



# Q2 | 2021 Industrial

METRO VANCOUVER MARKET REPORT



The outlook for both Canada and the BC economy vastly changed due to the impact of the coronavirus pandemic, from widespread retail closures to offices transitioning to a work-from-home environment. While early forecasts expected BC's economy to grow by 1.9% in 2020, the government revised its forecast to see GDP decline by -5.3% in 2020, followed by a rebound of 5.1% in 2021.

While BC did not experience the same levels of infections seen in other parts of the country, second and third waves have stalled recoveries that many thought were well underway. With daily COVID infections quickly rising, the province enacted strict travel restrictions and an end to indoor dining. As vaccine rollouts ramp up, those in the retail and tourism industries remain hopeful that these restrictions will be the last and that the region will be able to welcome tourists and in-person gatherings in the summer. As of mid-July 2021, half of BC adults are fully vaccinated.

The retail sector was the most severely impacted sector from the pandemic. Canadian retail sales declined by 31% year-over-year in April 2020 but had made significant progress toward pre-pandemic levels by September 2020. Although BC was severely impacted, retail sales in the province were up in November by an astounding 11.1% while Metro Vancouver saw sales increase by 11.2% compared to November 2019. This quick recovery can be related to significant government support and pent-up demand heading into the holiday season. Online shopping made up nearly 10% of all retail sales in April 2020, however that ratio has declined as consumers return to brick-and-mortar stores. Moreover, as the cruise ship season was cancelled, the \$3 million in spending each ship would have brought to Vancouver will likely lead to \$900 million in lost economic activity.

Major infrastructure projects that were planned before the pandemic will become lifelines for BC's economy. The \$2.8 billion extension of the Millennium SkyTrain Line broke ground in 2020, creating over 7,000 direct jobs. The \$1.38 billion Pattullo Bridge replacement project is currently under construction. The long-awaited Surrey-Langley SkyTrain extension will go ahead, as the Prime Minister announced \$1.3 billion in federal funding for the project. However, the \$5.6 billion Vancouver International Airport expansion project has been put on hold.

After the initial wave of job losses in BC, which resulted in 403,000 jobs being wiped out at the peak of the pandemic, employment is starting to recover. In fact, the province has seen a rapid recovery of the jobs lost throughout the pandemic in recent months, leading BC's unemployment rate to decrease from a peak of 13.4% in May 2020 to 6.6% in June 2021.

*"Major infrastructure projects that were planned before the pandemic will become lifelines for BC's economy."*

#### MACROECONOMIC FACTORS

BRITISH COLUMBIA	CURRENT	TREND
Population, 15+ years	5,174,724	▼
Unemployment Rate	6.60%	◀▶
Total Building Permits	\$1.372 Billion	▲
Industrial Building Permits	\$510.9 Million	▲
CPI	135.1	▼
CANADA	CURRENT	TREND
Real GDP (Million)	1,965,690	▲
CAD/USD	\$0.79	▼
Prime Lending Rate	2.45%	◀▶
Overnight Rate	0.25%	◀▶

Sources: CoStar Group, Inc., Government of British Columbia, Statistics Canada, Bank of Canada, Scotiabank Economic, TD Economics, Central 1 Credit Union, PWC Canada

#### GDP AT BASIC PRICES, BY INDUSTRY, MONTHLY (×1,000,000) | JULY 2020

All Industries	Retail	Wholesale	Construction	Real Estate and Rental & Leasing
\$1,965,690	\$101,870	\$107,070	\$145,528	\$265,277

## Metro Vancouver's industrial market has been the most consistent performer over the last few years

This is fueled in part by declining vacancies, rent growth, development, and infrastructure projects designed to improve transportation routes throughout the metro region.

A critical land shortage plagues the industrial market in Greater Vancouver. Overall land constraints are a concern and industrial land has been targeted for conversion to residential and commercial uses. Metro Vancouver includes 259 million SF of space with net deliveries ranging between 3.5 to 4.2 million SF over the last five years. Forecasted net deliveries are projected at 3.5 to 4.4 million SF in the coming years, shy of recent historical performance and not expected to provide much more breathing room for tenants or owner/users. Large-scale distribution centres coming to market are expected to be snapped up relatively quickly, such as 202,000 SF at 7400 Vantage Way in Delta, leased entirely by Amazon just before completion, and 373,000 SF at River Road Distribution Centre (8576 River Road, Delta), leased a year before completion by a local retailer with a global presence.

