

Industrial Q4 2022

0.6%
Vacancy Rate

YoY Chg  12-Mo. Forecast 

1.1M
Net Absorption, SF

YoY Chg  12-Mo. Forecast 

\$20.45
Asking Rent, PSF

YoY Chg  12-Mo. Forecast 

Overall Absorption, Direct Weighted Net Asking Rent

ECONOMIC INDICATORS
Q4 2022

1.55M
Vancouver Employment

YoY Chg  12-Mo. Forecast 

4.6%
Vancouver Unemployment Rate

YoY Chg  12-Mo. Forecast 

5.0%
Canada Unemployment Rate

YoY Chg  12-Mo. Forecast 

Source: Statistics Canada

ECONOMIC OVERVIEW

According to Central 1: "More recently, B.C. has exhibited stronger inflation patterns, among the tightest labour markets in the country, which is contributing to wage growth, and substantial deterioration in the housing market and technology sector. Moreover, greater exposure of export markets to a slower Chinese economy may also have weighed on expectations. The latest data suggests more firms are looking to shed labour and pause hiring in coming months. A period of weaker activity is expected during the first half of 2023 as higher interest rates curb economic activity and revenue".

DEMAND: Market is in a State of Transition

Despite increasing economic uncertainty in the fourth quarter of 2022, the Metro Vancouver industrial leasing market continued to perform well as robust demand kept vacancy rates at historically low levels. Vacancy rates inched upwards by just 10 basis points (bps) quarter-over-quarter (QOQ) to 0.6% and remained unchanged year-over-year (YOY), marking the eighth consecutive quarter that vacancy was below one percent. Metro Vancouver had the lowest industrial vacancy rate in Canada for the seventh consecutive quarter and, similar to last quarter, remained 80 bps below the national average of 1.4%. It is expected more sublease space will be coming to the market in early 2023 as the economy softens and companies that expanded during the pandemic (such as eCommerce) attempt to shed excess space. In addition, the effects of the pandemic required many companies to restructure their supply chains and re-evaluate their real estate footprints in an effort to maximize the efficiency of their operations in an environment of increasing occupancy costs.

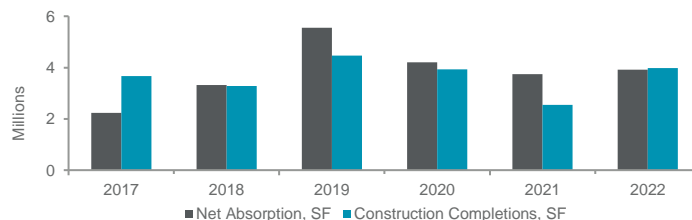
In the fourth quarter of 2022, the pace of new leasing activity increased by 4.5% QOQ, registering 1.1 million square feet (msf). Manufacturing and third-party logistics companies accounted for the most significant portion of leasing activity this quarter. Markets with the largest leasing activity included Surrey (414,893 square feet (sf)), Burnaby (160,050 sf) and Vancouver (157,321 sf). Net absorption also continued its upward trajectory recording 1.05 msf this quarter, fueled by new construction completions added to the market (1.26 msf) 99% of which was pre-leased/pre-sold. Following a long-standing pattern of limited available space and sustained demand, asking rates have climbed by 36% YOY, reaching \$20.45 per square foot (psf) in the fourth quarter. Even in the face of cautionary economic headwinds, the demand for industrial space in Metro Vancouver is likely to remain strong due to the long-standing lack of available space and the reality that most economic downturns tend to be relatively short-lived.

When looking at the industrial sales market in Metro Vancouver in the fourth quarter, activity was low due largely to the substantial increase in interest rates in 2022 which increased the cost of borrowing. Looking ahead, a slight escalation in cap rates is expected but will likely not match interest rates due to the ongoing lack of supply and vendor motivation. For strata units, there has been a greater shift from investors to users who are purchasing space. This slowdown in investor and developer demand has impacted the volume of land sales and to a lesser degree prices.

