



Q3 | 2024 Industrial

METRO VANCOUVER MARKET REPORT



The economic narrative in British Columbia for 2024 has been driven by shifting monetary policies and sector-specific dynamics. The Bank of Canada lowered the policy rate three times this year—June 5, July 24, and September 4—each by 25 basis points, bringing it to 4.25%. With inflation now at 1.6%, below the BoC’s target range, further rate cuts are widely anticipated. Correspondingly, the prime rate has declined to 6.45%, easing borrowing costs compared to the 7.2% rate this time last year. However, BC faces headwinds, including weaker retail sales, rising unemployment, and energy export declines, highlighting the uneven impact of economic shifts across industries.

“With inflation now at 1.6%, below the BoC’s target range, further rate cuts are widely anticipated.”

While BC’s export sector has rebounded, with origin exports climbing 13.3% year-over-year to \$4.4 billion, energy exports remain mixed. The Coastal GasLink pipeline reached mechanical completion in November 2023 and is currently focused on clean-up and reclamation ahead of full operations. Natural gas production volumes are trending higher, buoyed by a moderately positive outlook for prices and the expected startup of LNG Canada next year. However, natural gas exports are still down 53.7%, with electricity and coal exports decreasing by 8.8% and 7.1%, respectively. Coal prices, sitting at \$281 per tonne as of July 2024, are down 7.4% year-over-year. Despite these gains, the forestry sector is under pressure following the U.S. Department of Commerce’s doubling of duties on Canadian softwood lumber exports—further straining a sector that already accounts for 12% of BC’s outbound shipments.

BC’s unemployment rate has risen to 6%, reflecting a cooling labour market and intra-provincial migration as residents leave in search of more affordable regions. However, population growth across Canada and BC remains strong, driven primarily by international immigration, resulting in a 3% year-over-year increase. This influx is expected to influence housing demand and broader economic activity in the province, though the elevated cost of living and high household debt levels poses challenges. Despite a contraction in retail sales during the first half of the year, the industrial sector continues to show promise. Year-to-date industrial building permits have surged by 74.4%, and employment in the goods-producing sector expanded by 3.4%, largely due to 17,600 new construction jobs.

Public sector employment grew 6.2% over the past year, far outpacing private sector growth at 1.6%, underscoring a shift in job creation. However, BC households continue to bear the highest debt burdens among Canadian provinces, reflecting financial vulnerability amid elevated living costs. While GDP growth is expected to remain muted at 0.9% through the end of 2024, forecasts for 2025 project a recovery to 2.1% as rate cuts take effect and market conditions improve.

MACROECONOMIC FACTORS

BRITISH COLUMBIA	CURRENT	TREND
Population, 15+ years	5,646,467	▲
Unemployment Rate	6.0%	▲
Total Building Permits	\$14.99 Billion	▲
Industrial Building Permits	\$879 Million	▲
CPI	154	▲
CANADA		
Real GDP (Million)	2,378,917	▲
CAD/USD	\$0.72	▼
Prime Lending Rate	6.45%	▼
Overnight Rate	4.25%	▼

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 2024



Vancouver Q3 2024: Rate Cuts, Rising Vacancies, and New Industrial Projects

The second and third quarters of 2024 saw three interest rates cut by the Bank of Canada, down 75 basis points (bps) from 5.00% to 4.25%, with the potential for more reductions before the end of the year. After several consecutive quarters of positive absorption, the third quarter of 2024 saw absorption reach negative territory at 361,635 SF, largely in part to a continued influx of large block vacancies coming to the market. However, Surrey, Langley, and Coquitlam posted positive absorption due to its leasing momentum from previous quarters, new supply pipeline, and large lots of developable land.

Average asking rental rates continue to decline with a regional average reaching \$20.38 PSF with several active listings reducing its asking rate to compete with sublease options also hitting the market. What is seemingly regarded as a tenants' market with the relative abundance of availabilities, it remains to be seen how landlords will react to the downward pressure on their headlease rents to address the rise in competitive product in the market.

