

Industrial Q3 2022

YoY Chg ▼ 12-Mo. Forecast ▼

0.5%
Vacancy Rate

YoY Chg ▼ 12-Mo. Forecast ▬

945K
Net Absorption, SF

YoY Chg ▲ 12-Mo. Forecast ▲

\$21.15
Asking Rent, PSF

Overall Absorption, Direct Weighted Net Asking Rent

ECONOMIC INDICATORS Q3 2022

YoY Chg ▲ 12-Mo. Forecast ▲

1.5M
Vancouver Employment

YoY Chg ▼ 12-Mo. Forecast ▼

4.5%
Vancouver Unemployment Rate

YoY Chg ▼ 12-Mo. Forecast ▬

5.2%
Canada Unemployment Rate

Source: Statistics Canada

ECONOMIC OVERVIEW

According to TD Economics: "After an impressive recovery that carried over into the first half of 2022, B.C.'s economy has recently been showing some cracks amid rising interest rates. With rate pressures only expected to build further, we have built in a steeper downgrade to B.C.'s real GDP growth, both this year and next, than the country overall (3.1%-2022, 0.8%-2023, and 0.9%-2024). Higher interest rates have already had a visible impact on the province's real estate industry. In fact, average home prices have dropped 10% from their February peak, and we expect them to fall further over the next few quarters as the Bank of Canada tightens further and job markets continue to slow. With housing activity making up as much as 10% of GDP in B.C., the negative spill-overs from softening real estate markets will not be lost on the provincial economy in the coming quarters". Source: TD Canada

DEMAND: Still a Landlord's Market Amid Economic Uncertainty

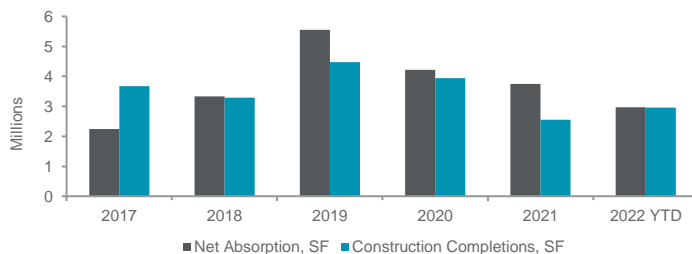
The Metro Vancouver industrial leasing market remained strong and continued to report very low vacancies and increased asking rates in the third quarter of 2022. The overall vacancy rate has remained relatively consistent hovering within 10 basic points of 0.5% since the second quarter of 2021 after the initial positive impacts of COVID-19 on the market. Metro Vancouver recorded the lowest vacancy rate throughout Canada for the sixth consecutive quarter and was 80 bps below the national average of 1.3%. Third quarter leasing activity totaled 1.0 million square feet (msf), the lowest quarterly activity in the past 10 quarters due to a lack of available industrial product. As a result of limited available space and sustained demand, the average weighted direct net asking rate continued to increase to \$21.15 per square foot, the highest asking rate ever reported in Metro Vancouver and double the rate reported only five years ago. Going forward, if global economic activity continues to slow, the market will likely see more muted demand on the leasing side. However, this is unlikely to translate into downward pressure on lease rates as there is simply not enough supply in the market. Quality distribution space remains difficult to find and this trend is expected to continue through 2023, despite a slowing economy and reduced growth in the eCommerce sector.

In the Metro Vancouver industrial sales market, demand has slowed since the late spring, primarily due to rising interest rates which have more than doubled since the start of the year. Unique freestanding buildings and sites with a location close to amenities, traffic exposure and easy highway access are still in demand for owner/occupiers and, to a lesser extent, developers. One such example is the recent sale of 3.18 acres at 30530 Matsqui Place in Abbotsford which attracted significant interest and sold for a new market high in the area. With upward pressure on interest rates continuing in the near term, investors are expected to be more selective and may demand more attractive terms from sellers, such as vendor mortgages at rates below current market levels.

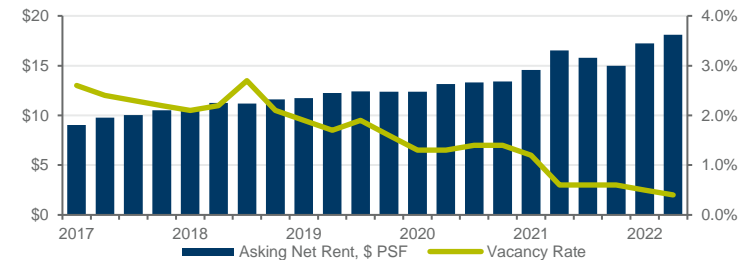
SUPPLY: Construction Activity Sustains New Highs

