MARKETBEAT
VANCOUVER, BC
INDUSTRIAL Q3 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.8% Vacancy Rate	▲	▲
442K YTD Net Absorption, SF	▼	▼
$19.94 Asking Rent, PSF	▼	–

(Overall, Net Asking Rent)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.6M Vancouver Employment	–	▲
6.3% Vancouver Unemployment Rate	▲	–
6.5% Canada Unemployment Rate	▲	–

Source: Statistics Canada

ECONOMY: "RATE CUTS HEAL WITH TIME"

According to TD Economics, B.C.'s economy will underperform the nation this year due to the impact of 2022-2023 interest rate hikes on consumer spending. However, they expect improvement over the next 12-18 months as the Bank of Canada lowers rates. By Q1 2025, spending is projected to rebound, helping B.C. return to above-average economic performance.

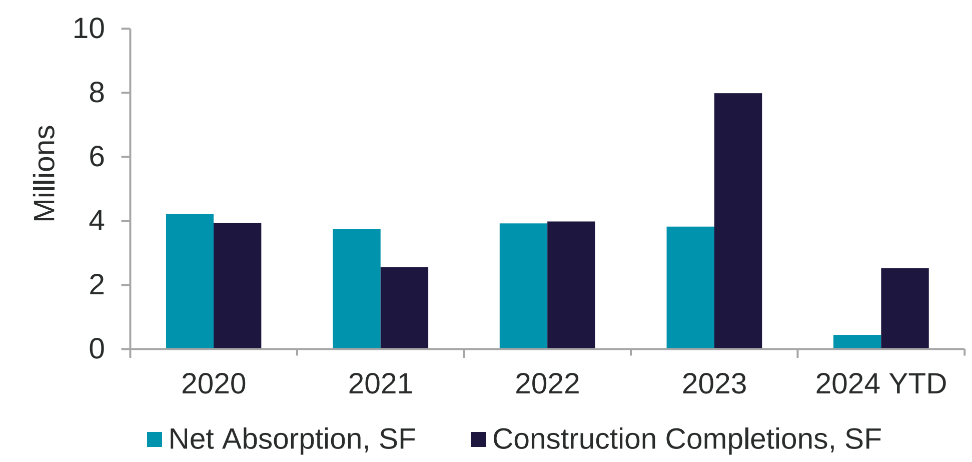
SUPPLY AND DEMAND: RISING VACANCY AND SOFTENING DEMAND

Overall vacancy continued its upward trend and increased slightly quarter-over-quarter (QOQ), reaching 2.8%. While this still reflects a landlord's market, it indicates a trend toward a more balanced market. This is the highest vacancy rate reported since the second quarter of 2016. After 28 consecutive quarters of positive net absorption, the market shifted, recording negative net absorption of 396k square feet (sf) this quarter, signaling softening demand with more tenant move-outs than move-ins. This shift was anticipated as net absorption has been slowly declining QOQ since the third quarter of 2023. The Fraser Valley region was the largest contributor to negative net absorption, recording negative 278k sf, while the North Fraser Region showed negative net absorption of 118k sf. There have been no significant new entrants to the market and leasing activity has been primarily driven by local growth.

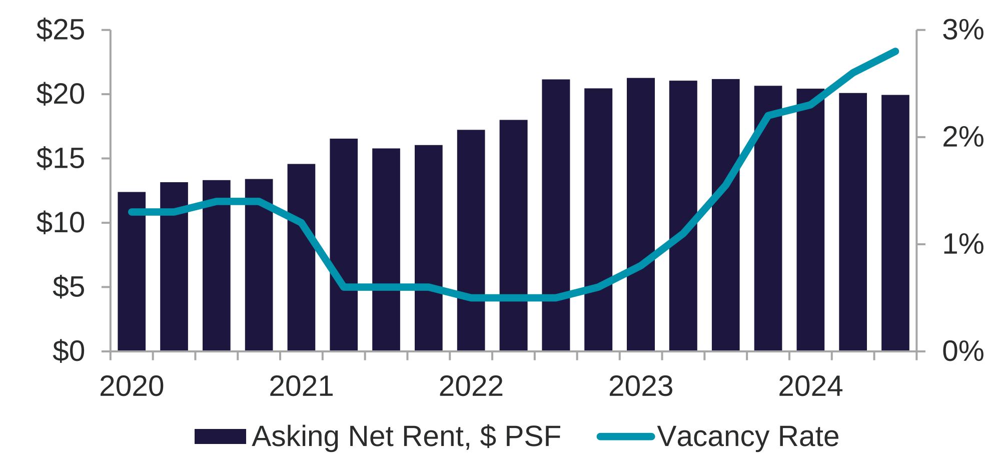
PRICING: RENTAL ASKING RENTS DECREASE SLIGHTLY