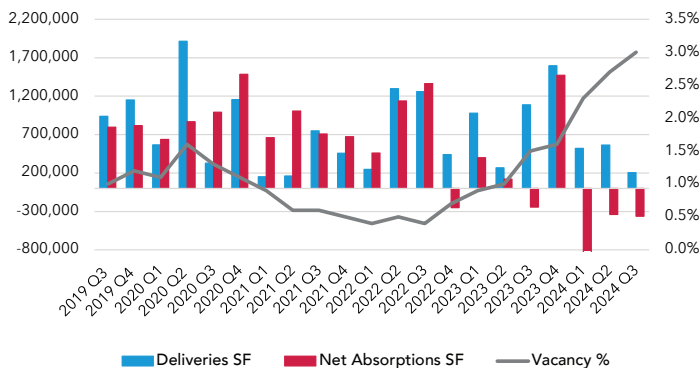
Despite the market conditions facing the Vancouver market, there are many projects in the pipeline signaling continued confidence in the Vancouver industrial landscape. As a gateway to Asia and a port city in North America, demand for large bay space remains. This quarter, there were several lease transactions over 100,000 SF in size, signaling to the market that despite the increasing number of availabilities there still remains tenant demand from various industrial sectors.

On the construction side, the largest developments to be built on a speculative basis are Heppell's Latimer Lake Logistics Park (Buildings 1 and 2) totalling 644,000 SF in Campbell Heights and Epta Development's Eagle Meadows Business Park in Pitt Meadows – a two-building project totalling 366,000 SF in the growing Pitt Meadows and Maple Ridge markets. In addition, Conwest Development's Nordel Point in Delta will bring to the market 212,000 SF of warehouse space conveniently located along major highway corridor.

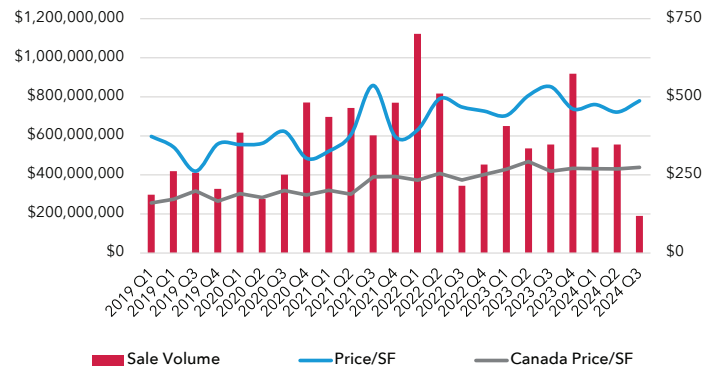
METRO VANCOUVER LEASING STATISTICS

MUNICIPALITY	TOTAL INVENTORY (SF)	UNDER CONSTRUCTION (SF)	Q3 NET ABSORP. (SF)	VACANCY RATE (%)	MARKET RENT/SF	ANNUAL RENT GROWTH	MARKET CAP RATE
Richmond	44,342,074	435,868	(194,879)	1.6%	\$20.46	(4.97%)	4.0%
Surrey	43,174,067	1,761,150	57,161	4.0%	\$21.38	1.76%	4.0%
Burnaby	33,397,213	1,617,655	(82,242)	3.0%	\$21.66	(0.37%)	4.0%
Delta	32,529,574	465,028	(37,786)	2.4%	\$19.03	(6.49%)	4.0%
Vancouver	24,987,631	944,872	(118,732)	3.9%	\$21.38	(0.65%)	4.1%
Langley	19,569,502	62,194	164,246	3.4%	\$19.89	(7.45%)	4.2%
Tri-Cities/New West	19,153,473	586,291	(15,712)	1.9%	\$20.11	(6.25%)	
Abbotsford	8,255,882	364,210	(27,883)	5.3%	\$18.43	(1.44%)	4.4%
North Shore	6,606,982	–	(10,365)	1.9%	\$22.74	3.41%	3.9%
Maple Ridge/Pitt Meadows	4,847,596	366,852	(67,610)	8.0%	\$20.24	(4.73%)	4.0%
Chilliwack	4,082,567	–	(27,721)	2.1%	\$14.69	(12.87%)	4.5%
Tsawwassen First Nations	1,233,148	–	–	0.0%	–	–	–
Mission	931,348	–	(112)	2.1%	\$15.65	–	5.0%
Total	243,111,057	6,604,120	(361,635)	3.0%	\$20.38	(5.56%)	4.0%