As industrial land remains in short supply, there is not enough new construction to satisfy the current demand. Year-to-date (YTD) deliveries have reached nearly 3.0 msf of new industrial product, already surpassing last year's construction completions. By year-end 2022, another 3.0 msf of new development will be completed for a projected 2022 total of 6.0 msf - the highest annual construction deliveries ever recorded in the Metro Vancouver industrial market. Over 86% of the fourth quarter development will be delivered on a speculative basis. However, as was the case this quarter, the vacancy rate for these projects reported only 5.4%, indicative of continued robust demand for new industrial construction. In fact, 56% (or 3.2 msf) of all new leases signed YTD were for buildings constructed this year or not yet built. The majority of development activity is located in the Surrey submarket which accounted for more than one third of all projects completed YTD and under construction.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING NET RENT



Industrial Q3 2022

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	LEASING ACTIVITY (YTD)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	Q3 NEW SUPPLY (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT*	OVERALL WEIGHTED AVG. ADD. RENT
Abbotsford	5,456,667	262,156	1.6%	152,700	460,236	0	49,096	\$20.00	\$5.41
Chilliwack	19,651	0	100.0%	-19,651	20,465	0	0	N/A	N/A
Delta	30,733,920	287,742	0.3%	430,001	215,900	375,053	435,085	\$20.22	\$4.74
Langley	16,925,962	381,186	0.7%	133,473	210,027	77,710	238,590	\$19.11	\$7.76
Surrey	35,555,796	1,443,754	0.4%	970,716	3,261,622	0	837,286	\$21.15	\$4.34
TFN	1,721,540	0	0.0%	0	0	0	0	N/A	N/A
Burnaby	32,561,157	241,064	0.4%	95,370	1,429,201	0	0	\$18.76	\$8.33
Coquitlam	7,405,840	158,962	0.2%	-8,431	211,830	0	0	\$16.09	\$6.94
Maple Meadows	4,319,423	1,511,511	0.3%	264,136	926,580	236,272	236,272	N/A	\$5.00
Mission	34,273	0	46.2%	-15,842	0	0	0	\$14.00	N/A
New Westminster	4,346,834	0	0.2%	-8,511	0	0	0	N/A	\$8.10
North Shore	4,162,550	23,353	1.3%	-25,886	0	0	0	\$20.55	\$8.03
Port Coquitlam	8,937,163	244,400	0.7%	483,253	184,583	156,500	497,613	\$19.67	\$5.04
Port Moody	331,583	0	3.6%	-11,863	0	0	0	\$19.55	\$7.34
Richmond	45,730,450	939,197	0.2%	644,345	849,937	373,000	622,695	\$23.84	\$5.63
Vancouver	27,644,379	311,979	1.3%	-112,194	901,106	0	41,000	\$23.39	\$8.82
METRO VANCOUVER	225,887,188	5,805,304	0.5%	2,971,616	8,671,487	1,218,535	2,957,637	\$21.15	\$6.10

*Renewals not included in leasing statistics
*Rental rates reflect weighted net asking \$psf/year

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SF)	TYPE*
Sunmark Business Centre A	Surrey	IEM	190,000	New Deal
3971 No 6 th Road	Richmond	Marine Canada Acquisitions Inc	153,400	Renewal
5589 Trapp Avenue	Burnaby	Horizon Distributions Ltd	148,715	Renewal
7433 Nelson Road	Richmond	Bunzl Co	116,292	Renewal
19265 Airport Way	Pitt Meadows	Univar Solutions	78,814	New Deal
9 Burbidge Street	Coquitlam	Ampco Manufactures Inc	63,385	Renewal

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	VENDOR / PURCHASER	SIZE	PRICE/ \$ PSF/Ac
19500 56 th Avenue & 5555 Production Boulevard	Surrey	Revolution Equipment Inc/ Metro Vancouver	4.76 Ac	\$38M/ \$8M Ac
8910/8920 Shaughnessy Street	Vancouver	Private Investor/ Metro Vancouver	2.59 Ac	\$31.8M/ \$12M Ac
15700 River Road	Richmond	Gaea Holding BC Inc/ Canadian National Railway Company	5.40 Ac	\$30M/ \$5.5M Ac
85 North Bend Street	Coquitlam	Reliable Parts Ltd/ 1363183 BC Ltd	39,348 Sf	\$21.5M/ \$546 Psf
5425 Production Boulevard	Surrey	Out West Land Holdings Ltd	23,935 Sf	\$15.7M/ \$656 Psf
30530 Matsqui Place	Abbotsford	Reese Hill Holdings Inc/ Pride Group Enterprises	3.18 Ac	\$15M/ \$4.73M Ac

KEY CONSTRUCTION COMPLETIONS Q3 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1168-1170 Derwent Way	Delta	Canada Dry Storage (BTS)	375,053	Beedie
River Road Distribution Centre	Richmond	Lululemon Athletica	373,000	Wesgroup
Golden Ears Business Park	Pitt Meadows	Multiple Tenants	236,272	Onni

Svetlana Lebedeva
Research Manager
+1 604 608 5963
Svetlana.Lebedeva@cushwake.com

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