

VANCOUVER INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Vancouver Employment	1.4 mil	1.5 mil	▲
Vancouver Unemployment	4.1%	4.2%	▼
Canadian Unemployment	5.9%	5.4%	■

Source: Statistics Canada

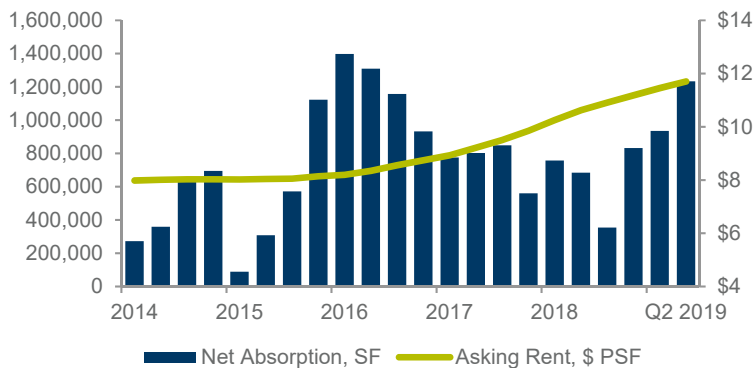
Market Indicators (Overall, All Product Types)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	2.2%	1.7%	▼
Net Absorption (sf)	384,302	1,576,168	▲
Under Construction (sf)	6,065,926	6,062,453	■
Average Asking Rent*	\$11.26	\$12.25	▲

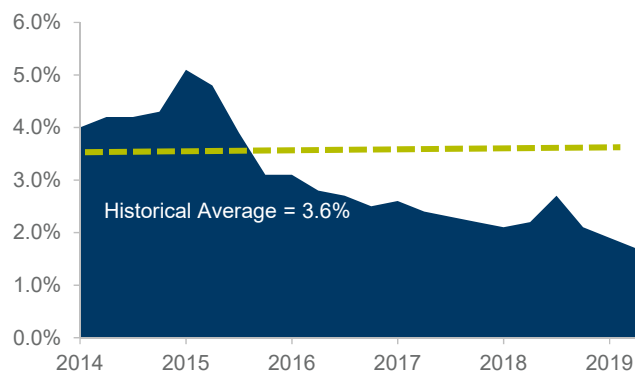
*Rental rates reflect net asking \$ psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Although the growth of British Columbia's economy has come off pace since last year, it is still the third fastest growing amongst all provinces at 2.3%. The cooling housing market has made way for business investment to excel as the economic grower. Job creation continues to be healthy and the labour market robust, with B.C.'s unemployment rate the lowest in Canada at 4.7%.

Source: RBC Economics

Market Overview

Metro Vancouver's overall industrial market recorded close to 1.6 million square feet (sf) of positive absorption in the second quarter of 2019, a result of strong leasing activity and construction completions in Richmond, Surrey and Vancouver. Notable strata project completions this quarter included IronWorks by Conwest at 191,000 sf, and IntraUrban Rivershore at 256,000 sf. Metro Vancouver continues to have the highest rents across Canada with average asking rents reaching \$12.25 per square foot this quarter, a year-over-year growth rate of 8.8%.

Vacancy rates declined 200 basis points in the second quarter of 2019, tightening to 1.7%, marking the lowest vacancy Metro Vancouver has seen in over a decade. The Fraser Valley region has been a significant driver of these conditions with overall vacancy declining to 1.5% in the second quarter of 2019 from 3.1% in the third quarter of 2018. Consequently, the price disparity between the Lower Mainland and Fraser Valley continues to shrink as tenants are drawn to the east for the availability of functional space with close proximity to their employment base and distribution routes. Large spaces over 100,000 sf are increasingly difficult for tenants to find as there are only three existing buildings currently on the market; one of those being new availability as the BC Liquor Distribution Branch vacates 292,000 sf on Broadway in Vancouver.

