

# Q2 2017

## METRO VANCOUVER INDUSTRIAL MARKETVIEW

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# CBRE

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### + QUICK STATS

Availability  
Rate (%)

Q2 2017

3.0%

Q1 2017

2.7%

Q-0-Q



Q2 2016

3.6%



Vacancy  
Rate (%)

1.8%

2.2%



2.0%



Absorption  
(sq. ft.)

118 KSF

1.98 MSF



1.12 MSF



New Supply  
(sq. ft.)

165 KSF

0.85 MSF



258 KSF



## ECONOMIC COMMENTARY

### THERE IS A LOT TO CELEBRATE AS CANADA TURNS 150

- OECD has revised Canadian GDP growth projection upwards for the second time to 2.8%, double that of the 1.4% growth from last year. As a result, Canada is now projected to be the fastest growing economy among the G7 developed nations, ahead of the United States.

- From April 2016 to April 2017 the labour market has created over 275,000 jobs (2/3 were full-time) and 55% were in the private sector. May 2017 job numbers surged further, beating expectations by 39,500 jobs created, and adding an impressive 54,500 new jobs well balanced around the major employment sectors.
- BC is projecting the lowest unemployment rate in 8 years for 2017, and the province is still expected to lead the country in real GDP growth for the third consecutive year amounting to 3.0% in 2017.
- BC's political landscape is likely to see the first minority government in 65 years and most infrastructure related businesses are faced with new levels of uncertainty.
- Major projects such as the Site C dam, Trans Mountain pipeline expansion, and the George Massey Tunnel replacement await their fate as neither of the proposed coalition leaders voiced support for these infrastructure upgrades.

Sources: OECD, Statistics Canada, CBRE Research, Thomson Reuters

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## Leasing

- The vacancy rate compressed further by 40 bps to 1.8% in Q2 2017, now only 30 bps from the all-time low vacancy of 1.5% in Q4 of 2005. CBRE predicts all time low vacancy of less than 1.5% will be achieved by end of year 2017.
- After leading North America with the lowest availability in Q1, the availability increased slightly to 3.0% in Q2, but remains well below the 3-year average of 5.1%. The majority of this increase can be attributed to two large inventory additions, one in North Burnaby (3100 Production Way – Brick Distribution Centre) for 396 KSF and the second in North Richmond (9311 River Road – Fraser River Terminals) for 206 KSF.
- Q2 saw very modest overall positive absorption for Metro Vancouver of only 118 KSF mainly due to the two aforementioned inventory additions. Clear top positive absorption performers were the less traditional markets of Tri-Cities/New Westminster at 384 KSF (largest figure in 8 quarters and no industrial inventory under construction), Maple Ridge/Pitt Meadows at 194 KSF (largely due to two transactions in Golden Ears Business Park totaling 317 KSF), and Langley at 183 KSF (no speculative projects under construction) of positive absorption respectively. Notably none of the top three performing markets delivered any new supply in Q2.
- New supply for the quarter was limited to only two markets – Delta and Surrey – delivering a mere 165 KSF, the lowest quarterly delivery since Q1 of 2011 and the lowest Q2 delivery in 10 years.
- The supply side is set to gain significant inventory in the last 2 quarters of the year, with 1.56 MSF projected to be delivered in Q3 (68% pre-committed) and 1.10 MSF in Q4 (35% pre-committed). The balance of only 1.21 MSF will experience significant demand from the 3.35 MSF of occupiers we are currently tracking with active requirements greater than 50 KSF. Surrey is the sole market set to deliver over 0.5 MSF over the remainder of 2017 (only 118 KSF available as of Q2) largely due to the construction activity in Campbell Heights.
- The Metro Vancouver industrial average lease rate went up by \$0.51 PSF in Q2 to \$9.19 PSF and remains well above the 3-year average of \$8.50 PSF. The markets of Burnaby, Langley, and Maple Ridge/Pitt Meadows all achieved historic highs in Q2 reaching average lease rates of \$11.61, \$8.90, and \$8.15 PSF respectively.

## Sales

### Q2 - 2017

- Only 40 industrial trades are thus far registered for Q2 of 2017. While more trades are set to be reported as the data from Land Titles is processed, in no case do we expect the final number to come close to the 168 trades registered in Q2 of 2016.
- In Q2 of 2017, 6 of the 40 sales transactions were greater than \$5M (only 1 greater than \$10M), 26 were below \$2M, and 54% of all transactions were industrial strata/condo sales.

### H1 - 2017

- 5 industrial investment transactions over \$10M took place since the start of 2017, down slightly from 6 trades in H1 2016.
- As a clear indication of a tightening sales market, H1 2017 saw only 151 industrial sales transactions, compared to the 325 transactions that closed in H1 2016.
- The average sale price for H1 of 2017 was \$275 per sq. ft. representing a 20% increase from the first half of 2016. We expect this trend to continue due to the ongoing lack of supply.
- Total dollar volume of trades in H1 of 2017 was \$402M, while H1 of 2016 saw nearly double the sales at \$798M.

## FURTHER TIGHTENING AHEAD

## SIGNIFICANT LEASE TRANSACTIONS



300 - 19055 Airport Way  
Pitt Meadows, BC

242,323 sq. ft.  
Tenant: Confidential



130 & 140 - 9410 River Road  
Delta, BC

133,870 sq. ft.  
Tenant: Triumph Express Inc.



2380 188th Street  
Surrey, BC

214,150 sq. ft.  
Tenant: DSV Solutions Inc.

## SIGNIFICANT REDUCTION IN SALES VOLUME TO CONTINUE IN 2017

## TOP SALE TRANSACTIONS



9255 194th Street  
Surrey, BC

\$27,525,000 (\$149 per sq. ft.)  
Purchaser: Greystone Managed Investments Inc.



1331-1371 McKeen Avenue;  
5-99 Senator Road  
North Vancouver, BC

\$115,021,310  
Purchaser: Wesbild Holdings Ltd.



6010 Trapp Avenue  
Burnaby, BC

\$8,300,000 (\$234 per sq. ft.)  
Purchaser: Wesgroup Investments Ltd.