Amazon has announced plans to open five additional facilities across the Vancouver region, including a 450,000 SF fulfilment centre at the

Delta iPort development. The other facilities, in Langley, Pitt Meadows and Delta, are all scheduled to open by the end of 2021.

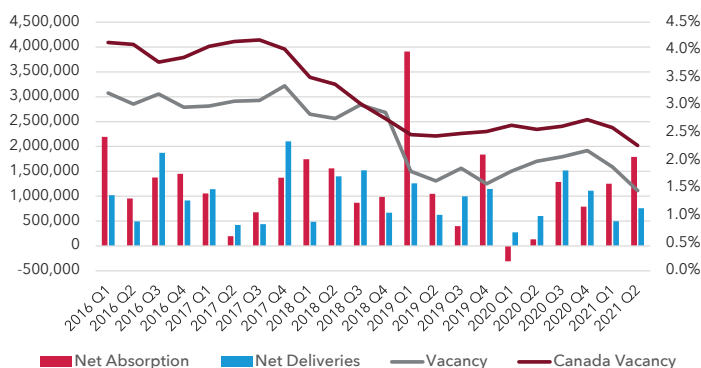
Metro Vancouver will soon see Canada's first multi-level industrial building. Oxford Properties is partway through the construction of a two-level, 707,000 SF building offering transport truck access to the upper level. The building is reportedly leased by Amazon.

Rent growth has been on a near-identical pace with industrial rent growth across Canadian markets through the past two years. After a downward trend in 2019 and 2020, rents have picked up again as progress is made toward a full pandemic recovery. Existing market conditions are expected to remain unchanged over the next few years. Looking ahead, we expect continued rent increases as rising strata prices add pressure on economic rents to justify value. As of Summer 2021, the probability of leasing space within a 12-month window sits at 88%, and 62% within the first six months. Opportunities to consider multiple options are, and will continue to be, hard to come by. As a result, many tenants are forced to expand their search to peripheral markets for suitable options.

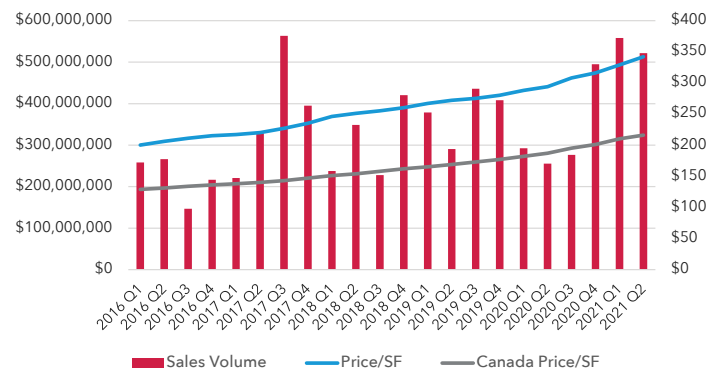
### METRO VANCOUVER LEASING STATISTICS

MUNICIPALITY	TOTAL INVENTORY (SF)	UNDER CONSTRUCTION (SF)	12 MO NET ABSORP. (SF)	VACANCY RATE (%)	MARKET RENT/SF	ANNUAL RENT GROWTH	MARKET CAP RATE
Richmond	45,895,990	400,464	531,104	1.58%	\$14.90	8.90%	4.04%
Surrey	41,190,929	2,291,068	1,573,512	1.31%	\$14.26	8.23%	4.07%
Burnaby	35,760,845	940,862	375,719	1.97%	\$15.54	8.58%	3.95%
Delta	34,800,161	673,897	578,150	0.98%	\$12.44	8.38%	4.04%
Vancouver	25,434,070	562,489	103,960	3.37%	\$19.26	8.12%	3.96%
Tri-Cities/New Westminster	25,210,703	522,223	554,631	0.83%	\$14.44	9.17%	4.08%
Langley	19,983,391	189,834	383,098	1.55%	\$13.24	8.35%	4.17%
North Vancouver	9,076,431	0	55,977	0.56%	\$20.64	7.06%	3.80%
Abbotsford	10,897,614	270,441	379,572	0.99%	\$13.84	8.84%	4.40%
Maple Ridge/Pitt Meadows	5,146,482	601,076	130,076	0.57%	\$12.63	8.67%	4.17%
Chilliwack	5,394,406	0	1,268	0.96%	\$14.54	6.72%	4.33%
Outlying Vancouver	107,377	0	0	0.00%	\$18.38	—	4.04%

