

## Industrial Q2 2024

	YoY Chg	12-Mo. Forecast
<b>2.7%</b> Vacancy Rate	▲	▲
<b>67K</b> Net Absorption, SF	▼	▬
<b>\$20.16</b> Asking Rent, PSF	▼	▼

Overall Absorption, Direct Weighted Net Asking Rent

### ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
<b>1.6M</b> Vancouver Employment	▲	▲
<b>5.6%</b> Vancouver Unemployment Rate	▬	▲
<b>6.4%</b> Canada Unemployment Rate	▲	▲

Source: Statistics Canada

### ECONOMIC OVERVIEW

According to TD Canada, recently released GDP data for 2023 showed that British Columbia's (B.C.) economy grew by 1.6%, aligning with Ontario and Saskatchewan. TD Canada has slightly raised B.C.'s GDP growth projection for this year. However, the economy faces challenges from a subdued household sector, uncertain external conditions, and weak investment prospects. A pickup is anticipated in 2025, with B.C. likely regaining its status as an above-average performer. The Bank of Canada has begun to normalize its policy rate gradually, with significant progress expected in 2025. By late this year, the U.S. Central Bank is also expected to trim its policy rate, lowering Canadian yields and paving the way for rate relief. All provinces will benefit, especially those with highly indebted households, such as Ontario, B.C. and Alberta.

### SUPPLY & DEMAND: Ongoing Increase in Vacancy Rates Due to New Construction and Sublease Activity

Consistently fueled by recent new construction completions, the vacancy rate is on an upward trend, increasing by 20 basis points (bps) quarter-over-quarter (QOQ) to reach 2.7% in the second quarter of 2024. While still relatively low, this is the highest rate reported since the third quarter of 2018. This increase in vacancy was mostly driven by just over 2 million square feet (msf) of vacant direct and sublease space coming to market this quarter. Despite the rising vacancy rate, the Metro Vancouver market remains relatively tight indicating a landlord's market but trending towards a balanced market. There are currently 24 available spaces over 100k square feet (sf) (sublease and headlease) and 14 of those options are vacant (sublease and headlease) in the existing inventory (excluding under construction). The overall availability rate stands at 4.5%\*.

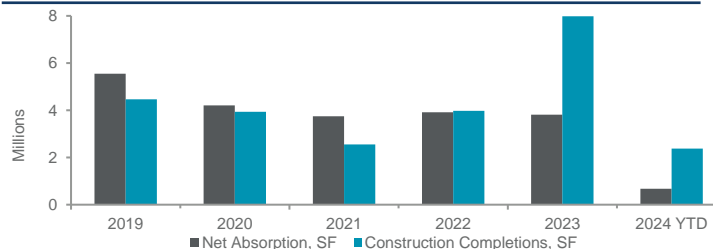
Some occupiers, challenged by higher occupancy costs, interest rates, inflation and initial overexpansion, have made their leased space available for sublease. As a result, Metro Vancouver registered just over 1.0 msf of vacant sublet space this quarter, with the Vancouver submarket accounting for the highest amount at 226k sf, followed by Langley (185k sf), Delta (158k sf) and Surrey (147k sf). Alongside new construction, this has been a significant driver of rising vacancy rates, with sublease spaces offering attractive alternatives for tenants seeking more affordable options. After remaining flat for three quarters in 2021, sublease availabilities have increased by 54% over the past two years. However, while some tenants are contracting, others are expanding and taking more space or renewing large amounts of space without shedding it. Masonite International Corporation is a notable example renewing 260k sf this quarter. Although renewals are not included in new leasing totals, they indicate tenants' continuing commitment to their footprints in Metro Vancouver.

Overall net absorption remained positive for the 28th consecutive quarter, totaling 67k sf indicating continued demand for industrial space despite economic challenges. The Fraser Valley region was the largest contributor to positive net absorption, recording 404k sf, whereas the North Fraser Region had a negative net absorption value of 337k sf.

