

VANCOUVER INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Vancouver Employment	1.4 mil	1.5 mil	▲
Vancouver Unemployment	3.9%	4.1%	▼
Canadian Unemployment	5.8%	5.8%	■

Source: Statistics Canada

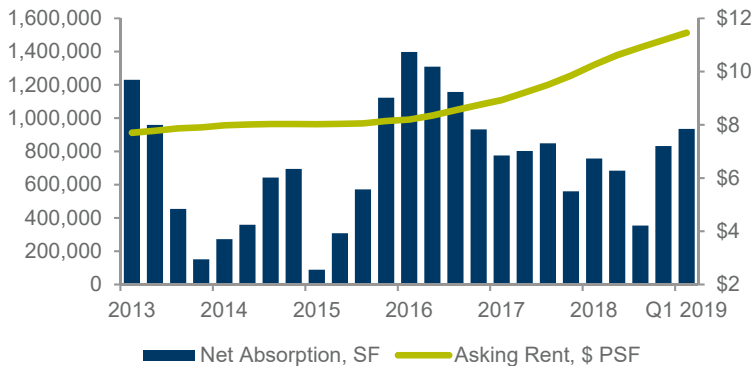
Market Indicators (Overall, All Product Types)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	2.1%	1.9%	▼
Net Absorption (sf)	456,242	868,150	▲
Under Construction (sf)	3,439,824	4,662,853	■
Average Asking Rent*	\$10.66	\$11.75	▲

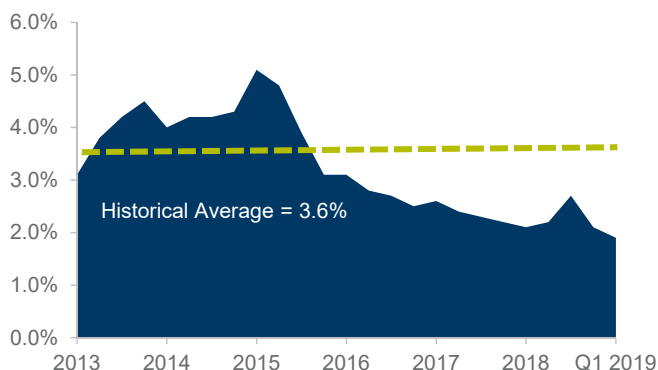
*Rental rates reflect net asking \$ psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The correction in British Columbia's housing sector continued through the latter part of 2018. Home sales fell almost 25% in 2018 compared to 2017, and signs do not yet point to the end of this correction. Even though the economy is moving away from relying on the housing market to support growth, the LNG Canada project provides good reason for British Columbians to feel upbeat. Nowhere else in Canada will see as big a capital spending boost this year as B.C., where expenditures will rise 12.9%. It is projected that real GDP growth will reach 2.5% in both 2019 and 2020 in the province. One potential cloud on the horizon is a lack of labour supply. This has been a constraint for employers in all sectors across the province, and that is expected to continue in 2019.

Source: RBC Economics

Market Overview

Lease rates continue to climb across Metro Vancouver; growing by an average of 37% over the course of the last two years as Metro Vancouver's industrial market remains tight with strong demand and all-time low vacancy rates. Rates have climbed by more than 200 basis points since 2017 and 340 basis points since the beginning of 2016 and now sit at \$11.75 per square foot. Vacancy rates remain almost unchanged since year-end 2018, continuing to hover at 2.0%. Metro Vancouver has not seen a market this consistently constrained in more than ten years.

Developers are hedging on the side of caution by looking at build-to-suits given the current market conditions and construction costs. Approximately 65% of space that is currently under construction has either been pre-sold (strata) or pre-leased. There is more competition in the strata market which is driven by user demand; however, there has been more variation in the sizes of strata units as market demands have shifted.