With the ongoing upward trend in vacancy amid softening demand, the overall net asking rent has declined again this quarter falling below $20 per square foot (psf) for the first time in over two years to $19.94 psf. This is a 1.1% decrease QOQ. Additionally, asking rents in the Fraser Valley dropped further below $20 psf, while rents in the North Fraser region declined slightly to $21.06 psf. Moreover, the abundance of sublease spaces and their lower asking rates are driving down overall direct asking rates, forcing landlords to compete with these reduced prices.

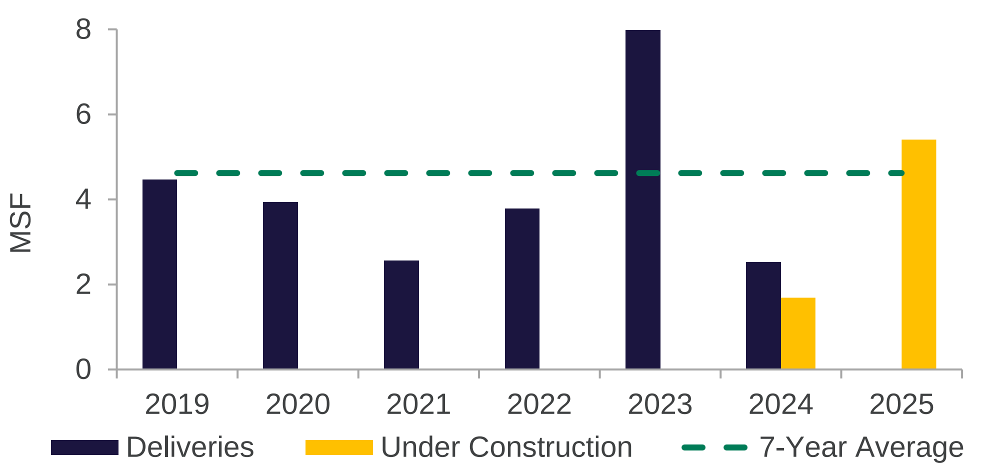
METRO VANCOUVER SPACE DEMAND / DELIVERIES



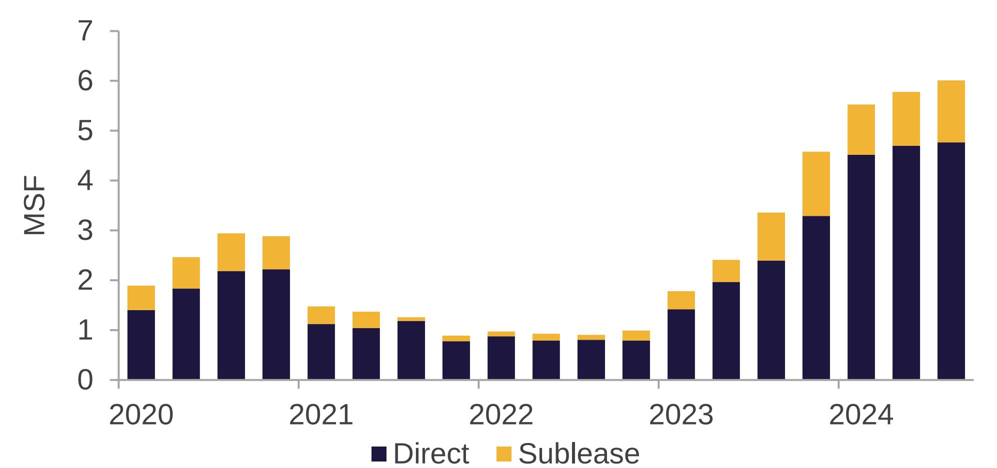
METRO VANCOUVER OVERALL VACANCY & ASKING RENT



