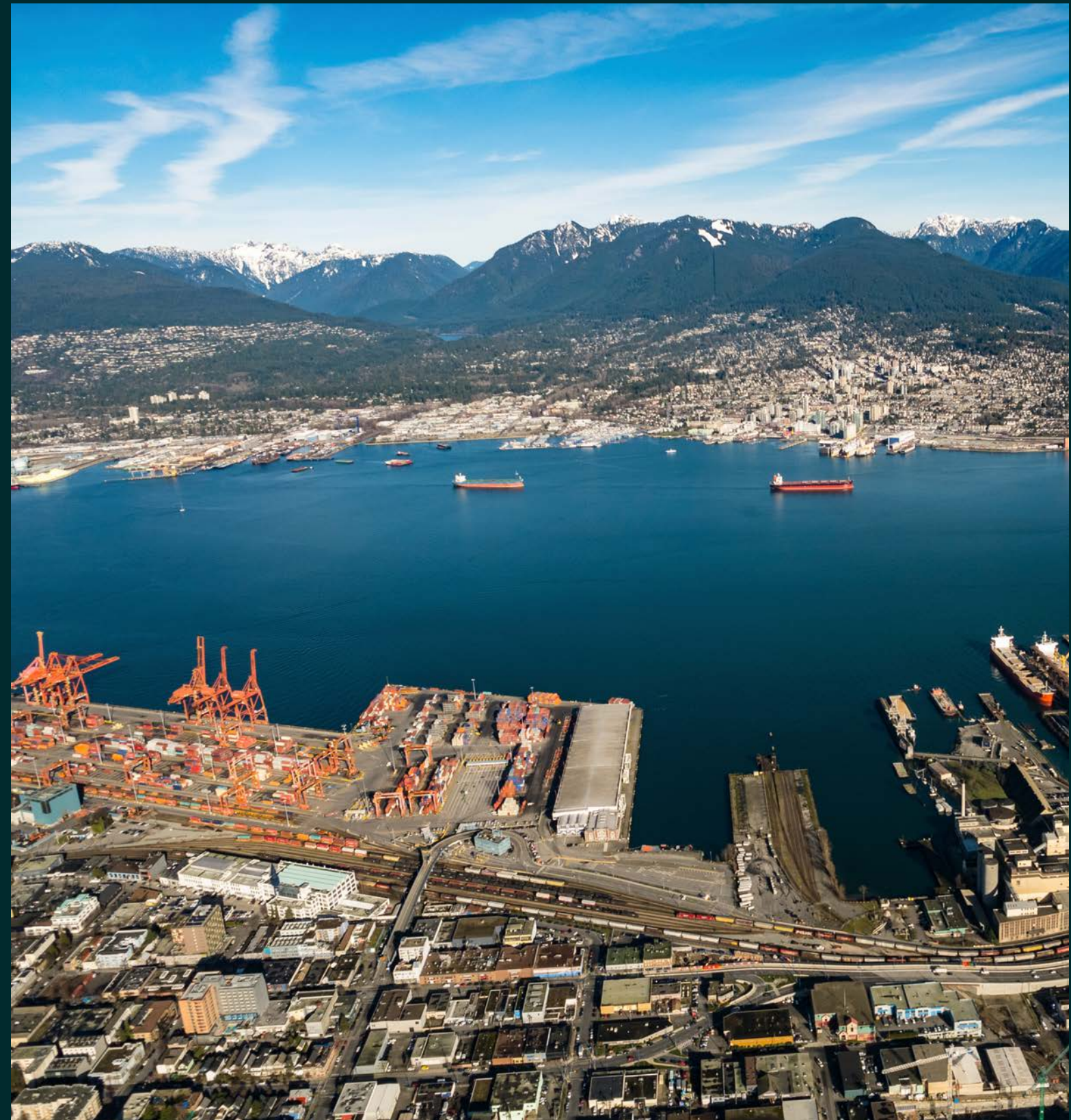


CBRE Metro Vancouver Industrial Team

2023 Industrial Market Report & 2024 Trends & Projections

CBRE



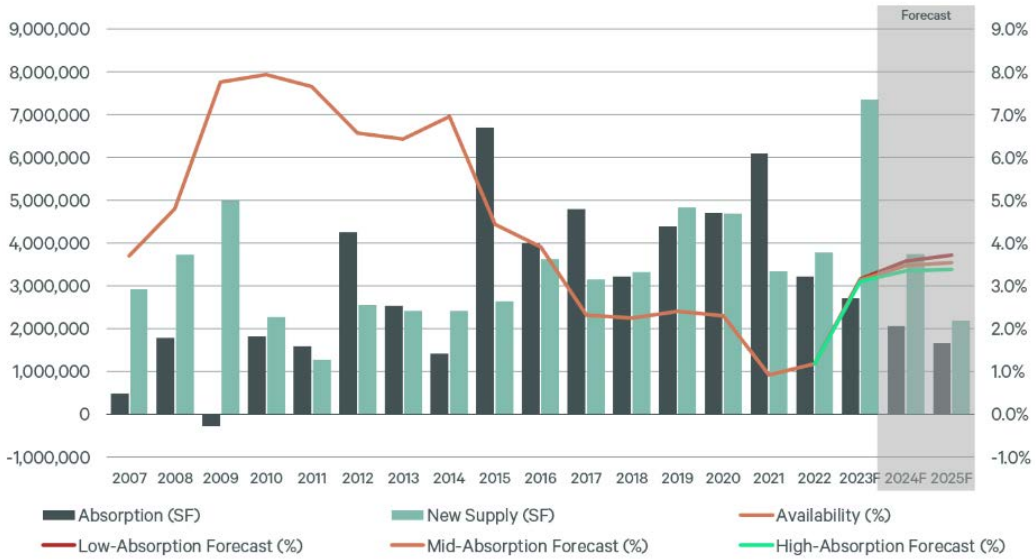
Vacancy

- Concerns about the economy, interest rates and consumer spending caused many industrial real estate occupiers and investors to curb their activity last year. However, the Metro Vancouver industrial market finished the year off strong, showing once again its resiliency and solid fundamentals. After hitting a high of **2.4%** in Q3, vacancy fell to **2.2%** in Q4, and that momentum is continuing into early 2024.
- Two submarkets are significantly below the average vacancy rate, being Tri-Cities (**0.85%**) and Delta (**1.37%**). Three submarkets have increased substantially and are well above the current average, being Langley (**4.18%**), Pitt Meadows/Maple Ridge (**3.83%**), and Abbotsford (**3.62%**).
- With good activity to start the year and a lack of new construction delivering in 2024, vacancy should remain flat throughout the year.
- As with 2023, there remains a severe lack of availability in large-format and bulk space, with currently no space **over 300,000 SF** to occupy in 2024.
- Metro Vancouver continues to have one of the lowest vacancy rates among major North American industrial markets.

Absorption & Supply

- 2023 concluded on a positive note with **1.1 million SF** of net absorption recorded over the final quarter, the largest quarterly net absorption in 2023.
- Nationally, Metro Vancouver achieved the strongest levels of positive net absorption compared to Toronto and Montreal, which both saw negative absorption.
- Strong precommitment levels were sustained in 2023 with **88%** of all industrial new supply delivering with pre-commitment agreements in place. Of the **926,000 SF** expected to complete in the next 6 months, over **40%** has pre-lease agreements in place.