### PRICING: Asking Rents Slightly Decreased Due to Increased Vacant Space

Following a classic trend where rising vacancies lead to decreasing asking rents, the overall average net asking rent continued to decline slightly for yet another quarter. The overall asking rent reached \$20.16 per square foot (psf) in the second quarter, representing a 0.5% decrease QOQ. This is the lowest net asking rent registered since the second quarter of 2022. Furthermore, asking rents in the Fraser Valley remained below \$20.00 psf, while rents in the North Fraser region declined slightly to \$21.08 psf. Looking ahead, increasing vacancy rates are expected to continue exerting downward pressure on asking rents.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & DIRECT ASKING NET RENT



\*available for lease or sublease (vacant + occupied) excluding under construction

## Industrial Q2 2024

### NEW SUPPLY: New Construction Pipeline Returning to Normalcy After Last Year's Surge

A total of 964k sf was added to the Metro Vancouver inventory this quarter and upon completion 91% of this space was pre-leased/pre-sold, leaving only 89k sf added as vacant. This is also the lowest quarterly new supply total since the second quarter of 2022. With another 7.1 msf currently under construction (46% of that space pre-leased/pre-sold; mostly speculative builds) coming online in 2024-2025, vacancy rates are likely to continue increasing in the near future. Out of the total of 7.1 msf under construction, 3.8 msf is available for lease or sale. As it stands now, the upcoming yearly new construction total for this year is estimated to be 4.5 msf. This will not surpass the yearly record set in 2023 of 8.0 msf when the square footage total of new builds delivered was 56% above the previous 7-year average of 3.6 msf (2016-2022).

There is over 22 msf of proposed projects in the pipeline, with just over 15 msf scheduled for completion between 2025 and 2026. However, construction commencement and completion dates remain uncertain in many cases as some of the recent new builds have yet to be absorbed. Nevertheless, this new construction will be welcomed in a market that remains tight in terms of available industrial space and will help trend towards a more balanced market.

### LEASING ACTIVITY: Slowed but Remains Healthy Despite Economic Turbulence

Leasing activity (includes new construction) slowed QOQ resulting in 1.3 msf of deals signed in the second quarter. This is down by 28% QOQ and 41% year-over-year (YOY). Year-to-date leasing volume reached 3.2 msf with Surrey capturing most of the activity at 800k sf, followed by Delta at 584k sf and Burnaby at 486k sf. The leasing demand in the second quarter was primarily driven by manufacturing and distribution user types. Inquiries from food manufacturing, recreational and fitness-related user types have also increased recently.

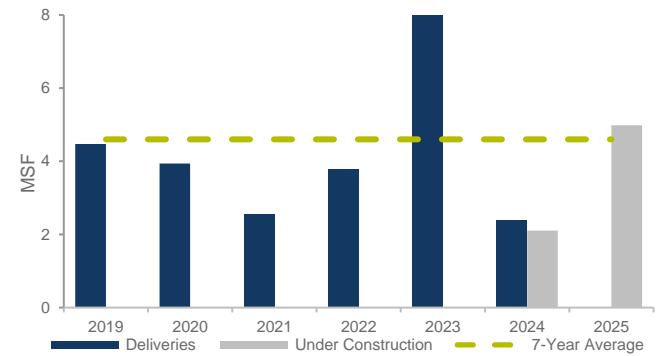
### SALES ACTIVITY: Elevated Interest Rates Continue to Suppress Activity

The recent quarter-point decrease in interest rates did not lead to a spike in sales activity this quarter. Sale demand remains slow with transaction volumes subdued and prices continuing to decline. Demand for strata projects remains relatively low, particularly for older developments, while mid-bay dock products are seeing reasonable demand from end users. Freestanding buildings are attracting interest if priced appropriately and available for vacant possession. However, investment products are not generating sales activity due to insufficient yields. Additionally, there is a scarcity of easily developable land in Metro Vancouver, prompting developers to adopt conservative underwriting practices and offer lower prices for vacant parcels. On a positive note, despite the subdued market, there was some positive sales activity this quarter, resulting in several large transactions. For example, Bosa Properties acquired a 315k sf property in Surrey and HTEC Forester-Street Land Holding Corp purchased a large land parcel in North Vancouver.

