PRESS RELEASE

CBRE

Vancouver's Industrial Availability Rate Hits Record Low, Now Lowest in North America

CBRE Predicts Industrial Land in Metro Vancouver will now run out by 2020

Vancouver, BC – May 15, 2017 - Vancouver now has the lowest industrial availability rate in North America, according to a new report by CBRE Vancouver, and the city will be in a critical state by 2020, about 10 years earlier than expected. At just 2.7%, the industrial availability rate is now lower than the previous record low of 3.6% in 2008 and is the lowest it's been in a decade. Record low availability is a result of strong leasing in the first quarter of 2017. However, with the boom in construction, manufacturing, the film industry and e-commerce, demand continues to outweigh supply, even with significant new product on the market.

Last year, the Metro Vancouver Land Report predicted Vancouver would run out of industrial land between 2038 and 2043. However, CBRE now predicts that is likely to be much sooner, in the early 2020s. "We are in a robust supply cycle that came on in response to demand, but demand continues to outpace supply and continues to grow at an exponential pace and we can't keep up," says Chris MacCauley, Senior VP at CBRE in Vancouver.

According to the CBRE report, demand for industrial space in 2017 will be 2.5 times greater than total new space being added to the market. "We are facing an extreme supply crunch that will have serious consequences for the future growth of business in BC," says MacCauley. "If more industrial land is not made available for development, it will stifle the economic growth of our province. It will prevent existing companies from growing and there won't be room for new entrants into the market."

The need for industrial land is at its most critical in BC's history, he says. The fact that there's only 1.3 million sq. ft. of new supply remaining for the rest of the year, but 2.5 million sq. ft. in demand highlights a substantial imbalance.

"We anticipate the availability rate will dip further in the second half of this year," says MacCauley. "We need more all-encompassing solutions to the supply crunch. We often hear the suggestion that simply building multi-level warehousing is the solution to the problem of Vancouver's lack of industrial supply. However, what most commentators don't realize is multi-level warehousing is only feasible for a very small segment of industrial users. Building up is not going to solve our problem, we need to think bigger."

Despite the new supply delivered in the market, there is only one existing building over 100,000 sq. ft. available in Metro Vancouver. As a result, for the past two years, 64% of all leasing activity has shifted to Surrey and Delta, an activity level previously expected in Vancouver, Burnaby and

Richmond, but due to severe lack of supply in those markets, businesses are being forced to consider alternatives further south and east.

Molson Brewery, for example, was seeking 400,000 sq. ft. on 35 acres to relocate its Burrard Street brewery in Kitsilano, but was unable to find a suitable site west of Chilliwack. In addition, an international transport company sought 200,000 sq. ft. and its preferred option was South Surrey, a submarket not previously favoured by such operators.

With such strong leasing activity and performance, the value of industrial assets is also surging. According to the CBRE report, average sale prices for industrial transactions are at $271 per sq. ft., up 15% from the $236 per sq. ft. average price in 2016. CBRE expects record pricing levels to continue to increase, but a lack of available product for sale will decrease the total dollar volume of sales.

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