ABSORPTION, NEW CONSTRUCTION AND VACANCY



QUARTERLY SALES VOLUME & AVERAGE PRICE



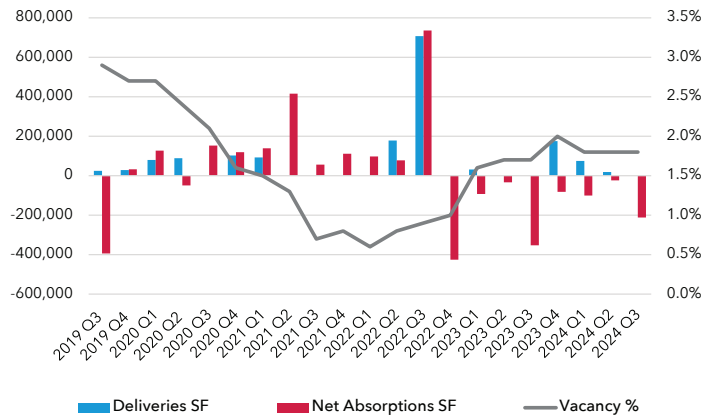
MARKET INDICATOR	TREND	Q2 2024	Q3 2024
Vacancy Rate	▲	2.1%	3.0%
Absorption (SF)	▼	(23,667)	(211,339)
Average Asking Rent (PSF)	▼	\$21.68	\$21.63
Average Additional Rent (PSF)	▲	\$6.34	\$6.41
Sales Volume	▲	\$120,657,937	\$154,676,388

The Vancouver, North Vancouver, and Burnaby submarket experienced rising vacancies and subdued deal activity in Q3 2024, with vacancy rates increasing to 3.0%, up 90 basis points quarter-over-quarter and more than double year-over-year. Demand for Class B and C spaces remains low, and rental growth has stagnated as businesses recalibrate amid economic uncertainty. Although borrowing costs have eased with recent rate cuts totaling 75 basis points from June to September, high financing costs continue to weigh on transactions.

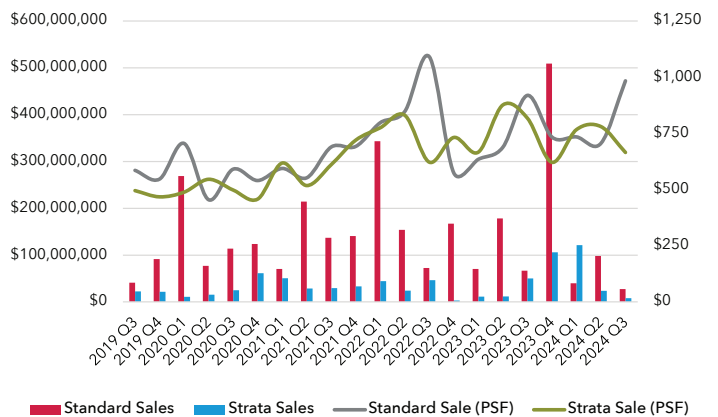
Burnaby led sales activity this quarter, including one of the largest transactions – an \$8 million sale at 6928 Palm Avenue (\$677 PSF), brokered by Lee & Associates. Strata sales have slowed, with roughly 15% of Marine + Boundary and 30% of IntraUrban Southlands units pre-sold. New supply, such as 8530 Roseberry Avenue in South Burnaby, is set to add 100,000 SF to the market, while Vancouver has the most sublease space in Greater Vancouver at 285,000 SF. In one notable sublease deal, 100,510 SF at 8651 Eastlake Drive was recently leased to an unnamed tenant, highlighting some ongoing activity despite market headwinds.

Burnaby's employment lands assessment underscores the region's long-term potential and indicates a demand for 22.3 million SF of employment space over the next 20 years. Developers such as Beedie and Oxford Properties anticipate heightened interest in logistics and distribution facilities, as well as large warehouses serving the film industry. While high borrowing costs dampen short-term activity, further rate cuts may help stabilize demand, positioning this submarket – 26.7% of Greater Vancouver's inventory—for long-term growth.

ABSORPTION, NEW CONSTRUCTION AND VACANCY



QUARTERLY SALES VOLUME & AVERAGE PRICE



NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
6928 Palm Avenue*	Burnaby	\$8,080,000	\$678.00	11,922	1494614 B.C. Ltd.
680 Industrial Avenue	Vancouver	\$5,725,000	\$1,634.00	3,504	The Hive Boulderling Gym
3830 1st Avenue*	Burnaby	\$5,380,000	\$672.00	8,000	1483324 B.C. Ltd.