Figure 1: Vacancy & Absorption Forecast



Source: CBRE Research, Q4 2023



2.22%

Q4 2023 Vacancy Rate

One of the lowest amongst North American industrial markets larger than 150 MSF

4.5 MSF

Under Construction and delivering in 2024

58% of this space has been pre-committed prior to completion

Figure 2: West Coast Leasing Marketing Q4 2023

Metro Vancouver

Q4 2023 Quick Stats

▲

3.2%

Availability Rate

▲

2.2%

Vacancy Rate

▼

1.59 MSF

New Supply

▲

\$21.61 PSF

Average Asking Lease Rate

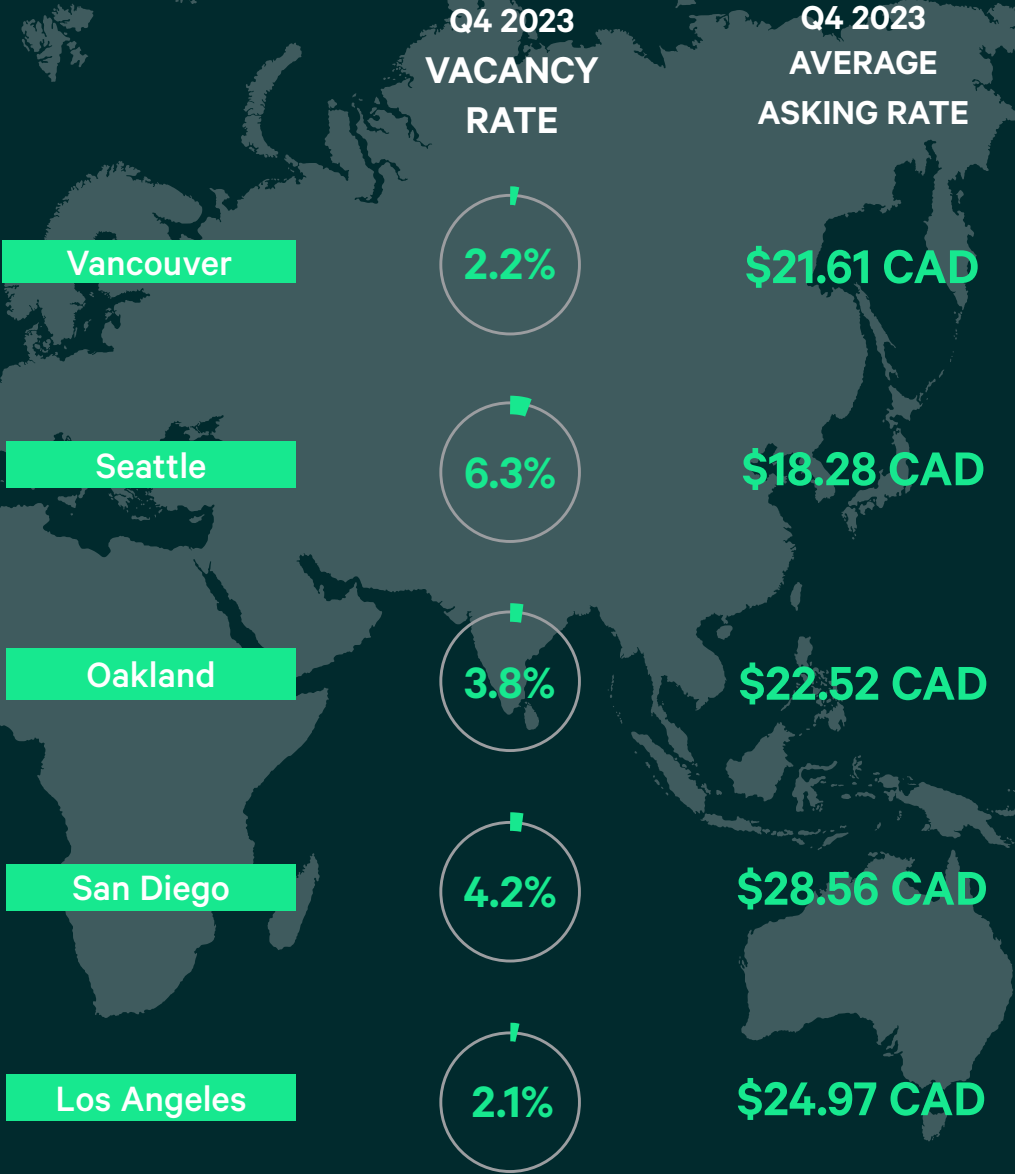
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1.07 MSF

Absorption

Average Asking Lease Rates

- Metro Vancouver ended the year with an average asking rate of **\$21.61 PSF**. Through 2023, Metro Vancouver average asking lease rate rose **3.7%**. Sublease availabilities are significantly impacting the average asking lease rate, with asking rates below **\$19 PSF**.
- 2024 may bring a further marginal decline in average asking lease rates initially. However, we predict this number to stay above **\$20 PSF** for the balance of the year and show a slight increase by year's end. New construction is still asking above the current average and the predicted absorption should keep lease rates from any significant decrease.



