



# CBRE METRO VANCOUVER INDUSTRIAL TEAM

## 2020 INDUSTRIAL MARKET INSIGHTS

### QUICK STATS

	AVAILABILITY RATE	VACANCY RATE	ABSORPTION (QTR)	NEW SUPPLY (QTR)	AVERAGE ASKING RATE
Q2 2020	2.9%  Q-o-Q	1.7%  Q-o-Q	393 KSF  Q-o-Q	2.06 MSF  Q-o-Q	\$13.59 PSF  Q-o-Q
Q1 2020	2.1%	1.1%	1.11 MSF	557 KSF	\$13.65 PSF
Q2 2019	2.1%	1.4%	1.11 MSF	1.52 MSF	\$12.62 PSF

### SIGNIFICANT TRENDS & INSIGHTS

- Q2 saw strong continued demand levels across the local market. Nearly 70% of all large format (over 75 KSF) space available to lease is currently under contract or in offer negotiation stages. Landlords continue their focus on pushing rental rates higher and the overall sentiment on local market fundamentals remains bullish primarily due to our supply constraints
- Despite the devastating economic effects that the Covid-19 Pandemic has had across the globe and here at home in Canada, British Columbia, specifically Metro Vancouver,

is anticipated to lead the country's recovery. At the forefront of this leadership, we anticipate Industrial to continue its race to the top as the most practical and in-demand asset class for occupiers and users, and the most attractive asset class to investors

- Online shopping and e-commerce saw a 120% Y-o-Y increase in April across Canada and is predicted to continue to grow at an annual rate of 17%. These increases are set to require an additional 60 to 110 MSF of new space over the next 5 years across industrial markets in Canada

### VACANCY & AVAILABILITY RATES

- Vacancy increased by 0.6% Q-o-Q and currently sits at 1.7%
- Despite the increase Q2 2020 is the 13th consecutive quarter of vacancy levels below 2% across Metro Vancouver. Notably Richmond, our 2nd largest industrial market, saw a vacancy rate decrease of 50 bps and Surrey registered a vacancy rate of 1.4% despite delivering 1.5 MSF of new supply this quarter
- Availability is up to 2.9% (or by 80 basis points), mostly due to the significant increase in sublease space availability. Current sublease inventory sits at 834 KSF, nearly double the levels seen in Q1
- Our prediction is that industrial vacancy rate will remain sub-2% for the remainder of 2020

### ABSORPTION

- 75% of the 2.1 MSF of new supply delivered this quarter was pre-committed prior to completion, while the remaining newly constructed spaces are currently experiencing significant activity levels
- Similarly of the 2.51 MSF of new inventory expected to complete by EOY, 64% is already pre-leased
- Notably Surrey continues to see significant absorption levels, 1.72 MSF YTD, as compared to only 1.42 MSF that was absorbed in the municipality in all of 2019. In Q2, Surrey also overtook Richmond as the largest industrial market in Metro Vancouver, now at 36.3 MSF of total inventory

### AVERAGE ASKING RATE

- Despite the notable increase in sublease availability, the average asking rents largely remained unchanged as the Q2 average rate came in at \$13.59 PSF, dropping by only \$0.06 Q-o-Q or 4.4%. We predict lease rates to hold steady in and around these levels with future growth being more modest (2-3% per annum) than experienced at times in the past
- All markets across Metro Vancouver registered average asking rates above \$11.00 PSF, except Delta (\$10.94 PSF) and Abbotsford (\$10.67 PSF)

### NEW SUPPLY

- Q2 2020 saw the largest quarterly new supply delivery in 11 years. 2.1 MSF of new space was added to the Metro Vancouver industrial market, which now sits at just over 200 MSF of total inventory
- As of this quarter, we are tracking 4.06 MSF of under construction inventory in the market, with 2.51 MSF expected to be delivered by EOY. Based on this projection, we are estimating the total 2020 new supply figure to come in at 5.1 MSF (only 300 KSF more than what was delivered in 2019)
- Markets that have delivered less than 250 KSF on new inventory in 2020 are, Langley (184 KSF), Vancouver (59 KSF), and Tri-Cities/New Westminster (29 KSF). While Richmond, Maple Ridge/Pitt Meadows, Abbotsford, and North Vancouver have seen no new inventory since the beginning of the year

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# Q2

# CBRE METRO VANCOUVER INDUSTRIAL TEAM 2020 INDUSTRIAL MARKET INSIGHTS

## BUILDING SALES

- Metro Vancouver recorded a total of 54 industrial property transactions in Q2 2020, bringing the yearly total to 220 (down 24% Y-o-Y)
- 41 of the sales were industrial strata transactions averaging \$362 PSF representing an 9% increase when compared to Q2 2019. Notably, Maple Ridge saw rare new supply of small-bay units at North Kanaka Works Spaces (averaging \$277 PSF) and Cedar Coast delivered its latest large-bay project at 3577 194th Street in Campbell Heights (averaging \$258 PSF) for units 15,000 sq. ft. and larger
- Of the 13 freehold industrial transactions 9 were in Burnaby or Abbotsford. Notably, the Jim Pattison Group completed on 1001 Coutts Way, a property occupied by one of their operating businesses – Peterbilt
- The only sale lease-back transaction occurred in Richmond with Ennis Fabrics selling to a local private investor and leasing the property back at a 3.7% return (27,602 sq. ft. building situated on 1.057 acres). Despite the current economic outlook, the Metro Vancouver industrial market has not seen a spike in sale lease-back transactions and quality industrial investment transactions remain scarce and in high demand

## LAND SALES

- 110 acres traded year-to-date down from 133 acres when compared to H1 2019
- A total of 9 industrial land parcels traded in Q2 2020. Notably, the largest transaction year-to-date was a 26.8-acre site in Coquitlam (225 North Road sold for \$82.5M) purchased by TransLink

## SIGNIFICANT LEASE TRANSACTIONS



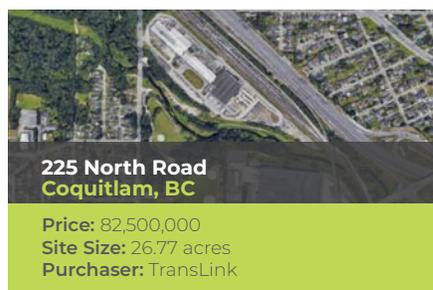
## FEATURED TEAM TRANSACTION



## SIGNIFICANT SALE TRANSACTION



## SIGNIFICANT LAND TRANSACTION



The CBRE Metro Vancouver Industrial Team is pleased to have represented Corporate Express Canada with their expansion requirement. We successfully negotiated a long term lease transaction at Coast Corporate Centre located at 1845 Kingsway Avenue, Port Coquitlam.

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