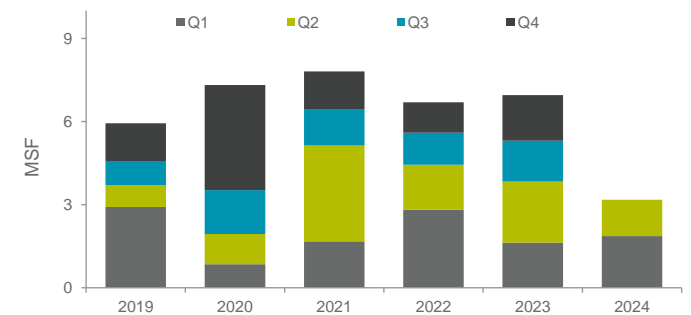
### Outlook

- Overall vacancy is expected to increase as the construction pipeline continues to deliver new products while demand moderates further, pending a fundamental shift in the economy. As long as the economy remains under pressure and subdued, vacancy rates are likely to continue rising or, at the very least, remain at elevated levels.
- The upcoming new supply will provide more options for tenants; however, the levels of new supply will not surpass the record levels set in 2023.
- On the sale side, meaningful market movement is unlikely until interest rates have dropped by a full point.
- Although the recent surge in sublease activity has slowed, the trend is expected to continue, with sublease spaces competing with direct inventory.

