



CBRE METRO VANCOUVER INDUSTRIAL TEAM 2020 INDUSTRIAL MARKET INSIGHTS

*To our valued clients, colleagues and friends:
First and foremost – we hope you and your families are healthy and well in these unprecedented and challenging times.*

*Understanding priorities are shifting for all of us at the moment –
our team is working from home and connected – and business continuity
is our goal following safety and health.*

*We look forward to returning to normal life and business operations when safe to do so. And in the
meantime, we are continuing our quarterly market updates – including attention to the rapidly changing
COVID-19 situation as it relates to industrial real estate.*

COVID-19 Impacts on Metro Vancouver Industrial Real Estate

SUPPLY

Typically a risk in market corrections; however, many factors currently mitigate this risk:

- Metro Vancouver vacancy hit a new historic low of 1.1% this quarter, showing strong fundamentals going into the COVID period and forecasting that industrial is in a good position to return to a healthy market coming out of the crisis
- Inventory of quality vacant space remains extremely low
- Pace of new construction deliveries will likely slow due to stay at home measures
- 60% of Metro Vancouver 2020 projected supply already preleased / sold

DEMAND

- Sellers of discretionary items facing slowing sales may consider contraction, subleasing and consolidation
- Sellers of essential items experiencing strong sales may thrive during this crisis and see this as an opportunity to gain market share – therefore considering expansions, absorption of short-term overflow space and / or additional facilities
- Strong, multinational clients with strong balance sheets may also view this period as an ideal time to grow market share by acquiring competitors – again potentially resulting in consolidations and / or expansion facilities
- North America Perspective:
 - The US grocery industry had a 100% increase in daily online sales between March 13th and 15th compared to March 1st to 11th
 - 46% of survey respondents in the US will continue to purchase goods online after the pandemic

SUPPLY CHAIN

Ongoing changes in the supply chain are a strong indicator the industrial market is poised to pick up where it left off. Key potential positive effects for industrial over the long-term include:

- Increased inventory controls resulting in higher demand for warehouse space
- Supply chain diversification resulting in a move from China to additional global locations including North America
- E-commerce demand: Accelerated growth and adoption by new users

**IF YOU WERE A BELIEVER IN METRO VANCOUVER
INDUSTRIAL PRIOR TO COVID-19 – YOU SHOULD
CONTINUE TO BE A BELIEVER IN METRO VANCOUVER
INDUSTRIAL GOING FORWARD**

CHRIS MACCAULEY
PERSONAL REAL ESTATE CORPORATION
Senior Vice President
604 662 5190
chris.maccauley@cbre.com

JOE INKSTER
PERSONAL REAL ESTATE CORPORATION
Senior Vice President
604 662 5134
joe.inkster@cbre.com

ILYA TIHANENOKS
Senior Associate
778 372 3930
ilya.tihanenoks@cbre.com

HAYDEN FERRILL
Sales Representative
778 372 1934
hayden.ferrill@cbre.com






ANTHEA LO
Marketing Coordinator
778 372 3936
anthea.lo@cbre.com





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QUICK STATS

	AVAILABILITY RATE	VACANCY RATE	ABSORPTION (QTR)	NEW SUPPLY (QTR)	AVERAGE ASKING RATE
Q1 2020	2.1%  Q-O-Q	1.1%  Q-O-Q	1.11 MSF  Q-O-Q	557 KSF  Q-O-Q	\$13.65 PSF  Q-O-Q
Q4 2019	2.4%	1.2%	868 KSF	778 KSF	\$13.15 PSF
Q1 2019	1.9%	1.3%	1.23 MSF	566 KSF	\$12.46 PSF

SIGNIFICANT TRENDS & INSIGHTS

- Now sitting at 2.1% overall, Vancouver's availability rate is 100 basis point below the 5-year average of 3.1%. 55% of this inventory is compromised of lease product, unlike previously in Q1 of 2017 where lease opportunities reflected 83% of the market
- To begin the new decade, average asking lease rates grew 3.80%, now at \$13.65 PSF. Sustained inflation of lease rates have not scared off leasing activity, as Metro Vancouver experienced a collective 1.1MSF of net absorption this quarter. Much of this is driven by the Surrey submarket, which accounted for 75.9% of all absorption activity
- Lease opportunities immediately available for blocks of space over 100,000 SF have all been absorbed, save for nearly 180,000 SF in 16131 Blundell Road, Richmond which has garnered much attention as of recently. Only 10 options exist between 50,000 – 100,000 SF, of which 4 are for lease and 2 for sublease. These blocks of space contribute to nearly one-quarter of all vacant space in Metro Vancouver
- Of the 557,187 SF delivered this quarter, 327,081 SF comes from completions within Surrey – a consistent trend as Surrey has delivered 29.1% of all of Metro Vancouver's new supply since the beginning of 2016