Notable lease deals in the second quarter of 2019 included 242,460 sf leased by Canadian Alliance Terminals at the Delta iPort, a speculative distribution centre project comprised of nearly 1 million sf. Transportation, logistics, and distribution tenants persist as strong drivers for demand. Developers and private investors are still seeking opportunities, illustrated on the investment front this quarter as 3625 Brighton Avenue was purchased by Rockwell Pacific Properties for \$20 million. Owner occupiers continue to seek out limited freestanding and strata opportunities in all areas, especially in light of continued low interest rates and rapidly rising lease rates.

Outlook

Moving into the second half of 2019, it is expected that 4 million of the 6 million sf under construction is scheduled to be completed by the end of 2019. If the current rate of absorption continues, the new supply on the horizon may provide little to no relief for the tightening market. In this landlord market, it is imperative that tenants review their space needs and negotiate renewals at least 18 months in advance of term expiries. Although it appears that prices are stabilizing, international investors may look toward different commercial opportunities due to B.C.'s government intervention on the residential housing market.

MARKETBEAT

Vancouver, BC

Industrial Q2 2019



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	7,840,751	63,321	2.4%	245,990	473,757	225,341	\$9.22	\$3.69
Delta	24,834,152	897,686	1.4%	203,140	477,726	56,780	\$10.65	\$3.88
Langley	17,034,118	355,582	1.6%	196,539	94,438	39,652	\$12.39	\$3.92
Surrey	36,033,279	610,710	1.2%	585,518	2,865,509	468,799	\$10.08	\$3.47
TFN	453,620	0	0%	0	550,000	0	\$10.50	\$3.25
Burnaby	30,735,423	650,820	1.5%	250,942	687,071	197,575	\$13.94	\$4.33
Coquitlam	7,824,367	197,091	2.0%	89,688	0	0	\$13.34	\$4.25
Maple Ridge/Pitt Meadows	4,108,912	27,444	2.3%	-62,560	0	0	\$10.13	\$2.77
New Westminster	5,226,161	0	0.1%	0	0	0	\$12.95	\$6.00
North Shore	5,806,205	48,092	1.8%	-24,272	0	0	\$16.81	\$5.12
Port Coquitlam	6,888,465	150,695	2.2%	66,737	362,000	136,975	\$13.24	\$4.14
Port Moody	1,016,860	0	0.0%	0	0	0	\$12.95	\$3.33
Richmond	38,877,319	402,560	1.8%	691,658	458,604	308,347	\$13.68	\$3.80
Vancouver	24,446,091	305,786	2.3%	200,938	93,348	191,387	\$17.68	\$6.40
VANCOUVER TOTALS	211,125,723	3,709,787	1.7%	2,444,318	6,062,453	1,624,856	\$12.25	\$3.99

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Delta iPort – Phase 2	242,460	Canadian Alliance Terminals	New Lease	TFN
1425 Derwent Way	282,526	Veritiv Operating Company	New Lease	Delta
Richmond Industrial Centre	200,000	Confidential	New Lease	Richmond
Hopewell Distribution Centre II	178,787	Acklands Grainger Inc.	New Lease	Richmond
37117 North Parallel Road	174,632	Polytubes LP	New Lease	Abbotsford
16111 Blundell Road	123,699	DSV Solutions Inc.	New Lease	Richmond
9255 194 th Street	98,307	Metrie Canada Inc.	Renewal	Surrey

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
1155 East 6 th Avenue *	39,100	Shaw Cable Systems Ltd. / JRS Ltd.	\$45,000,000 / \$1,151	Vancouver
3625 Brighton Avenue	57,820	Interstyle Ceramic & Glass / Rockwell Pacific Properties Inc.	\$20,000,000 / \$346	Burnaby
1477 Derwent Way	59,866	Green Line Hose & Fittings Ltd. / Marion Holdings Ltd.	\$14,525,000 / \$243	Delta
16160 River Road	36,200	H. Brum Enterprises Ltd. / Soka Holdings Ltd.	\$13,000,000 / \$359	Richmond
3885 Henning Drive	21,425	Dorigo Systems Ltd. / CadMakers	\$12,375,000 / \$578	Burnaby

* Non-Arms

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