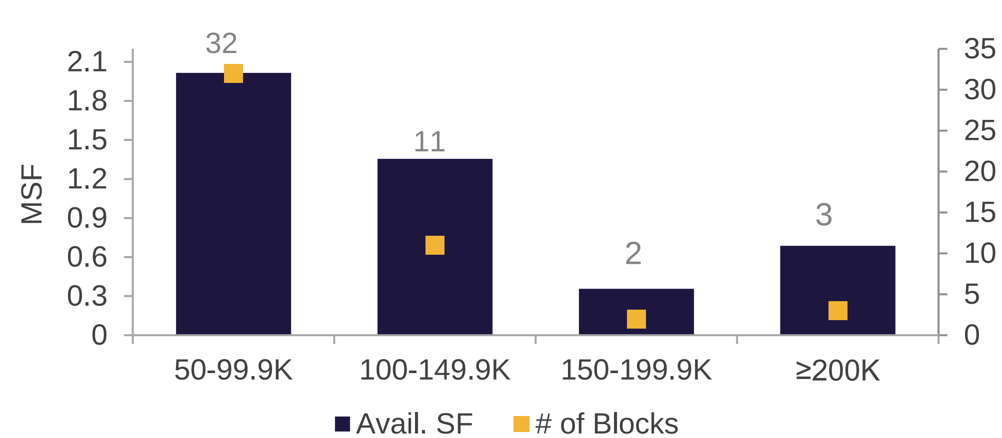
METRO VANCOUVER NEW CONSTRUCTION



DIRECT VS. SUBLEASE SPACE AVAIL. AND VACANT



METRO VANCOUVER LARGE BLOCKS OF AVAILABLE SPACE



*headlease and sublease

NEW CONSTRUCTION: LOWEST QUARTERLY SUPPLY IN SEVEN YEARS

Only 143k sf of new construction was completed this quarter, bringing the year-to-date total to 2.5 million square feet (msf). This marks the first quarter in which new construction deliveries have not significantly impacted vacancy rates. Out of the 143k sf added this quarter, 72% of it was pre-leased or pre-sold, leaving only 40k sf vacant. This is also the lowest quarterly new supply total since the second quarter of 2017. Of the 7.3 msf currently under construction (49% of which is pre-leased or pre-sold, primarily consisting of speculative builds), approximately 1.7 msf is expected to be added to the inventory by the end of this year. Additionally, there are over 21.5 msf of proposed projects in the pipeline, with more than 14 msf scheduled for completion between 2025 and 2026.

SUPPLY PRESSURE: INCREASED SUBLEASE AVAILABILITY/VACANCY

Alongside new construction, the amount of vacant space available for sublease has been a driver of rising vacancy rates with sublease spaces offering attractive alternatives for tenants seeking more affordable options. However, activity is low for some larger spaces due to the limited time remaining on the subleases—there simply is not enough term left. Vancouver, Surrey and Richmond had the highest amounts of sublease space totaling 730k sf which represents almost 60% of the overall total of 1.2 msf of vacant sublease inventory. This 1.2 msf marks the second highest quarterly total ever recorded, further contributing to the overall increase in vacancy. However, this available sublease inventory still accounts for only a small fraction of the total industrial inventory – just 0.5%. The previous peak occurred in the fourth quarter of 2023, when 1.3 msf of vacant sublease space was available in Metro Vancouver.

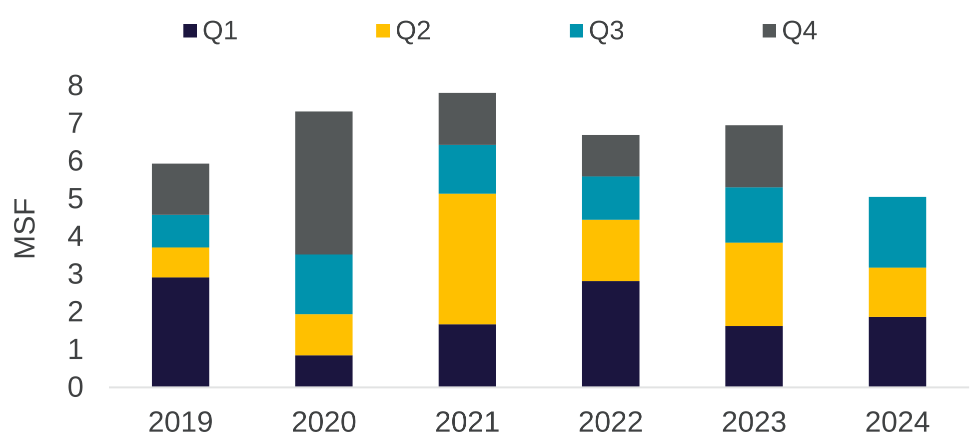
SUPPLY: 48 LARGE BLOCKS OF AVAILABLE SPACE OVER 50K SF