Source: CBRE, Q4 2023

Lease Market Trends and Drivers

01

Demand Drivers

2024 Demand Drivers – Logistics & Warehouse Manufacturing, Film & TV, Data Centres

Demand from logistics and manufacturing at the end of 2023 saw several large format spaces getting leased or put under contract. The main driver for 2024 will remain the logistics and distribution sector, while a return of the film industry will be a driver of the market providing a more diverse mix of tenants.

Data centres are a trend that Metro Vancouver has seen in the past several years, however with the various challenges (power, zoning, floodplain etc.), they have not been seen as a market driver. In 2024 we may finally see a path forward for some of these groups to get a significant footprint.

02

Return of E-commerce

Economic uncertainty and less need for additional product inventory resulted in fewer transactions by e-commerce groups in 2023. We predict these groups to return to the market in the later part of 2024, albeit with a more conservative approach than seen in recent years.

03

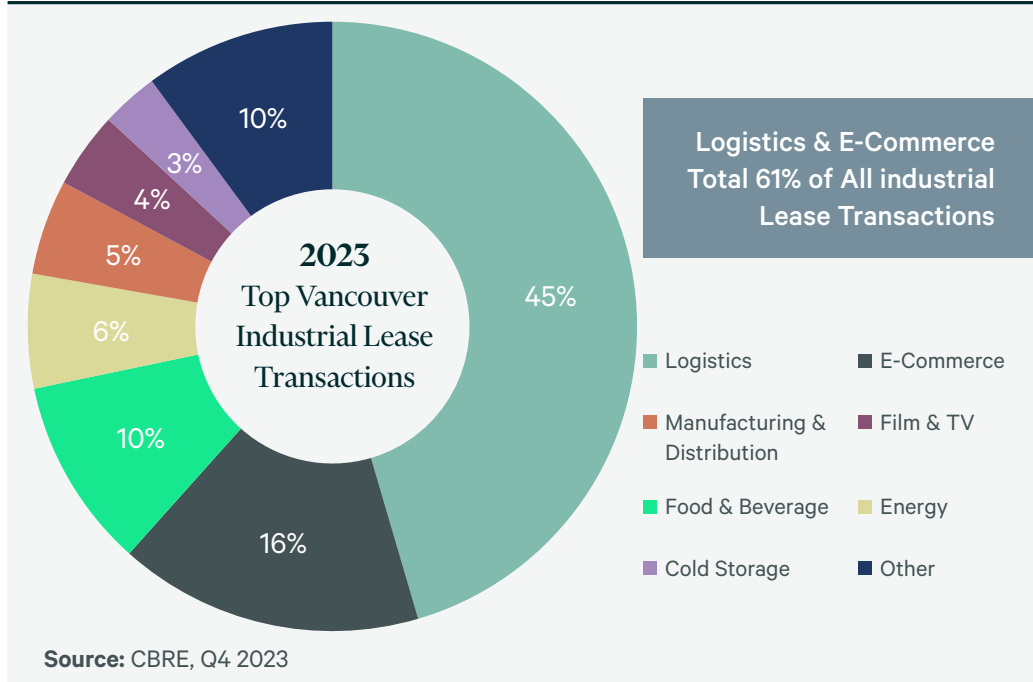
Automation

The past year saw many groups focus on “Right-Sizing”. In 2024 many groups will shift that focus to Automation, as well as Data & Analytics.

Organizations are expected to continue to assess and elevate whether to fully transform their digital infrastructure, including automation, with implementing immediate automation solutions for quick and highly repeatable tasks.

