

Q2 2021

CBRE METRO VANCOUVER
INDUSTRIAL TEAM

INDUSTRIAL MARKET INSIGHTS

QUICK STATS

	AVAILABILITY RATE	VACANCY RATE	ABSORPTION (QTR)	NEW SUPPLY (QTR)	AVERAGE ASKING RATE
Q2 2021	1.1% 	0.6% 	2.37 MSF 	1.17 MSF 	\$15.01 PSF 
Q1 2021	1.7%	1.0%	1.61 MSF	447 KSF	\$14.00 PSF
Q2 2020	2.9%	1.7%	393 KSF	2.06 MSF	\$13.59 PSF

SIGNIFICANT TRENDS & INSIGHTS

- As we approach the year and a half mark of the COVID-19 pandemic, all signs point to a near-term economic rebound which should further boost the local industrial sector. Further supply-side constraints will continue to push lease rates higher while vacancy is likely to remain below the 1.0% mark for the balance of 2021
- Large industrial operators are betting big that the local e-commerce trends accelerated by the COVID-19 pandemic are here to stay. As an example, Amazon is rapidly continuing its expansion in Western Canada with five

new facilities set to open in BC in 2021 and an additional 600,000 sq. ft. facility recently announced for Calgary

- BC's GDP growth is expected to reach 5.0%, while the employment growth is projected to reach 7.0% in 2021. B.C. Jobs Minister Ravi Kahlon said B.C. has surpassed pre-pandemic employment levels — the only province to do so in June — recovering over 100% of the jobs lost during COVID-19. Further, near-term border reopening and easing of travel restrictions will rebound population growth across the province, expected to be at pre-pandemic levels by 2023

VACANCY & AVAILABILITY RATES

- For the second consecutive quarter in 2021, Metro Vancouver's overall vacancy and availability rate recorded new all-time lows, which registered at 0.6% and 1.1%, respectively. All submarkets from Vancouver to Abbotsford are now experiencing extreme shortages of available industrial inventory. Most notably, Surrey – Metro Vancouver's largest industrial submarket (37.4 MSF) registered only 44,206 SF of vacant space in Q2
- The inventory shortage is occurring across all size ranges, but it is especially prevalent in the 25,000 SF + category with only 16 available options out of 110 total availabilities in the market

AVERAGE ASKING RATE

- Resulting from two quarters of record low availability, the average asking lease rate has surpassed \$15.00 PSF for the first time ever in Q2 2021, representing a 7% increase Q-o-Q and a 10% increase Y-o-Y

ABSORPTION

- Year-to-date absorption of 3.98 MSF has more than doubled compared to the same period last year and is hindered only by the lack of availabilities in the market. Continued increasing demand from strong multi-national and local occupiers has made multiple offer situations commonplace on virtually all quality existing and pre-sale inventory across Metro Vancouver
- The highest absorption recorded this quarter was seen in Surrey (591 KSF), Tri-Cities/New Westminster (475 KSF), and Delta/TFN (344 KSF)
- Due to rising property taxes and property management costs, the TMI/additional rent costs have also increased by 23.5% Y-o-Y and registered at an all-time high of \$5.20 PSF, further affecting gross occupancy costs for local industrial occupiers

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INDUSTRIAL MARKET INSIGHTS

NEW SUPPLY

- Despite delivering 1.17 MSF of new inventory in Q2 2021, the YTD new supply is down 43% when compared to H1 2020
- Over 68% of new supply delivered YTD has been in just two submarkets – Surrey (487 KSF) and Tri-Cities/New Westminister (379 KSF)
- Metro Vancouver's new construction inventory sits at 5.5 MSF (only 725 KSF below the all-time high seen in Q2 2021). Despite the high level of construction activity, we do not foresee significant relief in the next 18 months as just 1.44 MSF is expected to deliver in 2021, and 73% of all deliveries in 2022 have already been pre-leased

LAND SALES

- Only 11 industrial land trades took place in Q2 2021, totaling 45.06 acres with an average transaction size of 4.10 acres
- The largest land trade recorded in Q2 was the sale of a 13.4-acre site in Abbotsford, purchased by Cedar Coast. Notably, the three largest land transactions in Q2 by size all went to local developers

BUILDING SALES

- 103 total industrial sale transactions took place in Q2 with an average price of \$447 PSF
- 72 of the transaction involved stratified industrial units or buildings, representing 70% of total sales
- Average strata pricing rose 3.4% Q-o-Q while the average price for freehold industrial properties jumped 12% Q-o-Q

FEATURED TEAM TRANSACTION



3400 Lake City Way
Burnaby, BC

Building Size: 48,060 SF
Purchaser: Bachechi Bros. Realty Inc.
Sale Price: \$16,500,000

The CBRE Metro Vancouver Industrial Team is pleased to have advised the Canadian Red Cross (CRC) on their strategic disposition of a well-located flex office/industrial facility in the Lake City submarket of Burnaby, BC. The disposition included a leaseback of 7,400 SF of office space for CRC on a 5-year term.

SIGNIFICANT LEASE TRANSACTIONS



7350 Wilson Avenue
Delta, BC

Building Size: 112,066 SF
Tenant: Wallace & Carrey



8576 River Road
Delta, BC

Building Size: 372,122 SF
Tenant: Lululemon

SIGNIFICANT SALE TRANSACTION



12111 Riverside Way
Richmond, BC

Building Size: 133,632 SF
Site Size: 6.016 acres
Purchaser: GWL Realty

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