### ABSORPTION, NEW CONSTRUCTION AND VACANCY



### QUARTERLY SALES VOLUME & AVERAGE PRICE





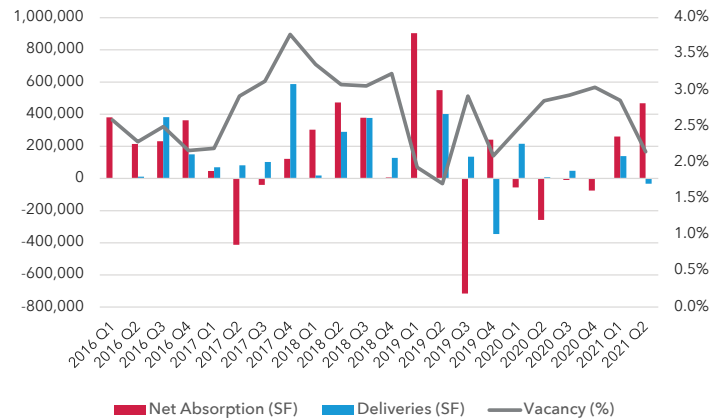
MARKET INDICATOR	TREND	Q1 2021	Q2 2021
Vacancy Rate	▼	2.9%	2.1%
Absorption (SF)	▲	260,861	468,374
Average Asking Rent (PSF)	▲	\$16.05	\$16.25
Average Additional Rent (PSF)	▲	\$6.45	\$9.84
Sales Volume	▲	\$119,561,690	\$315,723,089

Rents have performed extremely well over the past three years, increasing by 21.1%. With limited industrial space and continued conversions to other uses, rents in this submarket are amongst the highest across Metro Vancouver. Currently, average net rents are \$16.25 PSF, which is 9% higher than the rest of Metro Vancouver.

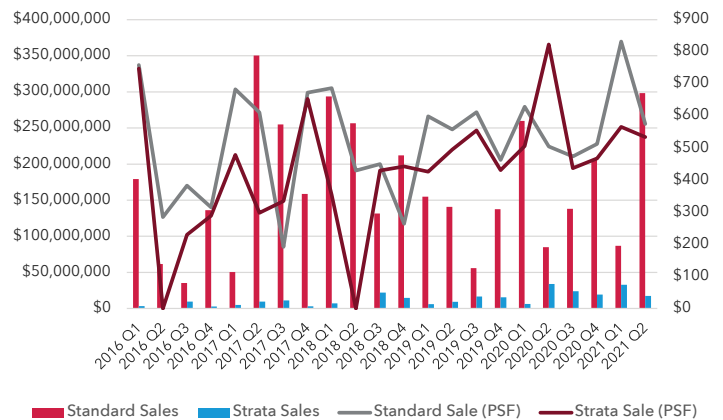
Currently, there is no industrial construction activity underway in North Vancouver, as this submarket is primarily residential. Many of the major developers have recently released or are on working on new industrial parks, however, many of these new projects have been primarily preleased or presold, leaving little new available supply entering the leasing market.

Over \$300 million in industrial assets traded this quarter – the highest since Q2 2017 – with two April 2021 transactions contributing \$137.59 million. From an acquisition perspective, average market rates have increased at a rapid rate over the past few years. In fact, market rates increased by 28% between 2018 and 2020, or 9.3% on average per annum. Currently, average market prices are trading at \$420 PSF and have increased by 6.6% over the past 12 months. With limited industrial supply and a lack of new construction projects currently underway, market prices are expected to remain resilient during the pandemic.

#### ABSORPTION, NEW CONSTRUCTION AND VACANCY



#### QUARTERLY SALES VOLUME & AVERAGE PRICE



#### NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
8310 Prince Edward Street	Vancouver	\$123,400,000	\$293	421,844	Greystone Managed Investments Inc.
945-949, 955, 961 & 967-999 West 1st Street	North Vancouver	\$44,000,000	\$398	110,460	Veramax Holding Ltd.
1385 Crown Street (Mayfair Self Storage)	North Vancouver	\$42,000,000	\$491	85,535	Avenue Living Asset Management



1385 CROWN STREET, NORTH VANCOUVER

#### NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
5555 Trapp Avenue	Burnaby	67,237	Confidential
3905 North Fraser Way	Burnaby	41,904	Zyia Active Canada
5250 Riverbend Drive	Burnaby	37,788	Confidential