6928 PALM AVENUE, BURNABY

NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
#100 - 8155 North Fraser Way*	Burnaby	23,736	PH7 Technologies Inc.
5300 Byrne Road	Burnaby	62,280	Cascades Recovery +
3750 North Fraser Way	Burnaby	73,291	Uni Express

*Brokered by Lee & Associates

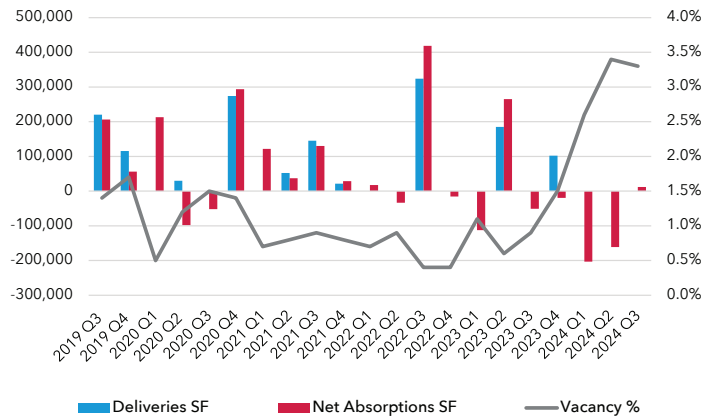
MARKET INDICATOR	TREND	Q2 2024	Q3 2024
Vacancy Rate	▲	3.4%	3.5%
Absorption (SF)	▲	(161,342)	11,935
Average Asking Rent (PSF)	▲	\$20.79	\$21.59
Average Additional Rent (PSF)	▼	\$4.78	\$4.64
Sales Volume	▼	\$57,316,300	\$9,191,461

The Tri-Cities and Ridge Meadows submarket experienced a rise in vacancy, reaching 3.5% in Q3 2024—up 10 basis points from last quarter and just over 200 basis points from a year ago. Despite leasing headwinds, small to medium bay activity has remained relatively strong, while larger deals are proving harder to secure. The largest lease transaction this quarter was Iron Mountain's 103,264 SF renewal at 175 Golden Drive, allowing the information management company to continue its operations.

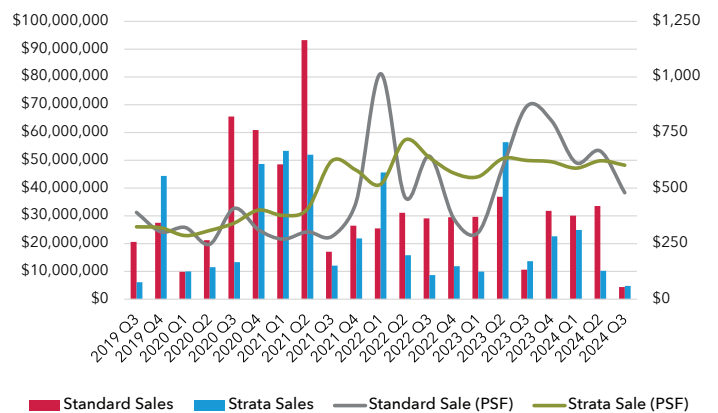
Nearly 1 million square feet of speculative space is slated for delivery throughout 2024 and 2025, with significant projects in Coquitlam, Port Coquitlam, and Pitt Meadows set to influence vacancy rates further. Vacancy pressures are building, particularly in the Golden Ears Business Park, where Pitt Meadows currently has 450,000 SF available at around \$22.00 PSF. Port Coquitlam is also seeing an abundance of available space in the Mary Hill and Dominion Triangle industrial areas.

Lease rates increased 3.8% quarter-over-quarter but remained flat year-over-year, and sales activity was limited, with no transactions exceeding \$4.5 million and an average sale price of \$530 PSF. Developers are largely focused on multi-tenant, small to medium bay projects, catering to the steady demand in this range. While challenges persist, the submarket's central location continues to attract businesses, positioning it for growth as rates decline and market conditions improve.

ABSORPTION, NEW CONSTRUCTION AND VACANCY



QUARTERLY SALES VOLUME & AVERAGE PRICE



NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
2901 Murray Street	Port Moody	\$4,400,000	\$479	9,182	Murray Parkside Holdings Ltd.
#2115 - 950 Seaborne Avenue*	Port Coquitlam	\$1,861,461	\$567	3,283	Private Investor
#341 - 17 Fawcett Road*	Coquitlam	\$1,630,000	\$472	3,450	Summitscape Holdings Ltd.