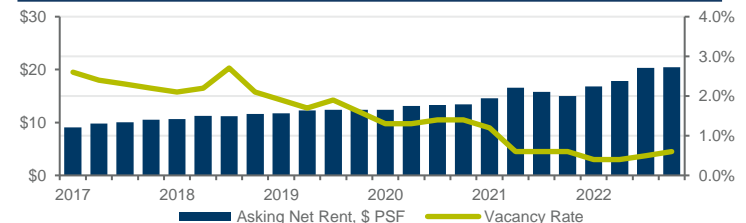
SUPPLY: Construction Activity Persists with Strong Pre-Leasing in Speculative Projects

While developers are constructing new industrial inventory at a rapid pace, it is not enough to fulfill the occupier demand that continues to exist in the market. Almost 1.3 msf of mostly speculative builds came to the market this quarter. All new deliveries were in the Fraser Valley with the Surrey submarket leading the way, accounting for over 75% of all projects completed. Despite rising construction and raw material costs that have delayed some deliveries, 3.3 msf of new supply is scheduled to arrive in the first quarter of 2023 – approx. 60% is expected to be delivered on a speculative basis, of which 94% was pre-leased/pre-sold.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT ASKING NET RENT



Industrial Q4 2022

MARKET STATISTICS

| SUBMARKET | INVENTORY (SF) | YTD LEASING ACTIVITY (SF) | OVERALL VACANCY RATE | YTD NET OVERALL ABSORPTION (SF) | UNDER CNSTR (SF) | Q4 NEW SUPPLY (SF) | YTD CONSTRUCTION COMPLETIONS (SF) | OVERALL AVG. ASKING NET RENT* | OVERALL AVG. ASKING NET RENT** | OVERALL AVG. ASKING ADD. RENT ** |
|------------------------|--------------------|---------------------------|----------------------|---------------------------------|-------------------|--------------------|-----------------------------------|-------------------------------|--------------------------------|----------------------------------|
| Abbotsford | 5,540,057 | 262,156 | 1.0% | 281,257 | 951,079 | 92,706 | 141,802 | \$18.47 | \$20.84 | \$5.25 |
| Delta | 30,425,158 | 322,862 | 0.7% | 312,778 | 215,900 | 0 | 435,085 | \$20.74 | \$20.69 | \$4.89 |
| Langley | 17,072,239 | 414,278 | 0.7% | 310,814 | 872,213 | 166,027 | 404,617 | \$20.46 | \$20.37 | \$5.58 |
| Surrey | 36,512,776 | 1,858,647 | 0.6% | 1,885,578 | 2,535,655 | 1,001,353 | 1,838,639 | \$21.29 | \$20.10 | \$4.97 |
| TFN | 1,721,540 | 0 | 0.0% | 0 | 0 | 0 | 0 | N/A | N/A | N/A |
| Burnaby | 32,616,310 | 423,616 | 0.4% | 101,597 | 2,792,101 | 0 | 0 | \$17.51 | \$20.83 | \$6.68 |
| Coquitlam | 7,405,840 | 205,808 | 0.3% | -15,585 | 211,830 | 0 | 0 | \$19.75 | \$20.38 | \$5.75 |
| Port Coquitlam | 8,899,588 | 336,036 | 0.8% | 473,848 | 225,937 | 0 | 497,613 | \$17.56 | \$22.09 | \$5.29 |
| Port Moody | 331,583 | 11,863 | 0.0% | 0 | 0 | 0 | 0 | N/A | N/A | N/A |
| Maple Ridge | 2,039,277 | 86,739 | 0.1% | 37,675 | 0 | 0 | 0 | \$21.00 | \$21.88 | \$5.28 |
| Pitt Meadows | 2,077,758 | 1,168,300 | 1.0% | -20,168 | 2,026,852 | 0 | 0 | N/A | N/A | N/A |
| New Westminster | 4,346,834 | 21,220 | 0.0% | 0 | 0 | 0 | 0 | N/A | N/A | N/A |
| North Shore | 4,150,029 | 56,178 | 0.6% | -11,096 | 0 | 0 | 0 | \$21.68 | \$21.89 | \$5.69 |
| Richmond | 45,075,908 | 977,594 | 0.2% | 614,822 | 1,667,416 | 0 | 622,695 | \$22.26 | \$22.18 | \$5.52 |
| Vancouver | 27,726,032 | 527,455 | 1.1% | -51,927 | 1,239,403 | 0 | 41,000 | \$20.79 | \$21.12 | \$7.58 |
| METRO VANCOUVER | 225,989,162 | 6,692,570 | 0.6% | 3,919,593 | 13,111,106 | 1,260,086 | 3,981,451 | \$20.45 | \$21.09 | \$5.18 |