Despite the vacancy rate remaining low at 2.8% there is significantly more space currently available on the market (both vacant and occupied) with an overall availability rate of 4.6%. There are 16 blocks of space over 100k sf in the existing inventory, including both sublease and headlease options with 11 of those being vacant. Most of the available space over 50k sf falls within the 50-99.9k sf size range with Surrey (513k sf), Delta (365k sf) and Vancouver (274k sf) leading the way. Additionally, several substantial blocks of space are expected to become vacant in the coming months, particularly in Surrey, Delta, Richmond and Pitt Meadows.

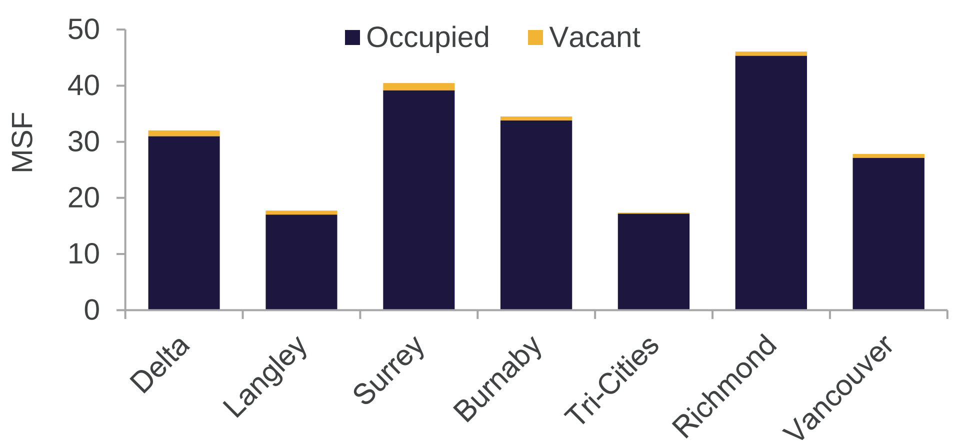
OUTLOOK

- Vacancy rates are projected to rise due to new construction expected between late 2024 and 2026, increased sublease activity from tenants who overexpanded in the past and are not fully utilizing their space and the upcoming availability of several substantial blocks of space. The total new supply, however, is not expected to surpass the record levels reached in 2023. This ongoing sublease trend is driven by tenants facing challenges from higher occupancy costs, interest rates, inflation and previous overexpansion which may contribute to future vacancies.

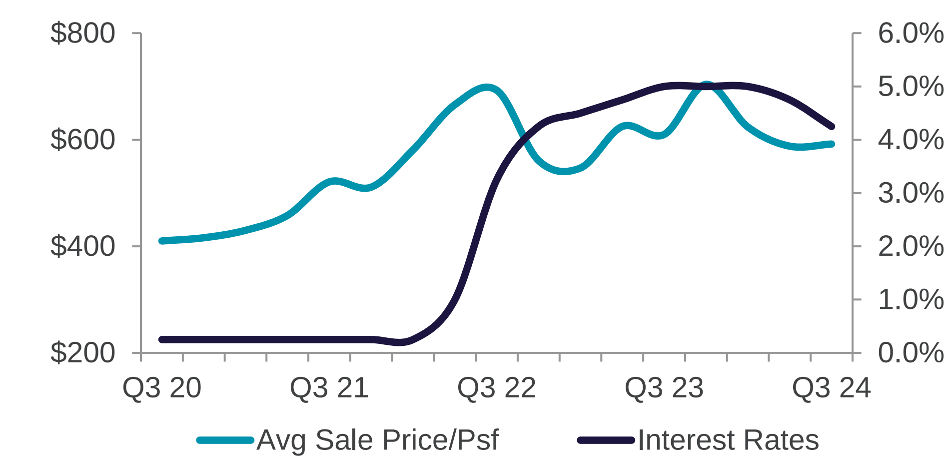
METRO VANCOUVER LEASING ACTIVITY



SUBMARKET COMPARISON (occupied vs vacant space for lease)