#2115 - 950 SEABORNE AVENUE, PORT COQUITLAM

NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
#101-102 - 1551 Broadway Street	Port Coquitlam	12,621	Sky Titan Glass Distributors Ltd
91-93 Glacier Street	Coquitlam	97,598	Uni-Select Canada (renewal)
20580 & 20600 Maple Crescent	Maple Ridge	51,516	MR Motors LP

*Brokered by Lee & Associates

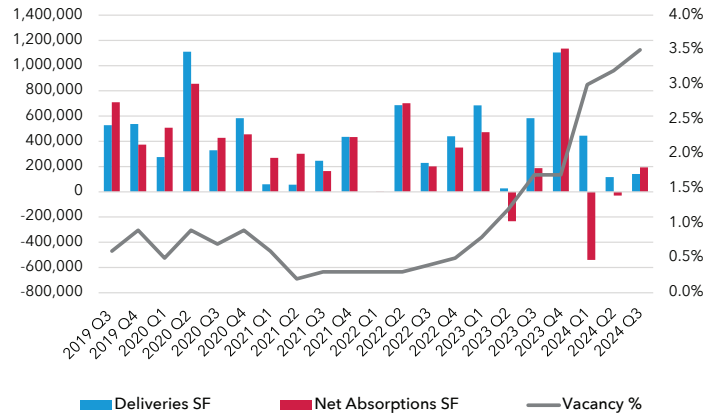
MARKET INDICATOR	TREND	Q2 2024	Q3 2024
Vacancy Rate	▲	3.2%	3.5%
Absorption (SF)	▲	(29,968)	193,524
Average Asking Rent (PSF)	▼	\$19.83	\$19.72
Average Additional Rent (PSF)	▼	\$4.78	\$4.28
Sales Volume	▼	\$373,635,888	\$151,427,070

The Surrey, Langley (City & Township) and Abbotsford submarkets make up 29% of the total regional inventory. Vacancy for the third quarter currently sits at 3.5%, up 30 basis points from Q2. Combined absorption remained positive at 193,524 SF, Surrey and Langley accounted for a significant portion of the submarkets' activity at 57,161 SF and 164,246 SF respectively. Quarter over quarter (QoQ) average asking lease rates generally stayed flat around the \$19.72 PSF range. The rising number headlease and sublease availabilities has led to downward pressure on asking rates resulting in more market options.

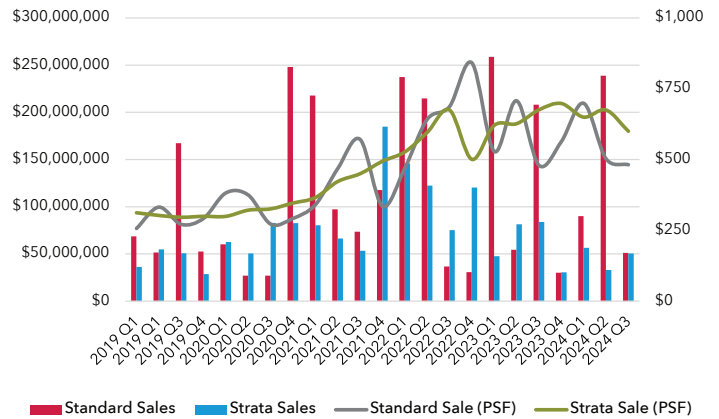
During the third quarter, the top five sale transactions by sale volume were in the Surrey, Langley, and Abbotsford markets. Of note is Translink's acquisition of a two-building site for \$85.6 million totaling 116,075 SF near the Surrey Transit Centre at the northeast corner of 76th Avenue and 132nd Street.

Surrey and Langley accounted for a combined 150,000 SF of quarterly new supply. Notably, the completion of the north portion of Beedie's "The Quad", a two-building mid-bay development in the Campbell Heights market. There is an anticipated 600,000 SF of new completions by the end of 2024 which will include Cedar Coast's Bridgeview Business Park in Surrey, an 85,000 SF multi-building small bay strata development. In Abbotsford, Quadreal/Hungerford's Xchange Business Park (Phase 1, Building 3) will soon complete 35,905 SF in its multi-phase development along with Wesmont's 47,500 SF warehouse at 2138 Carpenter Street.