On the Data & Analytics side, organizations look to maximize the value of the plethora of data that supply chain functions generate. Firms are expected to invest in big data analytics and their associated applications to connect differing data sources across their value chain.

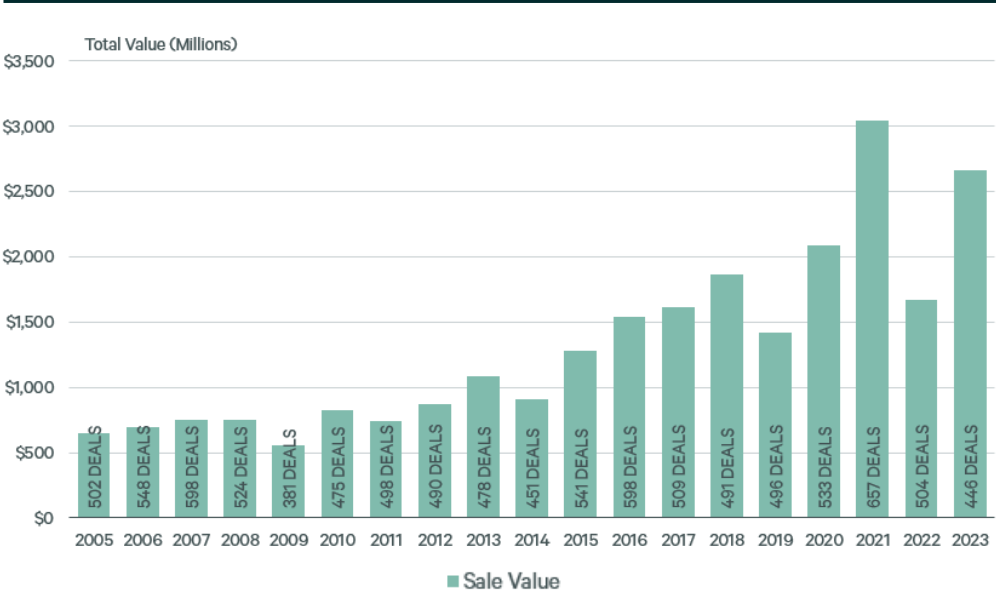
Figure 3: 2023 Top Vancouver Industrial Lease Transactions



Sales & Investments

- 2023 saw sales volume stayed on par with 2022 due to several presale strata projects closing throughout the year. New strata sales and owner-user acquisitions were down considerably, with the strata market being most affected by the investor not being able to service debt on their purchase and the owner-user struggling to secure debt or rationalize peak market pricing. With the decline in strata presales and the lack of new product delivering in 2024, we anticipate sale volume to be down significantly in 2024.
- The Industrial asset class in Metro Vancouver remains the preferred choice for investors as the underlying fundamentals remain strong. Even with a slight increase in vacancy, the lack of new supply will balance this out and keep the vacancy well below a balanced market. Another trend in 2023 was foreign capital acquiring industrial assets, which will continue as Canada is still believed to be one of the safest countries to invest in.

Figure 4: Historical Sales Trend - Achieved Average Industrial Value



Source: CBRE Research, RealNet, Q4 2023

- With the spread between Yield and Debt still too far apart, many investors chose to stay on the sidelines for 2023 and keep their “powder dry” in hopes of opportunities in 2024. Many investors are awaiting a rate cut before being active, while others see this as an opportunity to have less competition in the first half of 2024, and will try to take advantage. This strategy will pay off as we believe once there is velocity in the investment market, cap rates will compress and the investors that waited will see the gap between yield and debt stay relatively the same as it is now.
- The consensus from economists is that there will still be interest rate cuts, which is predicted to begin in Q2 2024. However, the recent volatility in inflation and economic indicators has tempered some of the conviction.

446

Sales & Investment Transactions

72%

of Metro Vancouver's total sale volume composed of strata sales

\$543 PSF

2023 Average Sales Price

- Some vendors are looking to dispose of class B or noncore assets to take advantage of the limited supply available in hopes of pushing values. These opportunities may be attractive to some investors as they will consider the underlying land value to rationalize the pricing. The flattening of lease rate growth will make it challenging for value-add investors in the coming years to find properties with significant rental upside. If we continue to see a lack of inventory, especially institutional grade, investors will seek to deploy this capital in other markets in Canada or the US.