INTEREST RATES VS. AVG. SALE PRICE/PSF (Freehold)



DEMAND: UPTICK IN LEASING ACTIVITY

Despite reporting negative absorption this quarter, there was significant leasing activity, with tenants signing deals for over 1.8 msf —a 43% increase QOQ and a 28% increase YOY, reflecting some positive economic indicators in recent months. Year-to-date leasing volume reached 5.3 msf, with Surrey, Delta and Burnaby continuing to capture most of the activity. Leasing remains active in the sub-20k-sf size range across most markets. This quarter, leasing demand was primarily driven by transportation, logistics and distribution user types, while the food sector remains strong. Large bay renewals are also taking place; however, these renewals are not included in leasing statistics. Owners are facing liquidity concerns as tenants approach lease renewals and need to renegotiate or refinance. Additionally, there are mortgage rollovers from the very low rates available five years ago. While large blocks of space are available in the market, small and mid-bay spaces remain active and are driving market activity.

SUPPLY PRESSURE: MARKET DYNAMICS

There is still a substantial amount of occupied space in the market. While some tenants are downsizing and returning space on a sublease basis, others are expanding by acquiring additional space or renewing large leases. Despite a slowdown, the market remains healthy overall. Submarkets like the Tri-Cities feature more multi-tenant buildings and fewer large blocks of available space leading to lower reported vacancy rates. A few large tenants are impacting vacancy rates in areas with a concentration of large bay distribution facilities. Many of these larger tenants, primarily online retailers, took on significant space during the pandemic and are now oversupplied, seeking to downsize.

SALES ACTIVITY: ARE WE ENTERING A BUYER'S MARKET?

Decreasing interest rates may make purchasing a bit easier potentially leading to rising prices going forward. The high costs of development—including hard and soft costs, labour, land prices and municipal development costs are likely to persist in the near term. However, all levels of government, federal, provincial and municipal are under increasing pressure to at least reign in if not reduce these development costs in order to encourage further development in the industrial sector. It will remain to be seen how this will affect the demand for, and the price of, industrial properties in Metro Vancouver moving forward. One factor that will probably remain constant is that Metro Vancouver is not likely to be creating more industrial space available for that future demand. The current market conditions may be tempting to many buyers of industrial properties. With current cap rates of 4.5-5% (expected to stabilize around 4%), the market is unlikely to see the previously low rates of around 3% again anytime soon.

