asking Rent*	\$9.12	\$11.62	▲

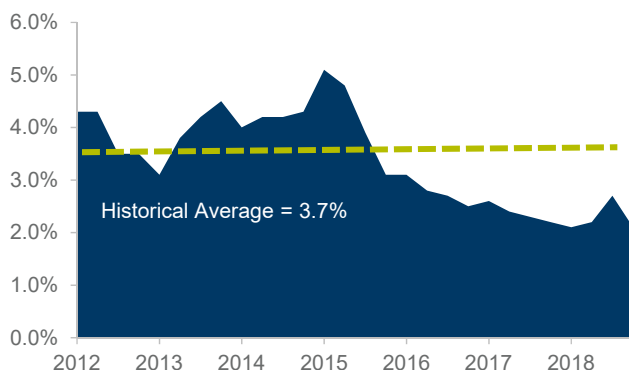
*Rental rates reflect net asking \$ psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The housing market in British Columbia was a drag on the economy in 2018 and will likely continue to do so into 2019 due to continued housing unaffordability and an unsustainable pace of growth. On a more positive note, the recently announced LNG project in Kitimat got the green light and is anticipated to boost GDP growth in the province to 2.6% in 2019 and even higher in 2020. Construction of the export terminal and associated pipeline will generate an estimated 10,000 jobs. LNG Canada has indicated that it will spend \$18 million in Canada in its first five-year phase, with most of that spending located in British Columbia.

Source: RBC Economics

Market Overview

Occupancy of new supply from previous quarters contributed to the continued downward trend of vacancy rates, dropping 60 basis points from 2.7% to 2.1% in the fourth quarter of 2018. Most notable is Amazon's occupancy of 450,000 square feet (sf) in TFN's Delta Port. Due to lack of product and/or options of large blocks of available space, many tenants are opting to renew; in fact, a large component of the transactions that occurred this quarter came in the form of renewals. Just a few examples of tenant renewals in the fourth quarter include: Owens Corning in Mission for 233,886 sf, Kingspan Insulated Panels Ltd. in Langley for 84,809 sf, Silverstrand Production Services Inc. in Burnaby for 59,400 sf, and SIM Video International in Delta for 55,300 sf.

Lease rates are beginning to stabilize but are still showing a slight escalation from the previous quarter, climbing from \$11.20 per square foot (psf) last quarter to \$11.62 psf in the fourth quarter of 2018. Tenants are willing to pay these escalated rates as they want to remain in Metro Vancouver with its strong economic environment and favourable climate. A recent transaction that was completed in Campbell Heights Business Park for more than 500,000 sf has rental rates in the double-digits; not only a record for a tenant that size, but for that area.

Richmond, historically one of the more stable and strongest performing submarkets, is an example of where the industrial market is headed with asking lease rates as high as \$16.00 psf in some areas. The majority of new buildings have a minimum of 20% mezzanine area and in today's environment rental rates are fully recovered given the low vacancy rates. Multi-storey industrial space is still somewhat unproven in the Richmond market, with this type of space yet to become common in the Metro Vancouver market.

Outlook

Looking to 2019, it is expected that although lease rates will continue to escalate, it will be at a slow and steady pace of approximately 5%-7% per year. Vacancy rates will likely continue to hover around 2% as demand is either meeting or out-pacing construction. New construction will continue to add product to already existing inventory if municipal approvals do not hinder the process and construction costs do not escalate much more than they already have (as much as 40% in the past two years). Capitalization rates have reached record lows (in some cases below 4%) and are not expected to compress further, but as they are rate driven, they are anticipated to stabilize.

MARKETBEAT

Vancouver, BC

Industrial Q4 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	74,523	2.8%	-113,846	606,370	10,000	\$8.02	\$3.21
Delta	24,777,372	1,282,524	2.0%	1,088,458	536,016	759,595	\$9.58	\$3.92
Langley	16,994,466	665,162	2.5%	108,280	134,090	229,959	\$10.54	\$3.99
Surrey	35,564,480	909,096	1.6%	466,862	1,432,199	622,487	\$9.02	\$3.04
TFN	453,620	453,620	0%	453,620	0	453,620	\$10.50	\$3.25
Burnaby	30,537,848	1,904,431	2.2%	458,375	389,829	397,484	\$12.85	\$4.78
Coquitlam	7,824,367	175,335	2.6%	78,514	0	68,595	\$13.99	\$4.20
Maple Ridge/Pitt Meadows	4,108,912	171,748	0.7%	119,233	0	0	\$9.95	\$2.77
New Westminster	5,226,161	120,081	0.1%	11,419	0	0	\$12.95	\$6.00
North Shore	5,806,205	20,068	1.4%	-8,490	0	0	\$17.28	\$6.21
Port Coquitlam	6,751,490	501,685	1.2%	337,246	443,209	234,141	\$12.32	\$4.52
Port Moody	1,016,860	0	0.0%	17,287	0	0	\$10.00	\$3.59
Richmond	38,568,972	1,378,070	2.8%	179,076	958,965	244,155	\$11.69	\$2.81
Vancouver	24,254,704	514,319	2.3%	131,780	448,080	268,037	\$18.16	\$7.33
VANCOUVER TOTALS	209,500,867	8,170,662	2.1%	3,327,814	4,948,758	3,288,073	\$11.62	\$4.38

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
32923 Mission Way	233,886	Owens Corning	Renewal	Mission
1488 Coast Meridian Road	96,137	Direct Limited Partnership	New Lease	Port Coquitlam
South Surrey Business Park	94,500	Green Line Hose & Fittings Ltd.	New Lease	Surrey
5202 272 Street	84,809	Kingspan Insulated Panels Ltd.	Renewal	Langley
6228 Beresford	59,400	Silverstand Production Services Inc.	Renewal	Burnaby
1420-1440 Derwent Way	55,300	SIM Video International	Renewal	Delta
1388 Cliveden Avenue	47,619	Trans-It Logistics Inc.	Renewal	Delta

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Main Industrial Centre	118,500	Morguard Investments Ltd. / Value Property Group	\$43,170,000 / \$360	Vancouver
Delta Link (7939 Huston Road)	161,312	Ocean Ridge Holdings Ltd. / YM Inc.	\$42,500,000 / \$263	Delta
8651 Eastlake Drive	111,152	Canadian Urban Ltd. / Pure Industrial Real Estate Trust	\$30,125,000 / \$271	Burnaby
9160 – 9200 Van Horne Way	N/A	Beedie Group / Van Horne Ventures Ltd,	\$22,000,000	Richmond
3555 East 5 th Avenue	53,000	Freeway Mini Storage Inc. / Nicola Crosby Real Estate	\$18,775,000 / \$354	Vancouver

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