ABSORPTION, NEW CONSTRUCTION AND VACANCY



QUARTERLY SALES VOLUME & AVERAGE PRICE



NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
13221 76th Avenue & 7678 132nd Street	Surrey	\$85,600,000	\$738	116,075	Translink
9080 196A Street	Langley	\$19,300,000	\$392	49,233	401 Langley Holdings Ltd.
5415 272nd Street	Langley	\$14,800,000	\$922	16,052	Andrew Sheret Holdings Ltd.



13221 76 AVENUE & 7678 132 STREET, SURREY

NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
18899 24 Avenue	Surrey	353,476	Pet Valu
#107-109 - 19097 26 Avenue*	Surrey	15,059	AS Laddi Foods Corporation
9494 198th Street	Langley	33,173	OTA Logistics Canada Inc

*Brokered by Lee & Associates

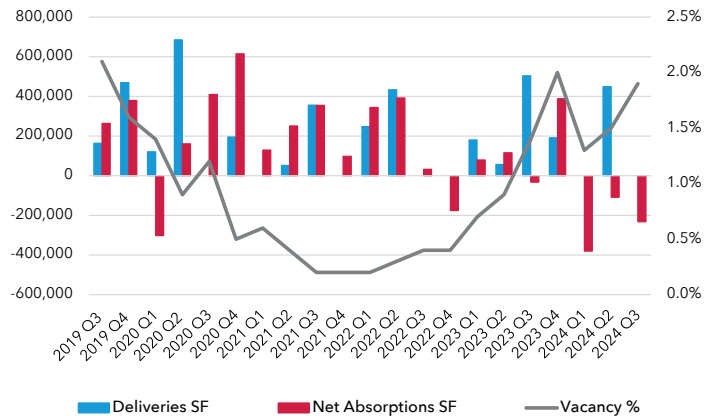
MARKET INDICATOR	TREND	Q2 2024	Q3 2024
Vacancy Rate	▲	1.5%	1.9%
Absorption (SF)	▼	(109,100)	(232,665)
Average Asking Rent (PSF)	▼	\$20.31	\$19.59
Average Additional Rent (PSF)	▼	\$4.71	\$4.41
Sales Volume	▼	\$162,289,861	\$52,450,700

The Delta and Richmond submarkets comprise 32% of the Vancouver region's inventory. Leasing activity combined with new spaces coming to the market has led to a 40 basis point rise in vacancy since the last quarter to 1.9% with Richmond at 1.6% and Delta at 2.4%, respectively. Increasing number of availabilities initiated downward pressure on rental rates by 3.5% resulting in a combined average asking rate of \$19.59 PSF.

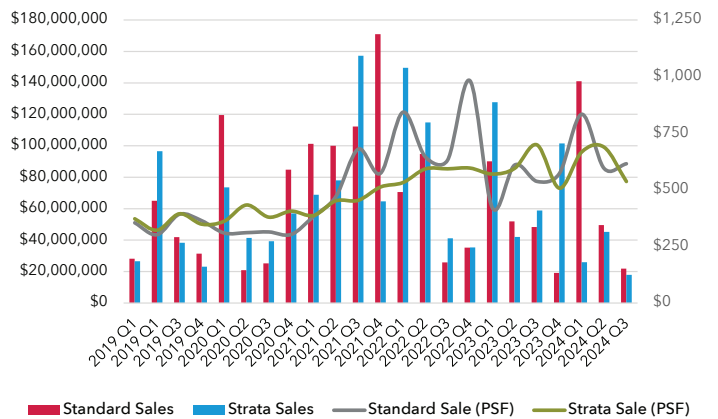
The Delta submarket has been relatively active this quarter with nearly 420,000 SF of new tenants announcing new deals bolstering leasing activity in the south Fraser municipality. These new tenancies include Rove Concepts occupying 110,000 SF at Dayhu's Boundary Bay Industrial Park at 8151 Churchill Street while Olympia Transportation Ltd. leasing the 128,000 SF portion of Pure Industrial's South Fraser Distribution Centre at 7530 Hopcott Road. In Richmond, Euro-Asia Transload extended their lease at 16100 Blundell Road signifying the underlying demand for Port-related uses.