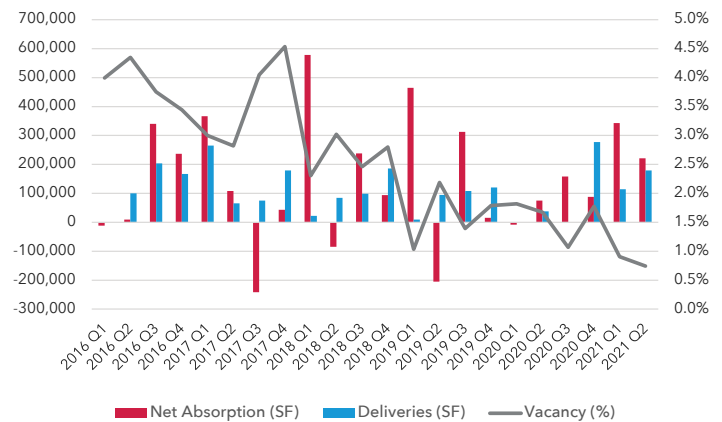
MARKET INDICATOR	TREND	Q1 2021	Q2 2021
Vacancy Rate	▼	0.91%	0.74%
Absorption (SF)	▼	343,009	220,847
Average Asking Rent (PSF)	▲	\$13.77	\$14.22
Average Additional Rent (PSF)	▲	\$3.91	\$4.73
Sales Volume	▼	\$40,798,248	\$37,052,960

With only 10.3% of the industrial stock in Metro Vancouver, the Tri-Cities-Ridge/Meadows submarket has seen inventory increase at a fairly modest rate over the past three years. Currently, there is 1.1 million SF under construction. Although new deliveries have continued to arrive on the market, the pace has not kept up with the demand for industrial space. Demand is heavily supported by a diversified industrial base including agriculture, film, manufacturing, and technology companies.

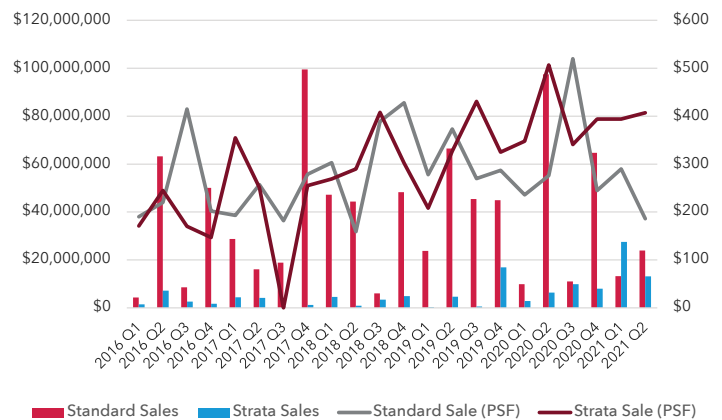
Leasing activity has remained strong – since 2016, vacancy rates have remained below 4.6% and have continued to trend downward to a current rate of only 0.74%. Over the past 12 months, 721,000 SF has been absorbed – even with 1.5 million SF over the past three years, the submarket was able to quickly absorb any new space coming to market due to strong preleasing activity. The largest lease transaction this quarter involved the future industrial space within Onni's Golden Ears Business Park, where Amazon has committed to 815,000 SF; completion is expected in 2022. Leases continue to be signed at or above pre-pandemic rates due to the lack of available space and industrial rental growth performing well over the past three years (increasing by 27.9%). Average lease rates are now trading at \$14.18 PSF, an increase of 7.0% over the past 12 months, slightly outpacing the rent growth throughout the greater region.

Sales activity remains relatively consistent. Despite the pandemic, average market prices have increased to \$349 PSF, growing by 12.6% over the past 12 months. Market prices are expected to remain relatively stable throughout 2021 considering the strong demand for industrial space.

#### ABSORPTION, NEW CONSTRUCTION AND VACANCY



#### QUARTERLY SALES VOLUME & AVERAGE PRICE



#### NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
1634-1638 Kebet Way*	Port Coquitlam	\$26,500,000	\$336.00	78,780	Brookmere Investments Inc.
2441 United Boulevard	Coquitlam	\$13,250,000	\$382.00	34,698	1017746 B.C. Ltd.
13130 Lilley Drive	Maple Ridge	\$3,450,000	\$209.00	16,527	Church Investments Ltd.