OUTLOOK

- As anticipated, the sublease trend is ongoing and expected to continue as some tenants face challenges from higher occupancy costs, interest rates, inflation and prior overexpansion which may contribute to future vacancies.
- This may be a notable time for buyers as price increases are “on the cards” due to the limited availability of industrial properties for sale and decreasing financing costs as interest rates plummet.
- Demand from transportation and logistics and distribution and food-related user types is anticipated to stay strong.
- Owner occupiers in the $2-10 million range are moving forward with conviction, creating a strong outlook for activity in this segment.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	OVERALL VACANCY RATE	FUTURE AVAILABILITY RATE	Q3 LEASING ACTIVIY* (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTR. (SF)	Q3 NEW SUPPLY (SF)	AVG ASKING NET RENT**	AVG ADD. RENT
Abbotsford	6,568,811	440,641	-	8.9%	9.2%	54,161	-17,574	346,417	-	$18.72	$4.41
Delta	32,143,068	886,487	115,918	3.5%	5.8%	416,090	-59,296	942,349	-	$19.66	$5.34
Langley	17,777,597	587,947	141,369	4.2%	5.3%	115,347	-45,593	62,194	-	$19.60	$4.98
Surrey	40,631,452	1,007,304	249,399	3.5%	6.1%	394,932	183,784	1,950,711	87,379	$19.46	$5.04
TFN	1,721,540	-	-	0.0%	0.0%	-	-	-	-	N/A	N/A
Chilliwack	4,726,317	63,814	-	1.4%	1.4%	-	109,330	-	56,060	$14.50	$3.80
Fraser Valley	103,568,785	2,986,193	506,686	3.8%	5.7%	980,530	170,651	3,301,671	143,439	$19.30	$4.98
Burnaby	34,606,941	561,873	137,740	2.3%	3.9%	376,690	68,242	1,617,060	-	$20.91	$6.31
Coquitlam	7,753,354	55,939	31,943	1.3%	3.1%	46,123	-50,974	459,688	-	$21.25	$5.97
Port Coquitlam	9,324,706	80,405	-	1.3%	4.1%	53,551	24,284	121,724	-	$21.17	$6.52
Port Moody	343,583	-	-	0.0%	3.5%	-	-	-	-	N/A	N/A
Maple Ridge	2,053,311	41,797	1,800	2.1%	2.4%	-	859	-	-	$18.21	$4.29
Pitt Meadows	3,271,327	73,927	80,187	4.7%	11.0%	123,016	-1,066	366,852	-	$23.15	$3.93
New Westminster	3,802,440	-	-	0.0%	0.0%	18,970	-	-	-	N/A	N/A
North Shore	4,197,110	24,800	3,405	1.3%	2.7%	28,490	21,005	-	-	$21.56	$12.69
Richmond	46,242,709	519,576	218,630	1.9%	3.0%	113,016	238,124	342,364	-	$20.60	$4.97
Vancouver	27,952,025	421,281	263,136	2.8%	4.4%	135,822	-28,779	1,047,291	-	$21.72	$7.84
North Fraser	139,547,506	1,779,598	736,841	2.1%	3.7%	895,678	271,695	3,954,979	0	$21.06	$6.04
METRO VANCOUVER	**243,116,291**	**4,765,791**	**1,243,527**	**2.8%**	**4.6%**	**1,876,208**	**442,346**	**7,256,650**	**143,439**	**$19.94**	**$5.41**

*Renewals not included in leasing statistics *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 Q3 2024

PROPERTY	SUBMARKET	TENANT	SIZE (SF)	TYPE
16100 Blundell Road	Richmond	Euro Asia Transload	149,558	Renewal
7530 Hopcott Road, Unit 100	Delta	Olympia Transportation Ltd.	128,628	Headlease
8151 Churchill Street	Delta	Confidential	109,600	Headlease
175 Golden Drive	Coquitlam	Iron Mountain	103,264	Renewal
8651 Eastlake Drive	Burnaby	Confidential	100,510	Sublease
660 Caldew Street	Delta	Stigterstaal Canada Inc.	66,336	Headlease

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	VENDOR / PURCHASER	SIZE (SF)	PRICE / $ PSF/Ac
9080 196A Street	Langley	Norco Management Inc. / 401 Langley Holdings Ltd.	49,233	$19.3M / $392 PSF
5415 272nd Street	Langley	The Tim Pattison Group Inc. / Andrew Sheret Limited	2 (Acres)	$14.8M / $7.4M Ac
20246 102nd Avenue	Langley	Fort Garry Industries Ltd. / Costco Wholesale Canada	1.78 (Acres)	$14.2M / $8M Ac
1668 Foster's Way	Delta	1668 Fosters Way Nominee Corp. / 1490880 B.C. Ltd.	25,461	$14M / $550 PSF
27545 51A Avenue	Langley	CPO Enterprises Ltd. / Alummen Holdings Inc.	18,098	$10M / $553 PSF
30630 Simpson Road	Abbotsford	Harji Holding Ltd. / 1171412 B.C. Ltd.	1.74 (Acres)	$10M / $5.8M Ac