Average sale price for freestanding industrial properties have decreased since the beginning of the year hovering over the \$500 per square foot mark. Strata activity in Richmond has cooled off relative to recent quarters with strata price per square foot in the range of \$650 to \$675. In north Richmond, Conwest Development's strata development "Vulcan" is scheduled for Q1 2025 completion, while currently at 25% pre-sold, will bring an additional 212,000 SF to the market potentially catering to demand from investors and owner-users looking for mid-bay options. Similarly, in south Richmond Skye Development's Forge Landing will bring 90,000 SF to the market.

ABSORPTION, NEW CONSTRUCTION AND VACANCY



QUARTERLY SALES VOLUME & AVERAGE PRICE



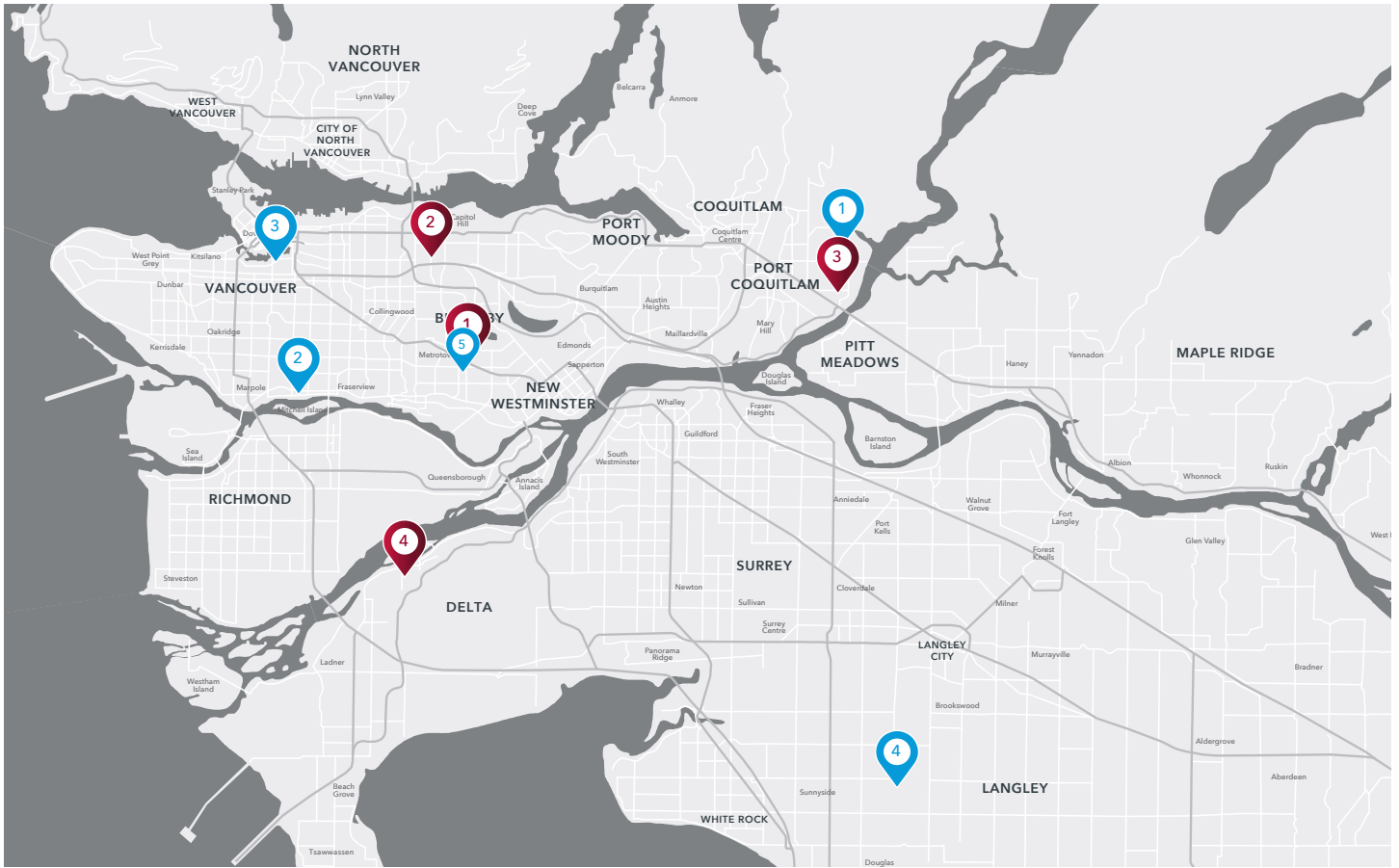
NOTABLE SALE TRANSACTIONS

ADDRESS	MUNICIPALITY	PRICE	PRICE/SF	SIZE (SF)	PURCHASER
1668 Fosters Way	Delta	\$14,000,000	\$550	25,461	Akhurst Machinery
2720 No. 5 Road	Richmond	\$10,250,000	\$419	24,452	Long Holdings Inc.
12660 Bridgeport Road	Richmond	\$7,870,000	\$680	11,575	1472053 B.C. Ltd.