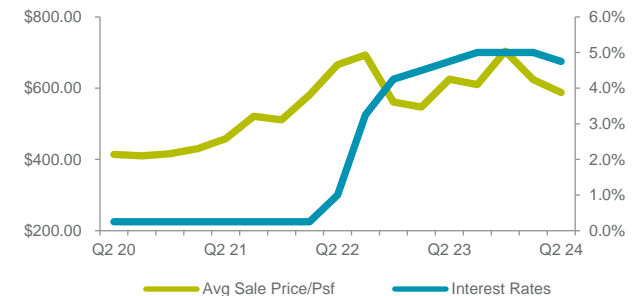
### OVERALL NEW SUPPLY



### OVERALL LEASING ACTIVITY



### INTEREST RATES vs AVG. SALE PRICE/PSF (Freehold)



## Industrial Q2 2024

### UNDER CONSTRUCTION



TOTAL UNDER CONSTRUCTION SF  
7.09 MSF



TOTAL AVAILABLE SF  
3.8 MSF

### SPECULATIVE



TOTAL SF SPEC UNDER CONSTRUCTION  
4.24 MSF



SPEC BUILDINGS ACCOUNT FOR  
59.8% OF TOTAL CONSTRUCTION

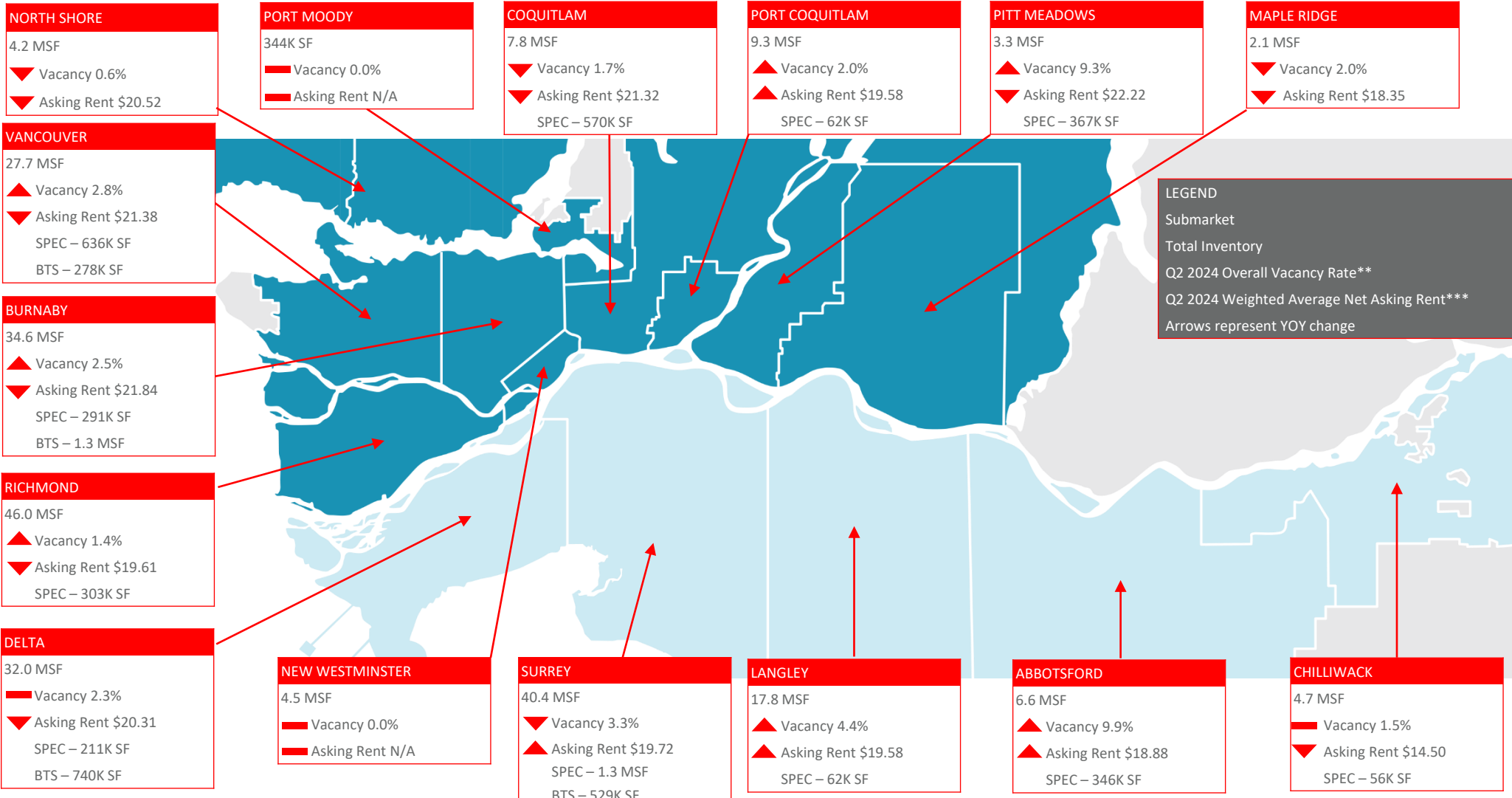
### BUILD TO SUIT



TOTAL SF BTS UNDER CONSTRUCTION  
2.85 MSF



BTS BUILDINGS ACCOUNT FOR  
40.2% OF TOTAL CONSTRUCTION



\*Subject to change

\*\*Direct and sublease; includes leased but not yet occupied space

\*\*\*Asking rental rates do not take into account tenant inducements; based on all available direct and vacant space

Industrial Q2 2024

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	OVERALL VACANCY RATE	FUTURE AVAILABILITY RATE	Q2 LEASING ACTIVITY* (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTR. (SF)	Q2 NEW SUPPLY (SF)	AVG. ASKING NET RENT**	AVG. ADD. RENT
Abbotsford	6,554,909	497,579	6,146	9.9%	9.9%	76,758	-80,658	346,417	85,915	\$18.88	\$4.42
Delta	31,971,135	553,037	158,124	2.3%	5.3%	398,564	325,927	950,703	425,364	\$20.31	\$4.79
Langley	17,815,053	582,966	184,670	4.4%	5.9%	39,870	-79,265	62,194	0	\$19.58	\$4.86
Surrey	40,387,759	1,026,170	146,814	3.3%	5.4%	277,190	201,228	1,865,985	30,586	\$19.72	\$4.97
TFN	1,721,540	0	0	0.0%	0.0%	0	0	0	0	N/A***	N/A
Chilliwack	4,670,257	68,231	0	1.5%	1.4%	4,417	48,853	56,060	0	\$14.50	\$3.80
Fraser Valley	103,120,653	2,727,983	495,754	3.5%	5.5%	796,799	416,085	3,281,359	541,865	\$19.52	\$4.78
Burnaby	34,616,323	670,001	133,453	2.5%	4.8%	219,758	1,210	1,590,690	0	\$21.84	\$6.39
Coquitlam	7,752,344	62,025	60,464	1.7%	2.8%	50,413	-82,902	569,961	0	\$21.32	\$5.93
Port Coquitlam	9,313,044	106,692	33,226	2.0%	3.2%	66,929	-41,885	61,724	0	\$19.58	\$6.29
Port Moody	343,583	0	0	0.0%	3.5%	0	0	0	0	N/A	N/A
Maple Ridge	2,053,311	40,147	1,800	2.0%	2.2%	2,689	2,509	0	0	\$18.35	\$4.24
Pitt Meadows	3,271,327	244,196	60,019	9.3%	13.8%	9,701	-151,167	366,852	0	\$22.22	\$4.13
New Westminster	4,496,834	0	0	0.0%	0.4%	0	0	0	0	N/A	N/A
North Shore	4,174,305	18,995	3,405	0.6%	2.0%	17,326	48,943	0	0	\$20.52	\$11.26
Richmond	46,002,560	456,355	66,829	1.4%	2.8%	105,624	493,163	303,249	385,000	\$19.61	\$4.83
Vancouver	27,681,688	372,206	225,735	2.8%	4.2%	39,095	-8,567	913,909	37,081	\$21.38	\$7.53
North Fraser	139,705,319	1,970,617	584,931	2.1%	3.7%	511,535	261,304	3,806,385	422,081	\$21.08	\$5.94
<b>METRO VANCOUVER</b>	<b>242,825,972</b>	<b>4,698,600</b>	<b>1,080,685</b>	<b>2.7%</b>	<b>4.5%</b>	<b>1,308,334</b>	<b>677,389</b>	<b>7,087,744</b>	<b>963,946</b>	<b>\$20.16</b>	<b>\$5.26</b>