VACANCY & AVAILABILITY RATES

- Vacancy dropped 100 basis points to 1.1%
 - This equates to a total vacant space of just over 2.2MSF
 - Hitting 1.1% also marks the 12th consecutive quarter of sub 2% vacancy
- Availability rate dropped 300 basis points to 2.1% hitting the same level as Q2 2019
- Metro Vancouver's second largest sub market, Surrey, leads in both the lowest vacancy rate (0.5%) and lowest availability rate (0.9%)

NEW SUPPLY

- Only 4 of Metro Vancouver's 10 major submarkets delivered new product in Q1 totaling 557KSF
- Surrey continues to lead by delivering 59% of total product delivered in Q1 equating to 327KSF
- At this time, we are projecting that 5.44MSF will be delivered in 2020

ABSORPTION

- Q1 absorption was strong at 1.1MSF which equates to 25% of year over year total absorption for 2019
- Metro Vancouver's largest submarket, Richmond, experienced negative absorption of 130KSF
- Again, Surrey is leading the submarkets in this category with 842KSF of absorption

AVERAGE ASKING RATE

- The average asking rate is currently at \$13.65 representing quarter over quarter over growth of 3.8%
- Abbotsford demonstrated the strongest rate growth this quarter boasting a climb of 14% to hit \$10.69
- Vancouver, Richmond, and Tri Cities / New West all showed a decline in the average asking rate

CHRIS MACCAULEY
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Senior Vice President
604 662 5190
chris.maccauley@cbre.com

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BUILDING SALES

- The average price per SF for both strata and freestanding was \$337 showing a 2% year over year increase
- Strata sales alone had an average price per SF of \$320 representing a 5% increase in value when comparing to Q1 2019
- Strata presales are in a holding pattern on most projects as buyers are preferring to preserve cash instead of putting up deposits for product that is not completing in the near future
- Many investment sales are also on pause pending a return to certainty in the debt market and with respect to market cap rates and lease rates

LAND SALES

- Q1 2020 saw only 5 land transactions take place totaling 37.3 acres
- The average price per acre of these five transactions is \$2.52 million

SIGNIFICANT LEASE TRANSACTIONS



**13480 Crestwood Place
Richmond, BC**

Size: 108,000 SF
Tenant: Warner Bros



**18880 30th Avenue
Surrey, BC**

Size: 198,070 SF
Tenant: Amazon Canada Fulfillment Services, ULC

FEATURED TEAM TRANSACTION



**#110 - 7530 Hopcott Road
Delta, BC**

Size: 175,710 SF
Landlord: PIRET
Tenant: SCI Logistics Ltd.
Lease Term: 5 years

SIGNIFICANT SALE TRANSACTIONS



**2188 Mason Street
Abbotsford, BC**

Price: \$24,438,994
Size: 99,104 SF (8 units)
Purchaser: Various

SIGNIFICANT LAND TRANSACTIONS



**9930 197th Street
Langley, BC**

Price: \$40,184,000
Size: 14.54 acres
Purchaser: Hall & Tenney Developments Ltd.

The CBRE Metro Vancouver Industrial Team is pleased to have represented SCI Logistics Ltd. in a lease extension of its flagship Delta facility at 7530 Hopcott Road.

This multi-client distribution centre is strategically located for logistics and complements SCI's portfolio of distribution facilities and growth plans in Metro Vancouver.



This quarter our team is donating to the CBRE COVID-19 Relief Fund – which is the largest fundraising campaign in our company's history.

The goal is to raise USD\$15 million in aid, including \$5 million from The CBRE Foundation which will match employee contributions dollar for dollar up to an additional \$5 million. These funds will be distributed to all affected regions including Vancouver.

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