NOTABLE LEASE TRANSACTIONS

ADDRESS	MUNICIPALITY	SIZE (SF)	TENANT
5400 Minoru Boulevard	Richmond	30,587	Blue Force Holding (sublease)
7351 Progress Place	Delta	15,000	ABS Truck and Trailer Parks Ltd.
2471 Simpson Road	Richmond	17,851	CLS Catering (extension)



TOP SALE TRANSACTIONS

	ADDRESS	CITY	SALE PRICE	SIZE (SF)	PURCHASER
1	6928-6938 Palm Avenue	Burnaby	\$8,080,000	11,922	CVW Custom Veneer Works Ltd.
2	3830 1st Avenue	Burnaby	\$5,380,000	8,000	Alfred Horie Construction Co.
3	#2115 - 950 Seaborne Avenue	Port Coquitlam	\$1,861,161	3,283	Confidential
4	#2 - 7218 Progress Way	Port Coquitlam	\$1,300,000	2,545	Confidential

TOP LEASE TRANSACTIONS

	ADDRESS	CITY	SIZE (SF)	TENANT
1	1705/1715/1725 Fremont Street (land)	Lease	65,501	United Scaffold Supply Company Inc.
2	403 East Kent Avenue North	Lease	39,882	DelGate Logistics Ltd.
3	310 4th Avenue West	Lease	20,228	Miru Smart Technologies Corp.
4	#209 - 19365 22 Avenue	Lease	17,026	Edmond's Batteries Ltd.
5	6850 Antrim Avenue & 5540 Mavis Street	Lease	13,464	Confidential

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- ▶ Acquisition
- ▶ Disposition
- ▶ Site selection
- ▶ Landlord representation
- ▶ Tenant/buyer representation
- ▶ Consulting and advisory services
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- ▶ Up-to-date market research
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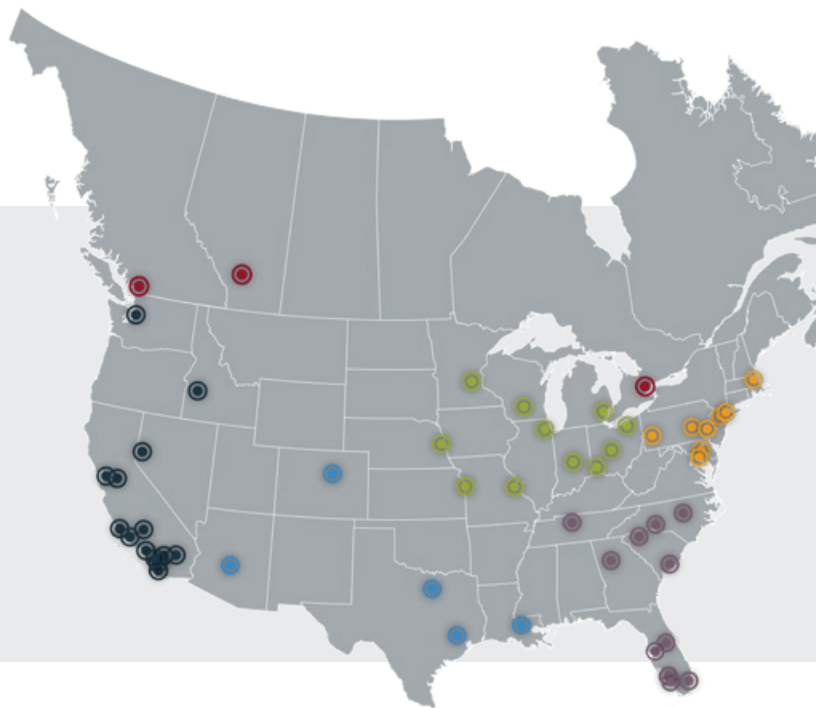


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