

# Q1 2021

CBRE METRO VANCOUVER  
INDUSTRIAL TEAM

# INDUSTRIAL MARKET INSIGHTS

## QUICK STATS

	AVAILABILITY RATE	VACANCY RATE	ABSORPTION (QTR)	NEW SUPPLY (QTR)	AVERAGE ASKING RATE
Q1 2021	1.7% 	1.0% 	1.61 MSF 	447 KSF 	\$14.00 PSF 
Q4 2020	2.3%	1.1%	2.07 MSF	1.27 MSF	\$13.92 PSF
Q1 2020	2.1%	1.1%	1.11 MSF	557 KSF	\$13.65 PSF

## SIGNIFICANT TRENDS & INSIGHTS

- One year into the COVID-19 pandemic, the Metro Vancouver industrial market has outperformed forecasts of a year ago and we expect a continued acceleration of market conditions and indicators going forward. As demand continues to outpace supply, we foresee new benchmarks for vacancy and absorption rates, asking lease rates and building and land sale prices across the industrial class in Metro Vancouver and across Canada
- Metro Vancouver's burgeoning strata market shows no signs of slowing down across all submarket regions and size ranges. Following a brief pause in activity at the outset of the pandemic, presale activity and upward pressure on pricing was strong through the balance of 2020 and into Q1 2021
- With the current low interest rate environment likely to remain in place for the balance of 2021 and the Canadian economy anticipated to rebound strongly in the second half of the year (4% GDP growth projected by the BoC and 5% GDP growth projected by the IMF), we expect the local industrial market to experience further price appreciation
- Strong and consistent demand from occupiers seeking spaces 100 KSF and larger has created a space race against time. Very limited available inventories in this size range within the next 12-month period has pushed the market to unprecedented preleasing and early renewal activity

## VACANCY & AVAILABILITY RATES

- Both the availability and vacancy rates in Metro Vancouver reached all-time lows in Q1 at 1.7% and 1.0% respectively. The previous low record for availability was 20 basis points higher in Q1 2019 while the vacancy rate prior record low was reached at year end 2020 at 1.1%. Metro Vancouver's largest submarket of Surrey at 37 MSF experienced the lowest vacancy rate of all submarkets in Q1 at just 0.3%
- Amid a current lag to new construction deliveries and continued steady absorption of existing and new inventory, we forecast this low vacancy and availability rate environment to persist through the balance of the calendar year. Currently there is one option greater than 100 KSF available for occupancy within this quarter and it is under contract. In the 50 - 100 KSF range there are 5 options available in the period

## AVERAGE ASKING RATE

- Following two quarters of downward movement in Q2 & Q3 of 2020, Metro Vancouver lease rates have continued their upward climb the past two consecutive quarters. And another Metro Vancouver benchmark was reached as average asking rates hit the \$14.00 PSF mark for the first time

## ABSORPTION

- Sustained activity from ecommerce, food and regional distribution occupiers is seeing competing demand from alternative uses including film, pharma and life sciences. Large format space is currently under acute pressure due to growing space requirements amidst a dwindling supply of large development sites
- At 1.6 MSF, Q1 Metro Vancouver absorption outpaced the 5-year Q1 average of 1.3 MSF while registering the 30th consecutive quarter of positive absorption. Burnaby and Vancouver led Metro Vancouver in Q1 with significant quarterly absorption numbers of 529,038 SF and 456,687 SF respectively

- The average asking lease rate in Metro Vancouver was up 0.6% Q-o-Q and has now increased 61.3% since Q1 2017

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# INDUSTRIAL MARKET INSIGHTS

## NEW SUPPLY

- With 47.2% of space currently under construction already pre-committed, the Metro Vancouver market is striving to build product as fast as it can to keep up with demand. While CBRE forecasts approximately 3.7 MSF of new supply to deliver in 2021 – market watchers will note this is a significant gap to address the 4.2 MSF average absorption experienced over the last five years.
- Surrey continues to experience the lion's share of Metro Vancouver construction activity housing approximately 33% of Metro Vancouver's total product currently under construction at 1.62 MSF and more than doubling the activity of the second most active submarket of Burnaby, which sits at 769 KSF

## BUILDING SALES

- 119 transactions took place in Q1 with an average sale price of \$412 per sq. ft.
- Average strata pricing rose 3.5% Q-o-Q while transaction volume was down nearly 40% from Q4 2020
- Freestanding buildings followed suit with average pricing increasing 3% Q-o-Q to \$389 per sq. ft.

## LAND SALES

- There were 9 land trades throughout Metro Vancouver in Q1 totaling 20.48 acres which represents a 50% Q-o-Q decrease based on acreage
- 3 of the 9 trades took place in Abbotsford and accounted for nearly 50% of the total Metro Vancouver acreage, including the largest sale of 4.9 acres at 1812 Foy Street
- The average transaction size was 2.28 acres and there were no trades over 5 acres during the quarter

## FEATURED TEAM TRANSACTION



4171 McConnell Drive  
Burnaby, BC



11220 Horseshoe Way  
Richmond, BC

**Building Size:** 67,078 SF (total)  
**Purchaser:** PNP Holdings Ltd.  
**Sale Price:** \$23,400,000

The CBRE Metro Vancouver Industrial Team is pleased to have advised PNP Holdings Ltd. on their acquisition of two high-quality industrial assets in the Metro Vancouver market at 4171 McConnell Drive in Burnaby, BC and 11220 Horseshoe Way in Richmond, BC.

Both multi-tenanted properties presented a rare opportunity to acquire a portfolio of scale in the tight submarkets of Burnaby and Richmond.

## SIGNIFICANT LEASE TRANSACTIONS



8261 Fraser Reach Court  
Burnaby, BC

**Building Size:** 78,435 SF  
**Tenant:** Article



8151 Churchill Street  
Delta, BC

**Building Size:** 109,768 SF  
**Tenant:** Canada Post Corporation

## SIGNIFICANT SALE TRANSACTION



150 Glacier Street  
Coquitlam, BC

**Building Size:** 34,400 SF  
**Site Size:** 10.309 acres  
**Purchaser:** Quadreal

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