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UNDER CONSTRUCTION

7.26 MSF
TOTAL UNDER CONSTRUCTION SF

3.67 MSF
TOTAL AVAILABLE SF

SPECULATIVE

4.88 MSF
TOTAL SPECULATIVE UNDER CONSTRUCTION SF

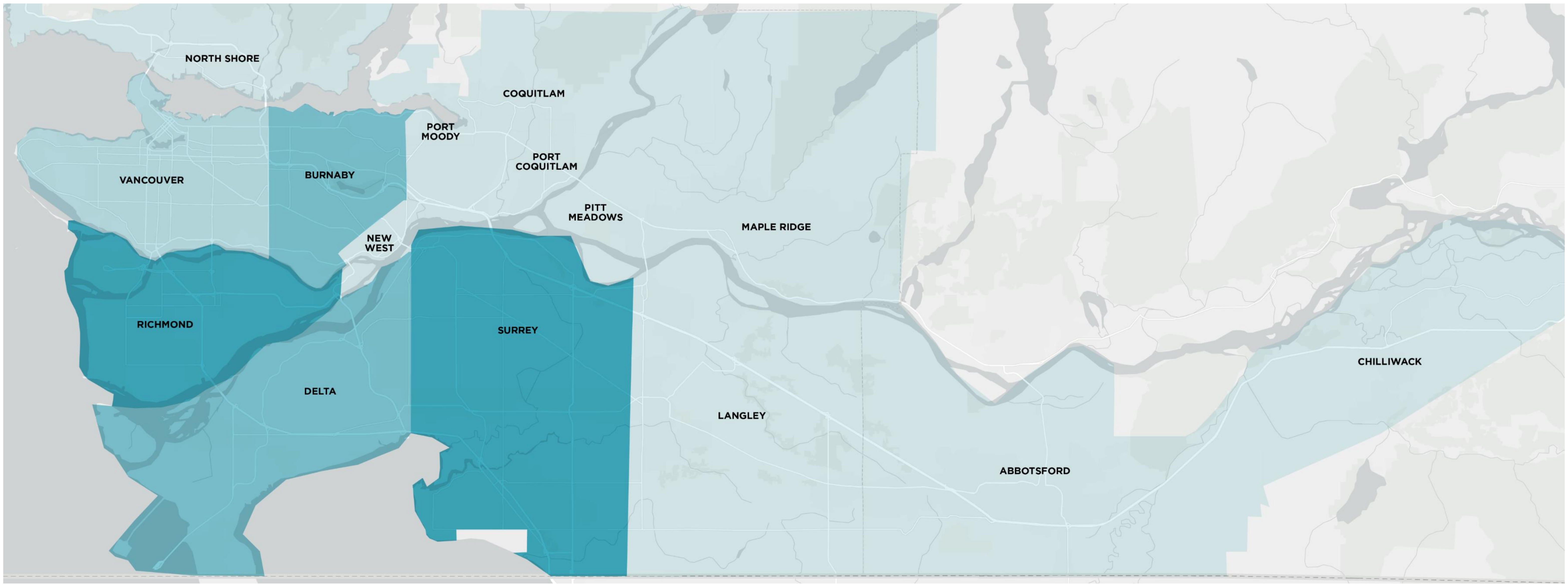
SPEC BUILDINGS ACCOUNT FOR
67.2% OF TOTAL CONSTRUCTION

BUILD TO SUIT

2.38 MSF
TOTAL SF BTS UNDER CONSTRUCTION

BTS BUILDINGS ACCOUNT FOR
32.8%* OF TOTAL CONSTRUCTION

INDUSTRIAL SUBMARKETS



SUBMARKET	North Shore	Vancouver	Burnaby	New Westminster	Port Moody	Coquitlam	Port Coquitlam	Pitt Meadows	Maple Ridge	Richmond	Delta	Surrey	Langley	Abbotsford	Chilliwack
Total Inventory	4.2 MSF	28.0 MSF	34.6 MSF	3.8 MSF	344K SF	7.8 MSF	9.3 MSF	3.3 MSF	2.1 MSF	46.2 MSF	32.1 MSF	40.6 MSF	17.8 MSF	6.6 MSF	4.7 MSF
Overall Vacancy Rate**	1.3% ▼	2.8% ▲	2.3% -	0.0% -	0.0% -	1.3% ▲	1.3% ▲	4.7% ▲	2.1% ▲	1.9% ▲	3.5% ▲	3.5% ▲	4.2% ▲	8.9% ▲	1.4% ▲
Weighted Avg Net Asking Rent***	$21.56 ▼	$21.72 ▼	$20.91 ▼			$21.25 ▼	$21.17 ▲	$23.15 ▲	$18.21 ▼	$20.60 ▼	$19.66 ▼	$19.46 ▼	$19.60 ▼	$18.72 ▲	$14.50 -
Speculative		769k SF	317K SF			460K SF	62K SF	367K SF		342K SF	688K SF	1.5 MSF	62K SF	346K SF	
Build To Suit		278K SF	1.3 MSF				60K SF				254K SF	485K SF			

Arrows represent YOY change.

*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.