\*Renewals not included in leasing statistics

\*\*Weighted avg net asking rent based on all available direct and vacant space

\*\*\*A 0% vacancy rate indicates that there are no spaces available to survey for asking rents, denoted as "n/a"

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SIZE (SF)	TYPE
5827 274th Street	Langley	Masonite International Corporation	259,590	Renewal
8151 Churchill Street	Delta	AFOD Ltd.	109,932	Headlease
1005 Derwent Way	Delta	Olympia Transportation Ltd.	102,536	Sublease
20146 100A Avenue	Langley	Kirmac Collision & Autoglass	77,029	Headlease
5325 Still Creek Avenue	Burnaby	Guillevin International Co.	57,582	Headlease
18635 96 Avenue	Surrey	George Third & Son	49,156	Headlease

Jeevan Bath

Research Analyst

+1 604 683 3111

[jeevan.bath@cushwake.com](mailto:jeevan.bath@cushwake.com)

Svetlana Lebedeva

Research Manager

+1 604 608 5963

[svetlana.lebedeva@ca.cushwake.com](mailto:svetlana.lebedeva@ca.cushwake.com)

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	VENDOR / PURCHASER	SIZE (SF)	PRICE / \$ PSF/Ac
100 Forester Street	North Vancouver	Erco Ltd. / HTEC Forester-Street Land Holding Corp.	21.37 (Acres)	\$145M / \$6.8M Ac
15050 54A Avenue	Surrey	CanFirst Capital Management / Bosa Properties	315,128	\$93M / \$295 PSF
3548 191 <sup>st</sup> Street	Surrey	Magnum Nutraceuticals Holding Ltd. / 1318347 BC Ltd.	46,922	\$26.5M / \$565 PSF
44565 Yale Road	Chilliwack	Visscher Holdings Inc. / YLH Land Holdings Ltd.	49,186	\$23.3M / \$474 PSF
7978 82 <sup>nd</sup> Street	Delta	Kebet Holdings Ltd. / 11081756 Canada Inc.	35,520	\$22.7M / \$640 PSF
9552 198 <sup>th</sup> Street	Langley	Norco Management Inc. / MKRSM Holdings Ltd.	39,962	\$21.6M / \$541 PSF
6440 Beresford Street	Burnaby	Broadway Properties Ltd. / 1343769 B.C., Ltd.	60,673	\$18.9M / \$311 PSF

KEY DEVELOPMENTS Q2 2024

PROPERTY	SUBMARKET	EST. COMPLETION	SIZE (SF)	OWNER / DEVELOPER
Latimer Lake Logistics Park – Buildings One & Two	Surrey	Q1 2025	705,180	Heppell
4449 Salish Sea Way	Delta	Q3 2025	485,675	Beedie
7233 Progress Way	Delta	Q3 2024	380,578	Beedie
Eagle Meadows Business Park (Building 1 & 2)	Pitt Meadows	Q1 2025	366,852	Epta Development Corporation

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com).

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.