1634-1638 KEBET WAY, PORT COQUITLAM

#### NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
11208 Harris Road	Pitt Meadows	815,000	Amazon
19300 Airport Way	Pitt Meadows	145,000	Confidential
1750 Coast Meridian Road	Port Coquitlam	35,199	Mitten

\*Brokered by Lee & Associates

MARKET INDICATOR	TREND	Q1 2021	Q2 2021
Vacancy Rate	▼	1.9%	1.4%
Absorption (SF)	▲	359,121	576,799
Average Asking Rent (PSF)	▲	\$11.59	\$11.98
Average Additional Rent (PSF)	▲	\$3.70	\$4.41
Sales Volume	▼	\$253,442,582	\$141,159,914

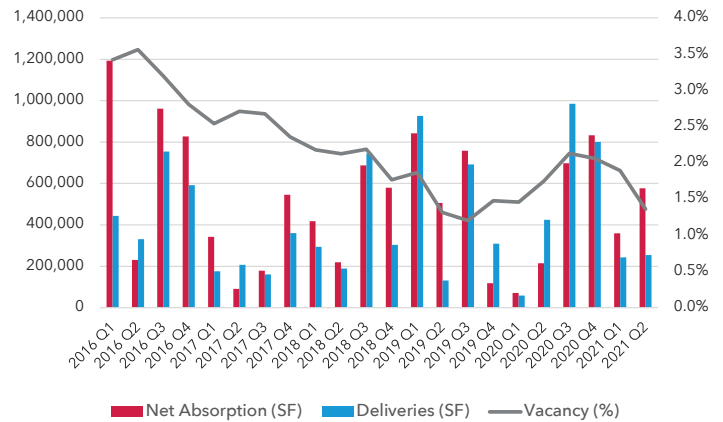
The Fraser Valley has historically been a primary location for industrial activity in Metro Vancouver. Due to the larger land space available, existing properties tend to be much larger than in other submarkets. Based on this, industrial vacancy rates have been typically low. Over the past five years, vacancies peaked in Q2 2016 at 3.56% and have trended downward to a current rate of 1.36%. This rate was possible even after the delivery of 2.7 million SF over the past 12 months.

Continued demand for industrial space is also reflected in the strong absorption levels. Over the past 12 months, absorption has topped 2.3 million SF. With just over 27% of Metro Vancouver's industrial stock located in the Fraser Valley, the submarket has historically been known for housing large industrial warehouses and manufacturing facilities. Over the past three years, rents have increased at a rapid rate in Surrey, growing by 27.7%. Rents are still holding strong at \$14.90 PSF and have increased by 8.27% over the past 12 months.

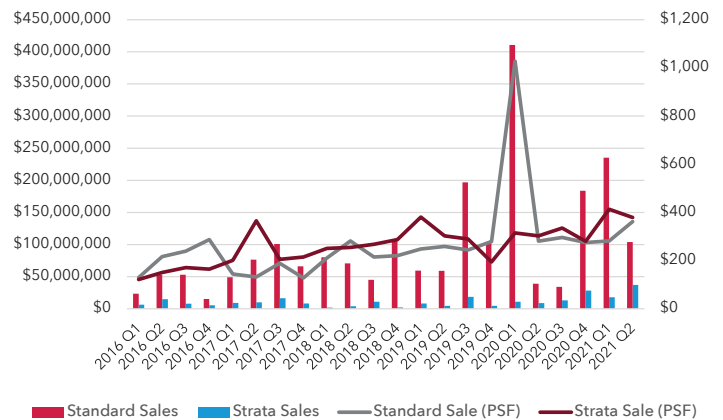
Despite the pandemic, developers have been able to deliver 3.5 million SF of new space over the past 12 months. Construction activity has remained stable, with 6.5 million SF currently under construction. There are 17 projects in the pipeline proposing over 2.5 million SF in Surrey alone.

With sales activity remaining relatively strong in Surrey, market prices continue on an upward trend. Average market prices have reached \$345 PSF – an increase of 15.79% over the past 12 months. With minimal supply coming to market and depleting industrial-zoned land, prices are expected to increase.