Notable lease deals this quarter include Trail Appliances' renewal at 820 Cliveden Place located in Delta, Seaforth Supply Chain at 7167 Progress Way, also located in Delta, and finally FT Synthetics at 5690 268 Street in Langley; all of which exceeded 50,000 square feet. The most significant sale transaction in the first quarter of 2019 was The Blackstone Group and Pure Industrial Real Estate Trust acquiring 7510-7550 Hopcott Road in Delta for \$151,800,000.

Outlook

Multi-level industrial buildings are rare, but they do exist, particularly in markets such as Metro Vancouver with extreme land shortages, very high industrial land prices and rents, as well as strong government regulatory rules. Although there has been much discussion surrounding multi-level industrial buildings, the intended end-user type must be considered, as the structure may only allow for prescriptive uses. This property type is not ideal for users requiring frequent use of loading areas or substantial floor load capacity. Even higher lease rates would need to be achieved in multi-level industrial buildings to offset costs and prohibitive soil conditions in some markets, such as Burnaby and Richmond.

MARKETBEAT

Vancouver, BC

Industrial Q1 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	7,695,140	6,3321	3.1%	52,519	526,640	79,730	\$9.23	\$2.85
Delta	24,834,152	63,1534	2.0%	52,425	422,816	56,780	\$9.84	\$3.90
Langley	16,994,466	28,3535	1.9%	101,872	134,090	0	\$10.82	\$3.95
Surrey	35,720,363	53,5696	1.4%	205,858	1,432,199	155,883	\$9.77	\$3.26
TFN	453,620	0	0.0%	0	0	0	\$10.50	\$3.25
Burnaby	30,537,848	528,693	1.4%	262,609	389,829	0	\$13.43	\$4.42
Coquitlam	7,824,367	197,091	1.3%	98,509	0	0	\$13.57	\$3.77
Maple Ridge/Pitt Meadows	4,108,912	15,044	0.7%	-457	0	0	\$9.29	\$2.38
New Westminster	5,226,161	0	0.2%	-2,000	0	0	\$12.95	\$6.00
North Shore	5,806,205	39,346	1.9%	-33,193	0	0	\$17.26	\$6.91
Port Coquitlam	6,888,465	116,326	2.1%	73,924	306,234	136,975	\$11.54	\$4.03
Port Moody	1,016,860	0	0.0%	0	0	0	\$12.95	\$4.03
Richmond	38,568,972	201,054	2.5%	99,946	958,965	0	\$12.15	\$3.95
Vancouver	24,254,704	301,433	2.5%	-43,862	492,080	0	\$19.87	\$7.87
VANCOUVER TOTALS	209,930,235	2,917,073	1.9%	868,150	4,662,853	429,368	\$11.75	\$4.03

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
820 Cliveden Place	174,473	Trail Appliances	Renewal	Delta
7167 Progress Way	119,583	Seaforth Supply Chain Solutions Inc.	New Lease	Delta
5690 268 Street	64,112	FT Synthetics Inc.	New Lease	Langley
19060 33 Avenue	52,024	Access Information Management of Canada ULC	New Lease	Surrey
8339 Eastlake Drive	47,997	Greenlight Innovation Corp.	New Lease	Burnaby
1425 Kebet Way	47,693	lotron Industries Canada Inc.	Renewal	Port Coquitlam

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
7510-7550 Hopcott Road	737,000	Hopcott Warehouses Ltd. / The Blackstone Group, Pure Industrial Real Estate Trust	\$151,800,000 / \$206	Delta
480 Audley Boulevard	45,090	The Washington Companies / Vancouver Fraser Port Authority	\$48,315,205 / \$1,071	Delta
7303-7315 Meadow Avenue, 5830-5850 Byrne Road	192,637	Holly enterprises Ltd. / Hungerford Properties	\$41,900,000 / \$328	Burnaby
2323 Quebec Street	49,918	Signet Projects Ltd. / TPMG Capital	\$38,000,000 / \$761	Vancouver
80 & 84 Golden Drive	37,834	Rockstad Power Corp. / Nicola Crosby Real Estate	\$18,250,000 / \$482	Coquitlam

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