Renewals not included in leasing statistics

*Weighted net asking rate based on all available direct and vacant space

**Weighted net asking rates based on all available direct space (vacant and occupied)

KEY LEASE TRANSACTIONS Q4 2022

| PROPERTY | SUBMARKET | TENANT | SIZE (SF) | TYPE |
|------------------------------|-------------|--|-----------|----------|
| 20580 & 20600 Maple Crescent | Maple Ridge | Trans Mountain Pipeline LP | 260,342 | New Deal |
| 19550 36 Avenue | Surrey | Mountain Equipment Company Ltd | 212,351 | New Deal |
| 880 Belgrave Way | Delta | Crown Corrugated Company | 163,811 | New Deal |
| 2888 194 Street | Surrey | Radiant Global Logistics (Canada) Inc | 116,186 | New Deal |
| 19225 32 Avenue | Surrey | Prime Nutrisource Inc. and Darwynn Ltd | 111,814 | New Deal |
| 1360-1396 Cliveden Avenue | Delta | Trans-It Logistics Inc | 96,045 | New Deal |

KEY SALES TRANSACTIONS Q4 2022

| PROPERTY | SUBMARKET | VENDOR / PURCHASER | SIZE | PRICE/ \$ PSF/Ac |
|--|-------------|--|------------|--------------------|
| 19469 92nd Avenue | Surrey | Lloyd Investments Ltd / Conwest Group | 14.21 Ac | \$111M/ \$7.8M Ac |
| 3333 Bridgeway Street | Vancouver | The Bowra Group Inc / Access Self Storage Inc | 112,629 SF | \$38M/ \$340 PSF |
| 175 264 th Street | Langley | Sensei Farms BC ULC / 1358245 BC Ltd | 82.27 Ac | \$28M/ \$338k Ac |
| 10707 Scott Road | Surrey | A & Andy's Auto Supply Ltd / Conwest Group | 4.78 Ac | \$25.5M/ \$5.3M Ac |
| 7950 Enterprise Street | Burnaby | Norco Management Inc / 7950 Enterprise Street Holdings Ltd | 49,447 SF | \$21.1M/ \$427 PSF |
| 20240 Stewart Crescent & 20295 113B Avenue | Maple Ridge | 20240 Stewart Crescent Properties Limited Partnership / Eifel Investments Ltd & Stancor Investment Ltd | 53,361 SF | \$20.7M/ \$388 PSF |

KEY CONSTRUCTION COMPLETIONS Q4 2022

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER/DEVELOPER |
|-------------------------------------|-----------|--|---------|--------------------------|
| 2325 190 Street | Surrey | Skechers USA Canada Inc | 427,969 | Cedar Coast |
| 19225 32 Avenue | Surrey | Prime Nutrisource Inc. and Darwynn Ltd | 192,016 | Beedie |
| 19708-19748 86 th Avenue | Langley | Multiple Tenants | 90,027 | Denciti Development Corp |

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