#### ABSORPTION, NEW CONSTRUCTION AND VACANCY



#### QUARTERLY SALES VOLUME & AVERAGE PRICE



#### NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
20233 100A Avenue	Langley	\$25,000,000	\$430.35	58,092	Costco Wholesale Canada
2883 264 Street	Langley	\$21,000,000	—	7.0 ac	Beedie
19594 96th Avenue	Surrey	\$13,500,000	\$320.17	42,165	Vitrum Glass Group



#### NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
2929 & 2965 188 Street	Surrey	176,134	18 Wheels Logistics
2360 190 Street	Surrey	152,084	A52 Warehouse
2929 & 2965 188 Street	Surrey	102,488	Confidential

MARKET INDICATOR	TREND	Q1 2021	Q2 2021
Vacancy Rate	▼	1.4%	1.3%
Absorption (SF)	▲	327,525	527,136
Average Asking Rent (PSF)	▲	\$13.45	\$13.83
Average Additional Rent (PSF)	▲	\$3.90	\$5.74
Sales Volume	▼	\$173,546,425	\$162,042,864

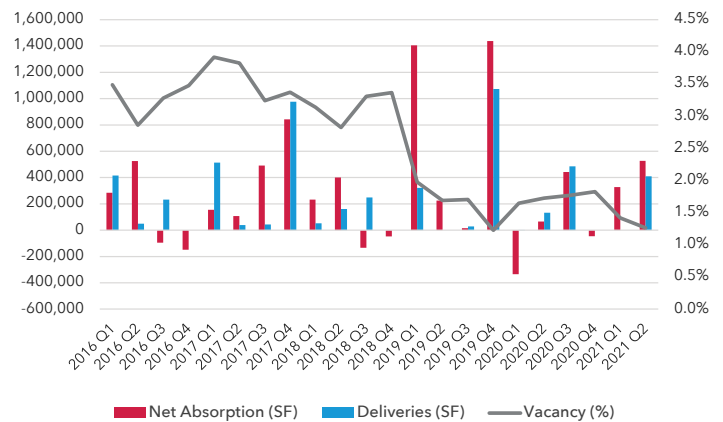
This submarket comprises 31.1% of the total industrial stock in Metro Vancouver. Continued growth in e-commerce and distribution fuels demand from local and international firms, especially due to its close proximity to the Vancouver International Airport, Deltaport, downtown Vancouver, and the U.S. border.

Leasing activity remains relatively strong. Vacancy is expected to be steady over 2021 as the availability rate remains tight at 1.8%, well below the Metro Vancouver average of 2.6%. Although leasing activity slowed at the start of the pandemic, Richmond has still been able to record 1.1 million SF of net absorption over the past 12 months. Richmond and Delta's industrial market has performed extremely well, with rents growing by 29.2% over the past three years – one of the strongest growth rates amongst all submarkets in Metro Vancouver. Rents remained resilient to the impact of the coronavirus, increasing by 8.6% over the past 12 months to \$13.83 PSF.

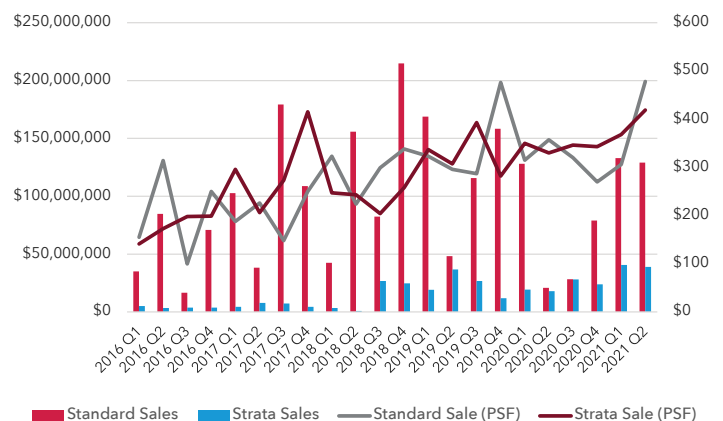
Construction activity has been relatively slow over the past three years, especially considering the high demand for industrial space across Metro Vancouver. Over 1 million SF of new space was delivered over the past 12 months with another 1.1 million SF currently underway.

\$350 million of industrial property sales have already transacted since the start of the year. Prices have increased rapidly over the past three years with average market prices rising 34% since Q2 2018. Despite the pandemic, prices are holding strong with average market prices currently at \$340 PSF – an increase of 11.8% over the past 12 months.

#### ABSORPTION, NEW CONSTRUCTION AND VACANCY



#### QUARTERLY SALES VOLUME & AVERAGE PRICE



#### NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
5431 Minoru Boulevard	Richmond	\$20,350,000	\$592.00	34,389	1267256 B.C. Ltd.
4460 Jacombs Road	Richmond	\$12,700,000	\$317.00	40,084	Moonga Holding Inc.
Unit 1, 11240 Bridgeport Road	Richmond	\$9,988,000	\$553.00	18,051	11240 Bridgeport Road Ltd.