2023 Top Investment Sales Transactions By Price

ADDRESS	MARKET	PRICE	PURCHASER
2325 190th Street Coast Heights Distribution Centre	Surrey	\$178,000,000	Crespoint Real Estate Investments Ltd./ AIMCO
6333 Unsworth Road, 44500 & 44688 South Sumas Road	Chilliwack	\$100,000,000 (est.)	Bosa Properties
380 Riverside Road	Abbotsfod	\$65,000,000	TFI International
20551 Langley Bypass Benchmark Commercial Centre	Langley	\$63,500,000	Benchmark Group of Companies
590 Ebury Place	Delta	\$62,750,000	Beedie (Ebury Place) Holdings Ltd.
8061 Lougheed Highway Lake City Court II	Burnaby	\$53,500,000	1420404 B.C. Ltd.
8355 Riverbend Court	Burnaby	\$48,900,000	Sunco Foods Inc.
1615 Franklin Street	Vancouver	\$43,750,000	SmartStop Asset Management LLC
1308 Adanac Street Aristotle	Vancouver	\$37,500,000	Porte Communities
9388 North Fraser Crescent	Burnaby	\$34,001,942	A2Z Capital

*As reported in RealNet.

Source: RealNet, Q4 2023

2023 Top Lease Transactions By Size

ADDRESS	MARKET	SIZE (SF)	TENANT	INDUSTRY
16133 Blundell Road	Richmond	647,142	ContainerWorld Forwarding Services Inc.	Logistics
7233 Progress Way	Delta	377,987	Artitzia	Warehousing & Distribution
18899 24th Avenue	Surrey	353,476	PetValu	Distribution
19550 34A Avenue	Surrey	230,335	IEM Industrial Electric	Manufacturing
18899 28th Avenue South Surrey Business Park	Surrey	214,844	DSV Solutions Inc.	Logistics
19550 36 Avenue	Surrey	212,351	Mountain Equipment Co.	Distribution
12091 88th Avenue	Surey	195,960	OceanWell	Manufacturing
5744 268 Street	Langley	157,850	FT Synthetics	Manufacturing
3200 East Broadway	Vancouver	155,000	Rolls Right Industries Ltd.	Logistics
102-16111 Blundell Road	Richmond	123,669	Olympia Transportation Ltd.	Logistics

● Pre-Lease Deal

Significant New Supply Delivering in 2024



Richmond Industrial Centre
8040 Zylmans Way
Richmond
275,000 SF



Richmond Industrial Centre
8031 Zylmans Way
Richmond
385,000 SF



Delta Link Business Centre
102-7555 Beedie Way
Delta
102,815 SF



Delta Link Business Centre
7233 Progress Way
Delta
377,987 SF



Sunmark Business Centre
2727 188th Street
Surrey
185,757 SF



Xchange Business Park - Bldg 1 & 2
30375 Blueridge Drive & 30315 Blueridge Drive
Abbotsford
257,498 SF

Land Market Trends & Projections

- Land values remained flat for 2023, while transaction volume fell by over 50%, the lowest number recorded in over 20 years. Two factors primarily attributed to this decline in transaction volume:

01

Challenges Securing Debt

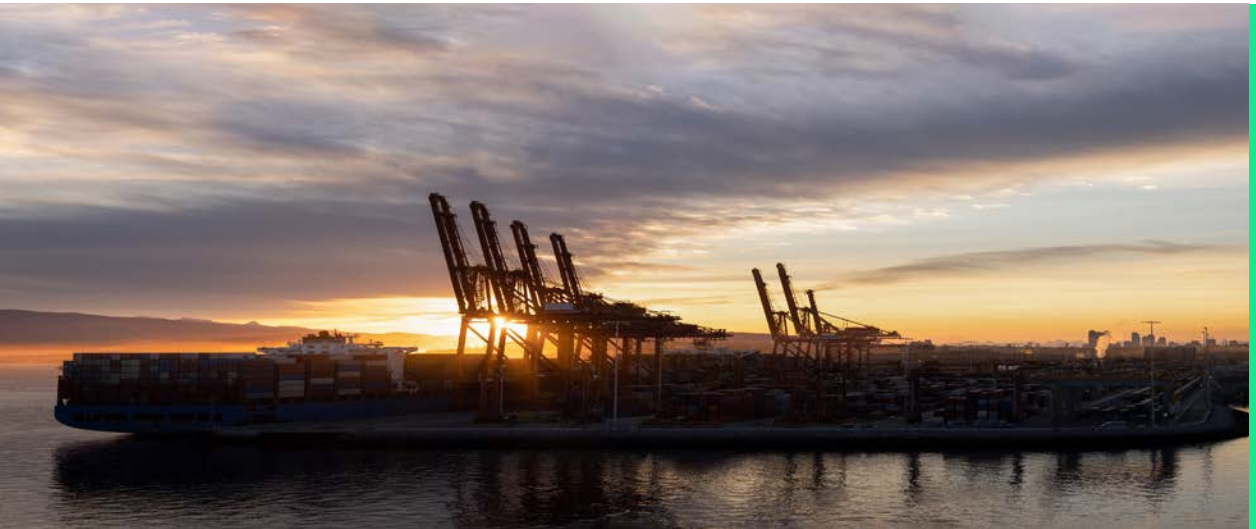
2023 saw significant challenges from purchaser's securing debt on land acquisitions, which contributed to the historically low volume in deals transacted.

02

Land Values

Land values did not decrease significantly enough for developers to rationalize projects.

- With the lack of inventory of vacant land available in Metro Vancouver, we anticipate values to remain steady and an increase in activity once the debt market eases interest on development land financing.
- Once end-user purchasing activity resumes in the strata market, we anticipate developers to move forward with construction on existing land bank inventory and be more active in acquiring land sites.



\$4.5 M

achieved average raw industrial land value as of December 31, 2023

2.2%

growth year-over-year in land price per acre

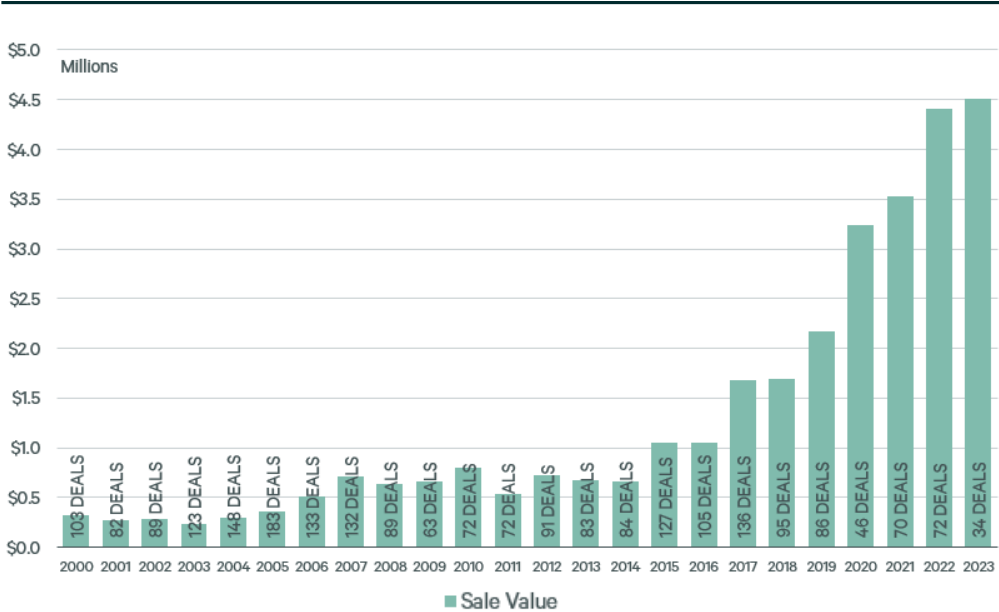
2023 Top Land Sales Transactions By Size