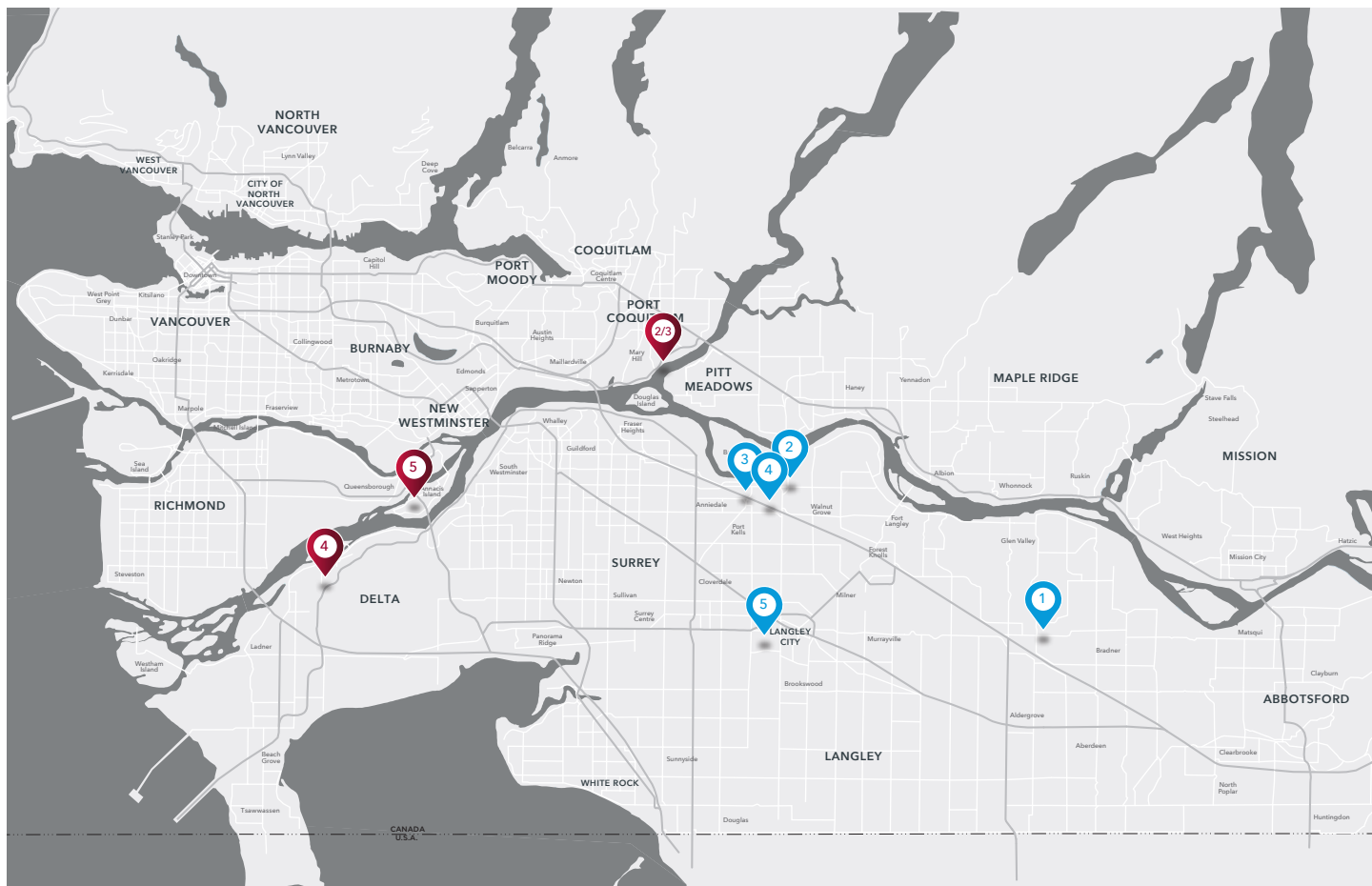


8576 RIVER ROAD, DELTA

#### NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
8576 River Road	Delta	373,000	Lululemon
11188 Featherstone Way	Richmond	66,972	Confidential
2551 No. 6 Road	Richmond	51,988	Fine Choice Foods

\*Brokered by Lee & Associates



#### TOP SALE TRANSACTIONS

	ADDRESS	CITY	SALE PRICE	SIZE (SF)	PURCHASER
1	4216 South Service Road	Burlington (Ontario)	\$27,432,000	553,212	Summitt Industrial Income Operating Limited
2	1634, 1636 & 1638 Kebet Way	Port Coquitlam	\$26,500,000	78,780	Brookmere Investments Inc.
3	1588 Kebet Way	Port Coquitlam	\$8,900,000	27,074	—
4	7237 Wilson Avenue	Delta	\$6,700,000	20,000	467306 BC Ltd.
5	1503 Cliveden Avenue	Delta	\$6,220,000	22,000	Amro Flooring Distribution Inc.

#### TOP LEASE TRANSACTIONS

	ADDRESS	CITY	SIZE (SF)	TENANT
1	#201-207 - 27353 58th Crescent	Langley	50,332	McKillian Canadian Inc.
2	#103 - 9850 201st Street	Langley	27,725	Brighton-Best International (Canada)
3	19067 94th Avenue (Bldg & Yard)	Surrey	27,682	Gear Equipment Ltd.
4	9136 196A Street	Langley	24,131	Kanto Living Inc.
5	19578 55A Avenue	Surrey	19,208	The Gift Group



The Lee & Associates Vancouver office has had a long history of providing exceptional commercial real estate services in Vancouver; our roots go back to 1970 when we were originally established as Town Group Realty. Throughout the past five decades, our team of real estate professionals have represented buyers and sellers as well as landlords and tenants alike in the primary asset classes of industrial sales and leasing, retail sales and leasing, office leasing, land sales and investment sales. We are the first Canadian office in the Lee & Associates network, the largest broker-owned commercial real estate firm in North America with more than 1,000 professionals and growing.

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- ▶ Leasing and subleasing
- ▶ Acquisition
- ▶ Disposition
- ▶ Site selection
- ▶ Landlord representation
- ▶ Tenant/buyer representation
- ▶ Consulting and advisory services
- ▶ Market evaluations
- ▶ Up-to-date market research
- ▶ Strategic marketing

Our approach at Lee & Associates is to take a proactive role in the entire process of every industrial transaction. Our strategic planning, in-depth marketing campaigns, personal sales calls, and detailed, ongoing reporting ensures every property is well-positioned. We provide our clients with a thorough analysis of our progress, with interactive feedback, reviews, and recommendations for action. Lee & Associates Vancouver's Industrial Team specializes in all areas of Metro Vancouver and we are ready to market your property effectively or help you secure a space that optimizes the operation of your business.

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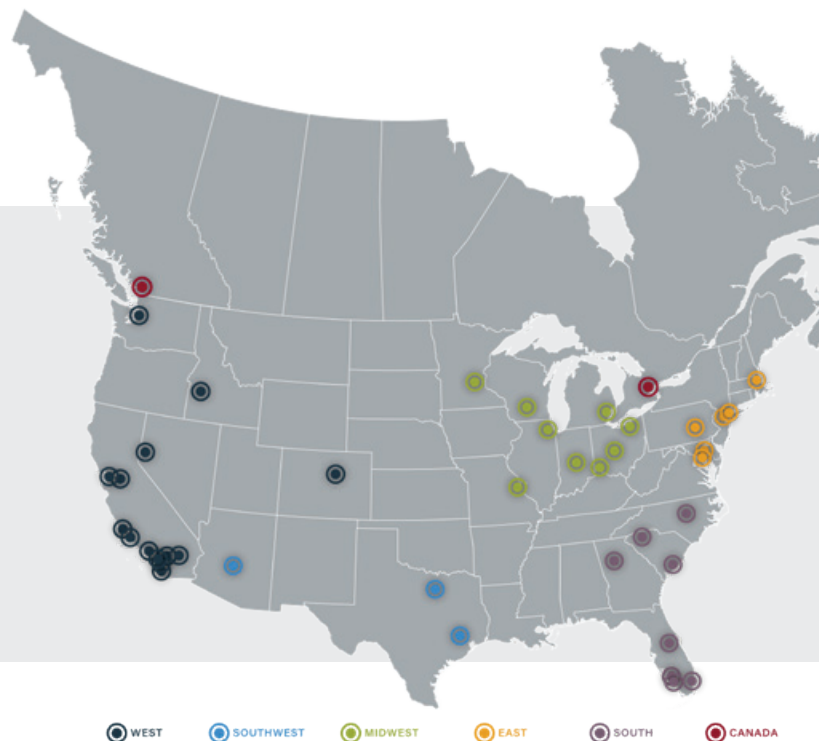
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