ADDRESS	MARKET	SIZE (ACRES)	PURCHASER
34980 Lougheed Highway	Mission	10.65	Ocean Trailer
13631 Vulcan Way	Richmond	9.49	Conwest Group of Companies
22650-22652 Fraser Highway	Langley	7.50	Wesmont
44137 & 44104 Progress Way	Chilliwack	6.73	BC Transit
34314 Vye Road	Abbotsford	6.55	1329712 B.C. Ltd.
23305 Old Yale Road	Langley	6.00	1339750 B.C. Ltd.
8300 Aitken Road	Chilliwack	5.46	1034508 B.C. Ltd.
43701 Industrial Way	Chilliwack	4.95	Tenshare Holdings Ltd.

**As reported in RealNet.*

Source: RealNet, Q4 2023

Figure 5: Historical Sales Trend - Achieved Average Raw Industrial Land Value



Source: CBRE Research, Altus, January 2024

Metro Vancouver Current Market Statistics

Figure 6: Q4 2023 Metro Vancouver Industrial Statistics

MARKET	INVENTORY (SF)	AVAILABILITY RATE	VACANCY RATE	NET ABSORPTION (SF)	NEW SUPPLY (SF)	UNDER CONSTRUCTION (SF)	AVERAGE ASKING LEASE RATE (\$PSF)	AVERAGE ADDITIONAL RENT (\$PSF)	GROSS RENTAL RATE (\$PSF)
Vancouver	24,203,982	3.15%	2.49%	132,739	201,384	928,040	\$23.18	\$8.38	\$31.56
Burnaby	31,462,445	3.82%	2.46%	-188,097	0	1,203,429	\$21.74	\$5.67	\$27.41
Richmond	37,646,247	2.55%	2.01%	-100,610	0	713,000	\$22.58	\$5.15	\$27.73
Tri-Cities & New West	19,652,241	1.78%	0.85%	37,081	0	547,991	\$22.01	\$5.99	\$28.00
Delta & TFN Lands	27,741,375	3.01%	1.37%	-147,936	0	862,177	\$22.04	\$4.87	\$26.91
Surrey	41,902,408	2.83%	2.16%	1,339,236	1,148,404	970,800	\$21.48	\$4.36	\$25.84
Langley	16,158,476	4.82%	4.18%	-58,980	54,869	50,000	\$20.65	\$3.98	\$26.60
Maple Ridge & Pitt Meadows	4,225,114	4.09%	3.83%	54,614	0	1,230,852	\$22.62	\$3.98	\$26.60
Abbotsford	7,773,594	5.12%	3.62%	-21,589	187,815	572,814	\$18.33	\$4.65	\$22.98
North Vancouver	5,377,904	3.63%	1.65%	22,883	0	0	\$20.28	\$7.86	\$28.14
Metro Vancouver	216,143,786	3.16%	2.22%	1,069,341	1,592,472	7,079,103	\$21.61	\$5.55	\$27.16
Chilliwack	5,257,609	5.53%	3.38%	429	173,948	84,170	\$15.70	\$3.90	\$19.60

Contacts

CBRE Metro Vancouver Industrial Team

Chris MacCauley
Personal Real Estate Corporation
Executive Vice President
Industrial Properties
604 662 5190
chris.maccauley@cbre.com

Joe Inkster
Personal Real Estate Corporation
Executive Vice President
Industrial Properties
604 662 5134
joe.inkster@cbre.com

Hayden Ferrill
Associate Vice President
Industrial Properties
778 372 1934
hayden.ferrill@cbre.com

Travis Blanleil
Senior Sales Associate
Industrial Properties
604 662 5100
travis.blanleil@cbre.com

Anthea Lo
Real Estate Services & Marketing Specialist
Industrial Properties
778 372 3936
anthea.lo@cbre.com

Brooke Lobson
Real Estate Services Specialist
Industrial Properties
604 662 5109
brooke.lobson@cbre.com